Figures released this morning show that the cost of living is rising faster than wages. When he tabled his budget, the minister of Finance had said that wages must remain stable to fight inflation.

How can the minister justify maintaining this policy? It isn't working!

[*English*]

Hon. Michael Wilson (Minister of Finance): I am not quite sure that I follow the question the Leader of the New Democratic Party has posed.

Mr. Simmons: You are not alone.

Mr. Wilson (Etobicoke Centre): Liberal members agree with me. They do not understand the question either. Maybe she would like to rephrase it.

[*Translation*]

Ms. Audrey McLaughlin (Yukon): Mr. Speaker, when he tabled his budget, the minister of Finance had said that wages must remain stable to fight inflation.

How can the minister justify maintaining this wage control policy? Because, of course, when the cost of living increases, wages must also increase.

[*English*]

Mr. Wilson (Etobicoke Centre): Mr. Speaker, I think my puzzlement came from the fact that wages and salaries have been increasing quite significantly in recent months. We have also seen an increase in unit labour costs which last year averaged 6.3 per cent during the course of the year, but throughout the year increased every quarter, ending at 6.9 per cent. This is one of a range of inflationary pressures that we are looking at. We do not look at just one indicator. We look at the range of pressures that are in the economy. Once we see those pressures subsiding, then we will be able to get interest rates down.

I have made that statement very clearly over the last few months. Until we see the pressures subsiding, it would be wrong for us to move too soon.

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, my question is for the Minister of Finance. This past Friday, the Finance Minister of Nova Scotia, in tabling his budget, announced a number of regressive tax increases which he said were necessary because of the loss of over $61 million in federal transfers.

Will the minister now finally admit that his number one plan for dealing with his government's own fiscal mismanagement is to simply transfer the federal deficit on to the backs of the poorest provinces of this Confederation?

Hon. Michael Wilson (Minister of Finance): My friend from Dartmouth is saying that for the $61 million change in the transfers to the provinces, the province of Nova Scotia had to increase taxes $150 million, so clearly there is an inconsistency in the figures.

However, I want to point out to my friend that we have a national problem; it is called the deficit. We have had to ask the provinces to participate in solving this problem and that is what the budget in part did.

While we have reduced the growth in transfers to the provinces, the growth for the province of Nova Scotia will be 3.9 per cent this year and 4.3 per cent next year. The program spending of the Government of Canada, that is on everything but interest costs for this current year, is an increase of 3 per cent. So we are not asking the province of Nova Scotia to do anything more than we are prepared to do ourselves.

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, my supplementary is for the same minister. Two weeks ago it was P.E.I. that got nailed for $13.5 million and last Friday Nova Scotians were asked to swallow $61 million.

I want to ask the Minister of Finance the same question that I asked the Prime Minister two weeks ago. What actions are his government prepared to take to offset this very serious loss of revenue to the coffers of the poorest provinces of this Confederation, especially at the very time when his own high interest rate, high dollar policies are pushing Atlantic Canada over the brink of recession?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, if my friend will look at the range of measures as to how we have been treating the provinces, I think he will see that we have done so in a fair way. I indicated that the province of Nova Scotia transfer increased 3.9 per cent in this current year. For the province of Ontario, it is 2.25 per cent, for the provinces of Alberta and B.C., it is about 2.5 per cent. We are treating the provinces in an equitable way, recognizing the financial strength that they do have.

I also say to the hon. member that the federal government is spending 35 cents out of every revenue dollar on its interest costs. For the province of Nova