

the Prime Minister (Mr. Trudeau), on television speaking to Canadians on inflation. There was inflation about in the country. We had inflation in 1968, and there are some here who might remember the steps that the government had to take—there had been a dollar crisis and there had been an election in 1968. There have been elections in 1962, 1963, 1965, 1968, 1972, and 1974, and I might say to the hon. Minister of State for Fisheries (Mr. LeBlanc) that I participated in every one of them.

**Miss Campbell:** They were blessed!

**Mr. Lambert (Edmonton West):** I can go back to 1957, if hon. members opposite want me to, but the point is that in 1968 there was very serious inflation, and in 1969 there was very serious inflation. I might say to members of the Standing Committee on Finance, Trade and Economic Affairs of today that at that time there was a special committee on banking and finance which sat for months considering the problem of inflation. It was under the chairmanship, I believe, of the hon. member for Windsor West (Mr. Gray), the former minister of consumer and corporate affairs and, if I may say so, since I was a member of the committee, it brought in a very able report on the problems of inflation which gave the government an idea what it should do to deal with inflation at that time.

What happened to the 1969 program? There was to be a limitation on the public service, with certain departments exempted. One of them was the precursor to the Department of Regional Economic Expansion. It was the "Marchand Expansion Bureau". That was not to be limited. There were a couple of other such departments as well. You know, the expansion of those departments more than outweighed reductions elsewhere. So on that score the government's program of restrictions went down the drain. I recall the same right hon. gentleman, who had said in 1969 that inflation was so serious, saying in 1971 that we had licked inflation. Oh, yes, inflation was beaten, mastered.

● (1550)

Then the government had the misguided sense to introduce a new income tax act. Ah, with that gesture they negated the principal recommendation of the finance committee of 1969 about increasing productivity because that income tax act, with its steeply progressive rates of personal income tax, has stunted and blunted the elements of productivity in this country. We have seen, ever since, a steady decline in average productivity. Any economist will tell you that as productivity declines, unit costs go up and we have the strongest push toward inflation. That income tax act has been one of the elements leading to inflation.

Secondly, in the act there is a built-in incentive to inflation. As hon. members and all others in this country were taxed more and more, so those with economic crunch sought more and more. The more they got, the more yield there was by way of tax. But this government's answer was not to deal with the root cause. As I said a little while ago, it put the fire hose on the hose itself alongside the burning barn. It did not want the firemen to put out the fire; it wanted them to hose down the house beside the barn. We have seen a fantastic increase in moneys transferred from one source in Canada to others—in other

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words, a redistribution of personal income. We have seen increases in UIC benefits, in old age pensions, in war pensions, in—you name it—welfare—

**An hon. Member:** Do you call veterans' pensions welfare?

**Mr. Lambert (Edmonton West):** Madam Speaker, if the deputy whip had recovered from his appointment and kept his ears open he would have heard me say that these payments are all in the category of transfer payments to persons. Of course the government had plenty of funds, because of the yield of the personal income tax, to transfer to these groups, groups which were very much affected by inflation. They were the ones that had not, shall we say, power to increase their own revenues. The protection was there for them. But the whole process was feeding on itself in a vicious circle.

As the government obtained more money through taxes, the people with economic power wound up getting more and more on each cycle of wage settlements. We have seen the percentages go up and up. Cast your minds back to about 1968 and consider the changes in wage settlements that have taken place and how the percentages have increased. We can see how inflation has eaten like a cancer into the Canadian economic body. It has grown and fed on itself. Of course now at the third or fourth cycle even this government, with its myopia, has suddenly discovered that inflation has reached such a stage that it has asked the people of Canada to accept, as the hon. member for Peace River (Mr. Baldwin), the Minister of Finance (Mr. Macdonald (Rosedale)), and the Prime Minister said, one of the most serious steps that the Government of Canada has had to take in 30 years.

But why has the situation changed to the extent that the government wants to take this action, wants to eat its own words, reverse entirely its stand of 1974, reverse the stand the former minister of finance took in February, and reverse the stand of his budget of June 23? Why has this happened? I will try to offer an explanation. It is not that the government has suddenly become conscious of the perils of inflation and become concerned. What has happened since June to cause it to be more severe? We have seen much higher individual monthly increases in the CPI, since the budget, than the latest increase. Oh, yes, the unemployment figures have varied somewhat; there have been minor adjustments, plus and minus, owing to seasonal changes. But what jolted the Ministry of Finance and the Prime Minister into the sudden consciousness of the economic plight of Canada? There are two theories.

The first theory is that the Prime Minister wanted to divert the attention of the country from the effects of the resignation of the former minister of finance. That is one theory. He wanted to do something dramatic. Certainly, the hon. member for Ottawa-Carleton (Mr. Turner) has almost sunk into obscurity, because the media and the mind of the public are suddenly seized with the idea of economic controls. That is all they are talking about. You know, this is a standard ploy of the right hon. gentleman. If a real problem faces him, a situation is created on the side and attention is diverted to it.

There is a further theory regarding the reason which would lead the Prime Minister to adopt this idea. Ever