

The Government, a couple of years ago, following the general principles of Keynesian economics, decided to implement a basic program for the reduction of aggregate demand in the country, in the hope and expectation that this would reduce inflationary pressures without unduly affecting the production of the nation. In my view, the Keynesian principles are now outmoded, and should be set aside, and that we are in a new economic state. We have cost-push inflation. We are in a position in this country where the large and powerful unions, the members of which often receive already the highest wages, are in a position to exert even stronger pressures for even higher wages. In fact, many monopolistic and semi-monopolistic industries are in a position to set their own prices, and do so from time to time. So we are in a position where a reduction in aggregate demand does little more than reduce production, increase unemployment, and reduce the general standard of living.

Two years ago the Government embarked upon an anti-inflationary campaign. Inflation is serious. It is a recognized destroyer of savings and incomes, and a costly burden upon those with fixed incomes and moderate savings. The Government decided, as I have said, to reduce aggregate demands by using typical Keynesian monetary and fiscal policies—tight money, higher interest rates, and curtailment of Government expenditure. Added to this was some pressure on the unions to moderate their wage demands, and some pressure on business to moderate price increases.

The policies were put to use with exceptional vigour, and now we are feeling the results. The best that can be said is that the rate of inflation, the rate of erosion of the value of the dollar, has been somewhat arrested, but at fabulous economic cost. The rate of price increase has been reduced from 5.2 per cent to a still excessive high of 3.2 per cent. In large part the measures to control inflation have failed. Prices continue to rise.

The Government, and I think properly so, then tried to control wage increases. Here too the policies have very largely failed, and wage increases continue at a high and inflationary rate. I had expected that information coming out from time to time would show a reduction in the rate of wage increase. So I was surprised a few days ago to read a statement by Chairman John Young of the Prices and Incomes Commission which indicates that wages in new contracts for the first six months of 1970 have gone up by 9 per cent. This was exactly the same increase, in the order of 8 per cent to 9 per cent, that took place in each of the previous four years. One might say that if there had not been a Prices and Incomes Commission the rate might have been much higher. Perhaps that is the case. Nevertheless, the wage increases in the first six months of 1970 were in exactly the same order as those in the same period for the previous four years. Powerful labour unions exerting powerful pressures, more interested in their private gain than in national policy, continue to score inflationary increases in wages far above the 6 per cent guideline. The Government has endeavoured to control the increase in wages, but has not been successful.

The most disturbing and dangerous result of the policies so far followed is the alarming increase in unem-

ployment, which is now some 7 per cent of the national labour force. It has been estimated by the Economic Council of Canada that the present high unemployment has robbed the nation of between \$4 billion and \$5 billion of production currently, in a one-year period. The anti-inflationary policy has failed to prevent inflationary increases in prices but it has sharply reduced production, stopped economic growth and vastly increased unemployment. It has been estimated, as I have said, that by this policy we have lost at least \$4 billion in production. This is more than the total cost of Old Age Security, some \$1,500 million; Canada Assistance Plan, some \$338 million; the Canada Pension Plan, some \$700 million; and Medicare for a full year, some \$1,170 million. We have lost \$300 million more in production in that than the total cost of all these major security programs.

Recent figures—I believe they were for August—show unemployment in Quebec at 8.9 per cent and in Ontario for the same month 4.4 per cent. This incidence of unemployment, the uneven effect on the provinces, is in my judgment the greatest single economic threat to the continuance of the Canadian nation. High unemployment in Quebec, economic stagnation and poverty are the rotten conditions that foster the FLQ, the separatists that would destroy Canada.

The cost of current economic stagnation is high: it kills the hopes of thousands of Canadians for useful and productive lives; it places a disproportionate burden on our youth and contributes thereby to dissent, confrontation and violence. Stagnation hands ready-made issues to the anarchists, the revolutionaries, the enemies of the state, issues that are being used effectively to sabotage the nation itself.

The economic slump promoted by deflationary policies has been a major factor in bringing on an economic crisis in the Province of Quebec. Current Keynesian economic policies have failed dismally. The continuing advice of bureaucrats in the Bank of Canada and the Department of Finance, I suggest, has not been good for Canada. Unemployment of 8.9 per cent in Quebec and only 4.4 per cent in Ontario will lead the cynics in Quebec to ask what is the purpose of Canada if Ontario is able to have full employment while Quebec has economic depression. Canada will not remain a nation if Ontario prospers while Quebec stagnates. This is the great threat to Canada, an impoverished and stagnated Quebec. A failure to correct the economic ills of Quebec will signal, I am afraid, the demise of Canada.

An indication of just how bad things are in Quebec and the rest of Canada is the rising consumption of bread. The pattern of bread consumption traditionally increases in times of economic difficulty. During the first six months of this year, Canadian industry bread shipments rose to 993,617,000 pounds from 903,363,000 pounds in the 1969 first half, with Quebec accounting for almost 56 million pounds of the 90 million pound increase.

When people are poor, and have not enough money for an adequate diet, the first thing they will buy is bread and with cheap spreads they may prevent themselves from dying of hunger. However, the best nutritional