

those in the weakest bargaining position, including older people, the process of inflation and the demand to adjust inflation, introduces tensions and disturbances into the economic process which are bound to result in an unsatisfactory economic performance. Then he went on, almost by way of warning, to say that as more and more people try to adjust to inflation, more and more pressure is put on costs and prices, and restrictive policies are needed simply to keep inflation from accelerating. Nothing is gained in the process in terms of output and employment, and people are put to a substantial and unnecessary degree of inconvenience and anxiety in an attempt to keep up with inflation.

It is taking, Mr. Rasminsky said, a very short-run view to believe that the tolerance of inflation can result in a higher level of real output or less unemployment. The inflation jeopardizes the kind of long-run economic expansion on which durable growth in employment depends.

Now, it is suggested by some that our policy is inconsistent with these public declarations of the Governor of the Bank of Canada, that it is resulting in an over-kill. That phrase has been used by an eminent political personality in this country. There is the danger of over-kill, but there is nothing in what the Governor of the Bank suggests to indicate that we have reached that point.

Here is what he says about the consequences of the present Government's program of combatting inflation within the limitations of the constitutional provisions that are open to a federal government in Canada. He said:

I believe that there is accumulating evidence that policies of restraint are beginning to take hold, both here and in the United States.

Now, that is the statement of the Governor of the Bank of Canada. The Minister of Finance in the light of this statement was justified in saying that by no means has the Government concluded that what it is trying now to do to combat inflation should be altered.

The Governor of the Bank of Canada went on to say:

Unfortunately, an accurate assessment of most of our own economic indicators since the first quarter has been complicated by a number of major strikes which have had an influence that is dif-

ficult to isolate. Even so, after making due allowance for all the temporary dislocations, it would seem that the underlying trend of demand in this country is no longer increasing nearly as rapidly as it was in the period up to the first quarter of this year.

These are not the statements of any of my colleagues in the Government. These are the statements of the Governor of the Bank of Canada.

And here is what he said in summary:

— while there are indications that policies of restraint are beginning to work and that we are on the right track, I think that it would be too optimistic to conclude that these policies have now done the full job of creating conditions that will eventually lead to a significant reduction in the rate of price and cost increase. In saying this, I am well aware of the inevitable time-lags that exist both in the adjustment of prices and costs to easier demand conditions and in the response of the economy to policy changes.

Honourable senators, I mentioned Professor Galbraith and the observations he made to a parliamentary committee yesterday, and what he said to the tripartite conference and what he said in a lecture at the University of Ottawa on Saturday night. Great attachment will be given to his words.

Today the Prime Minister indicated the Government's great concern with inflation. He said that we have resorted to a program of retrenchment, a program of guidelines, a program of persuasion. The Minister of Consumer Affairs is active within the context of his ministerial responsibilities. Every occasion is taken to point out the dangers of inflation to wage-earners, to those on fixed incomes. The Prime Minister went on to say that we simply have got to meet this problem. I am now paraphrasing his words. They indicate the serious view he takes of the problem: that, if necessary, he would be prepared to discuss with the provinces ways and means of finding other measures, if necessary, to deal with the problem. He did not say that he would; but he did indicate, by his concern about the suggestion of controls and the constitutional limitations connected therewith, that this is the kind of matter which a government faced with this serious problem must not hesitate to study. And I strongly recommend the reading

[Hon. Mr. Martin.]