

the judgment of the vast majority of the people of the country at the present time. I hope that this will not be construed as a narrow political observation, but I do say that the present Prime Minister reflects, as few leaders of government, the mood and the desires of the nation. This is shown in his pronouncements. I think it was reflected in what he said today about a matter that I wish to say something about tonight. I also think it was reflected in a speech he made the other day in the City of Montreal. It is reflected in his capacity for direct statement, oftentimes in his understatements. On those occasions he bears in mind that it is well to catch up rather than to find one has taken a position from which one has to retreat. No, I believe that this Government and this Prime Minister has purpose and decision. This Government is making and has made decisions, some of them extremely difficult, as we found during the course of the last few months in pursuing a policy of retrenchment and reduction of Government expenditures. I think the Prime Minister, in his concept of the nature of our Confederation and in his view of the nature of some of our problems, both domestic and foreign, stands out as a man of stature, one whose leadership is not only bringing attention to himself in Canada, but bringing to himself attention in many countries of the world.

In opening my reply to what the Deputy Leader of the Opposition has said, I wish to assure him that from all that I see in the Cabinet and from the unfolding of Government policies, we will see some of them already portrayed in the Speech from the Throne. A suggestion that this is a Government that lacks decision and lacks purpose is not open to substantiation.

During the course of his speech, Senator Choquette referred to what is undoubtedly the most serious problem facing the country at the present time, one that Professor Galbraith, the distinguished American economist, spoke about on Saturday and yesterday at the Tripartite Conference here in Ottawa. This is a matter that was referred to in the other place last night by the Minister of Finance and again today by the Prime Minister, and recently by the Governor of the Bank of Canada and, as Senator Choquette pointed out, a few weeks ago by the Chairman of the Economic Council of Canada. This question is one which should be of concern not only to the other house but it should be of concern, as I know it is, to senators in this house. I

[Hon. Mr. Martin.]

hope that it will gain the attention of some of our committees just as it is receiving attention in other committees in the other place and in some of the legislatures of the provinces.

The fact is that the major challenge to government and to all Canadians at this time is the problem of inflation and the inflation psychology. As a government, Senator Choquette suggested that we were remiss in our confrontation with this problem. We have tackled inflation on many levels. In the first place we have reduced the rate of increase of our own expenditures by cutting back severely the scope of operation of various government departments and agencies. We felt that the level of expenditure on federal account in Canada had reached proportions which stood in the way of a ready solution to inflation. We were not the only government that had overexpended; we were not the only level of government that had overexpended. The expenditures of provincial governments, both collectively and individually, as the Finance Committee reported in this Senate last June, reveals that their expenditures exceed those of the federal Government. That is their responsibility. We felt that if we were going to curb this inflation we had to embark on a program of reduction of expenditures, with the result that the Minister of Finance would be faced with the opportunity of presenting a surplus and, as he indicated yesterday, that surplus will be even larger, he anticipates, than his earlier expectations.

The Government has established an Incomes Commission under the chairmanship of an eminent economist to inquire into and report upon the causes, processes and consequences of inflation and to inform government and management and labour how price stability may be best achieved. My honourable friend may say that this Incomes Commission has no more authority than that of persuasion. Those of us who are lawyers know that a judgment sometimes may be either authoritative or persuasive. Even persuasive judgments have their value. This commission's authority may be no more than educational, it may be no more than persuasive; but that is because of the limitation of the Constitution in giving direct authority to the federal Government in the matter of the control of prices, wages and profits.

There might be some area yet to be dealt with in the field of credit; but generally speaking the kind of objective which was put