

*Federal-Provincial Fiscal Arrangements*

sion duties and gift taxes. We were told, when the capital gains tax was introduced, that the government was vacating certain tax fields; it would not levy succession duties and gift taxes. In the case of New Brunswick, for instance, the provincial government has moved into that tax field, or it wishes to do that. It seems to me that the federal government can be criticized for not having made arrangements under which provinces could enter the tax field vacated by the federal government.

Since capital gains tax is to be levied, it seems to me that arrangements should have been made with the provinces to avoid double taxation. Therefore, I suggest that the federal government may be open to criticism on that score. I say that it is most unfortunate to contemplate the incidence of double taxation in New Brunswick. If small or even large family businesses are saddled with succession duties, those businesses may have to be sold at sacrifice prices. That situation will do no one any good, and those wheels which have been contributing to our economy in that area may be stopped, perhaps for a long time to come. I feel the government has overlooked that. Whether the situation can be corrected at this late date I do not know. I know the matter is serious in my province.

I am pleased to see that under the bill there is a five-year guarantee which provides that each province shall receive as much revenue from the reformed personal income tax system as it would have received under the old system. That certainly will reassure the provinces.

The next item, as I read it, extends for two years the existing system of federal payments for post-secondary education and certain technical changes in the established program are to be made with regard to Quebec. We are all concerned about such matters. After all, although we sit here as federal representatives we all come from a province and are interested in back home.

I remember a few years ago coming into the New Brunswick legislature with some details about a federal-provincial tax agreement. My recollection is not perfect in regard to every detail; however, I remember that after the Second World War the premier of New Brunswick used to report to the legislature when he returned from provincial conferences. He would report that an arrangement had been made with the federal authorities for the rental of the income tax field. That is how we referred to it in those days. We rented the tax field, thereby giving the federal government authority to collect taxes. He would give the details of the arrangement and then say that it was the best arrangement that could be secured in view of conditions prevailing.

The amount of money that this involved for New Brunswick under the tax rental agreement of those days has little relation to the amount that New Brunswick now receives under the equalization formula. Actually, at present there seems to be no connection between the amount rented out, so to speak, and the amount received under this act. I put that difference down to inflation, Mr. Speaker. If I may digress for a moment, let me ask where this extra money is coming from. The extra cash the province receives in return for vacating this field can be put down to the workings of inflation. It seems to me that we are suffering a good deal of inflation and if present rates of inflation continue for 10 or 15 years the consequences will be serious. This is a problem to which we

[Mr. Flemming.]

should attend. Should we not address ourselves a little more diligently to the question of inflation?

From time to time, especially during the last two or three years, there have been strikes involving Air Canada. We have been bothered by the strikes, not knowing whether we could travel to our destinations by air. They caused great inconvenience. The strikes have now been settled. But the other day I talked to a man who had been involved in a strike and he said yes, they had accepted a settlement but he felt the cost of living had risen so much in the interval that the amount he would get after the strike would not buy much more than it could have bought before the strike. The point is that we must recognize the fact of inflation. The President of the Treasury Board (Mr. Drury) the other day brought down a record spending budget. The question is, where will all the money which the government will spend come from? I am afraid that much of it is the result of inflation. If I am right, the implications for us are serious. That is something that we in this chamber should address ourselves to in an attempt to find a solution as quickly as possible.

If I may refer to 1955, let me say that in the Dominion-Provincial Conference of that year we made certain proposals to the government which, although not entirely implemented at that time, have pretty well been implemented since. We said it was important to discuss the principle of federal-provincial assistance to the provinces for the broad purpose of resource development, this proposal being designed to meet a situation with which most provinces had grown familiar. I would say, generally, that the suggestions we made in 1955 have now been recognized by the federal authorities as valid.

During the ten-year period following, and even subsequently, there was broad development of our national economy. At the same time, social welfare measures, either entirely as introduced by the provinces or in part supported by federal revenue, accomplished much to bring about a certain levelling of incomes. These accomplishments, both economic and social, have been substantial and those whose foresight and administrative ability had contributed to the success of those programs were people active on both the national and provincial scene. They certainly had a hand in the improvements that came about. I think all those people deserve full credit for what has happened.

• (2040)

At the same meeting, the second matter we wanted to discuss was the difference in taxable capacities of the provinces. That is what I have been talking about; it is what is embodied in this bill. This principle, which has now been accepted, has been expounded by the minister. It makes me feel pretty good that we were on such solid and safe ground when we made that request back in 1955.

I have always felt that general economic conditions in every part of Canada are the basis upon which the future unity and progress of our country depends. I would like to repeat those words because I think they bear repeating: I have always felt that general economic conditions in every part of Canada are the basis on which the future unity and progress of our country depends. I still believe that. I believe in a national policy specifically designed to recognize income disparity and to do something about it,