seems that the last people in this House who should be opposing that bill are Conservatives from Ontario.

Some hon. Members: Hear, hear!

Mr. Macdonald (Rosedale): As the Minister of Finance, I would of course have been very pleased if it had turned our to be reasonably possible to provide for a considerably lower increase in our expenditures in the coming year. As Minister of Finance, however, I must also have a balanced concern for the welfare of our economy as a whole and for the welfare of the Canadian people, particularly those of lower income who have been most adversely affected by inflation. Imposition of sudden and severe restraints on the rise of government spending would have a shock effect on our economy, jeopardizing the fragile recovery now under way and seriously hurting many Canadians. To illustrate, let me point out that the estimates for next year include expenditures of $1.5 billion, to provide subsidies of direct benefit to Canadian consumers, for oil, flour and skimmed milk powder. If those subsidies were eliminated, the growth of government expenditures would not be 16 per cent but only 11 per cent. While the government would save a substantial sum of money, the cost of living of Canadians would also be substantially increased. The cost of gasoline and fuel oil to the consumer would go up by around 15 per cent to 18 per cent.

● (1640)

If we eliminated the subsidy on wheat consumed in CAnada, the price of bread could be expected to increase by anywhere from seven to nine cents a loaf. To shift that burden to Canadian consumers would undoubtedly be cosmetically attractive in terms of government spending, but I question whether it would contribute to the well-being of the Canadian people or the Canadian economy at the present time.

If we have learned anything from our experience of the past several years, it is surely that we should attempt to do everything possible to avoid sudden and drastic changes in policy which tend to have the effect of intensifying economic instability rather than reducing it. During the recent period of severe international turbulence we have succeeded fairly well in keeping the Canadian economy on an even keel. Today we are challenged by difficult problems, foremost among which is inflation. It was, and is, our conviction that we should deal with this and other related problems in a gradual way, over time, avoiding wrenching changes that would intensify stresses and strains in our country and jeopardize our prospects for the renewal of healthy economic growth.

The program we launched last October to restrain increases in prices and incomes is one of the important elements in the approach we have adopted to achieve that objective. I believe the changes proposed in the bill before the House today will contribute to strengthening that program by increasing both its fairness and its effectiveness, and I commend them to hon. members.

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, as the first speaker from the opposition to reply to the Minister of Finance (Mr. Macdonald), I must take him up on his comments concerning inflation. As I understood him, he was trying to hint or infer that there had been a decline in inflation and that somehow this showed that the government's wage and price control program is working effectively. I would point out to him and to hon. members that the Conference Board of Canada recently reviewed the situation and had this to say:

> The moderation in the rate of advance of the consumer price index in December and January was due almost entirely to the decline in the food component of the index reflecting a softening in the prices of agricultural commodities. Since the latter are exempt from controls of the federal government's anti-inflationary program, it would be erroneous to attribute the better over-all performance of consumer prices to the control measures.

A similar view is expressed in the March issue of the Wood Gundy economic report which spends several pages reviewing the wage and price program. The report says that in spite of any figures which might look as though there is a moderation in the rate of inflation at the present time, unfortunately—it uses the word "unfortunately"—the link between the improvement and the controls is almost non-existent.

The Canadians are living through an economic experiment. We are the guinea pigs while the present administration follows a "touch and feel" system in running the economy. It was just three months ago that Bill C-73, the Anti-Inflation Act, was passed after extensive amendments by the Minister of Finance. Now the same minister is further amending his legislation in the bill before us today, Bill C-89. Granted, our present Minister of Finance inherited a dreadful mess from his predecessor. The year before Mr. Turner became minister of finance, in 1971, real growth in the economy was 6.9 per cent, inflation was 2.9 per cent, unemployment was 6.4 per cent, and the budget roughly balanced, as did our exports with imports.

In the year Mr. Turner left office—last year—real growth had declined to .2 per cent, inflation was running at 10.8 per cent, unemployment stood at 7.1 per cent, the budget was more than $5 billion in deficit, and so was our trade balance. Under Mr. Turner, the federal budget grew from $14.8 billion to $30.8 billion, an increase of 108 per cent in four years, or 27 per cent a year. In spite of these staggering increases, here we find Mr. Turner's successor, the present Minister of Finance, trying to justify before the House unreasonable increases in budgets and expenditures.

Now Mr. Turner is gone. How strange it is to hear his statement in Toronto only six months after his resignation from cabinet that a tighter fiscal policy is needed to overcome inflation. "An effort has been made to tighten fiscal policy", he stated, "but federal expenditures are still growing too fast." Though Mr. Turner has gone, I fear the real culprit responsible for our current problem is still with us, namely, the leader of the Liberal party, the Prime Minister (Mr. Trudeau). The Minister of Finance appears to be merely his water boy.

The main estimates for 1977 are up by 20 per cent compared with those for 1976. And this is called restraint! I would emphasize that the 16 per cent figure to which the minister has referred is not the figure derived from final estimates, but a figure comparing main estimates for 1977 with the last budgetary estimates for 1976. A much fairer comparison would be to compare main estimates with main estimates. But let us look at the history of this matter since Mr. Turner resigned last September. First, we got a new