

Supply—Finance

was hurt by the freeze. People in the service received the preference which they should receive. In 1962 that eliminated a good deal of expense in a gradual way. The editorial deals with the matter as follows:

As for freezing for the time being the number of employees, this was made necessary by the Auditor General's report—a report tabled in the house on the same day that Mr. Sharp's tax bill was defeated. The Auditor General pointed out that the costs of the government's administrative overhead had increased by almost 60 per cent since 1962-63, and that the number of those employed in government departments, the crown corporations and other instrumentalities had increased for the year ending March 31, 1967 by 18,788 over the previous year.

No government could set an example for curbing inflation when it was spending so much and employing so many.

It may well be that Mr. Sharp did the best he could amidst the cross-currents of a seriously divided cabinet—a cabinet so divided on economic policy as to have made adequate measures against inflation impossible for years. The government needs full support for whatever it may do to come to grips with the financial crisis.

The minister knows better than the writer of this editorial whether the reference to cross-currents in a seriously divided cabinet is justified. However, we can point to the fact that living next door to a very large, healthy and friendly neighbour, the minister often goes down to New York and Washington. This is a most natural thing for him to do, and there he discusses financial matters. But surely when he goes there they must ask him, "What about that fellow up there who doesn't want us in Canada? What about the President of the Privy Council who says you should buy Canada back and who doesn't want us there"? What does he reply when he is asked that question and has to answer it? I think it is a very difficult question to answer. This gives us some idea of the division within the cabinet, a division which has much to do with our people's lack of confidence in the cabinet.

● (4:20 p.m.)

In the *Gazette* yesterday Mr. Blakely, a distinguished member of the press gallery, said this about inflationary tendencies:

—back last October, the inflationary tendencies (which have certainly become no weaker since) were sufficiently disturbing that Mr. Sharp felt that he had little to lose and everything to gain by giving the guide line...er, that is voluntary restraint...concept a whirl. In his own mind, at least, he even had the timing fairly well worked out.

It adds up to everyone in this country being conscious of inflation. I do not think the government has paid enough attention to

[Mr. Flemming.]

ways to reduce expenditures. Expenditures for the current year ending March 31, 1968, cannot be reduced sufficiently in order to restore confidence in this country. Next year's expenditures must be considered. It is no good having someone say that next year's expenditure increase of, say, \$6.5 billion has been reduced to \$6 billion and that a saving has been made. In those figures there is no saving, and to suggest there is is nonsense.

I am critical of the government for not giving leadership to our people in ways to fight inflation. Ministers of finance have bragged about how good things are. I must say that the present Minister of Finance, who has a broader outlook than his predecessor had, has admitted that our good times began in 1961. His predecessor said they began in 1963 on the day the Liberals came to power. That was his submission. Nevertheless, the present Minister of Finance, who is a man of some stature, has said that our good times started under the previous government in 1961. We have had good times and that is why I suggested a few moments ago that we should have tapered off our public spending when the private sector of the economy could carry the ball. The government ought to have balanced its budget and kept out of the money markets. It ought not to have competed for materials and labour with the private sector.

Had the government balanced its budget when times were good and had it not gone to the money markets its credit would now be good. If it needed money in difficult times it could borrow it. Difficult times are not here yet but they may come. The Bible says that we may expect seven years of plenty to be followed by seven years that are not so good. I do not say that we will have seven bad years but since we have had seven years of plenty we may expect times not to be quite so good in future.

At his convenience I hope the Minister of Finance will explain why, when times were good, the government did not save for the rainy day which was bound to come. Failure to do so demonstrates lack of leadership. I charge the government with not giving leadership, and it deserves that charge. The government competed with private industry for labour, material and money. No one questions the government's right to govern, though many question its ability to govern.

Some hon. Members: Hear, hear.

Mr. Flemming: The government deserves censure for doing what it ought not to have