

minimum. What figure should be selected is obviously a matter of judgment, and I noted with interest that while the hon. member for Oshawa-Whitby was critical of that figure, he expressly avoided indicating what figure he thought would be reasonable under the circumstances.

We have attempted, for our part, Mr. Speaker, to strike a balance that would make room for some greater increase in income for those in the lower brackets than would be permitted under the guidelines, and which at the same time would be reasonably consistent with moderating the pace of inflation in Canada.

Were we to have taken no action to attempt to dampen the present spiral of costs and prices, there would be equally no assurance that those of lower incomes would receive increases that matched or exceeded this minimum. In fact, the prospect is that those on the lower rungs of the income ladder would be significantly worse off, in real terms. That is the point I made at the start of my remarks, that in this period of rapid escalation of demands it is those with the least power, those at the lower end of the income scale, who suffer most at the expense of those with the real clout. If the more powerful groups in our society are able to continue successfully in carving out an increasingly larger real share of the economic pie, there will be that much less available for those who are less powerful; and it is for that reason that we recommend this program on behalf of that particular income group.

It is often suggested, and we do not disagree, that greater equity must be achieved in the distribution of the nation's income. It is one thing, however, to acknowledge this goal in principle; it is another to observe it in practice. In practice, there is no way in which those on the lower rungs can secure a greater share of real income if those on the upper rungs continue to be successful not only in maintaining traditional differentials in income but in widening those differentials as circumstances and economic power permit.

It is sometimes contended that some form of social assistance, either by way of a tax credit or other means, should be adopted to bring about greater equity in the distribution of national income. Indeed, we in this country have adopted over the years one of the most advanced systems of social assistance to be found anywhere in the world. I think it should be remembered, however, that the means to achieve this objective has to come from somewhere. The goal of narrowing the gap in income distribution can be thwarted if those in higher brackets are successful in maintaining or increasing their own real, after tax share of take-home pay by pushing up their income levels. Hence the program that has been put forward.

In any case, Mr. Speaker, I suggest that this is not the time to embark upon major new social assistance programs which one way or another would add substantially to government costs. As I have said, the greatest contribution that we can make now to improving the well-being of those in lower income groups is to focus our energies on breaking the spiral of inflation which threatens to leave them farther and farther behind.

Before I conclude, may I underline the fact that the prices and incomes program which is embodied in the legislation before the House does not, and of course cannot, stand alone but must be seen as part of other

#### *Anti-Inflation Act*

interrelated policies and programs. It cannot be expected, for example, that the measures to bring about price and income restraint will be successful in moderating inflation and facilitating the restoration of sustainable economic growth unless we also pursue appropriate fiscal and monetary policies. Special additional measures will undoubtedly be required to deal with special problems, such as housing. But it is essential to recognize that there are very real and severe limitations on what governments can do in terms of their over-all fiscal position.

If we were to increase substantially the total cash requirements of governments by sharply increasing spending, by sharply cutting taxes, or by both, we would add further to the already high demands that governments are making on capital markets. This would push interest rates to still higher levels and, in turn, further impede economic recovery, particularly of housing construction. Some might suggest that in order to accommodate increased government borrowing we should expand the growth of the money supply. Any brief effect that that would have—

**An hon. Member:** Who said that?

**Mr. Macdonald (Rosedale):** Hon. members opposite ask who it was. It seems to me that we had a general chorus of dissent against the Governor of the Bank of Canada when he increased interest rates as a means of moderating growth of the money supply. You cannot have it both ways. So there has been support for increases in the growth of the money supply on the other side of the House, I think it is fair to say, by their objection to that particular decision.

As I was saying, any brief effect that such a move would have—namely, increasing the money supply—in reducing short-term interest rates would be quickly engulfed by the substantial increase in longer term interest rates that would also follow because of the impact that excessive monetary growth would have in generating expectations of still higher inflation.

In the operation of our economic system, therefore, I think hon. members have to remember that everything connects. I think that the prices and incomes policy established in this bill can make an important contribution to restoring the stability of Canada's economy so long as our other programs and policies are carefully directed toward achieving the same objectives. That, Mr. Speaker, will be the objective of this government within the over-all context of the prices and incomes policy, as well as to concert policy-making generally, so that we may be able to reduce the spiral of inflation in Canada and, in particular, bring about a better comparative position for those at the lower end of the income scale, people who, whatever the side of the House and whatever the party, should be the prime concern of all of us.

● (1250)

**Mr. G. W. Baldwin (Peace River):** Mr. Speaker, I would begin—

**Mr. Trudeau:** Is this a point of order, or is the hon. member making a speech?