

*The Address—Hon. M. Lambert*

Speaker, I wish he could speak to his predecessor who some years ago, when asked about the establishment of government priorities pooh-poohed the idea and said this would not be discussed with the provinces. I wish to God it had been discussed back in 1965 and 1966 in so far as handling inflation in Canada is concerned. If it had been, we would be much better off.

Let us first of all establish that inflation in Canada is not the entire responsibility of Canadians. I should like to read from the Sixth Annual Review of the Economic Council of Canada, page 163, which explains the difficulty that we as Canadians have in rebutting inflationary influences, particularly those from the United States. Neither of these countries can isolate the other. When Professor John K. Galbraith appeared before the Committee on Finance, Trade and Economic Affairs the other day he exhorted Canada to take steps to combat inflation because this would assist the United States to do the same. I doubt that it would, although it might be of some help. But the influence is rather the other way. The two countries are so inextricably linked by trade that it is impossible to say that problems of inflation in the United States can be isolated from those in Canada, and vice versa.

Yesterday and on previous occasions the Minister of Finance indulged in some back room nit-picking when he criticized the Economic Council of Canada for the statements appearing in the following paragraph of its review:

In Canada, it is difficult to maintain that current inflation is a reflection of excessive demand pressures, for the Canadian economy has been operating with at least a moderate over-all margin of slack since 1967. On the other hand, in the United States the problem of price and cost inflation has been very much one of excessive demand aggravated by the impact on the economy of the war in Vietnam. Until some easing of price and cost increases takes place in the United States, Canadian policies to deal with domestic price and cost problems will be handicapped. Further fiscal and monetary restraint could conceivably result simply in higher rates of unemployment and economic slack with no more than marginal effects on current rates of increase in prices and costs. Moreover, tighter restraint in Canada this year is likely to have its main impact on the economy next year. And if excess demand pressures in the United States are brought under control by the latter part of 1969, the principal result of stringent demand policy restraints in Canada this year might well be seriously mistimed to push the economy into a poor economic performance.

There have been complaints about this paragraph, but I would have held the Eco-

[Mr. Lambert (Edmonton West).]

nomic Council of Canada lax if it had not posted this warning against embarking on harsh monetary and fiscal measures to contain inflation just because the results will not be immediately apparent. The causes are deep-rooted and remedies may take one, two or three years, by which time conditions will have changed. According to the Dominion Bureau of Statistics there has been a disquieting decline in real domestic products—here I am not speaking of the gross national product—which would indicate that there could conceivably be some unwonted softening in certain sectors of the economy covering manufacturing and service industries, resulting in turn to a diminution of credit. It was quite correct that the Economic Council of Canada should point this out. As the minister indicated, Mr. Speaker, the government is also faced with a credibility problem. It certainly is.

**Some hon. Members:** Hear, hear.

**Mr. Lambert (Edmonton West):** That is the self-same minister who stood up in this House on Monday afternoon and said, "We will defeat inflation." It is the self-same man who, as President of the Treasury Board, in the spring of 1968 told the House that as a result of the changes in taxation—that is, the increase in taxation in the 1967 budget and the cut-backs in expenditures that were put into force by the government after its defeat on the tax bill—"I guarantee that we will balance the budget for this year." What happened? We had a deficit of over \$700 million.

**Some hon. Members:** Shame.

**Mr. Lambert (Edmonton West):** That was his guarantee. At that time I said that when the minister dies they will probably find tattooed on his chest the words, "I guarantee to balance the budget." Now I think we will add a second line, "We will defeat inflation."

**Some hon. Members:** Hear, hear.

**Mr. Lambert (Edmonton West):** I have as much faith in the credibility of his statement as I had in the one he made in 1968. In saying that I do not mean that I wish the government to lose the fight against inflation, because we are all in it.

**Some hon. Members:** Hear, hear.

**Mr. Lambert (Edmonton West):** So let no one say that we are trying to subvert the government in its attempt to fight inflation.