

*Increased Cost of Living*

*Co-Operator* of October 20, 1966. There is a reference to Mr. Sinclair, the president of the Canadian Pacific Railway, a very astute businessman:

Mr. Sinclair pointed to several factors that could adversely affect the economy if immediate action is not taken. He said it has become increasingly clear that it would be difficult for the economy to sustain upward momentum in 1967. Sluggishness has developed in several major sectors, and the state of financial markets discourages confidence in the near-term outlook.

What position did we find ourselves in in 1961? We devaluated the dollar which gave Canadians an opportunity to sell their manufactured goods abroad and an opportunity to get into foreign markets. This is what gave Canada the impetus, the opportunity, to find employment for its people. But then along came the greedy, selfish political party which took over control of Canada in 1963. They were not concerned about anything except creating a popular image so they would get back in with a large majority. They made a deliberate decision to print money to bolster the economy. What has happened? Why have we had tight money for nearly a year in this country? It is because they made the deliberate decision to create a false economy. They had their election in 1965 but all to no avail.

• (9:30 p.m.)

They then realized that the economy was running rampant. All across Canada, from Calgary to Ottawa, from Vancouver to Halifax, housewives formed protest groups, possibly for the first time in the history of Canada, and tried to fight rising inflation. What was the cause of it? It was hon. members opposite who printed the money. No economist will deny that the money supply must increase when our gross national product and population increase, but when the money supply increases faster than the gross national product or the population, this causes inflation. That is what the government has done.

I have a letter in my possession from a minister who sits on the front benches saying that they made the deliberate decision to increase the money supply. This created a false economy, and after the last election the government found that the economy was running wild with inflation. Now we have had tight money for the longest period in Canadian history. Never have the reins been tightened for so long.

How can we cure inflation? Some 80 per cent of our population derive their living from the export market, whether directly or indirectly, be it exports of automobile parts,

[Mr. Horner (Acadia).]

other manufactured goods or grain. We must export to survive and in order to export our costs must compare favourably with those of nations with which we trade. We have now got into a difficult situation by deliberately increasing our money supply some 50 per cent since 1963. This is something that government supporters boast about but it is a shallow boast.

What has the government done since to control the economy, to bring about some stability and to maintain our competitive position in world trade? At the beginning of this year it forced the Canada Pension Plan upon the economy, which resulted in an immediate spiralling of the cost of living index. After that it introduced the Pearson formula for wages. It gave the longshoremen a 36 per cent wage increase. I would like to see farmers in southeastern Alberta get a 36 per cent increase, but the Minister of Finance has reduced the price of their wheat by 22 cents a bushel.

Next the St. Lawrence Seaway workers were given a 33 per cent increase, which also had an inflationary effect on top of the inflated supply of money. I do not blame unions for demanding a 36 per cent wage increase under those circumstances. As a spokesman for western farmers I would like to see them get a 36 per cent increase in the price of their beef, wheat and milk.

The railroad workers were next on the scene and were given an 18 per cent wage increase with the possibility of something more, depending on further negotiations. Then the armed forces were given a 14 per cent wage increase, which brings up the question of unification. Possibly the government thought it could buy acceptance of unification from the armed services by giving them a 14 per cent wage increase.

All this has increased the cost of living and added to the cost of production. A decision has been taken in the Bank Act amendments to raise interest rate ceilings. The *Toronto Star* of June 21, 1966, in an article headed, "Arguments For Bank Rate Boost Unconvincing," said:

—a more general effect would probably be higher interest rates in most categories of loans, raising production costs and consumer prices. The other institutions could raise their rates along with the banks and still expect to hold their share of the business.

Higher interest rates will be added to the cost which consumers pay, creating another rise in the cost of living index.