

Mr. Brisco: There was pressure from the people.

Mr. McRae: We faced the sort of demands we had not faced earlier. For example, the postal workers were asking for 71 per cent more, certain teacher groups 40 per cent and more, and so it went. In the summer and fall of 1975 we faced a great many unreasonable demands on the economy. In the spring of 1975 we asked the labour movement and the business community to restrain their demands voluntarily. Unfortunately, our endeavour did not succeed, so that by the fall of 1975 we faced cost-push inflation and had to deal with it. It then became necessary to introduce controls.

Without question, in the little more than one year which has elapsed since October, 1975, we have contained inflation. The inflation rate for the period October, 1975, to October, 1976, was about 6.2 per cent, as compared with 10.6 per cent for the period October, 1974, to October, 1975. Clearly, the inflation rate has declined substantially. True, many factors are responsible for the decline, but controls are a major factor. At the same time, wage rate increases which were running at slightly under 22 per cent in the first half of 1975 declined one year later to around 11 per cent. Clearly, since wage increases average about 11 per cent and inflation about 6.2 per cent, even if one does not allow for some productivity gains one can say that the workingman and the average Canadian is now basically better off—and this improvement can be largely attributed to controls.

Those who say we are controlling only wages but not profits I say are mistaken. It is not true. In real dollars, profits declined in the order of 7 per cent in the past year. We have considered wages and squeezed profits in our attempt to cut back the rate of inflation. Although some may claim they have been dealt with unjustly, generally speaking Canadians have benefited from this government's anti-inflation program. Therefore, it can be said that the government's anti-inflation program has reduced inflation.

Other cost factors have yet to make themselves felt and we shall need to control them if we are to keep inflation under control. This coming winter we face the alarming prospect of more than 7 per cent of our work force being jobless. We shall need to create jobs. This will involve government spending which in turn will create inflationary pressures.

Other capital programs which will arise in future will create distortions in our economy. Specifically I am thinking of the \$180 billion in capital which it is projected we shall need during the next 15 years to develop energy. That sum, on a reasonably amortized basis, works out at something over \$3,000 per family per year in this country in terms of present-day dollars. Such expenditures could well create tremendous inflationary pressures.

I think it is well to remember what has happened with respect to the James Bay project. When I was first elected to this House it was said that the James Bay project would cost between \$3 billion and \$4 billion. Now one hears that the project will cost between \$15 billion and \$16 billion. One can see the effects of inflation—and such costs are quoted in

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present-day dollars. I think the Liberal government of Quebec was defeated in the recent election partly because the enormous cost of the project was distorting the economy of Quebec. The project was creating tremendous expectations in Quebec, expectations which were inflationary.

Therefore, when we consider that we shall need to spend \$180 billion over 15 years for energy development, it is clear that we shall see many distortions in the Canadian economy. If we are to avoid such distortions, we must consider a reduced use of energy, and energy conservation. Only if we cut back on energy demands will we survive unscathed. But that is another story. As I say, the \$180 billion we shall spend on capital needs over a 15-year period will create tremendous inflationary pressures in our economy. This means that we shall not be able to do many of the things we want to do and we shall need to change many of our ways.

Let me repeat my point. Although we can solve some of our difficulties with a certain amount of restraint, there are real limits to the amount of restraint we can tolerate without totally distorting the economy. As I said, 70 per cent of the federal budget is spent on various kinds of transfer payments; only 30 per cent is spent on the operation of the government. Therefore, if there is to be restraint in spending, it will have to come in the area of transfer payments and I do not believe we can cut spending in those areas without substantially hurting the Canadian public. In future we shall face continuous inflationary pressures, particularly from capital spending for energy development. Consequently, I foresee a long-term need for a government anti-inflation program. We must restrain the demand of both the private and public sectors on our resources. As a nation, we must all restrain our demands.

Mr. G. W. Baldwin (Peace River): Mr. Speaker, if the hon. member who just sat down believes what he said—and I think he is sincere and usually believes what he says—one can only say that the government operates on the basis that it can fool some of the people most of the time, and fool its own backbenchers all of the time.

Mr. Dionne (Northumberland-Miramichi): And the opposition tries to fool all the people all of the time.

Mr. Baldwin: This bill seeks to amend or repeal certain statutes to enable restraint of government expenditures. Its short title is "government expenditures restraint act". The operative words in the full title are "restraint of government expenditures." I agree with the objective, intention and reasons of the bill. Inflation is the number one problem in this country and in other parts of the world. The government has not done a great deal about it and is not doing very much with it in this bill. This is cosmetic legislation designed to deceive, delude and fool people.

• (1610)

Let us talk a little about inflation. That is what the hon. member was doing. To a large extent, inflation is a question of psychology. It was obviously with that in mind that this government, little more than a year ago, produced the anti-