

Economic Policies and Unemployment

per cent in March and reached 5.6 per cent in April. Every increase in the rate of unemployment has provoked a new round of criticism of the government's economic policies from members of the opposition. Strangely enough, probably the most intemperate criticism and the most devoid of any alternative suggestions for dealing with inflation, has come from the Conservative party which subjected the nation to the highest and most prolonged unemployment in Canada's post-war history. At no time has unemployment under a Liberal government, including the one we have now, reached the level which existed at all times when the Conservative party was last in power.

• (2:30 p.m.)

The fact that there has been a relatively moderate increase in the number of Canadians without jobs as a result of the slower growth of the economy does not reflect any lack of concern about unemployment on the part of either myself or the government. On the contrary, one of the central objectives of the government is to promote the greatest increase in employment and in the standard of living of Canadians that is possible under conditions of relative price stability. To achieve this long-term objective, however, we are confronted by the immediate necessity of breaking the back of the inflationary spiral that grips the nation and seriously jeopardizes future employment and prosperity.

In their rush to condemn the government at every opportunity for the present degree of unemployment, members of the opposition seem to have lost sight of the fact that the sharply rising level of prices is a matter of serious concern to the Canadian people. They have lost sight of the fact also that if the cost and price escalation were allowed to continue unchecked, the economy sooner or later would head into a dangerous tailspin. Members of the Conservative party, which introduced the motion now before the House, have urged us to forget about inflation as being a matter of no concern—in sharp contrast to their position of only a few months ago. They have urged us to reverse the present fiscal and monetary restraints and to put the economy back into high gear.

Presumably what they are proposing is a substantial increase in the money supply by the Bank of Canada, as was proposed this morning by the hon. member for Sainte-Marie (Mr. Valade), in an effort to bring interest rates well below the level prevailing in most

of the industrialized nations of the western world. Presumably they are also proposing a substantial cut in taxes, a substantial increase in government spending, or both, with the inevitable consequence being the emergence of another heavy government deficit.

Only a few weeks ago, a member of the New Democratic Party introduced a motion calling on the government to consider an immediate and substantial increase in old age pensions and veterans' pensions and allowances. The leader of the Conservative party did not disassociate himself from the contention of the mover of the motion, the hon. member for Winnipeg North Centre (Mr. Knowles), that old age pensions should be increased across the board to \$150, a move that would cost the treasury more than \$1.2 billion a year.

To understand the reasons that lie behind the present policies of restraint being followed by the government, it is only necessary to consider the situation that would be bound to result if the government were to follow the course of short-term political expediency being urged on it by the opposition. Were the government to take its foot off the brake and bring it down hard on the accelerator, there would undoubtedly be a temporary spurt in economic growth and some decline in the level of unemployment. But such a move would also add fuel to the fires of inflation. The very reversal of government policy would further reinforce the inflationary expectations of the nation, which together with the increasing pressures caused by a rising demand for goods and services would lead to a rapid acceleration in the rise of costs and prices. Any improvement in pensions that might have been provided, as suggested by the hon. member for Winnipeg North Centre, would soon be wiped out in the rising tide of inflation; and in the end the nation would be confronted by the spectre of severe and prolonged unemployment.

If past history is any guide, one of the first symptoms of the developing trouble would show up on the highly sensitive international front. Here, I should like to dissuade the hon. member for Sainte-Marie, who this morning said that there was an outflow of capital from Canada. Quite the opposite is happening in this country, as evidenced by the fact that we have taken in several hundred million dollars in additional foreign exchange since the beginning of January.

Mr. Paproski: Things will not be the same after the white paper is implemented.

[Mr. Benson.]