

Anti-Inflation Act

people, not only during the 1974 election campaign but ever since, up to and including the budget of the former finance minister on June 23. I should like to make further comments on the cynical misleading information he gave the Canadian people.

I can recall during a Liberal broadcast on the radio station in Winnipeg when the Prime Minister (Mr. Trudeau) came on in a mysterious and dramatic voice, stating that the Conservatives "would freeze your wages." This did not fool the people of Manitoba because they know that inflation cannot be cured by the freezing of someone's wages. They knew it was a combination of wage and price controls. I will never forget the words of the radio announcer who, following the Liberal broadcast and the Prime Minister's voice, came on and said, "That is a bloody lie". Even the radio station people did not fall for the phony Liberal ads.

We remain convinced of the urgent necessity for strong and effective national action and leadership on this issue. Indeed, if anything the 15 months of ineffective action and non-leadership shown by the Liberal government since the 1974 election make the need for effective action all that more necessary, as they have made the problem just that much more difficult to deal with now.

It is for this reason, as expressed by the Leader of the Official Opposition (Mr. Stanfield) last Tuesday, we are prepared to support the intent of the government's program and, therefore, not to oppose the bill on second reading. At the same time, however, we wish to make it abundantly clear that Bill C-73 with its accompanying policies, as announced by the Prime Minister and his ministers, is not our program. We advocated an incomes policy during the 1974 campaign. There are important, if not fundamental differences between the program we advocated and that which the Liberals now have announced, both in terms of the broader context and the details of the legislation itself.

A very basic difference is that the Progressive Conservatives never presented their proposals for an incomes policy as any answer by itself to the inflationary problem. Fundamental to our approach—and the record makes this abundantly clear—was the need to accompany a short-term controls program, designed essentially to break inflationary expectations, with other, equally important measures to deal with the more root causes of the problem.

In that context we placed and continue to place major emphasis on the need for more appropriate fiscal and monetary policies to be introduced by the federal government. Leadership by example—and that is the only kind of leadership people will understand and accept in the long run—is not simply holding federal civil servants within wage guidelines, or postponing new furniture purchases. If the call is for the nation to live within its means, so must the government abide by the same edict.

The record of the Liberal government in this respect is virtually the opposite of what is required. On the monetary front the Bank of Canada, with the government's approval, has consistently permitted increases in the money supply well in excess of any increase in real or even inflated economic growth. During the past 12 months that increase has amounted to more than 15 per cent. Indeed, if one wants to look for sources of fuel for this

year's inflation, it is difficult to find a better starting place than the more than \$3 billion which the bank pumped into circulation during the last quarter of 1974 alone, in a rather cynical exercise to ensure the success of the former finance minister's massive Canada Savings Bond program of that period.

We do not advocate a so-called tight money policy, and never have. But we have said time and time again that, if inflation is to be brought under any meaningful control, increases in the money supply must bear closer resemblance to rates of growth of the economy itself. Similarly, the Liberal government's own spending record has been a model of living beyond one's means and making unrealistic demands upon the economy. Under this government spending has increased by 192.8 per cent in seven years. This year alone, according to the June 23 budget, expenditures are forecast to rise on a year-to-year basis by 11.2 per cent.

According to spending patterns during the first four months of the current fiscal year, the former minister of finance's June forecast of a \$3.1 billion budgetary deficit appears to be low by 50 per cent or more. In short, the government's appetite for spending has been boundless, an appetite fed both by ever-rising tax takes from Canadians and by continually heavy demands upon capital markets of the country.

Again our position on government fiscal responsibility has been both clear and consistent. We realize that, given the relatively high degree of inflexibility in government spending patterns resulting from statutory and other commitments, it is not feasible to talk of reducing government spending in absolute terms. But we have continually urged the need for government to show restraint in its own demands upon the economy and, more specifically, to limit increases in its spending to rates of real growth in the economy itself. One might compare that with the weasel-worded undertaking of the government white paper that "the trend of total spending by all governments in Canada should not rise more quickly than the trend of the gross national product", whatever that means, if anything.

There are a number of other basic differences between our approach, as set forth during the 1974 campaign, and the government's program, at least two of which stand out. First is the time period during which any controls program could hope to function without setting off serious new distortions within the economy. Because we realized that an incomes policy was designed essentially to break inflationary expectations and create a breathing space for other more fundamental anti-inflation policies to be brought to bear, our undertaking was for a program of no more than 18 to 24 months. The Liberal government, in Bill C-73, seeks approval for a program of more than three years' duration, until December 31, 1978, with further provision for extensions even beyond that. That simply is not acceptable to us in the Progressive Conservative Party.

● (2040)

As already noted, controls can have a distorting effect on the economy, and the longer the regimen is in effect, the sharper and deeper the distortions are likely to become. But even beyond that our party is not prepared to grant on an open ended basis to the federal government, particularly this federal government, with the kind of sweeping centralized powers represented by Bill C-73. The