

Old Age Security Act (No. 2)

recipient in the state gets only \$34 a month under each program and declares that qualification requirements are much "stiffer" than in other states.

That, I think, tells us a little about the Tories' way of speaking when they espouse Reaganomics. A one thousand dollar-a-plate dinner and 3,500 people show up—and the average welfare recipient in that city was receiving \$68 a month!

It is in that context that I have to stand up and defend what we are doing. There are two basic pieces to this legislation, Bill C-131, Bill C-132 and Bill C-133, that have to be understood. The first piece has to be that in June of this year we put into play a program called six and five. It would not be of any value to have a program if we were going to say that we were going to have six and five for this but we were not going to have six and five for that; that we are going to make all kinds of exceptions, but somewhere along the line the program is called six and five. We hope to have a 6 per cent inflation rate and we are going to adjust Government spending to a 6 per cent inflation rate in the coming year and 5 per cent the following year.

To me, if we decided that we would exempt this group and that group, we would do two things. One is that we would deny the six and five; and, number two, if we were to say we will include this group but leave out that little group, then we would get away from a notion that I think is very important—universality. I will come to that later. I want to defend universality which is part of this kind of thinking here.

The second reason I think it is important that we have a total type of program and why this is not going to create a lot of hardship is simply that the inflation rate, in my opinion, is going down much faster than people believe. I do not for a minute say that six and five was the only or even the principal cause of this. I do say that the inflation rate in this country is coming down at a faster pace than people believe.

We unfortunately have a method of arriving at an inflation rate which I think is totally inadequate. It basically deals with the inflation rate in the past rather than the future. The Americans have a different system in that they tend to project more into the future and take a single month and annualize it more than we do. When we say the inflation rate this month is 9.8 per cent, we are talking about the month of December through November in 1981/1982; so in that inflation factor we are carrying several months, four, five or six months when the rate was in excess of 11 per cent, and in some of those months in excess of 12 per cent. The actual inflation rate since the announcement on June 28 of the six and five program is about 7.5 per cent, not 9.8 per cent as was announced last week.

One might say that if you annualize those 12 months you get 9.8 per cent; but the fact is that anyone who has looked at this thing at all realizes that there is a distinct decline in inflation rates, not just here but all around the world. Basically, we can expect this decline to get smaller.

One of the factors that would lead me to believe that there would be a further decline is that in that 7.6 per cent is included one of our two annual increases in energy rates. That is now

completely built into these figures. We have had, as I say, roughly a 7.5 per cent inflation rate since the last budget.

To look at next year, there are certain other factors that would probably cause the inflation rate to drop below 6 per cent, the most significant being the energy factor itself. We are coming very close to a situation where we are at 75 per cent of world price. We have some additional rounds built in, but these rounds will disappear if the world price comes down. The world price is conceded to be \$40, but the spot price is considerably below that. One could expect the world price of oil to decline considerably and that we may not have any significant increases in our price. As a matter of fact, in early January one could expect a 1.5 cent per litre decline in oil prices, which was just announced by the Government. That decline may actually represent the major shift in the whole year.

● (1730)

We can see the evidence in terms of wages and other things. For example, when I go into a grocery store to buy meat today, I am paying less than I was paying some months ago. This varies from time to time, but certainly there is evidence that the inflation rate is coming down. Therefore, the factor about which we talk when we say that people will lose a great deal will not exist because the rate will come down.

I have some sympathy with the last Hon. Member who said that, if the rate was to be 6 per cent or less, why do we need the Bill? We brought it in for one particular reason—to create the psychological climate which would cause this to happen. Once one moves in that direction, one follows through.

I am not convinced that the months of discussion on these three Bills was all that necessary, because in general people on fixed incomes who will receive the 6 per cent will be as well off as they were when they received 11 per cent. I say this because the inflation rate is coming down. If I were a betting man, I would bet very strongly that the inflation rate next year—and certainly going into the new year—will be down below 6 per cent. That idea can be justified economically on many grounds. One should look in that direction and see, therefore, that the Bill will not do damage to individuals.

There is another factor which I think we should be debating. I have been bothered that a great deal of the debate around here has been centered on a very small fraction of the inflation rate; probably one-half of 1 per cent or even no percentage point. The debate has been on that rather than the whole notion of universality. When I talked about the Reagan administration and the Tory defence of Reaganomics over the last year or two, I used this example to show that we as a Government have not contemplated and were not contemplating any move which would take away the factor of universality.

The Acting Speaker (Mr. Corbin): Does the Hon. Member for Hamilton Mountain (Mr. Deans) want to ask a question?

Mr. Deans: No, Mr. Speaker. I am rising on a point of order, if I may.