

*Federal Transfers to Provinces*

much less effective in combating an evil like inflation today than would have been the case 20 years ago.

When the Minister of Finance (Mr. MacEachen) carries out fiscal negotiations with the provincial governments in such a manner as to attempt to keep the level of most transfers to the provinces from the federal treasury to the same level that the Government of Canada is prepared, with difficulty, to restrain the growth of those dollars expended directly by the federal government on projects in the interest of our country, he presents a reasonable proposition. It is a proposition which says that the national government in its direct expenditures must restrain the rate of growth of those expenditures and do something to contribute to a reduction of the deficit. The national government in its transfer of funds to the provinces under the various programs must do something to restrain the rate of growth of those funds so that they are not totally unharnessed in relation to the manner in which they grow.

Beyond that, the provincial governments have the parallel responsibility to fight inflation and contribute to the welfare of their citizens by combating this evil and restraining the growth of their expenditures. That is the essence of what we are dealing with.

The Minister of Finance has made it quite clear to the provinces that there will be no reduction in the amount of dollars transferred. Indeed, between the various transfers and the benefit of the tax point transfer and the cash transfer, there will continue to be growth. In particular, in the areas of post-secondary education and health care there will continue to be a very substantial amount of growth.

This is a fact that becomes the subject of repeated distortion by opposition spokesmen and some provincial politicians. Having been a provincial premier, I can well understand that a province, faced with the responsibility of meeting the needs of its citizens and aspiring to undertake new programs, is naturally anxious to receive as much in the way of transfers from the national government as is possible. It is always easier to spend dollars that someone else has the pain of taxing. It is easier to spend than it is to tax. So perhaps with reference to those financial responsibilities, there are times when provincial administrations do not tend to treat the use of funds that are transferred from the federal government with the same serious concern as those that they have the pain of extracting from their own citizens by way of direct provincial taxation.

● (1540)

Let me say a word about the problem of inflation. One of the myths that we hear again and again across the country is that the government has followed this policy of restraint for a very substantial period of time, yet inflation still has not gone down or been conquered. It is quite true that inflation has not been conquered. It is also quite true that through these responsible policies Canada has been able to avoid the ruin of savings of individuals and families which has occurred in many other countries where inflation has not stayed in the vicinity of 10 per cent, 11 per cent or 12 per cent but has risen to 20 per cent, 30 per cent and in some cases to 50 per cent or higher,

resulting in the destruction of everything that working people have achieved.

Therefore, when we talk about fighting inflation let us remember that if you walk away from a fight, if you abandon the policies that are aimed at bringing down inflation, it does not mean that inflation will merely stay where it is. Every economist will agree that there is no structural reason whatsoever why the type of unbridled inflation of 20 per cent, 30 per cent and 50 per cent which has occurred in other countries cannot happen in Canada, if you continue to have a steady growth in the amount of the deficits of national and provincial governments and if you do not undertake the policies of restraint that are necessary to combat inflation.

Let us keep in mind that there is no secret about the level of inflation being 10 per cent, 11 per cent or 12 per cent, and that if you walk away from the fight, tomorrow you could well end up with inflation at levels which have never been seen before in this country and which have resulted in ruin in other countries.

Restraint is not a happy posture for Liberals. When the economy has allowed for it, this party has led the way in social programs and also in transfers to our friends at the provincial level. Those transfers which have grown so much and have gone into different areas of governmental undertaking have been brought in, nourished and have grown under Liberal governments. We are proud of those, as we have been proud of the social programs that we have been able to undertake.

But we have to be responsible. We have had to take the stance of restraint in the interest of our country, and it is a stance that I suggest any responsible party would take if it was in office and not in opposition.

**Mr. Mayer:** Do you want to trade places?

**Mr. Regan:** There is no question about it that it is a great pleasure and there is no greater joy than for people who give their time to public life to be able to introduce new programs for the general welfare of the public and undertake benefits for people who have particular needs which were not met in the past. I have had the privilege of knowing that great feeling of satisfaction when participating in governments in the past. But this has to be done hand in hand with responsibility or you may fail to meet the responsibility for which you were elected. Every member of this House of Commons is chosen by the electorate to serve and is charged with great responsibility, not with reckless spending, not with just trying to appear always to be the good guy, but with facing the difficult issues and with recognizing that you have to take a harder stance for the general economic welfare of the country as well. I am proud of the fact that even if it does not make the government popular when it goes through those difficult times, we on this side of the House are meeting our responsibilities in that regard.

There is a fine test to determine the responsibility for the troubles that governments have. That test can often be applied by asking the question: are the problems that we have restricted to our country or are they general? If you find that they are problems which exist only in this country and not elsewhere, or only in one province and not other provinces of equal