

**Mr. Lambert (Edmonton West):** This is a very difficult thing to do, Mr. Speaker. However, because it is difficult, are we going to deny the effect? It is difficult to measure the productivity in the service industries, but this is one of the tasks the Economic Council of Canada is undertaking. Because it is difficult, is that still a denial there has been an inflationary effect in Canada? I do not care whether one is a wage earner, salary earner, teacher, professor or bus conductor, if he receives an increase in salary beyond the increase in productivity, there has to be a corresponding increase in inflationary pressure. Inflation can be due to other causes as well, but this is one of the basic causes. This is a step which the government has not in any way mastered. In fact, they have not touched it at all.

The Prices and Incomes Commission was suppose to maintain some form of control, not mandatory, and to furnish information to the government with regard to prices and incomes. This commission is being wound up. Its terms of reference cease on December 31, 1971. In a statement filed by the chairman of the Prices and Incomes Commission on Tuesday last, he said in part:

In 1971, the commission is maintaining its surveillance of important changes in prices, costs and profits in the economy, will continue to conduct investigations and issue reports of particular price and income increases and inform the public and governments of the relevant facts. With the termination of the price restraint criteria and the associated wage and salary guideline on Dec. 31, 1970, these reviews will not, however, be conducted within the context of specific price and pay criteria as in 1970.

That is the point, the job is being wound up. The government has given up on the Prices and Incomes Commission. Although the Prices and Incomes Commission was to serve as a tool to control inflation, the government has given up on it. It has given no indication of what it intends to use in its stead, but it cannot deny that inflation is still with us.

• (3:20 p.m.)

Look at interest rates. I suppose the minister, or someone on behalf of the government, will say the decline in interest rates is an indication that inflation has been mastered. That is pure, unadulterated poppycock. Sure, there has been a downturn, but this has not been generated actively by the government; the government has not been the master of the turndown in interest rates. It has been obliged to follow the flow of interest rates in the United States and the trend of interest rates arising out of balance of payments problems. This is one of the difficulties of being involved in the international monetary fund on a narrow margin regardless of whether there is a floating dollar or not. The interest rate in Canada which had been imposed as a monetary restraint on the government was causing balance of payments problems. We have been obliged to unpeg the dollar as a result. But we have also had to allow our interest rates to follow changes made in the United States. So I say it is not after deliberate leadership action on the part of the government that there has been a decline in interest rates to which the government can point as an indication that they have mastered in any way the problem of inflation.

#### *Alleged Failure to Improve Economy*

We can see, too, from the latest Bank of Canada statistics, that the average interest rates on government obligations, be they 90-day bills, 180-day bills, short-term or long term, bottomed out at about the end of January and the beginning of February and were at that point starting back. My main point in this afternoon's motion is to warn that the government has been complacent; the government is deluding the people if it continues this practice of saying that inflation has been mastered as a defence of its policies with regard to unemployment. They cannot have it both ways.

The last point I wish to make is that as a result of the unpegging of the Canadian dollar there has been a continually increasing flow of imports to this country. In January, 1971, as against January 1970, there was a net decline of 3 per cent in our export of commodities. To the degree that we are relying increasingly on imports from the United States, Britain, West Germany and Japan, all countries facing varying degrees of high inflation. We are importing their inflation. Every time we bring in goods from another country at an inflated price we are bringing the inflation to our own country. The only reason this has been mitigated to a degree, a degree which will not be available to the government in the coming months, is the fact that the dollar being unpegged its increasing value on the international market vis-à-vis the United States dollar has hidden the effect of this important inflation. So I condemn the government with regard to its financial policies for having failed to master inflation and having contributed to other consequences indicated in my motion.

**Hon. E. J. Benson (Minister of Finance):** We have just listened to a most interesting speech by the hon. member for Edmonton West (Mr. Lambert) acknowledging that we have been more successful than any other western country in controlling inflation, that the rise in our cost of living has been smaller than theirs. He cannot criticize the overall picture, so he had to pick out details which he could criticize. The hon. member also supported the thesis to which government spokesmen have been calling attention for some time, namely, that we still have to worry about inflation in the future. This seems directly contrary to the policy of his own party which has been urging me to reduce taxes by some billions of dollars immediately in order to stimulate the economy and place more inflationary pressure upon it as it is moving out of a period of slow growth.

Just over a month and a half ago, the three opposition parties in this House took the rather curious course of issuing a joint statement condemning the economic policies adopted by the government to bring inflation under control and then return the economy to the path of strong and stable growth. The question which was left begging an answer was what alternative action these parties contend should have been taken to resolve the serious economic problems which confronted us. It is, after all, very easy to condemn; it is quite another thing to develop practical and effective solutions.

Early last week, members of the Ralliement des Creditistes provided their own answer to the question left