

we need a 5 per cent rate of real growth each year simply to hold our own and to prevent unemployment from getting worse.

To put the icing on the cake, the government cannot now even claim that it has succeeded in the only domain in which it was for a while claiming to have achieved something. As the leader of the New Democratic Party mentioned, the Prime Minister told us on December 23 that inflation had been licked. It no longer existed in Canada. We have also been properly reminded that the figures for the first two months of 1971, if extrapolated and continued for the year, will indicate a 5 per cent rate of inflation for this year. In other words, the balance sheet of the government right now involves the worst of both worlds, sustained mass unemployment and renewed inflation. We must ask ourselves whether all the suffering among the unemployed, brought on deliberately by the government as part of its fight against inflation, has been in vain.

This government's economic policies have failed. I suggest it is high time to face up to that fact. I do not wish to be immodest, but as Leader of the official Opposition in this House, I have the right and duty to remind Your Honour of the appeals that I have made to this government here and all over Canada. I have urged this government to use any pause in the inflationary spiral, any temporary truce, to mount an appropriate defence against the inroads of inflation. I have urged this government to use any period of grace to bring Canadians together to consider methods of controlling the vicious spiral that faces us. This is also the view of the Prices and Incomes Commission and, as I read his report, the view of the Governor of the Bank of Canada.

This government made a half-hearted attempt to achieve a program of voluntary restraint at precisely the time of greatest inflationary pressure, a time when such an effort could least likely succeed. When it did get a temporary respite in inflationary pressure, as a result of the massive slowdown and the increase in the value of the Canadian dollar, it abandoned its efforts to achieve any such policy. We are now seeing the results. As far as unemployment is concerned, I have urged the government to use its enormous powers to encourage expansion of the economy and the creation of jobs in order to avoid the human suffering that is taking place. This is sapping the will of the people of this country to continue to fight inflation.

Some hon. Members: Hear, hear!

Mr. Stanfield: In its questionable wisdom, the government rejected this suggestion as well. In short, this government has done neither of the things I have urged. Neither has it suggested guidelines at a time when there might have been a chance of their acceptance, nor has it effectively used its power to curb mass unemployment. In other words, it has failed.

● (12:40 p.m.)

If I believed in plots, Mr. Speaker, I might say that this government has done its best to strangle the Canadian

Economic Growth and Employment Situation

economy in the interests of God-knows-what bureaucratic plan. But I shall be kind. I will simply say that the present mess is a result of incompetence at high levels— incompetence, lack of foresight and lack of imagination. The government must at least plead guilty to this unholy trinity of mistakes.

Some hon. Members: Hear, hear!

Mr. Stanfield: A major factor in the government's failure has been its stubborn refusal to take steps to allow the private sector to participate effectively in the process of getting the economy moving swiftly again. I will mention two examples of this failure. By creating and maintaining a climate of uncertainty in the field of taxation, it has discouraged investment decisions. By refusing all demands to stimulate the economy by cutting taxes, it has kept the economy in a government-issue straitjacket. Its policy of trying to channel recovery almost exclusively through government expenditures has neither reduced unemployment nor stopped inflation. All it has done has been to restrict economic growth and increase the tax load. Its insistence, despite earlier promises, on re-imposing the 3 per cent surtax on personal and corporate income is an example of both these aspects of government policy.

Inflation is a continuing problem; that is clear. But the war against inflation will not be won by curbing economic growth. On the contrary, it is only in a healthy, growing economy that inflation can be properly fought or that there will be the will to fight it.

Some hon. Members: Hear, hear!

Mr. Stanfield: Selective tax reductions would stimulate the production of goods and services; they would encourage employment and would therefore cut down on unproductive welfare costs. Doing all these things would, in present circumstances, constitute positive measures both in the fight against unemployment and in the fight against inflation.

Specifically, selective personal income tax cuts at this time would have an anti-inflationary effect. This is because allowing wage-earners to retain a larger net proportion of their salaries would help to relieve pressures resulting from excessively high demands for wage increases and also because reduced unemployment would relieve pressures on government expenditure and, therefore, on government taxes at other levels. Surely, even this government must see that this approach would be anti-inflationary. Does it not see where its policies lead? Is it not clear that the mushrooming welfare costs which result from high unemployment drive up the level of municipal and provincial taxes? Is it not obvious that one effect is greater wage demands from people who want to at least stay even in net terms? Meanwhile, those on fixed incomes—the little people the government always talks about helping—are worse off again.

Let the Minister of Finance (Mr. Benson) try to argue against that as a fact of life, one which his own policies have produced. The Minister of Finance is not here today