

before the Canadian people by Professor Galbraith in a committee in the other place yesterday is not easy of application in Canada. He pointed out that in the United States it is possible, by a single act of the Congress, to establish a system of controls more effectively to meet inflation. We know that that is not the situation in our country.

What the President of the Economic Council was referring to the other day, in the statement which was made in his Sixth Annual Report, I think was essentially addressed more to the long-term than to the short-term. In any event it should be remembered that the Economic Council is a body which represents not only one element. It represents management, it represents labour, it represents agriculture, it represents the expert, it represents the economist, it represents the academic community. In other words, it is a body which often must make compromises in order to reach conclusions. If Senator Choquette draws comfort from the statement of the President of the Economic Council, I would ask him to look at the statement made the other day by the Governor of the Bank of Canada. Some of the observations made by Mr. Rasminsky, contrasted with those made by the Chairman of the Economic Council, will show that the general course which the Government is taking, in the circumstances, is one which warrants support, warrants perhaps a greater appreciation than is sometimes given to current Government policies.

The Government has not rested with this commission. The Government also has been working through the Bank of Canada in the enactment of monetary policies to restrain the supply of credit. The success of this restrictive monetary policy is reflected in the fact that by May of 1969, after these policies had been in effect for approximately six months, the more liquid assets of the banks, which provide the cushion which enables them to expand their lending activity, had been reduced by more than three-quarters of a billion dollars, and the ratio of their more liquid assets to their total assets had fallen from 32½ per cent to 28 per cent, a level which is low by historical standards.

The impact of reductions in government expenditures can be seen in the fact that while in the twelve months ending September 1968 the Government's overall cash requirements, excluding those of the Exchange Fund, were \$1,200 million in the twelve months end-

ing September 1969 there was a net cash availability of nearly \$100 million. This large swing has been of great assistance to the Bank of Canada in controlling bank liquidity during the past year. Had it been necessary to deal with a large increase in public debt at a time when monetary policy was directed towards reducing the liquid assets of the banking system, it is obvious that the increase in interest rates would have had to be even greater than it was, or the growth of the money supply would have had to be larger.

Some argue, and I think this is implied in what Senator Choquette said, that the Government in the interest of higher welfare payments, in the interest of maintaining employment, in encouraging economic growth, should ease its restrictive monetary policies at the present time, for fear of precipitating a recession.

I say to Senator Choquette and to all honourable senators that the available evidence does not support that position. For example, the consumer price index has increased in the months of June, July and August of 1969 as much or more than in the same months of 1968.

It is also alleged that the Government's anti-inflationary policy has produced unemployment in Canada. This is not the case. Recent figures from the Dominion Bureau of Statistics indicate that the total employment in Canada is 2.6 per cent higher than it was one year ago and that the unemployment figure of 5.0 per cent for September 1969, the most recent figure available, is only 0.2 per cent higher than the figure for 1968 and is in fact lower than the figures for June and July 1968.

Therefore, in short, the Government's policies aimed at reducing inflation cannot at this stage be said to have failed. I am not saying that the problem is an easy one. I am not saying that we are succeeding in every sector. We had a rise the day before yesterday in steel prices. But I am saying that, in the Government's view at this time, whatever else may be done, it would not be appropriate to alter the policies of the Government in its effort to try and curb inflation.

No one for one moment doubts the seriousness of this problem and certainly the Governor of the Bank of Canada, quite properly, in his statement of October 23, outlines what inflation means in Canada. He pointed out that quite apart from the serious inequities it involves and the unfair sacrifices it inflicts on