

Income Tax Act

not work. Therefore, in today's society where the public has entrenched well established inflationary expectations, the current prescription of the New Democratic Party is futile and counterproductive. They say, for example, that to overcome our malaise we should have monetary expansion in excess of our ability to produce goods and services. In other words, we should have an expansionary fiscal policy as the tool. But to control the inflationary factors which would indeed result, we should have some form of an incomes policy, whether it be in the form of a prices review commission or in the form of generalized wage and price controls. I know some members have put this suggestion forward in the past.

The belief is that expansionary monetary policy would reduce interest rates, stimulate demand and investment and, therefore, employment and growth, and the incomes policy would control inflationary pressures. I am sincerely convinced the promoters of this policy, Mr. Speaker, are living in a fool's paradise. Without the existence of money illusion, that is again the lack of entrenched inflationary expectations in our society, expanding the purchasing power faster than output, we will do nothing more than generate increased inflationary pressure.

Mr. Blenkarn: That was your policy from 1975 to 1978.

Mr. Evans: This part of the prescription is precisely responsible for the persistent upward acceleration of inflation in western countries for the past decade and a half.

In the second half of the prescription, an incomes policy, or what I would refer to tongue in cheek, as the chicken version proposed by the Leader of the New Democratic Party (Mr. Broadbent), a half of an incomes policy, is a fair prices commission with roll-back powers, a necessary part of the over-all policy which has been put forward by the NDP because even they recognize the inflationary consequences of the expansionary monetary and fiscal policy of which I speak. They know that expansionary fiscal policy, accommodated by monetary growth, will result in exactly what I have described, so they propose Part II, which is the controls policy.

Controls have never provided a solution to inflation, and they never will because they do not address the problem, only the symptom. Rising prices are not the cause of inflation, just as a fever is not the cause of an illness. Therefore, while controls may allow a respite, as they were designed to do in 1976, during which the real cure—restraint—can be affected, they are totally inappropriate for the long term especially when the fundamental cause of inflation is being exacerbated rather than reduced.

I would like to draw an analogy for hon. members which, however, may be too simple. Let us suppose we have a kettle on the stove, boiling away. Let us suppose we do not like the steam coming from the kettle. There are a number of policy options you could choose. First, the heat could be turned down which would be the appropriate policy. Second, the kettle could be capped and the heat turned down and you get rid of the steam immediately. But that is a dangerous policy. It was proposed by Walter Gordon and his associates—controls and turning down the heat at the same time. The third option is to

cap the kettle and turn up the heat. That is the NDP policy, which is not only dangerous but stupid. The way to stop the kettle from boiling is to reduce the heat. The way to stop inflation is to reduce the growth, and purchasing power, more in line with the average growth in output of goods and services.

Mr. Deans: You wouldn't know how to make tea with hot water, for goodness sake!

Mr. Evans: The NDP approach is equivalent to saying that the kettle is not boiling because we can no longer see the steam. But in both the physical and economic worlds the end result is clear and obvious—there will be an explosion.

Hon. members may now say yes, but inflation is one thing, stagnation is quite another. Stagnation of growth and employment certainly cannot be related to inflation. Certainly they are not caused by the same phenomenon. I suggest they are inextricably related. Further, if we do not come to grips with the problem of inflation, then the problem of stagnation will certainly worsen. This is so because of the effects which rising inflation has on consumers and on the business community. It creates great uncertainty about the future. It encourages current consumption. It discourages saving. It discourages investment, Mr. Speaker. It creates an attitude of living for today. It destroys faith in the future. Prosperity and rising standards of living are not consistent with such a scenario, and that scenario is coming to pass in the western world.

We have all seen the rise of the "me generation". We have all seen the growing pressure to enhance the well-being of this or that special interest group, not only to make them better off absolutely but to make them better off relative to other groups in our society. We have begun to devote our energies not to making Canada and Canadians wealthier, more fulfilled, but rather to bickering over our relative share of existing wealth. This is a sure prescription for social disaster. I contend that this social malaise has its roots in the economic malaise.

Miss MacDonald: It is in the Liberal party.

Mr. Deans: And it is caused by Liberal governments over the years.

Mr. Evans: When there is uncertainty and fear for the future, the reaction is to take what you can for today. This situation was well described by the late Professor Fred Hirsch in his book "Social Limits to Growth."

Stagnation is the result of the process I have described, and the signs are everywhere. We see a decline in research and development not only in Canada but in the United States and in other western nations as well. It follows, when inflation has created growing uncertainty about future rates of return on investment, when inflation has driven interest rates to high levels, by necessity investment time horizons shorten and quick payback is required on investments.

Research and development, which have long-term pay-offs—

Mr. Blenkarn: Mr. Speaker, I rise on a point of order. The bill was altered earlier by Madam Speaker's ruling that the