

*Inflation*

When listening to discussions on the subject of inflation one would think all people are suffering equally, when in fact we know that some people have benefited substantially from inflation while others have suffered very badly. What we are really looking at is a massive redistribution of income from one group of people to another group. Any government that seriously wants to deal with this problem must do one of two things: it either has to find a way of preventing these shifts in income from taking place in the first place, or compensate for the shifts in income to help those who are being disadvantaged by inflation.

In looking at the motion before us I find there is only one thing I can agree with, and then only partially; that is that inflation is not an international problem. There is a lot of truth to that claim, particularly as it relates to Canada. If we are talking about other parts of the world, I think inflation is almost totally an international problem and I think of countries like Britain and Japan. When we are talking about Canada, the international aspect is only a minor part of the cause of inflation here. I should like to discuss my particular reasons for saying that, but let me first deal with a couple of arguments that are inevitably put forward.

Some people like to describe inflation as the excessive printing of money. Many talk about inflation as though it is caused by having too much money in circulation and if we only stopped the printing presses inflation would go away. That is not so. What these people are doing is confusing the cause with the effect. When you have inflation, the people responsible for monetary policy are forced to issue more money in order to enable the normal transactions to take place.

● (1630)

If you have a 12 per cent rate of inflation, it is obvious that your money supply must increase by at least 12 per cent; that is, if you do not have any growth at all. You must have that kind of increase in the money supply. I see that in today's newspaper there is a statement by a very distinguished Canadian academic, Mr. John Crispo, who contends that the problem is runaway government and not runaway inflation; in other words, all the fault lies with the government. I think the government has to answer for much of this problem, but it really is not correct to be simplistic and say that it is all the fault of the government. I presume Mr. Crispo raises no objection when his salary at the university is increased. When he is compensated for the cost of inflation, he probably receives more than the old age pensioner receives over the period of a year. So it is quite easy for him to make that charge against the government.

It seems to me that the causes of inflation over the last number of years are quite clear. Half of the inflation with which we are dealing has been caused by increases in the price of food. I say this very bluntly because it seems everybody beats around the bush whenever they talk about the cause of inflation. Somehow or other one particular group—I refer to the farmers—is never involved in the cause of inflation. They want to ignore the facts. It is the price of food which always starts the spiral, and it always has been that way. We could go back to the corn law. Why did the enlightened British government of that day want cheap corn? It was so that wages could be

[Mr. Saltzman.]

lowered. When the price of corn went up, wages had to go up in order to compensate.

When the price of food goes up, everything else must go up with it. People say that is an international problem. Even with the fact that Canada is a major exporter of food, it is still an international problem because the price of food goes up internationally and we have to follow suit. So to that extent it is an international problem. But if in fact we had wanted—I am not suggesting we should have done this—to control the price of food, it could have been done. Some people might say, let us compensate for it; let us make payments to the consumers as a way of keeping the price of food down. What difference does it make whether it comes out in the price one pays at the store or in the form of taxes to pay the subsidy; the net effect is still inflationary.

There may be very good reasons why the price of food has increased. My own view is that the price of food over the years has been too low to provide a decent return to the farmer and in fact an adjustment was necessary. However, I am afraid it did not stop at that adjustment. We know the reason the price of food has gone up internationally: the world population is exploding; there are more mouths to feed and there is finite land on which to grow food to feed them. Also, there has been a drought. These are all understandable reasons, but let us state them. Let us be blunt and straightforward about what is causing inflation, because before we can deal with the problem we must make a complete analysis of it to understand what it is. So I suppose the government and the farmers might argue that this is an international phenomenon, that food prices went up internationally and this is why we are paying more for food. The fact is that prices did not have to go up in this country had we wanted it otherwise. They did not go up in this country as much as they did internationally, because of the two-price system on wheat.

Let us take another main cause of inflation, the price of energy. One could say that is an international phenomenon. The Arab countries formed a cartel and raised the price of oil 400 per cent. The cost of production did not go up in Canada, but the province of Alberta wanted the price to go up by 400 per cent. I do not see my friends to the right, who are so concerned about inflation, criticizing the province of Alberta for being such a major contributor to inflation. Admittedly, arrangements were made so that Alberta did not take the full price, and we are very grateful for that. I am not saying this to point the finger at Alberta or at the farmer; I am saying it merely to point out that everyone is guilty and everyone contributes to inflation.

Everybody takes a holier than thou attitude. Everybody pokes the finger at the other guy and says the worker is responsible for this situation, the farmer is responsible for it and Alberta is responsible for it, when in fact everybody is playing the same game. Until we all stop playing that game we must compensate those who are hurt because of the consequences of inflation. This is really the only point I am attempting to make. In fact, Canada has done better than other countries in the fight against inflation—for two main reasons. The first is that the farmers have been prepared to take lower than world prices for some commodities, and the oil producing provinces of Canada have