

and we had what was apparently a very paradoxical or illogical situation in the fact that the recession, which in my opinion is now practically over, was accompanied by exceedingly high prices. To the best of my knowledge, and I do have a slight knowledge of economics, it was the first time this had happened. As a natural consequence of that we have run into difficulties in public financing, whether by the federal authorities, the provinces or the municipalities, owing to the fact that many people who depend on so-called fixed incomes fear that if they purchase bonds the amount of money which they or their heirs would receive, say 25 years hence, would have only 40 per cent of its present purchasing power. Of course, we cannot expect such people to be willing to invest in long-term fixed-dollar obligations. The committee's report indicates clearly by charts, which were referred to by my honourable friend from Mille Isles (Hon. Mr. Monette), the major dislocations, inadequacies and economic disruptive disparities which have resulted from a prolonged and substantial decline in the value of money.

Honourable senators who spoke before me have pointed to the loss of some of our foreign markets through what are considered to be excessive costs of production. We are unable to compete successfully with countries where the tempo of inflation has been less pronounced than here.

**Hon. Mr. Monette:** May I interrupt my honourable friend? He just has referred to what senators who spoke before him have said, but I do not recognize myself in that reference.

**Hon. Mr. Gouin:** My last reference was not to my honourable friend from Mille Isles (Hon. Mr. Monette), but merely to the charts.

**Hon. Mr. Monette:** Thank you.

**Hon. Mr. Gouin:** These charts are entirely graphic. They show much better than any words which I could use the situation over a long period of years. My last words concerned simply the effects of inflation on our foreign trade. That is what I would call a question which is absolutely vital because to a great extent we have to live by our exports, since we produce much more than is needed for domestic consumption.

I wish to refer next to an extract from the submission of the Canadian Life Officers Association, mentioned in the report of the committee at page 480. I quote from the submission of that association:

The main objectives of Canadian policy should be a relatively high level of employment and reasonable stability of the currency.

I believe it would be a great mistake to say that we have to choose between inflation

and unemployment, because if we have inflation—be it creeping inflation, or what is called in the report "galloping inflation"—we would have unemployment, and that would be a threat to our economy.

I understand very well that our friends from the labour unions are most anxious to protect their interests and their rights; that unemployment, to use the words of an economist, is "a cancer of the heart"; that unemployment is for labour the worst of all evils. No decent Canadian can ignore unemployment, even when we have it to a reduced degree, but especially when there is a rather considerable amount of it, as there is to-day.

Referring again to page 480 of the report, we see that the representatives of the labour unions agree that the stable or reasonably stable price level is a desirable goal:

—provided that the concern for price stability did not outweigh or obscure what they regarded as the more important issues of the level of employment and the rate of growth of the economy.

To be quite frank, I believe that the two parties in this house agree on what I would call a policy of full employment, which really means a policy of maximum employment. Quite honestly, we have to face up to seasonal unemployment, and we also have to reckon with various factors which bring about a degree of unemployment. It is precisely for this reason that we have a system of unemployment insurance and unemployment assistance.

The attitude of the unions emphasizes:

—the importance of pursuing at one and the same time the twin goals of high levels of unemployment and reasonable stability of prices. Neither unheeded inflation nor substantial and protracted unemployment is socially acceptable.

This is indeed a great truth, and to this principle I fully subscribe.

At the bottom of page 480 I read these words:

—It was frequently pointed out to the committee that prolonged or rapid inflation would sooner or later result in a bust and bring about serious unemployment.

That is exactly what I mean: it is, so to speak, two horns of a devil: one is inflation, the other is unemployment. We can ignore neither the one or the other; we have to find a remedy for each. We have to find a solution which will protect us against these two evils.

The Canadian Chamber of Commerce is quoted at page 481 as saying that

...it could not as a policy tolerate even a creeping inflation. All you can say about creeping inflation is that it is not as dangerous and it is easier to adjust to than a more rapid inflation; but if you are going to erode the dollar the long-run effect is the same.