

is taxing the best minds in this country and, indeed, on this continent, and will continue to do so. I have wondered whether the Senate, which has taken the lead in many things, could do something constructive about this problem. I do not know that it can, and I am far from attempting to indicate any course which the Senate might follow.

I want to draw upon the economic belief in which I was brought up. There were two fundamental beliefs in our household: one was belief in the *Shorter Catechism*, and the other was the belief that business competition is an excellent thing. This was the first political doctrine of which I was aware. It was argued that if there was insufficient internal competition it was wise to import whatever we needed to satisfy our requirements. This doctrine of competition is not a profound one, but I am convinced that it applies to the western world today. In order to solve the problem of the rising cost of living the western world has got to adopt something of the fundamental principles of free trade from which it has so long departed.

**Hon. Mr. Reid:** Hear, hear.

**Hon. Mr. Robertson:** I remember that one day when I asked our old friend the late Dan Riley to participate in a certain debate, he replied, "I may, but I have lost all interest in politics because there are no free traders left in the world".

My honourable friend opposite (Hon. Mr. Haig) has made a thorough study of inflation. But let us examine why we have a rising cost of living and what means may be found to bring it down. A tremendous purchasing power has been brought about by certain definite factors. One of these factors is our armament program, which has not yet reached its zenith. Another factor is extraordinary optimism on the part of business investors. There is practically no limit to what can take place in the development of natural resources in Canada, and there is a world-wide demand for these natural resources which we have in such vast abundance. This terrific demand will likely continue. The whole picture is further exaggerated when you superimpose upon it the various municipal, provincial and federal government expenditures that cannot possibly be curtailed. I think my honourable friend said something to the effect that the temporary expedient of restricting credits so as to curtail purchases can be avoided if we increase production sufficiently. No one can deny that fact; but this is not an easy thing to accomplish, nor can it be accomplished quickly.

**Hon. Mr. Roebuck:** Have we not been doing that?

**Hon. Mr. Robertson:** Yes, we have, and presumably the purpose of a great deal of our capital construction is to increase our facilities for greater production. But the only way by which we can increase production rapidly enough to keep down the cost of living is through competition, whether between manufacturers, or labour, or retailers, or wholesalers, or individual tradesmen or other classes. As I see it, there is no immediate prospect that our own production alone can be increased sufficiently to meet the tremendous demand for consumer goods, and if I am right in this we are likely to have, as for one reason or another we have nearly always had in this country, a steadily rising spiral.

The situation is further complicated because the ordinary laws of supply and demand which operated prior to the last war have been more or less set aside. For instance, the old idea was that high prices stimulated production, but that when production became large enough to meet demand, prices would start to drop. But for one reason or another we have developed a pretty rigid set-up which prevents that old law of supply and demand from operating. For instance, during the last war agricultural producers and others acquiesced in the placing of limitations upon prices for their products, and parliament passed legislation establishing floor prices for certain products. Well, what happens with respect to goods whose prices are subject to such controls is that production, however large it may become, can never cause the price to fall below the established floor. I am not suggesting at all that it is in the agricultural field alone that there has been interference with the law of supply and demand. We have a very well organized labour structure in this country. I do not say that in the future we could not possibly be faced with conditions which would cause the wage scale to decline, but I think there would have to be a very serious economic upheaval to bring about decline of any consequence. My point is that more or less throughout our whole economy the ordinary law of supply and demand does not function as it used to do.

As to production itself, it has to be remembered that certain factors are interfering directly with that. For example, for purposes of defence of the western world we are taking into the armed forces 150,000 young men, who for the time being will cease to be producers of capital or consumer goods. And then, of course, the large quantities of basic materials that we use for war purposes will reduce the quantity of materials available for production of civilian goods.