

**LEGISLATIVE ASSEMBLY OF SASKATCHEWAN**  
**Third Session — Twelfth Legislature**  
**16th Day**

**Thursday, March 3, 1955**

The House met at three o'clock p.m.

**FEDERAL-PROVINCIAL AGRICULTURAL CONFERENCE**

Moved by Mr. Brown (Bengough), seconded by Mr. Brown (Last Mountain):

“That this Assembly, recognizing that the decline in net farm income resulting from the failure to establish a national agricultural policy based on parity and orderly marketing, has adversely affected our whole Canadian economy, calls upon the Federal Government to convene a Federal-Provincial Agricultural Conference to draft a comprehensive agricultural policy, for submission to Parliament at the earliest possible date, that will provide farmers of Canada with their fair share of the net national income; the said Conference to have particular reference to:

- (a) the establishing of national marketing boards for livestock, dairy and poultry products as a means of ensuring price stability and orderly marketing;
- (b) the effecting of long-term contracts for agricultural products as a further means of price stabilization; and
- (c) the establishment of price supports to the producer, which shall be related to parity based on an acceptable formula.

And further, That this Assembly recommends that the Government of Saskatchewan take all necessary steps, upon consummation of the policy herein referred to, to assure its proper and immediate implementation in this Province.”

**Mr. A.L.S. Brown (Bengough):** — Mr. Speaker, the Resolution which I am about to introduce deals with the question of agriculture and endeavours, in the form of a resolution, to make suggestions as to how we can improve our general agricultural economy.

When this resolution first appeared on the Order Paper, the Minister of Agriculture (Hon. Mr. Nollet) suggested to me that it was not a resolution, but rather that it was, in itself, a brief period I think you will realize, Mr. Speaker, that to deal with the complex question of the sound agricultural policy you must take into consideration several factors; and while, in this resolution, I have not undertaken to outline all of those important factors, nevertheless I do feel that in this resolution we are suggesting those factors around which a sound economic agricultural policy can be built.

**March 3, 1955**

There are other factors which enter into an agricultural policy which must, of necessity, be considered as well. For instance, there is the question of means and ways of increasing our production in the agricultural field; the question of improving the quality of our production, so that we can better meet, if necessary, the competition which our production must meet. There is the question of establishing more economic and more efficient units of production so that, with the means at our disposal, we can have a better return for our labour and for our investment.

There is the question of extending the frontiers back so that we can, in areas not already under production, bring them under production and so increase our production. There is the question of establishing means of irrigation in this province so that, once again, we can have a more stable agricultural production, a more stable agricultural economy.

The question of extending and increasing the co-operative movement, both in the producer and in the consumer field, also enters the picture, so that we can, through this medium, return to the producer a greater amount of the consumer dollar and at the same time make for more efficient production and distribution of those products. There is, also, extension of producer-owned facilities for the handling of our products, so that we may be able to take these products more efficiently from the farm to the manufacturer, or, if necessary, to the consumer as well.

There is the question of grading of our products — grading in a proper manner, so that we will have a more uniform and a more reliable means of grading those products which we grow. An example of how this might be incorporated into an agricultural policy is more use of boards of commissioners. We have, as we are all aware, a Board of Grain Commissioners which sets the grade standards for our cereal crops. The same principle no doubt would have to be, and no doubt should be, applied to other agricultural products as well. But on the whole, I think that we can build our general agricultural policy around three main factors, the first one being the question of establishing national marketing boards, so that we can, through this means obtain orderly marketing for our products, orderly marketing such as we have succeeded in obtaining in respect to our grain, particularly wheat, through the medium of the Canadian Wheat Board, a national marketing board for the marketing of our wheat. Through this medium we can bring price stability to a greater degree to our industry than we can through marketing through means other than a national marketing board.

The second factor is the establishment of long-term contracts to supply markets for our products so that we can be assured that we will have a market for the products which we produce is also desirable.

And, the third: that we establish an internal price structure within Canada, a price structure based on parity, a price structure which will assure to the agricultural industry that they shall have a fair share of the national income.

I suggest that these three are the most important factors around which we can undertake to build a sound agricultural policy; and I suggest that it is important that we undertake to formulate such a policy. In Saskatchewan in particular, and in Canada in general, we have insecurity in agriculture, something that we have had for a goodly number of years, possibly for the whole

history of the agricultural industry in Canada. The decline in farm income in the past two or three years in particular, indicates that we must, if the agricultural industry is going to survive, have a sound economic policy for agriculture. The failure to have such a policy has adversely affected our whole Canadian economy, with the result that we have unemployment in the manufacturing industries due to the fact that there is a lack of purchasing power in the hands of the producers, particularly of western Canada. Once you get a lack of purchasing power in the hands of the farmers you create the circle of unemployment and it becomes at once a vicious circle. Unemployment reduces the purchasing power of those people who buy our products and that, once again, forces down the purchasing power of the producer, and a continuation of that vicious circle could very well lead us into an economic depression.

In addition, the need for establishing a sound agricultural policy in Canada is possibly more important, today, than it was, say, two or three years ago. Two or three years ago, we here in Canada, to some extent at least, were tied in with the agricultural policy in the United States. We have seen, in the last two or three years, that there has been a decline, and in some cases a drastic decline, in the farm prices in the United States. These are unquestionably being reflected and will continue to be reflected in the price which we receive for our products here in Canada. We can no longer depend upon the agricultural policies of the United States to bolster up the agricultural economy here in Canada. In addition to that, we have lost the United States' market for our agricultural products, that is, the portion of that market which we did have.

The question of a sound agricultural policy is interwoven with the general national economy. I realize and appreciate the you cannot have a sound agricultural industry, a sound agricultural economy, unless it is within the framework of a sound national general economy. You cannot have a fair price for our agricultural products, you cannot have an assured market for our products, unless you have, in Canada, full employment and an ever-expanding production. That is absolutely essential. But it is equally true that you cannot have a sound national economy, you cannot have full employment and an expanding economy unless agriculture receives its fair share of the national product. As has been said in respect to the world — the world cannot continue to live half free and half slaves; it is equally true that a nation cannot live half prosperous and half depressed.

In the interest of a sound national economy I suggest that we have a responsibility to see to it that we have a sound agricultural policy. The responsibility for having a sound agricultural policy depends on all levels of government in this federation of ours. It must depend upon the Federal Government to take the lead, for it is the Federal Government that has control of the fiscal policies of our country. It is the Federal Government that has jurisdiction and control over the trade policies of this nation and they have, within their powers, the means by which they can direct the general Canadian economy, so I suggest, therefore, that it is their responsibility to undertake the lead in providing the means by which we can have this policy to which I refer.

We in this Legislature unquestionably have a responsibility, and in our resolution we are suggesting that, if there is any responsibility after defining what that responsibility is we should immediately undertake to play our part in building it. This Government, as a representative of the farming province,

**March 3, 1955**

has its responsibility in that respect, and I can assure you that, from my experience and associations with this Government, they have shown that they are only too anxious and too willing to undertake any necessary action to bring forth a sound agricultural policy.

Our farm organizations have their place and their part to play in this, as well. Our farm organizations, on both the provincial and national level, have a responsibility. Therefore, because of the complexity of this problem and because the responsibility rests upon more shoulders than one, we are suggesting that the Federal Government undertake to call a Dominion-Provincial Conference, at the earliest possible moment, composed of representatives of the Federal Government, the Provincial Government and our farm organizations to draft a policy with a view to having our Federal Government undertake to implement their part, this Government their part, and the farm organizations their part.

The purpose of this Conference would be, as I have suggested, to deal with all phases, but more particularly those to which I referred earlier — first, of establishing national marketing board; second, effecting long-term contracts; third, implementing price support to the producers, such price support to relate to parity on a formula which can be accepted by all.

I will undertake to discuss these briefly, but I will undertake to discuss them in reverse order; that is, I will undertake to discuss the question of price support first. I do that because it is something that can be done quickly and can be quickly put into effect. Basically, a price support can be done on an internal basis, and, furthermore, the legislation is already there by which we can undertake to establish price support.

In this House I doubt if there is any need for me to illustrate the necessity of having a price support based on parity. I said, a few days ago in this House, that the average income of the rural worker was below \$1,100 per year, and that the average labour return of the majority of rural workers in this province was below the minimum wage established by this Legislature. I suggest that that, in itself, is illustration enough that we in Saskatchewan need a price support policy based on parity.

We can look at it in a different way. We can take, for instance, in 1951, some three years ago, the producer received 41.2 per cent of the consumer dollar; in 1953, two years later, that had dropped to 38.9 per cent, or a decline of 2.3 per cent, a decline during a period in which agriculture, at least in western Canada, had some of its best agricultural production in the form of wheat production. We can look at it in this way — and while I do not like to use too many figures, Mr. Speaker, for I sometimes feel that speakers use figures much as a drunken man uses a lamp post, more for support than for illumination; however, if you will bear with me for a moment or two, I think that the illustration of the decline in the share of which agriculture is receiving of the national income over the period of the last 12 or 14 years indicates that we, today, need a price support policy based on parity as much as we did any time in the history of the agricultural industry.

In 1941, for example, the agricultural labour force constituted 24.5 per cent of the labour force. They received, in 1941, 7.8 per cent of the national income.

In 1951, the proportion had gone up in favour of the agricultural producer. In 1951, agriculture received 13.3 per cent and constituted only 16 per cent of the labour force.

Two years later, in 1953, the agricultural labour force remained approximately the same, yet it received only 9.9 per cent, a decline, Mr. Speaker, over a period of two years, of 4.4 per cent of the national income.

In 1954 it is estimated, on the same labour force figures, that agriculture will receive 7.5 per cent — a further decline, in one year, of 2.2 per cent, making a total decline, since 1951, over a period of three years, of 6.6 per cent; from 13.3 per cent of the national income to 7.5 per cent of the national income, a decline in farm income in one year by \$500 million.

I suggest to you, Mr. Speaker, that this is due very little to the crop failure which we suffered here in Saskatchewan, this year. That decline in farm income will be more clearly noted in the farm income for 1955, for, irrespective of the amount of grain which we might have grown in this province, it is doubtful if, at the end of the year, we would have been able to market it much more than we have.

We can take another look at it in the respect of farm costs as related to farm prices, which in the final analysis, is what determines our standard of living on our farms, and to a large extent determines that which we have to spend for other than production. In 1945, for example, prices stood at 189.41; that is, in 1945, the prices were 189 as compared to 100 in the base period from 1935 to 1939. That means that farm prices have increased by 89 per cent as from 1935-39. Costs at that time stood at 140 in relation to the same base period. In 1954, some nine years later, prices have climbed to the point where they were 210 per cent of the 1935-39 level; costs, however, had increased up to 234 per cent of the 1935-39 level. That means that prices increased by approximately 20 per cent during that period, and the farm costs have increased by 94 per cent.

I do not think anyone will suggest that, in 1945, agriculture was on a parity basis. It is much worse today. Prices have gone up 20 per cent; costs have gone up 94 per cent. To give the same purchasing power on a general level, farm prices would have to go up 50 per cent. That is, to give the same purchasing power for our unit of products today as it had in 1945, the general level of farm products would have to increase by 50 per cent.

During the last three years farm prices themselves have declined by 21 per cent, and yet, during that same period, costs have increased. We use as an example one of the main items that enters into the cost of production, that of the purchase of farm machinery. Since 1945 the price of farm machinery to the farm producer has gone up by 72 per cent. Since 1951 the price of farm machinery has gone up by 6.2 per cent.

I do not think I need to illustrate further, Mr. Speaker, the absolute necessity of us having a price support system based on a parity relationship; for if this trend continues, this trend of a continual cost-price squeeze in which the producer is the victim, it will continue adversely to affect not only the producer, but will continue adversely to affect the whole national economy. Even if this cost-price squeeze remains the same, it will have the same effect

**March 3, 1955**

and will bring economic ruin not only to the farmers, but economic ruin possibly to the whole Canadian economy.

I think there is something even further upon which we can base an argument for price support based on parity for the producer. There is a stated, implied moral obligation upon the Federal Government to implement such a policy. We have the statement made by the Prime Minister of Canada, Mr. King, in a radio broadcast on December 4, 1943. I think this was an important statement which he made at that time, because it was possibly largely on this basis that we, as producers, accepted the controls, imposed during the war, which kept our products below the level which they might normally have reached. Mr. King, at that time, stated as follows:

“If to help win the war of the farmers are asked to accept a ceiling on price we believe they are entitled to a floor on their prices to insure them against an agricultural depression after the war. As an essential part of its post-war policy the Government intends to ask Parliament, at the next session, to place a floor under the prices of the main farm commodities.”

The Government (and properly so), during the war, used its facilities and its power to prevent the raising of farm prices. As an example, I don't think there is any doubt but that wheat would have gone to \$3 or \$4 a bushel if it had not been controlled. But we, as producers, accepted that. We accepted it because we thought it was right, and because we had no time have ever asked more for our products than a parity price.

We have believed for a long time, farm organizations and farmers within farm organizations have believed in the parity policy. We did not ask at that time, nor do we asked now, that we should be put in a preferred position; but, because we accepted the parity concept in those days, because we did not use our position to obtain that at the expense of someone else, we felt that we made a contribution to the winning of the war, and we feel equally satisfied, by virtue of the fact that we have made food available to other nations of the world, that we made a contribution to the winning of the piece as well.

So, the Federal Government, of the same stripe as Mr. King's was, has a moral and, indeed, a stated obligation to the producers of agricultural products to place them on a parity level.

The Government in the following year went one step further than that. They did implement in legislative terms the commitment which Mr. King made in that radio broadcast. They did bring into being the Agricultural Prices Support Act and in glowing terms they outlined what they were prepared to do. In that Prices Support Act they went even further than did Mr. Mackenzie King in his radio broadcast of about a year before. This abstract from the Prices Support Act has been read in this House before, but I propose to read it again, Mr. Speaker, because I suggest that it is important. It indicates what the producers thought the Federal Government were going to do at that time, and I read it, further, because I propose to accuse the Federal Government of breaking its own Act either deliberately, or else through lack of courage to implement a policy as outlined in the legislation, or else, of completely and callously disregarding the interest of the agricultural industry, and of a large segment of the population of Canada.

I accuse them of breaking the Act in wording and certainly in spirit and intent of the Act. I think, as I read this abstract from the Act, you will see it clearly stated and implied that they are going to use the Agricultural Prices Support Act as the means of maintaining parity. Section 9, subsection 1, of the Act states:

“For the purpose of this Act, the Board shall, subject to and in accordance with the regulations made by the Governor in Council, have authority

(a) to prescribe from time to time with the approval of the Governor in Council prices at which the Board may purchase agricultural products in the market;

(c) to pay to the producers of an agricultural product directly or through such agents as the Board may determine, the difference between a price prescribed by the Board with the approval of the Governor in Council for such product and the average price as determined by the Board at which such product is sold in the market during the specified period if such average price is below such prescribed price.

Subsection 2 of the same Section states:

“In prescribing prices under paragraphs (a) and (c) of subsection 1, the Board shall endeavour to ensure adequate and stable returns for agriculture and promoting orderly adjustment from war to peace conditions and it shall endeavour to secure a fair relationship between the returns from agriculture and those from other occupations.”

You will note, Mr. Speaker, that it states “an orderly adjustment from war to peace.” Since that time, in 1949, this is being made a permanent part of the statutes of Canada, so the principle enunciated in this Act is to apply under all conditions in our society and in the Dominion of Canada.

I suggest they have broken the Act on two bases. First of all, they have made no payment direct to the producers and, secondly, they have not undertaken to secure a fair relationship between the returns from agriculture and those from other occupations. In that respect, I suggest, Mr. Speaker, that they have broken the Act. At no time has this guaranteed to the producer that he would receive the benefits of the Prices Support Act, the policies which they have undertaken.

We can use for an example, eggs. Under the Prices Support Act they guaranteed to the packers or to the processors 38 cents a dozen. That did not prevent eggs from being sold in this province by the producer for as low as 15 or 17 cents a dozen. No one can suggest that 38 cents a dozen will assure to the poultry producer that he is getting his fair relationship with other occupational groups.

In addition, it has not undertaken to guarantee any return whatsoever except on the top grade. This is being used strictly as a means by which

**March 3, 1955**

they can guarantee losses by the processors and packers and not to maintain a fair relationship between the producer of agricultural products and other people.

And, further, in this Act, Mr. Speaker, they set up a fund of \$200 million for the purpose of (as they called it) supporting prices, putting floor prices under agriculture. Yet, in spite of the fact that in practically every agricultural commodity we have seen a decline, only \$80 million is being used out of this fund.

Apparently now, Mr. Speaker, they are trying to use this Act — an Act in which they state, in legislative terms, that they were going to undertake to create a parity concept and a parity structure; apparently they are using this Act today and this fund as a disaster-prevention fund. They are putting the Agricultural Prices Support Act in the same category as unemployment insurance and relief, rather than using it as a means (as they stated they would) of assuring a fair return for the labour of one who has laboured and has produced.

In this respect, Mr. Speaker, this proposed conference will have the legislation upon which it can base its recommendations. This conference will have the responsibility of seeing to it that proper and effective ways are found of implementing the provisions of this Agriculture Prices Support Act. If that Act was properly administrated and properly implemented, we would have a parity concept for our agricultural products, and would have a prices support under our products.

We have a basis for the negotiation of a parity concept. I will agree, Mr. Speaker, that there is controversy, in some cases confusion, as to a parity concept; but for the basis of negotiation at this conference I am prepared to accept the parity concept as outlined by Mr. Gardiner, the federal Minister of Agriculture, speaking in the House on February 9, 1946, when he stated:

“Parity price is the price of a commodity which will give a purchasing power with respect to articles that the farmer buys equivalent to the purchasing power of such commodity in the base period.”

I suggest for the basis of negotiations I am prepared to accept that as a parity concept, realizing that improvements can be made upon that. Out of the conference there might be devised a more acceptable parity concept than even that proposed by Mr. Gardiner.

Let no one argue that prices support, based on a parity formula, would have an adverse effect on our economy. Let no one argue that bringing into effect a parity price principle will create surplus. It is not the application of the parity price formula in the United States that created those so-called surpluses. It was, in the United States, lack of full employment and lack of a high level of purchasing power within the United States that did create the surplus. In Canada, if there is any surplus, it has not been caused because we have got a parity price, or a parity structure, because we haven't; but rather any surpluses which have been built up in this Dominion of ours have been built up because of a lack of policy for the distribution of the wealth in cash, and an utter and entire lack of an export policy, an export policy which could bring to the hungry peoples of the world all the food that we could produce, or that we have produced.



I suggest to you, Mr. Speaker, that in this Canada of ours and on the North American continent, it is sacrilege to speak of surplus or the creation of a surplus when we have as many hungry people in the world as we have today, as many going to bed at night without even enough to eat; and we must not have a decline in production, but we must have an ever-increasing production. One of the means by which you can get that increased production, as we proved during the war, is to have a price structure under our products which will ensure that that production can expand and can continue.

Now, Mr. Speaker, for a moment or two, turning to the other two questions: the question of long-term contracts, and national marketing boards. In a country such as ours in which we must, of necessity, if we are going to have full production, have an export market, long-term contracts are essential; long-term contracts with importing countries who need and can utilize that food production which we in this province undertake; long-term contracts, either on a bi-lateral or on a multi-lateral basis. We have had experience with these contracts and I suggest on the whole our experience with these contracts has been good. We had, during the war, a contract with Great Britain under which we agreed to supply, and they agreed to purchase, a certain amount of our products, of bacon and of eggs. I feel that this gave assurance to the producer in Canada that he had a market for his products and at the same time gave these importing countries the assurance of some place to obtain their supplies.

It is true that, if we are going to enter into long-term contracts on a realistic basis, we must, of necessity, be prepared to take their goods in exchange for ours. We must be prepared to accept, if necessary, their currency either to produce their goods, or goods from other countries using the same currency, or to make investments in these other nations. There is no great obstacle in the way of us undertaking trade such as this. Other nations, other countries, have done likewise to the benefit of both parties, and I suggest that it would be in our immediate interests, and certainly in our long-term interest, if we would undertake to establish long-term contracts of a nature which we had during the war.

We have multi-lateral agreements such as our wheat agreement, which has brought some stability to the marketing of this very important grain. Within the framework of the International Wheat Agreement unquestionably we can work in other contracts by which we undertake to sell to those people in the I.W.A. and by which we undertake to buy from them. These long-term contracts brought stability and, to some extent, security to this country of ours. As I suggest, if they were important in the war, they are equally as important and equally as necessary now; for, as I suggested a moment ago we here in Canada can produce much more than we can consume. I think, Mr. Speaker, this is important. With the loss of these contracts we lost the market for our products.

I have stated previously, and I repeat my statement, that federal policies have succeeded in losing for us our contracts and our markets for bacon, eggs, cattle and other agricultural products, and the continuation of the same type of policies could lose us the market for the only product we have got left, that of wheat. I suggest that, to our Canadian economy, export markets are not only important, they are absolutely essential.

Turning to the question of the National Marketing Boards (and I stress the word 'National') for these marketing boards must be established on a

national scale. As I have suggested, the national government has control of the fiscal policies of this country, policies of tariffs and dumping duties, which can be imposed or can be removed by the Federal Government. They have the means of using a price support in conjunction with a national marketing board. They control the flow of products in inter-provincial trade. They control the flow of markets, and they can assist the flow of products onto the national markets. They are the ones, and the only ones, who can make contracts with the importing countries and are the only ones who can utilize foreign currency. I suggest, therefore, in considering marketing boards, we must stress that they must be, in the final analysis, on a national level, on the same level as our Canadian Wheat Board, and acting in the same respect as a central selling agency; for only on a national level can you have selling agencies which are not in competition with you. It is only through having one central selling agency that you can eliminate competitions and possibly price ruination through the medium of one selling agency attempting to compete with another.

However, that does not eliminate the necessity of us having producer organizations working within the framework of national marketing boards. As an example of something we have already got, we have the Wheat Pool, the farmers' co-operative marketing organization, working within the framework of the Canadian Wheat Board. I suggest that this can be repeated in other ones as well.

In conclusion, Mr. Speaker, I wish to repeat a remark that I made at the outset — that we cannot have a sound agricultural economy without having a sound national economy. We cannot have a stable agricultural industry unless we have a national economy in which we have got full production and full employment. As I suggested, it is equally true that you cannot have that kind of a national economy, and national economy of full employment and high purchasing power, unless you have a sound, stable agricultural economy. Mr. Speaker, I therefore move, seconded by Mr. R. Brown (Last Mountain), the motion standing in my name on the Order Paper.

**Mr. R. Brown (Last Mountain):** Mr. Speaker, it may be a little tough on the House, this afternoon, having to listen to two members by the name of 'Brown', but we can assure you it is deliberate. He said in one of his speeches that we shall both take pleasure in taking credit if they are good, and, of course, if they are both bad, we will each blame it on the other one.

I am rather pleased to have an opportunity to second this resolution, Mr. Speaker, and to say a few words on the matter, this afternoon. We on this side of the House have been maintaining for some time that the problems which are confronting the farmer to date have not been brought about, as suggested by the hon. members of the Opposition, by any policies of this Government or lack of policies of this Government, but, on the other hand, by the complete lack of an agricultural policy on the part of the Federal Government. We have been saying that the big problem confronting the farmer today is the ever-worsening cost-price relationship with regard to his operations.

The member for Bengough has dealt with that to some extent, but I would like to pursue it just a little bit further, this afternoon. The member for Bengough gave us some facts and figures in connection with the decline in

farm income, and mentioned to some extent the ever-increasing farm costs. He did not, however, give us any concrete examples of the increase in farm costs, and I think we all realize that one of the major costs of operation in farming in this day and age is the cost of farm machinery. Consequently I would like to quote just one or two examples of the increases in farm machinery over the last few years.

In 1945, the retail price, f.o.b. Regina of a Massey-Harris Model 203G was \$2,117. Today, the cost of a Massey-Harris Model 55 (a somewhat larger machine) is \$3,704 f.o.b. Regina. In 1945, the 12-foot I.H.C. cultivator cost \$247 f.o.b. Regina, and in 1954, the same machine cost \$412. I think possibly the most glaring example of the increase in the price of farm machinery can be found when we take a look at the cost of combines. In 1945, the 12-15 foot self-propelled Massey-Harris machine cost \$2,776 f.o.b. Regina. At present the cost of a Massey-Harris self-propelled combine with a pick-up attachment is approximately \$5800 f.o.b. Regina.

**Mr. McDonald:** — You are comparing different types.

**Mr. R. Brown:** — I think the facts and figures which the previous speaker has put before the House, as well as the few examples which I have just given, Mr. Speaker, very clearly indicate a maladjustment of the farmers' cost-price relationship. I believe they very clearly indicate, as has been pointed out, the need for some form of support price based on parity, in order to safeguard not only the income of the western farmer but the whole Canadian economy.

It has been pointed out, and rightly so, that when the farm income drops, the national income falls, industrial production contracts, and unemployment sets in, and the recession or depression overtakes the whole economy. That, to a large extent, is exactly what happened during the year 1954. I don't think there is anyone can deny that 1954 was a year of economic recession. I don't think there is any question of that whatsoever. I think there is no doubt that a substantial drop for a third straight year in the net income of the western Canadian farmer, is one of the major reasons why we have had this recession in Canada. The previous speaker estimated that the farm income in western Canada dropped, last year, somewhere between \$400 and \$500 million. That means that, between the years 1951 in 1954 (a three-year period), the farmers' net income fell from \$2,150,000,000 to \$1,200,000,000, a drop of 44 per cent. Such a drastic drop in farm income has naturally caused the farmers to curb their buying of farm machinery, fertilizer, fuel, building materials and other things which they require in the operation of their farms.

I don't think there is any doubt or question that that situation has had distinctly adverse effects on the entire industrial economy. As my hon. friend, the member for Arm River (Mr. Danielson) would say, Mr. Speaker, 'everybody knows' that industrial payrolls are very strongly influenced by the levels of farm income. In some industries, of course, the payroll is actually determined by the level of farm income. The rate of lay-offs which we have read about in industries which produce farm needs. Clearly indicates that that fact is correct.

I think we should realize that, economically, our western Canadian farmer plays a dual role: he is both a consumer and an operator of a very highly capitalized business. Studies have indicated that in his dual role of farmer buys approximately 2.4 times as much from industry as the city consumer.

**March 3, 1955**

Perhaps even more important than the extra volume of buying which is done by the Canadian farmer, is the kind of expenditure which he makes. Because he is the operator of a business, a much higher proportion of his expenditures goes to the capital or heavy goods industries and, of course, it is generally recognized that those industries have the greatest effect in raising the national income and employment. I should point out that it is precisely those industries whose production falls off when the farmer's purchasing power declines.

Turning back to the 'dirty 'thirties', Mr. Speaker, a period which I imagine most members of this House are quite familiar with, I do not think there can be any question that the major gap which developed between farm prices and the prices of manufactured goods greatly aggravated and prolonged the depression not only here in Canada, but also in the United States of America. Prices of farm products on world markets dropped far out of proportion to the decline in the prices of manufactured goods. The result was, of course, that the farmers were practically priced out of the market for industrial and manufactured goods.

In considering this matter of agricultural cost-price relationship and a solution to the problem of maintaining a high level farm income, we should bear in mind that the problems confronting the agricultural industry are considerably different from those confronting other industries. So much so, that they require some special treatment — and that is a point which I wish to bring to the attention of his House and to the Federal Government which has the control over the farm products.

The farmer, in addition to having to contend with the usual problems such as weather, pests, plant diseases, must also resign the himself to the fact that he, as an individual producer, cannot have any influence on the price of his products, since prices are determined by the unlimited competition of a great number of producers. In other words, each producer turns out such a small part of the output that his individual production can have no effect on the price which is likely to receive for his products. That, of course, is not the case with industries which are generally engaged in limited competition. By that I mean that, in a given industry, production will be limited to a few big companies each doing a large portion of the entire business of that industry. In that case they could have a definite effect on the prices which they can obtain. In other words, they can, and do, plan production on a level that will give them the highest possible profits. That, of course, is not the case with our primary producers, the farmers of Saskatchewan and Western Canada.

I think we should take a look at the very important matter of farm costs. One of the curses which has plagued the agricultural industry from time immemorial is the nature of farm costs and their relationship to prices. In the first place, a high proportion of farm total costs are fixed costs. Interest on borrowed capital, mortgages, taxes, etc. must be met irrespective of whether the farmer produces or not. It is a well-known rule, Mr. Speaker, that the higher the proportion of fixed costs to total costs, the greater the price they drop below total costs before the producer will stop producing.

It is ironical, but nevertheless true, that in an industry such as farming in which fixed costs make up such a large part of the total, prices may fall to a level ruinous for even low-cost producers, remaining at that level for years without causing a decrease in production. The tragedy is that many farmers may be compelled to continue for years producing at a loss simply because they would be even worse off if they stopped producing.

The dirty 'Thirties, I believe, provided us with all kinds of evidence of that kind of a tragedy, Mr. Speaker. I think we can all recall the thousands of farmers in this province who tried to carry on producing and going farther in the hole every year, until they reached the point where they had to walk off their farms and turn them over to the banks and mortgage companies.

**Mr. R. Walker:** — They shouldn't have elected a Liberal government.

**Mr. Lopton:** — The C.C.F. tried to get their farms; but they wouldn't give them to you.

**Mr. R. Brown:** — I am very sorry, Mr. Speaker, that the topic under discussion today is rather confining and I cannot make the remarks that I would like to make in order to keep the Opposition awake, but they probably wouldn't understand them anyway.

**Mr. McDonald:** — You're too dry.

**Mr. R. Brown:** — Mr. Speaker, that farm cost-price relationship has been recognized as presenting a special problem, for the reasons which I have very briefly outlined, is indicated by the very large number of schemes which have been adopted from time to time in various parts of the world.

In the United States of America a system of parity prices has been built up which holds farm prices at the general price level, thus insuring against a recurrence of the situation which developed in that country also during the 1930's. I am not prepared to argue that the United States system is perfect, Mr. Speaker, but I would say it is certainly better than nothing, and it is certainly far ahead of anything which we have here in Canada at the present time.

In the United Kingdom, too, the former labour government established a system of fixed and forward prices and provided a foundation on which could be built a long-term policy for farming. It is true that the Conservative government, since they have returned to office, have left little of the Labour Party's programme. However, I wonder what the farmer of Great Britain thought of the Labour Party's programme and what they think of the actions of the present Conservative government.

Mr. Speaker, I have here a few 'quotes' which I have picked up in that connection, and a very influential and non-political farm newspaper, the 'Dairy Farmer', bitterly criticizes the Conservative government's agricultural policy, while at the same time paying a resounding tribute to the former Labour government's programme. This is what they had to say:

"It is six years since the Agricultural Act became law. Six years since, for the first time in British history, a government lay down a foundation on which could be built a long-term policy for farming. No longer could the public accuse farmers of exploiting them when opportunities arose where prices of major products were fixed by negotiation between the farmers' representatives and the peoples' representatives. No longer could farmers complain that the public took no interest in British agriculture. Thus, were farmers able, under the 1947 Act, to render a service to the community and, in return, to be certain of a due reward.

**March 3, 1955**

Ahead of them lay the opportunity of expanding their services to the full, of increasing output, of increasing and improving marketing and of cheapening prices. How far farmers would have progressed along these lines we do not know. The tragedy of it now is that we may never know.

“The Wiltshire Branch of the National Farmers’ Union passed the following resolution:

“It would seem that the very basis of a thriving agricultural industry is being swept aside at a time when we are being pressed to increase production.”

The London ‘Economist’ in its issue of October 9th, 1954, stated:

“Agricultural policy at present is a boiling cauldron. It begins to look already as if farmers are nostalgically looking back to the 1947-51 period of guaranteed prices and assured markets under the Labour government as the ‘Golden Age’ of British agriculture.”

I could go on, Mr. Speaker, and mention many other schemes which have been successful: New Zealand, for example. There again a Labour government, back in 1936, established a guaranteed price system to bail agriculture out of the slump it found itself in for a five-or six-year period prior to 1935. That system was successful, and popular as is indicated by the fact that it was continued by the National party when it came to power in 1949.

Here in Canada, too, Mr. Speaker, I think it is safe to say that our farmers have shown a strong preference for stability and prices which they receive for their products as against wide fluctuations that result from the operations of the so-called ‘free market’. Undoubtedly, the majority, like industrial workers, prefer reasonable, assured income to a feast-or-famine arrangement. However, almost no progress is being made in Canada to prevent farm prices from dropping below the level of the general price level.

I know it is quite true, as the previous speaker has pointed out, that we have here in Canada what is known as the Agricultural Prices Support Act. However, in practice the Act has done little to provide the farmer with a stable income. Rather, it has only been used in times of emergency, such as the foot-and-mouth outbreak here in Saskatchewan, to ward off the effects of some drastic reduction in the farmers’ earnings which has been brought about by these emergencies. The three-man Board set up under the Act has done little or nothing to keep farm income under review and to take steps to carry out the terms of the Act. My understanding is that the Board was established to examine the need for various commodities from time to time. However, the Act laid down no conditions for support and no method for determining the extent of that support. Each commodity is treated as a special case. In practice the Board acts only when approached by a group of producers or in a widely recognized emergency such as I mentioned, the foot-and-mouth outbreak. Besides that, the Board can only ‘recommend’; the Federal cabinet actually decides what support, if any, shall be given.

As has been mentioned, a fund of \$200 million was established with the loss to be recovered from the consolidated fund each year. The largest amount of working capital which has been required in any one year, I believe, was between \$100 and \$125 million, and that was used in 1952 when we had the foot-and-mouth outbreak. By far the greatest portion of the expenditure (85 per cent) up to March 1, 1954, has been used for hogs and cattle as the result of the outbreak of foot-and-mouth disease. Most support provided under the Act has been short term. Butter is the only commodity for which prices have been set and been announced for a two-year period; but even then, the announcement has been made just before the beginning of the period.

One of the greatest criticisms of the Board has been, of course, that they have most often dealt with wholesalers and packers rather than directly with the farmers. The previous speaker mentioned that also. Prices are negotiated with the wholesalers and packers so that they will be able to pay, with a nice profit to themselves, certain prices to the producers of the commodity.

The farmers have received as little as 10 cents a dozen for eggs, for which packers received 38 cents, plus 5 cents storage, as the member for Bengough pointed out. Instances have been cited in the House of Commons of producers obtaining \$1 to \$2 less in Winnipeg, and from \$3 to \$4 less in Saskatoon, than they were entitled to, per hundredweight of beef. Even full price allowed has often not covered the farmer's cost, with the result that the production was drastically reduced in the following season.

In its brief to the Federal cabinet in 1953, the Canadian Federation of Agriculture stated:

"Reduction in the floor price for hogs from 26 cents to 23 cents apparently resulted in a very serious reduction in sow breeding. We believe that in the best interests of more stable production and price it would be advisable to establish a higher floor than 23 cents in order that production might be maintained in future months, at least at the level of domestic requirements."

Again, in 1954, this protest was made by the Canadian Federation of Agriculture:

"Our Federation believes the purpose of the egg support price, as a protection to producers against loss and as a stabilizing influence in the industry, is not being fully achieved because the level of the support is too low. The study should be given to establishing equipment support prices at the producer level."

I think it is quite obvious, Mr. Speaker, that the Agricultural Prices Support Act has been of little benefit to the provinces of western Canada. The only ones who have benefited have been the wholesalers and the packers. I think the failure of the present agricultural policy (or lack of policy) to ensure stable returns to agriculture, has become increasingly evident in the last two years. In 1944, when the Act was passed, the relationship between the prices of farm products to the goods and services used by farmers was reasonably satisfactory. From then on, the situation has progressively worsened. By 1953,

**March 3, 1955**

general wholesale prices were 69 per cent above those of 1944. The index of principal farm costs had risen 61 per cent and farm living costs had risen 66 per cent; but the wholesale price of farm products was only 40 per cent higher than in 1944. The situation is now much worse and the aims of the Act are very far from being realized.

We have heard in the past when this side of the House has requested support prices on the basis of parity, the argument that the cost of such a programme compared to any beneficial results or effect on the economy as a whole was completely out of line and prohibitive. I am very far from convinced that that is a valid argument. Ezra Benson, Secretary of Agriculture for the United States of America, in a statement before the Commission on Agriculture in 1954 said:

“If one considers only the price support operations of the commodity credit corporation and omits all other items, the cost for the past 22 years is 1.2 billions of dollars. However, all programmes primarily for the stabilization of prices and farm income have cost net approximately 7.5 billions of dollars during the past 22 years. This figure includes administration costs, interest charges and similar items and credits the programme with receipts such as processing taxes and the like.”

Mr. Speaker, on the basis of the cost of the price support operations of the Commodity Credit Corporation, the cost to the American taxpayer for farm price support over the past 22 years has averaged less than 40 cents per person per year. Even including all programmes designed to stabilize farm prices and farm income, the cost to the American taxpayer over the past 22 years works out to be about \$2.40 per person per year, to which, of course, the farmer himself contributed his share. That, I hardly think can be considered as excessive or prohibitive considering the stability that was provided not only to the agricultural economy in the United States, but also to the general economy as well.

Most other segments of our economy, Mr. Speaker, have had considerable success in maintaining the price of the commodity which they have to sell. The manufacturer is able to go along with retail price maintenance. Labour unions, where strongly organized, have a good deal to say regarding the prices the workers receive for their labour. Only the farmer is still operating under the speculative open market system, a system which may bring him a price for his product totally unrelated to his cost of production. Prices may fluctuate drastically, giving the farmer little by way of stability in prices and income on which to base a prosperous agricultural industry.

As I have said, and I say again, Mr. Speaker, without a prosperous and stable agricultural industry here in Canada, the whole structure of our economy is weakened and threatened. The depression of 1939 began with a situation such as we now face. We cannot and must not allow it to happen again. Therefore, Mr. Speaker, I submit, it is high time the Federal Government, whose responsibility it is, quit pussyfooting, and toying with stop-gap half-measures and started to seriously attempt to work out a long-range, sound programme for the agricultural industry of this country, in order to provide them with a reasonable share of the national income. I hope, Mr. Speaker, that the members of this House will consider this matter very seriously and, like myself, see fit to support the Motion.

**Mr. Loftson:** — Mr. Speaker, I beg leave to adjourn the debate.

(Debate adjourned)



## FEDERAL-PROVINCIAL TAX RENTAL AGREEMENTS

Moved by Mr. Walker (Hanley), seconded by Mr. Swallow:

“That this Assembly deplores the recent action by the Government of Canada in undermining the system of Federal-Provincial Tax Rental Agreements by destroying the principle of uniform taxation, in offering a reduced level of taxation to any Province not coming under the Tax Rental Agreements.”

**Mr. R.A. Walker (Hanley):** — Mr. Speaker, in rising, this afternoon, to move the motion standing under my name on the Order Paper, I would like to make some comments on the background of the history preceding the Tax Rental Agreements. I suggest that the very heart and core of the stability of the finances of at least six of the provinces of Canada depend upon their relations with the Federal Government under the fiscal arrangements which have been entered into. This province, like most of the other provinces, derives a very substantial part of its income from the income, corporation and inheritance tax fields.

I think, in order for the House to have a full background with respect to these agreements, that I should pay some heed to the report of the Dominion-Provincial Royal Commission appointed in 1939, commonly called ‘Rowell-Sirois Commission’. I think that I should, for the benefit of hon. members, review the problems and principles contained in that report, briefly.

Members will recall that, at the time of the setting up of that Royal Commission, Canada was in the throes of the greatest economic depression with which we had ever been afflicted. Hon. members will recall that provinces were in dire financial circumstances. One province, the province of Alberta, having just two years previously elected a Social Credit government, had become bankrupt, had been unable to pay its debts, had defaulted on the interest and the principal payments of its debt.

**Mr. Loftson (Saltcoats):** — Can’t be a very good political party, the Social Credit.

**Mr. Walker (Hanley):** — With that situation for a background, the Federal Government appointed a Royal Commission to look into all aspects of Dominion-Provincial relations. Some of the problems which they concern themselves with related to the uneven incidence of taxation in Canada. The wealthier provinces, by the very fact of their greater wealth, were able to provide a fair standard of social services with a very low rate of taxation. Other provinces, less favoured geographically and economically, had to impose higher rates of taxation in order to provide a barely tolerable level of service. And, of course, these higher rates of taxation in the less-favoured provinces had the effect of driving business still more into the favourite provinces, still more upsetting the general stability of the tax structure of the country.

The very fact of a lopsided economy contributed to make it still more lopsided, and so one of the problems that the Commission was faced with what is the matter of the uneven incidence of income, corporation and inheritance tax.

So the Royal Commission, as a result of that situation, recommended that the jurisdiction to collect these taxes be transferred to the Federal Government. This would have the effect, they argued, of relieving the burden of multiple taxation. Because many corporations and many individuals had income arising out of more than one province, the result was that such taxpayers were burdened with paying tax sometimes in two or three jurisdictions on the basis of the same income earned. It also had the effect, since different provinces have different tax laws, of requiring those corporations and individuals to maintain a separate system of accounts for the purpose of computing income as defined in the various provincial and federal statutes. And so it was proposed by the Rowell-Sirois Commission that the constitution be amended and the power to levy such direct taxes be reposed exclusively in the Federal parliament.

The Commission also, having received abundance of evidence on the seriousness of the problem of unemployment, recommended that that problem be made the sole responsibility of the Federal Government. They argued that employment or unemployment arises out of general economic conditions, and general economic conditions are a product of the fiscal climate created by the Federal Government. They held that, since the Federal Government had control of trade policies, of general investment policies followed in the country, the Federal Government ought, therefore, to take the responsibility for unemployment of employable persons in any part of Canada, and that that responsibility should thereby be lifted from the provincial and municipal authorities. They pointed out that very often the Federal policies resulted in a large pocket of unemployment developing in one part of Canada while the rest of the country remained in a state of comparative prosperity; and I suggest that the very thing which the Royal Commission had in mind is apparent here now in Canada.

We have, in Canada, a situation where, because of the armament boom and numerous other factors contributed to by the Federal Government, you have a general high level of industrial activity; and yet you have, in the prairie sector of the economy, partly because of low farm prices and aggravated by a poor crop, conditions which are tending to slow down industrial activity. You have probably a concentration of economic hardship in those provinces where the crop condition exists. You also have pockets of suffering in industrial areas in eastern Canada, which are directly engaged in the manufacture of farm machinery and other products for Saskatchewan and for the prairie provinces. And the Rowell-Sirois Commission said that this condition ought to be the responsibility of the Federal Government since it, in most cases, arises as a result of Federal policies.

The Royal Commission also has something to say about re-distributing tax revenues in this country. They proposed to do it by means of a system of adjustment where necessary, with emergency grants to be paid out of the Federal treasury, out of Federal funds, to individual provinces on the basis of their individual fiscal needs. They suggested that the Federal authority should examine the budgets of the various provincial governments, examine the state of social services in the various provinces, and on that basis arrive at some kind of compensatory adjustment grants not based upon population, not based upon the amount of taxes collected in those provinces, but based purely and only upon fiscal need in the provinces concerned.

That is not unlike, Mr. Speaker, an arrangement presently to be found in the Commonwealth of Australia. Australia, being the second largest of the Commonwealth dominions, having a Federal system not unlike ours, is plagued by this problem too. After the war, through a Grants Act passed by the Commonwealth government, a sum of £40,000,000 is paid annually into a fund to be appropriated to the states on the basis of fiscal need; and grants commissioners were appointed to examine into the fiscal position of each of the states, to examine the budget of the state each year, and, by application of a formula, to arrive at an annual grant, varying from year to year, depending upon economic circumstances in the individual states. That machinery, I believe, was adopted by Australia as a result of a study which they made of the Rowell-Sirois report.

The Commission concluded that there must not, in the family of provinces in Canada, be any poor relation; that there must not be, in the interests of national unity, any provinces or any province which had to be a beggar to the rest. They concluded that there was no such thing as ironing out the inequalities between the provinces without some kind of a system of national grants. They pointed out that all of the other policies of this country had some kind of discriminatory effect as between one province and another. For example, the national policy adopted in 1872, whereby Canada sought to protect and develop Canadian secondary industries, had a deleterious effect upon the prosperity of the outlying parts of the country. They found that the tariff policy, in short, was levying tribute upon the outlying parts of the country and paying it into the coffers of the central provinces; and that any kind of system of compensatory grants paid out to those provinces were not, in effect, a subsidy, but were a compensation or a payment back against a subsidy already in existence.

I am not sure if the Commission did point this out, but there are other factors which tend to concentrate the economic power of the country in the two central provinces, and I cite as an example the railway freight structure. Everybody knows, particularly in recent years, that the Board of Transport Commissioners, in setting railway freight rates, permit the railway companies only to charge up to a certain schedule, but that in the central provinces, where competition from water and road is more effective, the railways do not take advantage of that permission. They keep the rates down to competitive levels, and the railway companies then, of course, have to come back and ask for another increase, and the increase is always granted at the expense of those provinces not favoured by water and other means of economical transportation. The result is, of course, that the outlying provinces are again subsidizing the central provinces. So it must not be thought that these adjustment grants represented a subsidy to the less-favoured provinces at all, but rather represented compensation for a tribute which is levied upon them, as the inevitable result of our nationhood.

The Royal Commission was concerned, as I say, about the depression all of the 'thirties, and they were concerned about the fact that the Maritime provinces and the Prairie provinces were feeling the burden of the depression much more than were the central provinces. I took the trouble, Mr. Speaker, to find out whether a comparison could be made between the standard of income in, say, Saskatchewan and, say, Ontario during the depths of the depression. I find that, in 1935, in the province of Ontario, the amount of income tax paid by all the people of that province, divided by the population, yields a per capita tax figure of \$10.60 for that year. In Saskatchewan, in the same year,

**March 3, 1955**

the per capita income tax paid was 33 cents. The fact is that, on the average, the people of Ontario had 32 times as much taxable income, in 1935, as did the people of Saskatchewan. That, I think, illustrates just what the Rowell-Sirois Commission found to be the unequal bearing down of the depression on the various parts of Canada.

Then, of course, they were also cognizant of the fact that the Federal parliament controls our trade policies. The Federal Government may make choice between one part of industry and another; but the four western provinces, dependent as they are primarily upon export markets for their livelihood, are the first to suffer when Federal policies produce an international trade recession. And it was to cope with that condition that the Royal Commission proposed adjustment grants.

There is nothing new, Mr. Speaker, about the principle of grants in aid of the fiscal needs of a province. I take you to 1867, the time of Confederation, when the provinces were then negotiating the amounts of the provincial subsidies. Fifty cents per capita was not going to give enough money to Nova Scotia and New Brunswick to replace the revenues which they would lose by coming into Confederation, but if it was raised to 80 cents or \$1.00 per capita, then the cost of paying the subsidy to Ontario and Quebec, with their much larger populations, would be an intolerable burden upon the Federal treasury. So it was agreed that the subsidy would be fixed at 80 cents per head, but no one over 400,000 would be counted in any province. The result was that Nova Scotia and New Brunswick received the full 80 cents per head, whereas Quebec and Ontario received less than half that much because of the fact that their population was so much greater. That, Mr. Speaker, was a clear recognition of the principle of subsidies or Federal aid on the basis of fiscal need.

That subsidy of 80 cents a head was not a gift, not a hand-out, to those provinces. Remember that Nova Scotia and New Brunswick, when they were independent or separate colonies in the British Empire, had power and control over customs, tariffs and excise taxes. Because they were small colonies, a great deal of inter-colonial trade was necessary, and the result was that their customs duties yielded nearly 80 per cent of their budget, and those revenues were lost when they came into Confederation. This Federal subsidy paid under the British North America Act amounted to approximately 80 or 90 per cent of the entire budget of those two provinces the first year that they were in Confederation. So the principle of economic need was recognized when this country was founded, and was not a new discovery by the Rowell-Sirois Commissioners. It was paid further tribute in 1872, five years after Confederation, when an adjustment was made to benefit Nova Scotia and New Brunswick by giving them a larger annual subsidy.

I quote words, Mr. Speaker, which I think are prophetic of the situation today, from the tax paper called 'Financing Canadian Federation' by Moore and Perry — on page 8 of that bulletin:

“In 1880, Quebec became the spearhead of a drive to obtain a new deal from the Dominion.”

In 1880, it so happened that all the provincial governments of that time were Liberal, and Quebec, in that year, called the first Provincial conference, inviting all the provincial Premiers. They launched a campaign against the Federal Government for increased subsidies, and it was not until

1907 that their efforts bore fruit. A Liberal government at Ottawa, presided over by the first French-Canadian Prime Minister of Canada, granted the concession, and this is what happened: They increased the basis of the payments by about 30 per cent to all the provinces, but they took off the limitations on Ontario and Quebec, with the result that the outlying provinces received scant 30 per cent increase in their provincial subsidies, and Ontario and Quebec had theirs increased four-or five-fold, the results being that the increase in the cost to the Federal treasury rose from \$3 million, in 1906, to \$9 million, in 1907 (an increase of three-fold) while the poorer provinces received only a 30 per cent increase. I suggest that that kind of conspiracy, that kind of scheme to enrich the central provinces at the expense of outlying provinces, was not originated by St. Laurent and Duplessis; it was originated by Sir Wilfrid Laurier, in 1907.

In 1926, the plight of the outlying provinces again became serious, and the Federal Government of that day appointed another Royal Commission to investigate their problems. The Duncan Commission brought in a report calling for additional financial assistance to the Maritime provinces on the basis of fiscal need, on the basis solely and simply that they were unable to discharge their obligations to their people on the revenues which they had, and additional subsidies, amounting to, in one case, \$600,000, and in the other case, over \$800,000, were paid annually for a period of ten years to those provinces, as a result of that report.

Of course, in the late 1930's special assistance was also given to the provinces of Manitoba, Saskatchewan and Alberta to take care of emergency unemployment; and then I have already mentioned the Australian Commonwealth grants commission which carries out that very policy on a systematic and orderly basis. So those who advocate that grants be paid, or that the revenues collected from income, corporation and succession duties, be paid out to the provinces on the basis of fiscal need, are not advocating some new kind of radicalism in Canada.

Nothing was done about the report of the Rowell-Sirois Commission, nothing came of it until the close of the war. In 1945, the Federal Government, largely motivated by the report of that Commission and by the fear of her return to conditions of the 1930's, called together a Dominion-Provincial Conference in Ottawa. The Federal Government adopted the general principles of that Rowell-Sirois Commission report and made recommendations which I itemize as follows:

1. Universal old-age pensions to all those over 70, and shared with the provinces to those between 65 and 70;
2. They proposed that the Dominion Government assume full responsibility for unemployment by means of the Unemployment Insurance Act, by means of special grants that were to be made available for the relief of unemployment that did not come under the Unemployment Insurance Act and by taking control of financing — of managing the fiscal policies of the country in an anti-cyclical way; that they would time the public investment of the country so as to coincide with periods of deflation.
3. They also advocated a health insurance scheme, which was to consist of the extension of hospitals and the contributory system of health insurance.

**March 3, 1955**

I am not going to comment further on these proposals today.

I want to say something about the financial provisions of their proposals. They proposed the payment of grants to the provinces on the basis of population. I draw your attention, Mr. Speaker, to the fact that they made no proposal for payment on the basis of fiscal need. They proposed to pay those grants primarily on the basis of population.

They have continued to pay these grants on the basis of population, with some modification and some amendments, but still, fundamentally, on the basis of population of the provinces. The fact that no recognition is given to fiscal need is, I suggest, not necessarily hopeless for any future adjustment in that direction. I suggest that that system of payment could easily be modified by the addition of other factors, and I suggest that the basis of population could be retained, but that, in addition to population, they could take into account other factors which would tend to favour those provinces which are less favoured naturally. They could take into account, for example, the number of miles of provincial road in the province, as a factor in determining the grant; or they could take into account the number of classrooms in the province, as a factor in determining the grant; or they could take into account the number of people in receipt of social aid, as a factor, to modify or to add to the grants, strictly on the basis of population. However, that is all that is being recognized to date.

The Federal Government has, however, gone in the other direction. They have modified the population basis in the opposite direction to what I am suggesting. They have, for example, incorporated in the formula an adjustment factor, and available to some provinces, which affects the grant, which takes into account in determining the grant the potential tax yield of certain tax sources within the province. That, of course, means that those provinces having a higher potential tax yield, or having a higher concentration of the kind of industry which provides this tax yield, are provided with supplementary assistance not available to those provinces that are less favoured economically and less favoured by geography. They also incorporated a provision, perhaps at the request of the wealthy central provinces, that the province could claim the entire profit on certain basic industries, or claim a tax on the profit of certain basic industries, and that that tax would be deductible from their income for Federal tax purposes.

I am sorry that the member for Saltcoats (Mr. Loptson) is not in his seat. I drew attention to that in the committee, this morning, and, of course, only got the kind of sneer that he is so capable of; but I would refer him to 'Financing Canadian Federation' by Moore and Perry, page 32, a summary of the 1946 budget offer:

"A levy on the net income of corporations in the mining and logging industry would be permitted to a province under the Agreement and the Dominion would undertake to allow a deduction for such attacks from the income tax under its own Act."

The hon. member for Saltcoats, in his concern about the Federal Government getting any revenue from the Timber Board, might remember that the province could very well impose 100 per cent of the profits of the Timber Board and thereby take all the profits from the Timber Board, even if it wasn't a

Crown Corporation. I hope that someone will tell him about this reference so that he can bring himself up to date.

As I say, these modifications of the population provision were against the principle of equalization rather than in favour of it. These modifications tended to assist, tended to provide hand-outs to, the richer provinces at the expense of the poor ones, a principle so well inaugurated by Sir Wilfrid Laurier, in 1907, and carried out by his worthy successors.

Then there were the tax provisions of the offer. The tax provisions were that the Dominion was to have exclusive taxing powers in the field of income tax, corporation tax and inheritance tax or succession duties; and that was to be made an absolute term or condition of the agreements. The Federal Government would not agree to the subsidy proposals with any province unless the province agreed to yield up temporarily the right to collect these taxes, and I quote from the Hon. J.L. Ilseley, who was then Minister of Finance, speaking in 1945 at the Conference, when he gave four reasons why that must be so. I shall quote four reasons which he gave:

“1. The organization of business and mobility of wealth are such that income earned or wealth accumulated from activities in one province may, for taxation purposes, be subject to the jurisdiction of another provincial government. Provinces in which corporation head offices and wealthy individuals are most numerous automatically enjoy an opportunity to tax incomes and wealth derived from other provinces. Provincial governments which do not have such opportunities, if they are dependent upon income, corporation and estate taxes, will, after the war as well as before it, be limited to an unjustifiably low level of provincial services.”

All he said was that Saskatchewan had been contributing to the profits of corporations in Ontario, and had to forgo the right to tax those corporations. That was his reason No. 1.

“2. Income and corporation taxes and succession duties are highly variable in their yield, and more so in any one province than over the entire Dominion. The provincial governments, having limited borrowing powers, would be forced to raise taxes when economic conditions were unfavourable and when such action would hamper economic recovery. The Dominion, on the other hand, has a broader and less variable ability to borrow. It can manage larger proportions of variations in revenue than the provincial government can. It can afford to budget its tax revenue for the period of the business cycle as a whole. In this way it can mitigate the impressions and booms, rather than aggravate them as provincial governments would do if they were dependent upon these highly variable tax sources.

“3. All taxes affect the volume of spending, but income and corporation tax rates and changes in these rates also have a vital bearing upon the incentive to produce and to undertake capital expansion. It is, therefore, important that these taxes should be levied exclusively by the Dominion Government. It is the only government which, because it can budget for the whole business cycle, is able to set rates in such a way as to contribute to high and stable levels of employment.

“4. Exclusive jurisdiction over taxes on income, corporations and estates is also necessary in order to protect Canadian interests abroad. With divided authority it is difficult to conclude reciprocal agreements with other countries which will prevent double taxation of Canadian incomes and estates.”

Those reasons, Mr. Speaker, are as valid today as they were in 1945.

And now, Mr. Speaker, having signed the agreement, first in 1946, and again in 1951, “Saskatchewan and the other provinces are confronted with signs of a serious assault upon the agreements.” You might say, why are the agreement so important, if they do not incorporate the equalization principle to which I have referred in this business of grants? Even without incorporating the equalization principle into the payment of grants, they do have a measure of equalization because, by taking the tax revenues where they exist (mainly in the central provinces) and by spreading them out evenly you are equalizing to this extent: You are relieving the tax load in the less favoured provinces and increasing it in the more favoured provinces in proportion to their economic advantage. It would be better, of course, if the equalization principle is applied, not only to the taxes end of it, but also to the out-go end; a half a loaf is always better than no bread, and, therefore, the people in Canada who believe in real national unity based upon economic equality, are fighting to preserve the principle of these tax agreements. Those people, whether from sinister or selfish motives, who are seeking to undermine and attack and destroy this principle of equalization, are trying to destroy the tax agreements.

Where is the opposition to the tax agreements? Well, the financial interests of Ontario and Quebec, and in some quarters in British Columbia — you will recall that British Columbia was the last of the original six provinces to sign — then Ontario waited until the second term of the agreements and signed only in 1952, and Quebec still hasn’t signed. You ask why did Ontario refuse to sign an agreement which would have paid them out many millions of dollars from the Federal treasury? You may ask why does Quebec, today, refuse to sign the agreement? Let us not delude ourselves by thinking that the Hon. Maurice Duplessis is sacrificing the financial well-being of the people of Quebec in the interests of any abstract principle of provincial rights. Let us analyze the causes of his opposition:

I have already indicated to the House, Mr. Speaker, that these agreements are but a beginning in meeting this problem of financing necessary social services in this country. These agreements, imperfect as they are, are



a step in the right direction, and the financial interests who sleep with Mr. Frost and Mr. Duplessis know that this is just a step in the right direction. They are afraid that the real principles of equalization of which I have spoken may, some day, be adopted in Canada, and they want to kill the baby in its cradle right now.

It is true that, by reason of their failure to sign an agreement, the taxpayers of Quebec (many of them) are having to pay more money; but they will willingly pay more money for a few years if by doing so they can undermine and destroy the principle of these agreements. They are putting out bread upon the waters, which they hope to get back many fold; and they will get it back unless we can depend upon the people who represent us at Ottawa to resist the sinister stab in the back of the agreements.

I want to quote from an editorial appearing in the Saskatoon 'Star-Phoenix' on October 14, 1954. The 'Star-Phoenix' was commenting on a proposal made by the Conservative party and other proposals in reference to this problem of Dominion-Provincial relations, and the editorial pointed out:

"The trouble is, however, that if national unity depends on respect for the constitutional division of powers, it also depends (and I underline this) on the distribution of taxable wealth throughout the country with some degree of equality.

"We suggest, therefore, that the Federal Government and those of the nine other provinces should take great care that the principle behind the tax rental system is not undermined by concessions to the ultra-provincialism espoused until recently by the government of Quebec."

I applaud those sentiments, Mr. Speaker. I hope that that 'Star-Phoenix' will continue to take that stand. I believe that that is the stand in the interests of the real national unity.

**Mr. Howe:** — It is different from the 'Leader-Post' then.

**Mr. Walker:** — But, on the other side, of course, is the nationalistic government of Quebec who are interested only in protecting the money barons of St. James Street who provide them with their campaign funds, and protecting the people of their backwards constituencies, where they get their votes, from education in progress.

**Mr. Danielson:** — What a great discovery!

**Mr. Walker:** — You ask what has been done to the Dominion-Provincial tax agreements. Well, I think that what has been done has been summed up very nicely by Richard Deboo Limited, publisher of the 'Ottawa Letter'. For the information of hon. members, Richard Deboo Limited is a service of tax advice and tax information provided, not for the general public, but for tax specialists; provided to the profession. This is what they say in their January 31st Ottawa Letter, at page 3874:

**March 3, 1955**

“By making it unconditional Mr. St. Laurent (speaking about the reduction in the income tax rate in Quebec) has placed about 80 per cent of the Quebec taxpayers in a more favourable position than those of other provinces. A married man with no dependants earning \$2150 to \$5800 will pay less over-all tax, if he lives in Quebec. A single man in the bracket from \$1100 to \$3500, and a married man with two children, earning from \$2900 to \$6400, will benefit by being Quebec residents. Obviously, this cannot go on for long without strong resentment building up in other provinces (that is an understatement) which would not only be bad for Mr. St. Laurent’s ideal of national unity, but would be very bad politically for the Liberal party.”

From a non-political source, publishing in the city of Toronto, I think that is an admirable statement of what has happened.

This reduction in income tax offered to the people of Quebec has not just been proposed recently. It was proposed as long ago as 1951 by the Government of Quebec, and at that time they got the brush-off. They proposed it again in the spring of 1954 to the Federal Government and the Rt. Hon. Douglas Abbott, then Minister of Finance, said — and I quote from Hansard, April 6 in his budget speech:

“The principle underlying the suggestion that provincial tax should generally be allowed as an offset against Federal tax strikes at the very root of the system of Federal-Provincial tax agreements which have been developed in this country.”

And I will tell you, Mr. Speaker, why it strikes at the very root of the Dominion-Provincial tax agreements. It is because today, provinces like Quebec can now get almost as much by staying out of the agreement as they could by being in. In my opinion, the whole strategy of the province of Quebec has been to try to get not just something for themselves, but something which will be available to the other wealthy provinces, so that all the wealthy provinces will withdraw from the Dominion-Provincial agreements. They are not just concerned with getting Quebec out, because Quebec wasn’t in. But they are concerned with providing a subsidy to Ontario and to British Columbia so that they, too, will want to withdraw when the new agreement comes out next year. And if that dastardly policy is concurred in by the Federal Liberal Government the cause of national unity in this country will have been set back several decades.

I am not surprised, Mr. Speaker, that the Federal Government has concurred in Mr. Duplessis’ request — they had to get rid of the Hon. Doug Abbott first; but I am not surprised that they concurred in it, because I ask you to remember something of the incidents leading up to this abject surrender. Wasn’t it the Prime Minister of Canada who started the row last September with Duplessis, who brought it to a head last September, by his provocative speech down in the Reform Club in Quebec? He provoked the white-heat argument, and then, within a few weeks, they got together and they did this thing, which Douglas Abbott said would strike at the very root of the system of Federal-Provincial tax agreements.

I would not be surprised if this deed was conspired in by the Federal Liberal Government before it came to pass.

Before I close, Mr. Speaker, I would like to quote one more editorial from the 'Star-Phoenix'. It is so seldom that I find anything there I would like to quote that I do not want to miss this one. This is from an editorial dated May 5, 1954.

**Mr. Loptson:** — Haven't you got a 'Leader-Post'?

**Mr. Walker:** — It isn't news if it isn't in the Star-Phoenix; I don't read the other one you speak of. This editorial is commenting on the various alternatives facing the Canadian Government and the provinces and this matter of Dominion-Provincial tax agreement; the Star Phoenix rejects two possibilities, and concluded with this paragraph:

“There is a third possibility. The Rowell-Sirois Commission's own Plan 1. (That is the one to which I have referred). It envisaged the permanent departure of the provinces from the income tax and succession duty fields in return for a system of Federal grants designed to enable each province to provide services at a basic national standard of quality. Should we not take another look at Plan 1, or variations of it?”

My answer is Yes. I say that we, in Saskatchewan, ought first of all, to express their disapproval of the action of the Federal Government in undermining the present Dominion-Provincial tax rental agreement; that we should go further than that. That we should, in this province, urge a return to the principles set out in the Rowell-Sirois report; that we should unitedly urge that Saskatchewan, if necessary, take the lead in proposing a return to those principles.

I think, Mr. Speaker, that this Legislature should do even more than that. I think that we should realize the seriousness and the urgency of this problem, that we should be prepared to meet it by burying party differences, by burying party prejudices and partisan advantage; that we should here unanimously pass this resolution and go on, and pass the other one which is also on the Order Paper, with a view that the national unity of this country can have a positive blow struck in its favour.

And so, Mr. Speaker, I take pleasure in moving this resolution, seconded by the hon. member for Yorkton (Mr. Swallow).

**Mr. Loptson (Saltcoats):** — Mr. Speaker, I beg leave to adjourn the debate.

(Debate adjourned)

The Assembly adjourned at 6.10 o'clock p.m.