

*Anti-Inflation Act*

I have already referred to an article by Lawrence B. Smith, professor of economics at the University of Toronto. In the article entitled "Canada's Incomes Policy: An Economic Assessment" appearing in the "Canadian Tax Journal" for January-February 1976 he reviews the program in some detail. On page 72, he asks:

Will the incomes policy succeed?

He goes on to say:

As mentioned above, the success of the incomes policy ultimately hinges on the implementation of the correct demand restraining monetary and fiscal policies. If the government is serious about combatting inflation then it must reduce its rate of monetary expansion and it should significantly restrain its expenditures. Consequently we should expect the incomes policies to be accompanied by considerable monetary and fiscal stringency.

Professor Smith goes on to state:

However, it is not clear that this will occur. First, in its policy statement "Attack on Inflation", the government quotes from its June 23, 1975 budget that "in its present cost-push form, inflation threatens" to create serious problems. But our inflation is not a cost-push inflation; rather it is a demand-pull inflation in its second stage created by excessive monetary and fiscal ease. If the government persists in incorrectly diagnosing the problem there is little likelihood it will introduce the necessary demand-restraining policies. Second, the government claims in its policy paper that it is setting in motion "monetary policies aimed at increasing total demand and production at a rate consistent with declining inflation", yet for the three months ending November 30, 1975 the money supply broadly defined rose 21.9 per cent, up from 8.8 per cent in the second quarter and approximately double the rate consistent with its own target rate of inflation for 1976.

I mentioned earlier that in our standing committee, this morning, Mr. Hood, the Deputy Minister of Finance, stated that from December, 1974, to December last the increase in the money supply in this country was 23 per cent.

Professor Smith goes on to say:

If this is the result when the government perceives itself to be acting, the outlook is bleak. Third, the government states in its policy paper that government expenditure policies will be "aimed at limiting the growth of public expenditures and the rate of increase in public service employment". The policy paper then adds that a "very large proportion of the federal government's expenditures are made under statutory programs, and other arrangements where there is little flexibility". Thus, it appears the government is only paying lip service to the issue and is more concerned with justifying inaction than in taking action on the expenditure side. Fourth, the government in its policy paper refers to structural policies to combat inflation. But structural problems, while important because of their effect on relative prices, do not significantly affect the rate of inflation and hence concern with them deflects from the main problem. Fifth, there is a very great danger that the government will deceive itself into believing it has taken action to curb inflation by introducing an incomes policy and thus feel it less urgent to implement the appropriate monetary and fiscal restraint. For all these reasons there is a very great danger that the incomes policy will fail and worsen our economic problems.

● (2010)

I refer to what Professor Smith said, Mr. Speaker, because sometimes we politicians, when we enunciate what economists have been saying, are thought to be suspect. In my case I am a member of the opposition. But believe me, one issue that most economists are agreed upon is that, if we cannot have more monetary and fiscal restraint in this country, there is absolutely no way that a wage and price control program is going to work. We must be candid with ourselves and the Canadian public, and quit pretending otherwise.

Faced with Bill C-89, I ask myself whether the government is persisting in some kind of window dressing. Is it consistently trying to create the impression that it is doing something about inflation, while indirectly, through its own spending and excessive increases in the money supply it is seeding further inflation in the country beyond all expectations at this time?

Before private members' hour I was referring to the size of government and its great power to tax and spend. In view of the great number of government employees it is obvious that the government is the biggest of the big businesses. It writes the rules, it prints the money. What I am leading up to, as if hon. members could not imagine, is that in accepting guidelines we must ask ourselves where the government truly stands on the matter of inflation. We all know what John Turner had to say last June. He said we did not need controls. He felt the nation did not need controls. He said this week that controls should not be retained one day longer than is absolutely necessary to achieve their limited purpose. Obviously Mr. Turner is out of step with the philosopher king, who had another plan in mind.

What is the position of the Minister of Finance (Mr. Macdonald), who reluctantly accepted that portfolio at a time when he was considering leaving politics? Before the controls were announced he described them as "frightening", and believe me, Mr. Speaker, he was right. In January the minister said that perhaps the controls will have to end between their second and third anniversaries. Is this still his view? Perhaps when this matter is being debated in committee we will find out more definitively from the minister when he sees these controls ending.

More important though than when the Minister of Finance sees the controls ending is the question: when does the philosopher king believe the controls will end? We all know what the philosopher king said on December 28 and on January 19. If we really knew what he meant we would all know where this country is headed. However, the whole success and credibility of controls depend upon what the people of Canada think. How does the average Canadian, who will never read the AIB regulations, view the program? Does the government's approach to fighting inflation have credibility with the people of Canada?

My quick response, Mr. Speaker, is that it does not, but it could. I base this on my discussions with Canadians from coast to coast. When you were growing up, Mr. Speaker, your father might have told you not to smoke, that it was not good for you, while at the same time he sat there puffing on his pipe. Or your boss may have said that you had to work hard to get ahead in this world, while he took off early for a round of golf. As a result we quickly learned the hypocrisy of "Do as I say, not as I do". I am sure each of us has encountered this contradiction which makes growing up very difficult. It raises simple questions about moral values. Behaviour is something that is learned by emulation, not paternal edict.

That is my indictment of the present administration's approach to fighting inflation. While big business and small business, big unions and lowly office workers, trained professionals and struggling entrepreneurs are instructed to expect less and to settle for less, government exempts itself from the same controls. Indeed, we live in a