

Senator Hicks: And to inflation.

Senator Everett:—and to prices and to the price level; but the effect of controlling the supply of money, and indeed the high interest rates themselves, in time does mean that the economy slows down and that people are less willing to make those investment decisions.

At this particular point, if you can buy a house and your perception is that the house will increase in value by, say, 25 per cent a year, you may well not think it very bad to take a mortgage at 18 per cent a year. I will admit that the high interest rates are a cost and a factor in prices, and they do have an effect of changing the price level, but I would argue that in time what happens is that the economy does start to dampen down; and as it dampens down the supply of funds is reduced and the interest rates, as a consequence, drop—unless the central bank further tightens the supply of money, in which case it can keep those interest rates riding high for a longer time, but the drop in the economy will be even greater.

Hon. Lowell Murray: Honourable senators, there are many questions that I would like to ask Senator Everett following his excellent speech, but I will confine myself to one or two. I would like to return, first, to the matter that was raised by our colleague, Senator Smith, a few moments ago in connection with supplementary estimates (A), and the fact that henceforth only the difference between the amounts paid in compensation and the amounts collected through the petroleum and special compensation charges will be reported in the estimates.

I want to ask the honourable senator, frankly, what he thinks of this as a matter of budgetary practice. If the government raises \$4 billion or \$5 billion in a tax, whatever the nature of the tax, and spends it, whatever the program, no spending item will be shown in the estimates, and I suggest that, in principle it is wrong and that when you are dealing with sums of that order of magnitude this practice gives quite a false impression of the budgetary position of the government.

Senator Everett: Honourable senators, I do not think it is true to say that the amounts involved are not shown in the blue book of estimates. I believe that the amount received by the revolving fund and the amount expended from the revolving fund will be shown in the estimates; but the budgetary amount will be the shortfall, and therefore your budgetary expenditures will be reduced, as we see it, by the amount of the payment by the oil industry into the compensation revolving fund.

Senator Murray: I do not want to enter into a debate at this point, but I cannot think of a single argument to be advanced in favour of this practice, to be perfectly frank about it. I would like the committee, of which I am a member, to have a close look at this practice, because if it can be done with the oil import compensation fund, the government can start earmarking various taxes for various purposes all over the lot, and before we know it they will be netting out their expenditures in all kinds of areas. I would like to see the committee take a closer look at this, to see whether it is done in respect of other tax and spending measures, and express a judgment as to the

[Senator Everett.]

propriety of this in terms of the government's accountability and its responsibility to Parliament for these spending programs.

Senator Everett: The honourable senator makes a very good point. It is something that has come up before in our hearings. It might be something on which it would be worthwhile to hold a few special hearings. There are other areas that are not dissimilar. For example, it is possible, if the government is making a payment which would be included in budgetary expenditures, to make that into some sort of tax relief, which then, so far as the recipient is concerned, may still be of similar value, but the government, on the other hand, has quite changed its budgetary practices by doing that.

So the point is well taken and, in fact, I would endorse the idea of perhaps having two or three hearings and exploring the whole issue of what should or should not be in. It is not something that has not been gone over by Parliament over many years, but perhaps the time has come to have another close look at it.

Senator Smith: Honourable senators, I would like to ask a supplementary question on that point. My memory was jogged by Senator Everett's reply. Does he recall that, in fact, this matter was discussed at some length approximately two or three years ago, and particularly addressed by Senator Grosart, and that as a result of that discussion even representatives of the Department of Finance were willing to agree that they should retreat from any such practices?

Senator Everett: I do recall that very vaguely, but it was in respect of user fees. I believe the subject was in respect of some sort of user fees in harbours.

Senator Roblin: The user fee par excellence.

Senator Everett: That is true. We did get an agreement on that, and so far as I know the Treasury Board has lived up to that agreement. But that would be another subject for the hearings.

Senator Murray: There is one matter relating to Senator Everett's comments on the state of the Canadian economy. He said, as I understood him, that wage demands are now in the area of 17 per cent to 20 per cent per year. He is not suggesting, I presume, that wage settlements are at that level. In any case, I wanted to ask him what the source of that information is, and, secondly, whether he will agree that in each of the last three years average wage settlements in this country have been considerably below the inflation rate.

● (2200)

Senator Everett: Honourable senators, I think there has been a reduction in real wages in this country. I think what I specifically said was that wage demands are starting to run in the area of 17 to 20 per cent per annum. In fact, I think there have been settlements that have run to 33 or 34 per cent over a period of two years. I believe I could produce details of some settlements of this magnitude.

I do not think it has been endorsed by the Government of British Columbia, but I read in the *Globe and Mail* today that