

the doctors in British Columbia will settle for a 40 per cent increase over two years. I suppose the doctors might not like my lumping them in with the rest of the trade unions, but nonetheless that is a wage increase, and it would appear to be 40 per cent over two years. The burden of the article was that it would be accepted.

Senator Murray: I cannot resist asking the Chairman of the Standing Senate Committee on National Finance whether, in view of his statement to the effect that a balancing of our budget would have very little effect on the inflation rate, from which I infer that he thinks the size of the federal deficit is not an important element in Canadian inflation, what he thinks the principal elements are in the prolonged high rate of inflation that we have in this country today.

Senator Everett: I would like to say that my argument was that the idea of balancing the budget would not reduce inflation. I did not argue—in fact, I argued the other way—in favour of balancing the budget. My argument was that it was beneficial in the medium-to-long term in creating a more productive and growing economy.

I think there are good reasons for balancing the budget, but I think those people who say, as many businessmen do, that all that is wrong with this country is we have a budgetary deficit, and if we could only get the budget balanced our inflation problems would be over, are wrong. History does not support that. It is not true.

In that respect one of the things we came across when we were examining the budget—and this is nothing that is not public—was that out of roughly \$62 billion of total spending, if you take out the transfer payments to people, the transfer payments to the provinces, the interest on the public debt and what we spend on national defence, you are left with \$18 billion that is directly controllable by the federal government. I would like to see us operating with a more balanced budget, but I am always challenged by what it is that you cut. We can cut some of the \$18 billion, but in relation to the \$62 billion it is not going to be a devil of a lot. We then get down to the problem of what social programs we are going to cut, but who wants to bite the bullet on that? Then we get into the area that we are already into of discussion with the provinces as to who foots the bill there.

In this regard we are going to be discussing equalization and the question of the Established Programs Financing Act. I do not know who can go to the public and say, "This should be done," or "That should be done". It is my feeling that while we ought to be prudent about our expenditures—and I noticed that the Minister of Finance, the other day, was saying that there are no new programs that are going to be available to us because we just do not have the money—I really do not know where it is that we can make the kind of stringent cuts that would have to be made in order to balance the budget.

The only thing that is open to us is an increase in revenue. As the Economic Council said, how do we increase taxes when one of the major things that we want to do is reduce taxes in order to encourage investment? It seems to me that that takes

us in one direction, and that is that we have got to get more oil revenues flowing to the federal government.

I am entranced with Mr. Lougheed's public relations, and his perception that everything that has gone wrong with energy in this country has been the fault of Mr. Trudeau and the Liberals. I just do not believe that. I think Mr. Lougheed is being intransigent. I do not think he is acting in the best interests of Canada. I do not think he is talking in terms of equalization. His province, like my province, was dependent on equalization at one time. Where is his feeling of history with regard to that fact? It seems just to have gone out of the window.

I apologize; I have departed a bit from your point. Nonetheless, I think that this problem of a budgetary deficit should be cured. I suspect that while we have to be a great deal more prudent about our expenditures—we are forced to do that—it is an energy-pricing agreement and a sharing of revenues that are necessary to put us on the right side.

Senator Smith: Honourable senators, I wonder if I might ask the honourable Senator Everett a further question, to which I will perhaps make the preliminary comment that I am sure he recognizes that in his last remarks he challenged us to a debate on a subject on which some of us have very strong feelings. I will avoid that challenge, not because I am afraid to take it up, but because this is perhaps not the proper occasion on which to do so. I want him to know that we do not all think as he does about that.

I was intrigued, however, as he talked about controlling the money supply, as to the mechanisms which he believes—"believes" is the way I guess I want to put it—are available to the Bank of Canada to control the money supply in the way in which I thought he was talking about, namely, a sort of a fine tuning, involving doing something as a consequence of which the money supply is tightened, and then loosening up a bit, as a consequence of which the money supply grows. That leads me to ask just what it is that he believes is the mechanism that can be applied to achieve this.

● (2210)

Senator Everett: I am not sure that I understand the honourable senator's question, and I apologize for that.

Senator Smith: It probably was not very well put.

Senator Everett: I am sure it was well put.

The Bank of Canada has had target ranges for the growth of the money supply—I believe largely M1—and it has been very successful in staying within those ranges. I do not know what I can add to that. In other words, the bank has been capable of setting targets and meeting those targets. All I am suggesting is that we support the governor of the bank in the fairly stringent range that he has now.

Senator Smith: Perhaps I will try to put my question a little more clearly, and perhaps the honourable senator's answer has clarified it in my own mind.

The Honourable Senator Everett has just said—no doubt correctly—that the central bank sets targets for the money