

with regard to inflation. If the government is not very careful, because of its long term of three years, this legislation could lead to something much more serious than double-digit inflation. If a program such as this is not very carefully monitored, explained and laid before the Canadian people on a continuing basis, it could move into the aspect of partial control of certain segments of the economy after the three-year period has elapsed.

Given its past performance, it is not easy to see how the Trudeau government can operate this plan without creating an enormous bureaucratic machine, populated by mini-czars with huge discretionary powers and faceless mandarins behind the scenes operating the program. Conversely, how will the government be able to dismantle this apparatus after three years in which, as is normal in the federal civil service, it will largely be occupied with expanding and perpetuating itself? We have seen enough of that taking place over the last 10 to 12 years.

I submit that the quickest way to stop inflation is for the government to stop redistributing national income faster than the economy is able to generate it. When we look at the books of the government, we see that two-thirds to three-quarters of government expenditures are for redistribution. Increased spending by the government in this area reflects the rising costs of provincially-administered medicare programs, hospitalization programs, unemployment insurance programs and regional development programs.

It is my contention that the government's plan will ultimately fail unless regulations that people live within their means are also carried forward by the federal government. I think that programs such as Information Canada must go. Flag-waving trips around the world certainly can be curtailed. Programs in the \$100,000, \$500,000 and \$1 million range, which are not considered so by most Canadians but are considered by the government to be small programs, must be cut or curtailed. This must be done because the government must demonstrate that it is willing to combat inflation. Unless measures like these are taken, the program ultimately will not work.

Further, capital expenditures which can be cancelled or deferred, must be cancelled or deferred. As I mentioned before, re-examination, is necessary with regard to unemployment insurance and all forms of welfare programs. They must be reviewed very carefully and the government must begin curtailing these kinds of programs. For example, in the period 1971-72 we spent \$750 million on the unemployment insurance program. In 1972-73 it increased to \$1.1 billion. In 1973-74 it increased to \$2 billion, and from March 31 to July 31, 1975, it was up an additional 43 per cent from 1974, to \$2.1 billion. These social programs and redistribution programs must be looked at in the long term with a view to curtailing them.

I think it could be said, as a general, blanket statement that if the inflationary program of the government is ultimately to bring inflation in Canada anywhere near the rate the government is talking about, it will have to rearrange spending programs unless they are of top priority. This must be one of the central themes in the government's restraint program. If the government does not move on that basis, I think there is no doubt that the exercise we are going through now will only lead to worse

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inflation, possibly more unemployment and a kind of social unrest Canada has never seen.

The Prime Minister said that the wage guidelines will be applied to all employees in the federal service. He went on to say that growth in the size of the federal work force would be limited to that required to administer the guidelines, and some increases in law enforcement personnel. Finally, he said, and I quote:

—we'll eliminate or reduce spending in many smaller but separate areas that all add up. For example, strict economies will be imposed on the administrative housekeeping aspects of the government's business—

That is all well and good if the government carries this program through. The Prime Minister also said that in spite of these measures, government expenditures must be expected to further rise—

● (1600)

—if we are to continue to provide essential services such as cushioning Canadians against part of the increase in the cost of imported oil, protecting the aged and others living on fixed incomes against some of the effects of inflation and continuing to provide assistance to the unemployed. Programs such as these... are the cornerstone of the economic and social policy of the government—

That is precisely the problem. These programs were pursued to such an extreme that the only way their cost could be covered was by expanding the money supply at an inflation-inducing rate. It is no coincidence that the purchasing power of the dollar has been halved over the ten-year period during which the growth in the money supply was twice the rate of real growth in the economy. It is my contention that we will continue to have inflation until those programs which are "the cornerstone of the government's economic and social policy" are also brought within our means.

In the initial period controls will, hopefully, cut back on the excesses in both prices and the wages for which people are asking. Certainly, that is the whole purpose of the program. In the interim period they will, hopefully, exercise some general moderation in regard to expectations. All this is necessary to the abatement or slowdown of inflation. What remains in doubt, however, is the extent to which the mainspring of inflation—which is government demands on the economy to support programs in excess of the economy's ability to pay, without resorting to inflationary monetary supply increases—is unbound or scaled down within the next one to three years.

In conclusion, Mr. Speaker, I would like to bring to the attention of the House the fact that the announcement of controls came on the thirteenth day of the thirteenth month after parliament met for the first time following the 1974 election. One need not be superstitious to see the significance of this move. We can only hope that the government will put some teeth into this anti-inflationary program. We in this party are ready to support the legislation on second reading and refer it to committee, where we hope to see some amendments which will enable us to bring inflation in Canada down to an acceptable level.

[*Translation*]

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, on December 24, 1970, the Prime Minister (Mr. Trudeau) stated:

There is no more inflation in Canada.