

shameful abdication of this government's responsibility and authority under the Constitution.

Honourable senators surely will not have forgotten also the indexing of personal exemptions in the calculation of an individual's income tax to counter the outrageous increases in the cost of living. That had been proposed as long ago as 1971 by the Leader of the Opposition in the other place. The government had ridiculed the idea then, but what seems ridiculous when you are firmly in command very often becomes the epitome of good sense when you are in danger of losing power.

Every once in a while, this administration makes a pitiful attempt at showing that it is still aware of what is going on, that it is still in command of the situation. Last week's Throne Speech is an example of that. But nobody is fooled. Everybody simply feels sorry for this government—the way one feels for a washed-up actor who doesn't know enough to retire from the stage.

As I said, the government acted in a spineless fashion in the last session, and I don't expect them to rediscover their backbone in this one. After all, the political pressure that will be exerted on them in this session is likely to be greater than it was in the last.

David Lewis is not yet ready, but soon he will be looking for an issue to justify his parting company with Pierre Trudeau. The NDP cannot afford to wait until the government, of its own volition, calls a general election. They must, for the sake of convincing their supporters that they are really different from the Liberals, continue to apply pressure. They must find some issue, sacred or not to the Socialists, and upon which the Liberals could possibly be unwilling to prostitute themselves once more. It will become increasingly difficult for the Prime Minister to temporize.

The only way in which the government can hope to resist the blackmail of the NDP is for it to be in a position to call an election on its own initiative. The government must appear, for all the world, as though it were ready to call an election at any time. Now, if the government can pull that off, if they can convince the NDP that they are not afraid of going to the polls, they will deserve an Academy Award, because if any government ever had good reason for staying out of an election this is it.

With inflation running wild, with the employment situation no better than it was a year ago, and with the many other problems torturing us—most of them brought on by this administration's ineptitude—an election for the government would be suicide. It will be very interesting indeed to watch the government squirm for as long as this session may last.

Honourable senators, obviously inflation remains Canada's major difficulty. We are no better off now, at the beginning of 1974, than we were at the beginning of 1973. The cost of living rose by 5.1 per cent in 1972. It rose by 9.1 per cent in 1973. This represents an increase of 80 per cent over the previous year. The present inflation rate is more than three times what it was in 1971. It is four times the average inflation rate for the past sixty years. We have one of the highest inflation rates in the industrialized world. Despite the government's claim that this is an international problem, there is no doubt that a large part

[Hon. Mr. Flynn.]

of that increase was domestically induced, and yet you will remember that Mr. Trudeau in December 1971 spoke of having licked inflation.

The inflation rate for the third quarter of 1973 was 8.2 per cent. Research has shown conclusively that 5.2 per cent was domestically induced. So the government's claim, repeated in last Wednesday's Throne Speech, that we are inflating because the whole world is inflating is simply not true.

For the record, I think it is useful to note that food prices increased by 8.6 per cent in 1972 while in 1973 they increased by 17 per cent—practically a 100 per cent increase in 1973 over the preceding year. Housing went up by 5 per cent in 1972, by 7.2 per cent in 1973. A house today costs 72 per cent more than it did in 1968. Clothing was up by 3.1 per cent in 1972, and by 7.3 per cent in 1973. Here again we have an increase of over 100 per cent in the inflation rate.

The OECD predicts that our 1974 inflation rate will exceed the incredible rate we reached in 1973. That means we are headed for an inflation rate in excess of 10 per cent per annum. No economy can long survive that kind of inflation. The economic bubble is bound to burst.

The OECD suggests that we need a concerted program of price and wage controls. But this government, as you will have noticed in the Throne Speech, stubbornly refuses to accept that this approach has any validity. The government continues to look upon inflation as a rather theoretical problem. Not everybody is affected in the same way by inflation, but surely no less than 80 per cent of the population can escape being seriously and adversely affected by an inflation rate which hovers somewhere around 10 per cent per annum.

Nobody can escape being influenced by an increase of 17 per cent in the cost of food—25 per cent in the last two years. Everybody has to eat, and the cruel part about this is that those least able to defend themselves against increases in the cost of living have to take their lumps just like the rest. The poor, those on fixed incomes—no special protection is afforded them. No wonder they are frustrated. No wonder they are angry and bitter. They have nowhere to turn. And always this cancer of inflation is eating away at their economic security.

A taxpayer having a taxable income of \$12,000 in 1973 lost, for all practical purposes, a purchase value of \$1,092.00 on account of inflation. Yet, to add insult to injury, the government comes along and taxes him on the full amount of \$12,000. This is true despite the amendments made to the income tax legislation providing for an adjustment in the personal exemptions based on the increases in the cost of living.

The only one gaining from this intolerable inflation is the government. Indexing notwithstanding, the tax moneys keep flowing in. We know, for instance, that last year the Minister of Finance anticipated a deficit of some \$400 million, and despite the fact that he added over \$1 billion for social security the deficit will be just over or around \$300 million this year.

Those whose incomes have kept abreast of inflation, as a result of which they do not feel too victimized or threatened, should have a look at their savings. If their money is