

The Address—Mr. T. C. Douglas

Prime Minister said that there is indignity in a man being out of work. There certainly is. There is not only indignity; there is want for him and his family. What is there in the Speech from the Throne that offers any hope that unemployment will diminish rather than continue to increase? Neither is there a word in the Speech from the Throne about the acceleration in the take-over of the Canadian economy by foreign investors, particularly American investors, which is one of the most pressing problems facing this country. The Speech from the Throne is silent in this regard, and the Prime Minister has not said anything on the subject. What happened to the Canada Development Corporation, which has been at the masthead of every Speech from the Throne brought down by the Liberal party since 1963?

An hon. Member: They did not even bother with it this time.

Another hon. Member: It fell overboard.

Mr. Douglas (Nanaimo-Cowichan-The Islands): This time it has gone with the wind. The Speech from the Throne says that the most pressing problem facing this country is inflation. I think most Canadians would agree with that. It says that the government has taken certain measures to combat inflation, which it hopes other sectors of the economy will emulate. I say, Heaven forbid! The first point I want to make in these remarks, Mr. Speaker, is that the policies followed by the government to combat inflation have been a ghastly, colossal failure.

The government's solutions to the problem have been four-fold: First, to create further unemployment; second, to cut back government expenditures; third, to fire civil servants; fourth, to impose a program of income restraint on pensioners, veterans and welfare recipients. This means, of course, that those who have been hardest hit by inflation are to be the first victims of the government's efforts to combat inflation. These efforts have not only failed to cure our economic ills, but they could conceivably trigger a serious economic recession this winter with unemployment reaching anywhere from 6 per cent to 9 per cent of the labour force.

The government has accepted the theory that the best way to combat inflation is to create more unemployment. This is an extension of the policy contained in the June budget of the Minister of Finance (Mr. Benson). It is simply a carry-on of the policy of his predecessor, namely, that the government

[Mr. Douglas (Nanaimo-Cowichan-The Islands).]

should create additional slack in the economy. Unemployment has been rising steadily since 1965. It now stands at 5 per cent of the labour force, on a seasonally adjusted basis. The September unemployment rate is the highest since 1963. The government's policies, far from resolving our economic difficulties, will cause further suffering and hardship while at the same time having little or no effect on rising living costs.

The Economic Council of Canada, in its Sixth Annual Review, warned the government of the dangerous course it is pursuing in these words:

Further fiscal and monetary restraint conceivably could 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.

The Council points out that since 1967 the Canadian economy has been operating with a significant margin of economic slack, as shown by the present high level of 5 per cent unemployment, seasonally adjusted. The Council also said:

With unemployment in the range of 4 per cent to 5 per cent...it is difficult to argue that excessive general demand pressure has contributed to inflationary conditions.

• (3.10 p.m.)

However, the government continues with an anti-inflationary policy based entirely on this false premise. I maintain, Mr. Speaker, that the government is using the wrong economic tool to do the wrong thing at the wrong time. Fiscal policy may be a powerful tool in controlling employment, but it is limited as a technique for controlling prices. Reduced federal spending means lower aggregate demand, lower output and lower employment. In seeking an answer to inflation the government is flirting with an economic recession. This inept cure could be worse than the disease. The first casualties in the war against inflation are the very people who are hardest hit.

One must agree with the Economic Council's contention that much of Canada's inflation is imported from the United States as a result of the Viet Nam war. Therefore, restrictive measures will do little to suppress demand; they will have the effect of causing further unemployment without doing much to attain price stability. Economic indicators already show a slackening in United States economic activity. Paul McCracken, Chairman of the United States Council of Economic Advisers, foresees anti-inflationary pressures taking hold late this year or early in 1970.