

time inflation as we are seeing at present. The government is still trying to attack it with budgetary policies which are singularly unimaginative, and is afraid to tackle the problem in any direct way. It has done nothing in terms of income policy, nothing in terms of a two-price system and nothing about controlling expenditure. Unless we do this, we will see much more inflation during the coming year than we saw during the past.

**Mr. Sharp:** Mr. Speaker, may I ask the hon. gentleman a question?

**An hon. Member:** Sit down.

**Some hon. Members:** Oh, oh!

**Mr. Deputy Speaker:** Order, please.

**Mr. Gillies:** You cannot expect the Canadian people to believe or accept—nor should they—that in this country, considering our resources and energy, we must experience a rate of inflation comparable to that of other countries. The moment any government in Canada says that our rate of inflation is comparable to that of other countries, it is admitting failure. Considering the resources we have, the industrial base we have and one of the most productive agricultural communities in the world, not being able to keep our inflation rate down is totally unacceptable.

We have not seen, and I say this with great care, any imaginative approach to the problem of inflation. The government seems to believe that the economy today is operating in the same way as economies were operating in the early 1950s. Economies today are totally different. There is a change in terms of inflationary expectations in the economy. There is a change in market structures. But we are still tinkering around, thinking we can solve our problems by raising interest rates, which in themselves are inflationary, and by changing the tax structure, which can add to inflation and then wondering why inflation should be increasing and suggesting that it comes from somewhere else in the world.

If this problem is to be solved, there must be policies which recognize that if you are to use the supply increase approach and are not prepared to moderate consumer demand, you must introduce some kind of incomes policy or some policy to move the economy over the gap between the time when demand is stimulated and supply rises. If you do not bring in such programs, inflation booms, as we witnessed last year and this year. Because we lack such policies we are building all-pervasive inflation into this economy which will make ours one of the highest cost economies in the world. We are selling our products today because there is demand for our natural resources. But unless our rate of inflation is slowed down we will end up with a substantially higher cost economy than almost any of our trading partners. Will this not be tragic?

I know that government members do not believe the problem is as serious as some of us think. At least, they do not appear to believe the problem is that serious. You see, when some of our institutions are disappearing, such as the equity market, when government bonds cannot be sold because the rate of inflation is higher than the interest rate, when hundreds of thousands of people are fearful about what will happen, when people are concerned about

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their insurance policies and about their pension programs, the country is facing a situation which needs action to bring it under control. The Canadian people have shown today, through their representatives in parliament, that they are no longer confident that the government has the imagination or the will to deal with inflation.

I listened to the budget speech last night more in sorrow than in anger because it is inconceivable that after following a policy for one year which led to our highest peacetime inflation rate, the government has come back with exactly the same sort of policy. It is absolutely incredible. The issue in this country today is inflation. It is an issue that affects everybody and is the one on which the campaign will be fought. This country needs confidence that it has a government that cares, which has imagination and which is willing to deal with inflation in a bold fashion. This government has lost the confidence of the people. It is using higher interest rates, changes in the money supply in the short run, putting a band-aid here or there to deal with inflation. The Canadian people are absolutely right in thinking such an approach will not work. What we need is a strong, new government to tackle the problem.

● (2150)

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

**Mr. Gillies:** The one thing that can give every Canadian encouragement tonight is that very soon they are going to have it.

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

**Mr. Deputy Speaker:** There is approximately a minute left of the time of the hon. member for Don Valley (Mr. Gillies). The Secretary of State for External Affairs (Mr. Sharp) wishes to ask a question.

**Mr. Sharp:** Mr. Speaker, I am seeking the floor.

**Mr. Deputy Speaker:** For what purpose?

**Mr. Sharp:** For continuing the debate.

**Mr. Speaker—**

**Mr. Deputy Speaker:** Order, please. The hon. member for Yorkton-Melville (Mr. Nystrom) rises on a point of order.

**Mr. Nystrom:** On a point of order, Mr. Speaker, I was under the impression that in rotation I was supposed to have been recognized next. Of course, I bow to Your Honour's discretion.

**Mr. Deputy Speaker:** May I have about ten seconds to deal with this problem: I would like to do this properly. On reflection, the Chair will recognize the Secretary of State for External Affairs.

**Hon. Mitchell Sharp (Secretary of State for External Affairs):** Mr. Speaker, I listened very carefully this evening to the speech of the hon. member for Don Valley (Mr. Gillies), as did my colleagues the Minister of Finance (Mr. Turner) and the President of the Treasury Board (Mr. Drury). I was reminded of the movie "The Candi-