

increases under the Supplementary Retirement Benefits Act of 6.5 per cent this year and 5.5 per cent in 1984. I speak in favour because the modification to the Bill will give Public Service pensioners more than they otherwise would have received under the original proposal without violating the spirit of six and five.

The modification recognizes an important principle of not capping contributions made by the employees, matched by the employer, without upsetting the integrity of the six and five program. The modification to the Bill will not upset six and five because it follows on the principle that money set aside in the Supplementary Retirement Benefits Account as a result of prior contributions to pay for indexing should continue to be used for indexing. In this way the principle is recognized that the capping of Public Service pensions should not apply to the portion of the indexing being provided for from the Supplementary Retirement Benefits Account.

Those from the private sector who have been most active in their endorsement of the six and five program, it is understood, concur with the Government's view that modifying the pension increases in the manner indicated would not be a breach of faith with the program. Furthermore, the modification was only embraced after extensive review of all suggestions received by the Government, Members of its own caucus as well as from other sources. These representations reveal that some modification to the original proposal for restriction of Public Service pension increases to six and five could be made within the spirit of the six and five program.

The main reason for restricting pension increases to the new proposed levels dictated by the six and five program is, of course, to support the present policy for achieving price stability. There can be no sound and lasting recovery in the economy without price stability. It is something fundamental and basic that any economist will indicate to someone who inquires about this.

Price stability is sought and is desirable, not only for its own sake, but because it is necessary to re-establish growth in the economy and, with growth, to promote jobs. This is what the six and five program is all about, reducing inflation for an economic recovery and producing jobs. Thus, any breach in the program at this time could jeopardize importance national economic objectives.

It has been questioned by some whether it is now necessary to carry forward with the pensioner's part of the program since the goal of price stability is within reach. This is to overlook the role of inflationary expectations. Anticipation of the six and five program being implemented has been sufficient to start moving the inflation rate down. That is, prices move on thought; when there is conviction, the thought will be followed by implementation. To interfere with the implementation is to break the conviction. Not to carry through now is to break the very favourable expectations of lower inflation set in motion with the announcement of the six and five program. To back away at this time from the original intent and the basis of the initial success would be to jeopardize that very success. It would lead to renewed speculation of more inflation to come.

#### *Supplementary Retirement Benefits Act (No. 2)*

Other critics of the motion have taken a different tack. They rally around the cry of not fighting inflation on the backs of pensioners. This is to argue that while it is desirable to dampen inflationary expectations, it is not for some reason desirable to dampen the inflationary expectations of pensioners. These critics go on to maintain that it is unfair to force a reduction in living standards on pensioners. This is to ignore, however, what happens to the relative economic position of Public Service pensioners when their pensions are fully indexed for inflation when wages are not.

When Public Servants are asked to take a reduction in living standards, they suffer a loss in economic position vis-à-vis pensioners whose standards are maintained by full indexing. It seems only elementary justice to ask pensioners to share in the same reduction as active workers when this is necessary for the national good. Pensioners are not being asked to share a loss in economic position relative to active workers, only to share in a common restraint with workers that keeps the relative position of the two groups unchanged.

To keep any group at its previous level of real income at times when others are suffering a loss of their real incomes through restricted wage growth or, worse, through unemployment is to enable the protected group to gain in economic position relative to the others. This is hardly the way to have us all pull together in support of six and five and a better economic recovery.

Much has been made of the fact that there was no consultation with regard to this legislation. The answer is simple. The legislation was part of a budgetary process and at that time budgetary processes involved no prior consultation due to traditions of Parliament. However, the President of the Treasury Board when appointed to this position immediately initiated consultations with the Public Service unions. These consultations played an important part leading to a respect of the principle of not capping contributions made by the employees and matched by the employer. They played an important part in leading to the amendment that increased the cap to 6.5 per cent in 1983 and 5.5 per cent in 1984.

I now want to turn to some of the comments by Members in the Conservative Party, particularly the Hon. Member for St. John's West (Mr. Crosbie). He talked of hypocrisy. I find it difficult to understand the Hon. Member who supports restraint in general, but when it comes down to the specifics is not willing to support it. It is easy to espouse motherhood and easy to espouse restraint when you do not have to name what you are going to restrain, when you do not talk about who will get hurt. That is easy.

The Hon. Member for St. John's West is a supporter of Reaganomics. He has indicated that publicly. The major basis of Reaganomics in terms of social programs is to slash them and slash them hard, not just slashing at indexing, but cutting away at the very foundation of the program. To be a supporter of Reaganomics and then come here and try to pretend that you have a greater social conscience than the NDP is a little hard to swallow.