ton. The monetarist dogma is too simplistic to fit the complexities of our present monetary problems. Recently, President Reagan promised Chancellor Schmidt that U.S. interest rates would come down later in 1981. We, as Canadians, should try to make sure that that undertaking will be respected. But even such a move in the right direction will not be good enough.

What the industrialized world desperately needs as a matter of the highest priority, not only in its own interest but as an essential requirement for a meaningful North-South dialogue, is to build a new world monetary order to replace the present jungle. Canada and its prime minister, as hosts to the forthcoming economic summit, have a wonderful opportunity to initiate the difficult process that is required to attain such a goal. We should not expect, of course, that the economic summit will in a few days launch this new monetary order. It could, however, after a general discussion of the issue, assign this task in its complex technical aspects to an international group of experts. If that is done, it is not unrealistic to expect that in 1983 we could celebrate the 50th anniversary of the Economic Conference held in Washington in 1933 by laying, as was done then, the foundation of a new world monetary order that could, I hope, last for the remainder of this century.

THE FIGHT AGAINST SUPPLY-PUSH INFLATION

I would like, finally, to refer to the fight against supply-push inflation. Before I do, however, I want to say that the Bank of Canada, in its recent statements, has not been really fair with its opponents. When he appeared before the Standing Senate Committee on National Finance, Mr. Bouey referred to those people who say, "Yes, of course, we must deal with inflation, but first let somebody devise a painless way of doing it." He continued, "Then there are others who say it will be easier to learn to live with inflation than to arrest it."

I do not know those people to whom Mr. Bouey referred. The people I know, who, like me, are opposed to the bank's current policies, are all deeply concerned with inflation. They do not believe that we should learn to live with it, and they do not claim that we should wait to fight it until a painless cure has been found. They are convinced that tight money will not cure supply-push inflation, and they are afraid that if monetary policy is used for that purpose, as it is today, it will lose its credibility and it will not be able to play its essential long-term and anticyclical roles. Such a misuse of monetary policy will not only leave structural inflation unchecked but will create another unfortunate gap in our arsenal of weapons to promote greater economic stability. With its present tight money policy, what could the Bank of Canada do if the Canadian economy became overheated in the months to come? Would it dare, for instance, to further increase its rate to perhaps 30 per cent?

A growing number of observers who still support tight money agree that it does not work against the kind of inflation we have been experiencing in recent years. But they hasten to ask: What is the alternative? My immediate answer is: If the present cure does not work or, more likely, if it makes the patient worse, then the first step must be to stop using it, even if there is no adequate alternative remedy for the disease.

I regret that we have devoted little research effort to finding alternative cures and that our approach to this challenge has been more negative than positive; we have been more inclined to reject proposals than to improve them when possible. I am realistic enough to know that there is no foolproof, simple and easy solution for structural or supply-push inflation. But I am not prepared to give up the search: I am like those who persist in trying to improve cancer treatment.

The disease of structural inflation has spread throughout the western world, including the United States, with varying degrees of virulence. Canada, with its great dependence on external trade, cannot cope adequately with this problem by going it alone. There is not much we can do about import prices without international co-operation, more particularly co-operation with the United States. This topic, therefore, should also have a high priority on the agenda of the economic summit in July.

Our great reliance on external trade does not mean, however, that there is nothing we can do on our own against structural inflation. But here again we are facing some constraints. For instance, energy prices are largely determined by public authorities; but, whether we like it or not, they will continue to go up, although conservation and conversion from oil may help.

Some people believe that government deficits have been the major cause of inflation. I am glad to note that Senator Everett does not share that view. As he observed yesterday evening, we have experienced rising prices in the past—during the 1974 recession, for instance—with substantial surpluses. Government deficits can, of course, cause demand-pull inflation if they occur when the economy is operating at full capacity and if government borrowing exerts strong pressures on money markets. But such conditions have not existed in recent years. This does not mean that governments should not try to cut their expenditures and their taxes, but this is not an appropriate time, in my view, to have a restrictive fiscal policy designed to substantially reduce the budgetary deficit. Drastic action should be taken, however, to eliminate unnecessary government regulations. A recent study published by the Economic Council of Canada claims that such a move would represent annual savings of several billion dollars.

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The existence and the use of market power in many sectors of the economy have been the major cause of supply-push inflation. A more vigorous competition policy could slow down the spreading of market power by preventing mergers and takeovers that are not compatible with the public interest. But a realistic policy in this area faces definite limitations. Industrial concentration has distinct advantages. Labour unions, agricultural marketing boards and producers' co-operatives are here to stay.

A more realistic goal is to prevent the irresponsible use rather than the existence of market power. In a free society, the ideal means of achieving this objective is self-restraint through voluntary co-operation between the different economic agents. This approach has produced very good results in