wages which is maintaining the inflation at much the same high rate.

● (1550)

The substantial increase in wage and salary costs in virtually every country is clearly a response to the sharp increase in the cost of living that began to develop because of international inflationary pressures. This development is neither surprising nor exceptional; we have seen it before and we are seeing it now. No one wants to see his standard of living eroded by inflation—not even members of parliament, let me add. It is fully to be expected that all Canadians, including members of parliament, will want to obtain a sufficient increase in income to at least keep pace with rising costs. As a government, we understand and support that ambition; we have done it with deeds, not just with words. We have done more than virtually any other country in the world in attempting to get to the root of the inflation problem while at the same time attempting to maintain reasonable economic growth and helping to offset the adverse effects of inflation on Canadians, particularly those on low and moderate incomes.

Let me give some examples. We have done this by adopting a deliberate policy of encouraging increases in productive capacity and output to combat inflation and expand employment; through tax cuts and other incentives to encourage expansion in business capital investment in manufacturing and processing; through measures to maintain and expand housing constructions, stabilize farm income and encourage expanded agricultural production.

We have tried to maintain a reasonably accommodating monetary policy that has tried to avoid the kind of credit crunch experienced in the United States. We have tried to avoid crippling wage and price controls, and in that had the support of the Canadian people. We adopted a strongly expansionary budget in November to offset economic drag caused by continuing stagnation abroad, by providing stimulus through tax cuts rather than through increased expenditures in order to avoid the adverse impact of inflation. We have adopted in the past few years more wide-ranging measures than virtually any other country to offset the adverse effect of inflation on Canadians, particularly those on low and moderate incomes.

We have adopted policies to maintain incomes, particularly the incomes of those hardest hit. We have indexed fully family allowances and old age pensions. We have indexed personal income tax and adopted policies to offset the erosion in the value of savings and measures to encourage additional savings. I cite as examples the $1,000 reduction for dividend and interest income as provided in the last budget, plus similar deductions for income from private pension plans and the $1,000 tax-free deduction for certain forms of contributions.

Let me repeat what I said earlier. I do not think any country in the world has been as effective as we have in introducing wide-ranging measures to deal with inflation in such a way as to minimize the effect on employment. This government was absolutely determined that it would not try to fight inflation by creating unemployment. We have taken whatever measures we can to assist employment. I think the test as to how much better we have

handled these problems than our great neighbour to the south lies in this fact: whereas in former years we always reckoned that our rate of unemployment would be slightly higher than that of the United States, today it is substantially less in percentage terms.

Mr. Stanfield: You are not through it yet.

Mr. Sharp: As the Leader of the Opposition (Mr. Stanfield) says, we are not through it yet. That is why this government has never attempted to create false hopes: we have been realistic. The Prime Minister (Mr. Trudeau) said the other day when answering a question that he was cautiously optimistic. That is the right attitude in these circumstances. Our attitude should not be one of doom and gloom but one of cautious optimism, because I think there are grounds for optimism. But we do not want to give the impression there are no problems; there are serious problems.

Mr. Stanfield: Tell us about the consensus.

Mr. Sharp: I will. Before I finish my remarks I may have an opportunity to say something about it.

Mr. Hees: We will give you extra time if you want to talk about the consensus.

Mr. Sharp: Thank you. The measures I have outlined, which were reinforced in the November budget, not only help to offset the impact of inflation but provide a strong underpinning of the economy and help to offset the impact of slow growth abroad. That slow growth is a fact; it cannot be overlooked. There is a recession in the United States, and the rate of growth in Europe is practically nil; it has flattened. We cannot change that fact but must do everything we can to offset what is happening in our markets abroad.

The success of the measures I mentioned just now is reflected in the fact that real disposable income per capita, after direct taxes and discounting inflation, was up 3.3 per cent in Canada in 1974. That compares to a decline in the United States of 3.4 per cent. In other words, personal disposable income per capita in Canada, after discounting inflation, rose 3.3 per cent but in the United States it declined by 3.4 per cent. That is a measure of the success of what we have done in our far-ranging attack on inflation.

Mr. Hees: Don't break your wrist trying to pat yourself on the back.

Mr. Sharp: The government is concerned about the danger that arises from the possibility that some groups in our economy may attempt to do very much better than keep pace with the cost of living by pressing, by way of insurance, for increases in income from whatever source that go far beyond any reasonable expectation about prospective inflation rates.

Mr. Stanfield: You mean people like dredgers.

Mr. Sharp: We believe that if such efforts are made on a large scale and are successful, they will have the effect of a self-fulfilling prophecy. That is the nature of the problem with which we are trying to cope. The consultations