

*Anti-Inflation Policies*

Most hon. members will be aware that the Toronto *Star* editorially has criticized us for not being sufficiently concerned about the number of Canadians without work. That makes all the more significant an observation by Jack McArthur, the *Star's* financial editor, in a column last week.

There are two things to keep firmly in mind. Most of our unemployment is not caused by Canadian policies related to inflation; and the increase in joblessness has not been large even though the increase in controversy has been.

Like the *Star* some members of the opposition have accused us of being overly concerned about inflation and insufficiently concerned about unemployment, as if we had a choice between the two. But inflation and unemployment are not two separate and unrelated problems, only two aspects of the central problem of maintaining strong and steady economic growth in Canada, with relatively full employment and without undue increases in the cost of living, all of which are our aims, and which the government, until the last couple of years, was reasonably successful in achieving over the period from 1961 forward. As the Prime Minister (Mr. Trudeau) said in the House last week, "We are fighting inflation in order to prevent greater unemployment in the future."

In a recent speech to the Canadian Club in Toronto, the Governor of the Bank of Canada observed that in choosing the appropriate economic policies we must assess the direction in which the greatest risk lies. He said:

Under present conditions, having regard in particular to the state of inflationary expectations and to the strength of the underlying demand factors—

I think these were indicated to some degree in the statistics for proposed capital expenditures brought out by the leader of the New Democratic Party.

—both in the private and public sector, I believe that there is no doubt that the most serious risks lie in allowing inflationary pressures to regain strength.

Perhaps no one has made this crucial point quite as clearly or quite as bluntly as the financial spokesman for the Progressive Conservative party. Speaking during a meeting of the Commons Finance Committee last November 4, the hon. member made clear his own deep concern about the problem of inflation. While he critically questioned some of the measures we had adopted to meet this problem, the hon. member for Edmonton

[Mr. Benson.]

West (Mr. Lambert) underlined the danger of failing to persist in our efforts. He said:

If the national effort results in an underkill on this score it will be far worse than the overkill; because if we have a national underkill in this fight against inflation we will have to start all over, and I think the square of zero is going to be much further back again.

• (4:20 p.m.)

Hon. members will recall that only last February this same Commons Finance Committee made a strong recommendation, and I quote:

—that there be no relaxation of current monetary and fiscal policy until it results in a distinct deceleration in the rate of increase in the elements of cost, particularly incomes, and in prices.

Even though there have been some encouraging signs of progress, we still have not reached the point where there has been a clear slowing down in the rise of costs and prices. Nevertheless, there are those who now urge us to reverse the thrust of our monetary and fiscal policies and to promote full-scale economic expansion—in other words, to abandon the fight against inflation. If we were to follow this course, there would undoubtedly be some temporary decrease in unemployment. But we would also court the extreme risk of unleashing new and stronger inflationary pressures that eventually would create havoc in our economy and result in far greater unemployment than that we are now experiencing.

There are those both inside and outside the House who have contended, however, that it is possible to have our cake and eat it too, who have contended it is possible to promote maximum economic growth while at the same time overcoming inflation. When we debated the issue in the House of Commons last February, for example, the Leader of the Opposition (Mr. Stanfield) suggested that the problem would somehow be magically solved by the government laying down voluntary wage and price guidelines.

I seriously question whether anything would be accomplished, on balance, by the government proclaiming guidelines which it was quite unable to enforce in any comprehensive way, particularly if the present fiscal and monetary restraints were removed. Contrary to the inference of the Leader of the Opposition, the government has strongly supported the efforts of the Prices and Incomes Commission to develop national support for the exercise of voluntary restraint.