

*Oral Questions*

**Mr. Lambert (Bellechasse):** Mr. Speaker, I have a supplementary question.

In terms of money, what advantage does the taxpayer have if the federal government cuts its taxes while the provincial governments raise theirs at the same moment? What difference does it make to the taxpayer? That is what we would like to understand.

**Mr. Chrétien:** Mr. Speaker, on budget night all provinces except Quebec agreed with the federal government. They increased their provincial income tax, an increase which was offset by a corresponding cut in federal income tax, and they used the profits they made with their increase to cut the provincial sales tax following the proposal I had put forward. In other words, the taxpayers of these provinces have benefited from a cut in the provincial tax which is called sales tax in the provinces.

**Mr. Lambert (Bellechasse):** Mr. Speaker, I would like to ask another supplementary question.

To conclude this debate, which I believe has lasted long enough, would the Minister of Finance be willing to act as negotiator between the Prime Minister and the premier of Quebec in order to come to a final agreement on this matter? I understand that Bill C-56 places him in a certain dilemma, everybody understands that. But I think that everybody would also accept that two responsible men meet in order to bring this dispute to an end. Would the minister be prepared to act as a go-between to organize such a meeting?

**Mr. Chrétien:** Two weeks ago I believe, Mr. Speaker, the right hon. Prime Minister and myself stated in the House that we hoped the Quebec government would make us a counter proposal. The Prime Minister said that he would be ready to meet with Quebec representatives if progress were to come about. The day after the budget, when the Quebec government reduced its sales tax in a different way, we made some counter proposals, as the hon. member is well aware. The only replies that the Quebec government gave to our counterproposals were categorical noes, and last Friday the Quebec minister of finance said that he was beginning to change his position. As I said yesterday in the House, and I repeat today, if he wants to meet me I am at his disposal to try and come to a solution, but in the meantime we must continue with our own parliamentary procedures to pass this budget. I must add, Mr. Speaker, that I repeatedly contacted the Quebec minister of finance, and exactly two weeks ago last Monday I spoke to him over the phone. He told me that he might phone back. I am still waiting for his call.

[English]

## RESULTS OF ANTI-INFLATION PROGRAM

**Mr. Sinclair Stevens (York-Simcoe):** Mr. Speaker, my question is for the Minister of Finance. As it is now 31 months

[Mr. Chrétien.]

since the government announced its anti-inflation program which it stated was designed to ensure that we would be down to 4 per cent inflation in this country by October, will the Minister of Finance now indicate what went wrong with this program, bearing in mind that, year over year, we are now at an inflation level of 8.4 per cent? Judging from current price increases, our inflation is flourishing, rather than going down to the 4 per cent level we were told it would reach in October of this year.

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, we have stated in this House many times that the controls program was very useful in reducing the level of inflation in Canada. When we started the program, we were faced with 11 per cent inflation. We have reduced it to 6 per cent. Unfortunately, it has moved back to 8 per cent, due to food prices and the fact that the Canadian dollar is not at the same level as it was at that time. However, our costs in Canada are much more in line with our competitors.

Generally speaking, the export performance in Canada, in relation to the situation we were in during 1975, is much better. I think the program has been useful. When it was not needed any more, we phased it out: the program began to be phased out last month, on April 15. I am very surprised that the hon. member asks this question when we phased out the program only a month ago.

**Mr. Stevens:** Mr. Speaker, I am certainly surprised, as are members of this House, by the minister's reversal of the question. In the first year's report of the Anti-Inflation Board, they pointed out:

The essential element of the program is gradual monetary and fiscal restraint. Without some moderation in the growth of the money supply and a somewhat more restrictive fiscal policy, the program could not be a success.

With that warning in mind, will the minister now indicate to the House if, in fact, the fiscal policy of this government which allowed a growth in federal spending of 12½ per cent in the last four years, including the current year, has been a contributing factor to the inflation levels we are now living with?

**Mr. Chrétien:** Mr. Speaker, in 1974-75 the increases from year to year in the spending programs of the government were 25 per cent a year. We have reduced it since that time to around 10 per cent. That has been a very significant change in the policy of the government in terms of monetary policy. As everyone knows, the governor of the Bank of Canada has very significantly reduced the increase in the money supply. He is within the target he set for himself last fall when this matter was discussed in this House.

**Mr. Stevens:** Will the Minister of Finance indicate to the House if the 25 per cent spending spree he referred to in 1974 was a contributing factor with respect to the inflation we felt in Canada? Can he advise why we should anticipate 3½ per cent inflation in 1981, when the 4 per cent target for this year has been so badly missed?

**Mr. Chrétien:** Mr. Speaker, I do not think that is a question. The hon. member is making a commentary. He is talking