it does not adopt complementary policies to restrain its own inflationary pressures.

There is another allied school of thought which, while conceding that inflation is a serious problem, holds that our policies of restraint are misdirected because they will have little or no effect on the cost-push type of inflationary forces at work in the economy today. The use of fiscal and monetary policies to restrain economic growth are only appropriate, they insist, if inflation is being caused by an excessive demand on the part of Canadians for goods and services.

There is no doubt that cost-push inflation poses a particularly difficult and stubborn problem, one that is not readily cured by the policy instruments we have at hand. But there is equally no doubt that the problem would be compounded in a major way if we lifted our restraints and allowed the economy to run at full throttle. When he spoke in Ottawa in February, Paul McCracken, Chairman of the President's Council of Economic Advisers in the United States, put it this way:

> If profits were lush and enlarging rapidly, would this be apt to influence the size of negotiated settlements? Would it affect pricing decisions? Obviously, the answers must be in the affirmative.

To opt for a decision to ignore inflation is to ignore the critical fact that Canada is a trading nation which is linked in an integral way to the economy of North America, to say nothing of that of many other countries around the world. Nor is inflation a static thing. There is no assurance whatever that in the absence of restraining measures the rise of costs and prices would maintain just the recent rate of increase. On the contrary, inflation feeds on itself if it is left unchecked, eventually gathering the kind of frightening momentum we have witnessed in a number of other countries. One could choose Brazil as an example, where inflation got up to the rate of 100 per cent per annum.

For Canada to adopt a deliberate, long-term policy of ignoring inflation is to invite economic disaster by exposing itself to ruinous foreign competition both at home and abroad. While the effect of such a development might be offset in part by a steady reduction in the exchange rate, the adverse consequences for Canadians as a whole would remain very severe.

I think there is little doubt that the vast majority of Canadians, including the vast majority of the members of this House, are deeply concerned about the impact of inflation and are convinced that we must break the current spiral of costs and prices. There are, however, differences of opinion about the strategy we should adopt and the emphasis that should be placed on particular implementing policies.

In order to put the present problem in its proper perspective it should be remembered that Canada has just completed nine years of continued economic growth. For example, our gross national product has doubled since 1961, from $39 billion to $78 billion. This is an achievement without precedent in our country which, until the beginning of the last decade, had experienced a never-ending cycle of prosperity followed by recession. Clearly our goal must remain that of maintaining continued economic expansion in order to provide jobs for tens of thousands of young Canadians entering the labour force every year and to provide a rising standard of living for all of us.

To avert the danger posed by inflation, the federal government and the Bank of Canada for some time have employed fiscal and monetary policies aimed at moderating the growth of the economy in order to remove the pressures which set the existing inflationary spiral in motion. Although the government has introduced a number of measures to offset the adverse impact of these policies, particularly in the slow growth regions of Canada, there has inevitably been a moderate increase in unemployment.

I should point out that in the 1970-71 year, expenditures, loans and investments under the regional economic expansion program for the slow growth areas, areas of high unemployment, are estimated at $353.7 million, an increase of $120 million over last year's estimated program. Equalization grants are estimated at $755 million, an increase of $81 million over last year. For 1970-71 the manpower component, that is largely for retraining, in the Manpower and Immigration Department is estimated at $420 million. Other important programs are the farm credit program, the wheat inventory adjustment program, and various public works projects.

Without engaging in the kind of numbers game played by some members of the opposition in recent days, I would stress that the increase in unemployment has been moderate. I mentioned in this House last week that the February rates of unemployment were equalled or exceeded in eight of the past 13 years, and indeed in 1961 reached a record level of 11.2 per cent in the month of February.