have their income controlled, but that people who were self-employed or business people would be able to circumvent the controls program.

It would be worth while to review what the government was promising when it brought in its anti-inflation program. I should like to refer to the policy statement tabled in the House of Commons on October 14, 1975, by the then minister of finance, the hon. member for Rosedale (Mr. Macdonald), which reads as follows:

> Canada is in the grip of serious inflation.
>
> If this inflation continues or gets worse there is a grave danger that economic recovery will be stifled, unemployment increased and the nation subjected to mounting stresses and strains.

This statement is entitled "Attack on Inflation". We are aware of what has happened to unemployment. In October 1975 when the program was brought in, the seasonally adjusted rate of unemployment was 7.2 per cent and the number of unemployed people was 725,000 on a seasonally adjusted basis. More than two years later, in December of 1977, the seasonally adjusted rate of unemployment was 8.5 per cent and the number of unemployed people was 911,000 on a seasonally adjusted basis. In other words, there were almost 200,000 more unemployed people in December 1977 than there were in October 1975 when the program was put into effect.

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Then the minister went on to say in his statement:

> Inflation threatens to price our goods out of world markets and to lessen the capacity of our businessmen to expand their operations.

Many of our export industries have been in trouble. Many have not had large profits, and many of them, like International Nickel, have had to lay people off. At no time has that been caused by the fact that they were required to pay too high wages. If Canadian corporations have not been able to export as much as they had exported two or three years ago, it is because the western world in particular has been in a slump, and our products, our minerals and our lumber, have not been selling. Or if they have been selling, they have been selling at substantially lower prices than they did two or three years ago. A good example of that is the price of wheat which is down by about 40 per cent. The minister then said:

> Lowering the rate of inflation and reducing the level of unemployment must go hand in hand.

I think it is pretty obvious that the rate of inflation is almost what it was in October of 1975 and that unemployment is substantially higher. We have witnessed a peculiar phenomenon in the first year. For various reasons the cost of living did not increase as fast as it had the previous year. To a large extent that was because the cost of food did not go up. So when the Anti-Inflation Board made their first year's report in 1976, they took credit for the reduced rate of inflation and they said, to quote from their first report:

> The various elements of the anti-inflation program work together in this manner: Monetary and fiscal policies are designed to achieve a sustained economic recovery consistent with price increase targets of 8 per cent in the first program year, 6 per cent in the second year, and 4 per cent in the third.

Then they said:

> Prices should increase by less than the increase in compensation, so that workers can gain, on average, at least a two per cent increase in real income.

Predictions of the Anti-Inflation Board and of the then minister of finance have proven to be completely erroneous because the rate of inflation in fact has increased to 9.5 per cent for the calendar year and in the last three months of 1977 to about 11.5 per cent, a rate of inflation even higher than that prevailing when the program was brought in.

We said in 1975 that this program could not work for any length of time, that we could not keep prices down because Canada could not live by itself, that Canada is part of the world economy. We are a tremendous importer of all sorts of goods and if these go up, as they have and as they will continue to do, we will have to pay increased costs. That is exactly what happened. The cost of food is going up. It has gone up by 17.7 per cent in the last year, which is not surprising when you think of the fact that we import fresh fruit and vegetables, we buy our coffee and tea and all other products, over the price of which we have no control. So the cost of living has gone up despite the arguments of the government.

The Minister of Finance (Mr. Chrétien) is still arguing that in 1978 the cost of living will go up by only 6 per cent. That is a ridiculous claim to make, and it will prove to be wrong by a very large margin because we have not been able to master those factors which have led to the increase in the cost of living. The government is committed to regular increases in the price of oil and natural gas. We had an increase of $1 a barrel on January 1, which we will begin to feel in March, and there will be another increase of $1 a barrel in oil and a comparable increase in the price of natural gas in July. The price of food is continuing to go up; there is no indication that it will go down, and this despite the fact that the minister keeps on saying *ad nauseam* that the cost of living will not be great. The fact that the minister is repeating that will not have much effect on the cost of living.

The Anti-Inflation Board, which took such credit for the reduction in the rate of increase of the cost of living in 1976, is now trying, through the judicious use of selective figures, to indicate that we are doing not badly at all. In a booklet which they issued some months ago entitled, "Kick the Inflation Habit" they tried to argue that we were doing quite well. They tried to show that inflation has been coming down for the last 12 months, despite the fact that the annual rate of increase in the consumer price index was 8.5 per cent at the time they issued the booklet, as compared to 6.5 per cent the year before. How did they try to rationalize this? They said:

> Food, energy and import price movements have obscured somewhat the success that has been attained in reducing the rate of inflation.

In other words, when they could not prove that the total cost of living was going up faster than they expected, they tried to exclude the price of food and energy from the calculations which they made.

It is obvious that the government's policies have not worked. The minister has made it clear, and this legislation provides, that wages and salaries will not be permitted to increase by