

*The Budget—Mr. J. M. Macdonnell*

been entitled then to expect that every effort would be made to overcome the mistakes and failures of the past. One would have expected vigorous efforts immediately; but try as we would, we could not get the government to declare an emergency. We could not even feel that they thought there was an emergency, though the cost of living had risen from 161 in January of 1950 to 169 in September. One wonders how much further evidence was needed to bring about immediate and effective action. In his budget speech on Tuesday evening the minister admitted that virtually nothing had been done—and I shall substantiate that a little later by quoting his words—until parliament assembled and the pressure was put on, if I may say so, by the opposition. Not only was nothing done; it was really worse than that, as is evident from the words of the Minister of Trade and Commerce in this house on February 8. Comparing the present with 1941 the minister said:

This time many people expect the reimposition of the same kind of controls and are governing themselves accordingly.

In other words the minister was calmly informing us that with all the talk of controls that was in the air, the government, by doing nothing, or practically nothing, had stimulated buying for the rise. The minister had quite clearly in mind what was happening when he said people were "governing themselves accordingly," and his words not only did nothing to discourage that practice but I believe his words must have encouraged people to go on, because after all it was clearer then than ever before that the government was thinking about taking steps. It never got past the stage of thinking; nevertheless it stimulated these people to go out and try to beat the gun.

Now let us have a short post mortem of the September session. What did the Minister of Finance do after brave words about dealing with inflation? Well, it seems to me it would be fair to say, in the words of the old proverb, that "the mountains were in labour but all that was produced was a ridiculous mouse". The only thing we had was the instalment buying legislation passed in September, followed by some regulations in November. I believe those were ineffective, if not practically nugatory, and the best proof I can offer in support of that statement is that recently much more effective regulations were passed, and we are now to have an amendment of the instalment buying legislation. But those more effective regulations were passed only a few weeks ago.

Last September the need of credit controls, to which the minister referred the other

night, was ignored—and I think that word is fair. There was reference to it, but nothing was done.

I think we can say practically the same thing about the Minister of Trade and Commerce, to whom we gave broad powers last autumn. The need for those powers he explained in the house in these words:

If for war purposes we shorten the supply of materials and the remainder is insufficient for domestic supplies, we then take the right to fix prices on materials for domestic use and arrange distribution.

Notwithstanding that, so far as I can discover, virtually nothing was done until January. It was no doubt to explain his inactivity that the minister told us on February 8:

Up to the present defence purchases have not been of sufficient volume to be in themselves responsible for shortages.

I find this absolutely unconvincing. I am not suggesting it may not be true in the narrow sense, but with prices rising and with every reason to believe they would rise further it is not possible for me to believe that nothing more could be done. Indeed I think it perfectly clear that both ministers were afflicted with what I may call Korea-itis; that is to say, when the lull came in the fighting in the autumn of 1950 they thought they were off the hook; they thought strong measures were not necessary, and acted accordingly.

I refer back to my complaint about the failure of the Minister of Trade and Commerce to take effective measures, and I quote again from the well known United States economist, Slichter, to indicate his belief that great results can be achieved along the very lines the minister suggested and for which we gave him power last September. Slichter says:

An effective way of discouraging the demand for consumer goods, and thereby limiting inflation, is to prevent industry from making the kind and quality of goods that consumers desire to buy. Price ceilings, as I have pointed out, do this to a certain extent, though that is not their purpose. A more effective restraint on consumer demands comes from restrictions on the use of scarce materials.

I think it is merely a statement of plain fact to say that the government lost precious months. If they had begun in September we would have said they were slow starters. But they did not begin then; and all they did was miss the bus again. As I have said, I think the lull in the fighting in Korea is the answer.

Now let us look at the anti-inflationary steps which the minister brought to our attention. What is his plan of campaign? Well, first there is the restriction of credit. I have pointed out that this should have been