

*Restraint of Government Expenditures*

inflation. It was necessary to increase considerably the amounts of money in these areas. It was especially necessary to introduce the guaranteed income supplement to make sure these people had enough to sustain them in inflationary times. This is something a humane government does but it has to be done with some restraint and responsibility.

Another big area involving payments to people is family allowances. I have heard members of the opposition speak about cutting back but I have never heard anybody specify where they might cut back except in this one area. I have heard discussions about cutting back in the area of family allowances or paying family allowances on a needs basis.

**The Acting Speaker (Mr. Turner):** Order, please. The hon. member for Lanark-Renfrew-Carleton (Mr. Dick) on a point of order.

**Mr. Dick:** Mr. Speaker, I wonder if the hon. parliamentary secretary rather than just being vague would have the courtesy to be specific about where he has heard such a thing. I know it was our party that proposed indexing.

**The Acting Speaker (Mr. Turner):** Order, please. That is not a point of order; that is a question.

**Mr. Dick:** Will he answer the question? He cannot.

**Mr. McRae:** No, I cannot place the names.

**An hon. Member:** It was the hon. member for Comox-Alberni (Mr. Anderson), one of your own.

**Mr. McRae:** Mr. Speaker, I shall look up some references I have.

**Mr. Baker (Grenville-Carleton):** Mr. Speaker, a point of order. I am sure it is well within the rules of the House to inform a colleague. For his information, the member who indicated the position that he has just accused us of taking, quite wrongfully, was the hon. member for Comox-Alberni (Mr. Anderson), his colleague.

**Mr. Knowles (Winnipeg North Centre):** Yesterday.

**Mr. McRae:** Mr. Speaker, I would be pleased to look at my references. I believe I can furnish the information about the reference to paying family allowances on some kind of needs basis or changing them so that they only go to those who need them. I will say in this I am referring to the Tory opposition, not the NDP, because we can be sure where there is money to be spent they want to spend even more.

To continue, if we are to cut government spending in a big way then it has to be in some of these areas. The next area is subsidies. In this fiscal year the federal government paid out something in the neighbourhood of \$2.2 billion; close to 6 per cent of the total federal budget goes to subsidies. When I refer to subsidies, Mr. Speaker, I am talking about subsidies to all groups and not just to Crown corporations because they are dealt with in another clause of the bill. We are talking about

subsidies to do some of the things that many members of this House feel must be done.

I was not happy to hear the Minister of Transport (Mr. Lang) suggest that we be concerned about subsidies in terms of the user-pay concept. I am afraid I do not agree with that concept because Canada has been built on the opposite concept. In some way this has to be a nation which shares. The user-pay concept might not work and I have a great deal of difficulty with it. I therefore have difficulty in criticizing most of the subsidies as the whole country is based on developing some equality between all regions. In my opinion, user-pay is an unethical concept.

To move on to some other items, Mr. Speaker, \$4.6 billion or 12.1 per cent of federal spending is for Crown corporations. In this area we have had a hard fight in the last two or three years to get an organization like Petro-Canada, a Crown corporation, to do something for Canadians in the field of petroleum. I feel that Petro-Canada, Panarctic, Canadian National Railways, Air Canada and so on are Crown corporations which should be supported with subsidies or some kind of funding. These transfer items make up 70 per cent of the total federal budget. The last item is the national debt which takes \$4.6 billion or 12 per cent of the total federal budget. No one would suggest we could cut very much there. As a matter of fact, the increasing expenditures there stem mostly from the fact that inflation has caused increases in interest rates and therefore government expenditures have increased.

Mr. Speaker, I do not believe that government spending is the only, or even the most important, cause of inflation. I think a good deal of government spending is inflationary but the vast majority of increases in government spending have been as a result of inflation. They may contribute but because of inflation they have been necessary. If we look at inflation in the year 1973-74 we find we are talking about world inflation caused basically by an excess of demand over supply. The demand seen in 1973-74 was extremely heavy. That is why I think the Tory Party was wrong in the spring of 1974 and the election of 1974 in saying they would bring in controls—although I admit a change was occurring. At that particular time, we were trying to control something which was caused by an excess of demand and a shortage of supply. Controls at that point probably would have made the situation considerably worse.

● (1600)

However, there was a distinct change between the spring and summer of 1974 and the fall of 1975, and this is the key to the matter. During the summer of 1974 one could still say that inflation was caused by excessive demand. As the Prime Minister (Mr. Trudeau) said in the throne speech debate of the fall of 1974, wages were not a major contributing factor to inflation at that point. Nevertheless, between October, 1974, and October, 1975, wage settlements averaged 21.8 per cent, or more than double the size of average wage settlements in the United States. Therefore, in the fall of 1975 we faced some serious wage demands.

[Mr. McRae.]