

Anti-Inflation Act

Minister of Finance. On October 14 last, the present minister rose in the House and tabled a policy statement entitled "Attack on inflation: A program of national action". One might wonder why that program was so long in coming and why it took the form it did. Was Mr. Turner the obstacle? In any event, it is here, it is reality and we are being asked today to amend its pivot piece of legislation, Bill C-73.

Just what is this program so lately discovered by the leader of the Liberal party? The document begins by stating: "Canada is in the grip of serious inflation." There is no argument there. What is the substance of the dramatic proposal presented to us? It consists, we are told, of four major elements. It might be helpful to remind the House what those four major elements are, as set out here: first, fiscal and monetary policies aimed at increasing total demand and production at a rate consistent with declining inflation; second, government expenditure policies aimed at limiting the growth of public expenditure and the rate of increase in public service employment; third, structural policies to deal with the special problems of energy, food and housing, to ensure a more efficient and competitive economy and to improve labour-management relations; fourth, a price and incomes policy which establishes guidelines for responsible social behaviour in determining prices and incomes of groups, together with machinery for administering these guidelines and ensuring compliance where necessary.

What has happened? In December, the cold turkey, as it has been described, arrived in the form of regulations dealing with the fourth element in the so-called attack. Later, the leader of the Liberal party told us of his "new society" concept for Canadians. But what of the first three elements in the program? Let us look at the money supply. It increased between December, 1973, and December, 1974, by 16.7 per cent. This morning we were told in the finance committee that the money supply increased 23 per cent between December, 1974, and December, 1975. Some restraint! As any economist knows, expansion of the money supply at a rate faster than real economic growth is one of the prime causes of inflation. In short, the more money you print, the less it buys. On average last year our money system grew by 13.8 per cent, with real growth at .2 per cent. So is it any wonder we had 10.8 per cent average inflation for the year?

● (1650)

What I am saying is that not only is the money supply continuing to expand faster than real economic growth, but the rate of increase is escalating in relation to that real growth. Let us look at the government's own figures. Last February 23 the Parliamentary Secretary to the Minister of Finance (Mr. Trudel) replied to a written question at page 11152 of *Hansard*. In that answer he stated that the annual percentage increases between 1968 and 1975 in currency and demand deposits was as follows: 1968, 4.4 per cent; 1969, 7.4 per cent; 1970, 2.3 per cent; 1971, 12.8 per cent; 1972, 14 per cent; 1973, 14.4 per cent; 1974, 9.7 per cent; 1975, 13.8 per cent. Real growth in the economy for the same years was as follows: 1968, 4.9 per cent; 1969, 5 per cent; 1970, 3.4 per cent; 1971, 6.9 per cent; 1972, 5.8 per cent; 1973, 6.7 per cent; 1974, 2.8 per cent; 1975, 0.2 per cent. As the increases

in our money system have grown, our real growth has fallen. Inflation has been the result.

In the past four years the average increase in our money supply has been 13 per cent per year, while our real growth has been 3.8 per cent. How forgetful Mr. Turner has become. He was the minister during this 13 per cent per year growth in money period, yet only last Monday, after asking what we must do to overcome inflation, he stated: "First, control the money supply. I believe the current stance of the Bank of Canada is sensible". But what is that stance? The governor of the Bank of Canada, backed up by the Minister of Finance, has said it intends to restrain the increase in our money system this year to a range of 10 per cent to 15 per cent; but in the last four years we have had an average increase of 13 per cent. So the bank is really saying we are to get more of the same, which is exactly the principal reason we have been having such high inflation.

In the United States in recent months they have been able to keep their monetary increase to between 5 per cent and 7.5 per cent, exactly half the projected program announced by Mr. Bouey. The United States appears to be beating inflation, while we are treading water. This morning the Minister of Finance said, to use his exact words, that it will be very difficult this year to get our money supply increase below 12 per cent.

In an article appearing in the January-February, 1976, *Canadian Tax Journal*, Mr. Lawrence B. Smith, professor of economics, department of political economy, University of Toronto, reviewed Canada's incomes policy. At page 73 he said: "If the rate of growth of the money supply remains high, say in excess of 12 per cent per annum, there is little likelihood that the program can succeed". In other words, according to Professor Smith the anti-inflation program will not succeed if the government allows a monetary increase in excess of 12 per cent this year. Yet the Minister of Finance says it will be difficult even to get down to a 12 per cent increase.

The real question before this House is: Will the present administration's program succeed without proper monetary and fiscal restraint? Speaking of fiscal restraint, Mr. Speaker, I should like to turn to the second element in the government's attack on inflation. The minister has made reference to the estimates that were recently tabled in this House and to the fact that the President of the Treasury Board (Mr. Chrétien) has talked about cutbacks in spending. Are these real cutbacks, Mr. Speaker? I think most members in their hearts realize that the cutbacks are nothing but a sham. It is like a man with two Cadillacs in the garage, and a \$10,000 overdraft, who is being pressed by his banker to cut back. He says to the branch manager, "Okay, I won't buy the third Cadillac; I'll lease it and run it on regular gas".

As I have said, Mr. Speaker, the main estimates for 1977 are up another 20 per cent over the previous year. This increase can hardly be called restraint. As for the view of the leader of the Liberal party, he stated in that famous interview on December 28 that in the case of the government you will never bankrupt it, because it has only to print more money or borrow more money. What a frightening philosophy concerning the economy of this country! The way this government is going, there is no doubt they