

Economic Conditions

the real cancer that those people opposite are encouraging in many small and large ways.

Chronic inflation wipes out people's savings, impoverishes pensioners, rewards speculators, hinders trade competitiveness and does a great deal of general harm. Helmut Schmidt, the Chancellor of West Germany, has said that "inflation for economies is a killer disease". My friends in the New Democratic Party in the House usually say that he is a social democrat. Indeed he is, and I wish all social democrats were the same sort.

We saw a symptom of inflation yesterday in the announcement that the CPI is now running at 11.2 per cent, the highest increase since March, 1975. Somebody did a calculation in the House the other day which indicated that a family receiving \$15,000 today would need, according to the projection of the Minister of Finance (Mr. MacEachen), and that is now stale, \$29,000 just to stay even today, or within five years, and \$40,000 to stay even in ten years. I wish members opposite would take their calculators and work out what inflation at 11 per cent would do to each and every Canadian within 25 years.

I think I made this point the other day, but fully half of those Canadians who receive old age security benefits now also receive the guaranteed income supplement, and the OAS and GIS together come to \$4,350. The OAS and the Canada Pension Plan come to \$5,296, which is almost exactly on the poverty line.

● (0810)

As has been said before, what we have is a cumulative problem. Over the last ten or 12 years we have spent more money than we have earned. We have financed on credit and as I mentioned before we have inflated our money with freshly printed currency. I believe that most of our economic problems to date stem from the inflationary bias of past government policies which motivated all of us to spend too much and save too little, which encouraged consumption rather than investment for the future, and which resulted over a ten-year period in a reduction in real growth and an upswing in expectations and, above all, too many dollars chasing too few goods.

To put what has happened very briefly, the M-1, which is the money supply as the Bank of Canada defines it, is up. I think the figure is 20 per cent in the last five months, and that, as surely as the sun is up this morning, will result in more inflation.

Mr. Evans: You are wrong again, but that is nothing new.

Mr. Kilgour: From 1968 to 1978, which is my most recent date, the M-1 was increased by approximately 160 per cent. Real economic growth was about 54 per cent. The general price level in the economy increased by 106 per cent, which was an amount very close to the amount of excess money put into the economy in a vain attempt to spur real economic growth.

I do not think hon. members opposite really know what hyperinflation is, so I will give them a couple of ideas to

consider on the subject. That is where I think their policies are taking the greatest and most fortunate country on earth, and I remind them of some of these things. Between July, 1920, and November, 1923, in Germany the German mark exploded to one-trillionth of its pre-World War I value, sending wholesale prices soaring by an almost unimaginable 55 billion per cent. The result was the complete collapse of German society and the rise of Nazism. Argentina is another example of similar policies to those we are getting from this government, although perhaps more exaggerated, which eventually resulted in the inflation rate hitting the staggering figure of 17,000 per cent in March of 1976.

Hon. members opposite say that cannot happen here, but if we allow inflation to slip from its moorings and roar out of control, we can reduce this country to a state of near total ruin. If that happens, savings will stop occurring, prices will soar, nobody will be able to afford to save and those who can save will not want to. The bond market will collapse, as indeed it is collapsing today in this country. Credit will begin to dry up. Firms will be starved for funds. Many of them will go under. My colleague, the hon. member for Erie (Mr. Fretz), pointed out that the Federation of Independent Businesses predicts as many as 50,000 bankruptcies. The rest of the businesses will stagnate. If the idiots on the other side of the House continue with their policies, unemployment will mount.

Mr. Evans: A point of order, Mr. Speaker.

Mr. Kilgour: Inflation will continue to soar. There will be no new plants and no new jobs. There will be more unemployment and more unemployment insurance. Welfare will go up, with which hon. members know the provinces are saddled. Everyone will spend everything they have knowing that their dollars will only buy less in the future. That is a recipe for hyperinflation. I counsel hon. members opposite to examine hyperinflation as it has occurred elsewhere around the world.

I remind hon. members opposite that hoarding results from hyperinflation. Gun dealers do well because people expect their homes to be robbed.

An hon. Member: Oh!

Mr. Kilgour: They laugh and guffaw. Looting occurs. Crime soars, and in other countries where there is hyperinflation there is prostitution. I think that was mentioned by someone. Social services disintegrate as policemen and garbage collectors walk off their jobs knowing that they cannot earn enough in their public service positions. The whole value system of a country can collapse.

If I may turn to the subject of interest rates, western Canada cannot survive the interest rates we have as a result of the policies of the government in the past. Our country is a producing region. We need low interest rates. I suppose no one on this side is more cynical about hon. members opposite than I am as a one-time Liberal and a westerner. Is this another means of driving the west away from feeling close to Canada? I believe a case can be made that westerners suffer more from high interest rates than any group in Canada.