

The Address—Hon. A. Hamilton

been closer to worldwide recession than in the last year or so. We are still in that position. I will return to that problem.

Third, what is even more serious is that economists in Canada, Japan, Europe, the United States and elsewhere do not have models of economies which take cognizance of the fact that the world no longer has a surplus of every form of commodity. Since the last war, the fact has become increasingly clear that in the next century or two we are going to be facing a series of shortages in strategic commodities that affect the whole economic stability of the world. We had a little taste of the phoney oil shortage of this past year, but I will come back to that so I can maintain my remarks in a coherent fashion.

● (1440)

Let me briefly review my first point, the cost-push inflation problem. Cost-push is simply made up of a number of factors that force costs up and have the effect of raising the price of the end product. The rapidly increasing costs of government in all our western countries is the number one cost-push force. The deliberate policy on the part of western governments of forcing up the interest rates as an attempt to carry out Keynesian doctrine at a time when that was something they should not have been doing is the second cost-push factor of major importance forcing up prices. It is this clownish behaviour of the stop and go money supply.

As several speakers have already mentioned in this debate, for years our money supply was a constant. I recall sitting on the treasury benches for five and a half years. The money supply remained almost the same, around \$13 billion. It now goes up at the fantastic rates of 15 or 20 per cent a year so that we now have over \$50 billion in circulation, yet the amount of goods in circulation is not five times greater. Obviously, there has been some misuse or bad use of the technique of issuing the money. This has created a tremendous upward pressure on prices.

There is also the fact of municipal and provincial governments allowing land costs around our cities to get out of control so the speculator has had a field day. This has added tremendously to the cost-push at the centre of industry around our cities which has the great impact of higher prices. At the end of the list is always the labour cost. The labouring men who live in the cities naturally have to fight to keep up with all of these costs and, with their organizational strength, try to keep ahead of the rat race. God help the unorganized labourer or person on fixed income.

These factors of cost-push are well known. This government has set an example of exacerbating all of it. Every time we get into a situation like that of 1969 when it was said that prices were rising too fast, we get the same medicine. It is as if those price increases were caused by a demand factor when they were in fact caused by cost-push. I am reminded of a story I have told many times concerning youngsters going into an apple orchard. Never having seen an apple orchard before, they gorged on the apples. One or two of the group got a bellyache. I can recall the lady of the house calling in the whole bunch of us. Bellyache or no bellyache, we all got the same medicine which was designed to get rid of any problems of the

[Mr. Hamilton (Qu'Appelle-Moose Mountain).]

stomach very quickly. This is what the government has done, not only in the last five years but the last 25 years.

As the Porter royal commission made very clear, it is a matter of wrong fiscal and monetary policies. This has been well discussed on many occasions. I want to point out again that some of us tried to make positive proposals in arguments with civil servants. I am not too immodest to point out that I have tried to suggest positive proposals. I made a series of remarks on three or four separate occasions over the past 10 years in the House about the necessity of refining the Lord Keynes doctrine in a country like Canada with so many regions, something which has been almost completely ignored by the government for the past 15 years. In our model of handling our economic system, we need to have some recognition of the regional nature of our country and the varying demands of industry. In a moderate industrial strategy where you strengthen the ones with the best chance of succeeding, you bring in the question of the social purpose of the monetary and fiscal policy. This all boils down to the fact we have to accede to the principle of selectivity.

I will now turn to the question of timing. I read the speech which the Minister of Finance (Mr. Turner) made the other day. He said on three days of the week the opposition is expansionary and on three days it is restrictive in monetary and fiscal policies. He is quite right in that criticism because with modern monetary and fiscal policies, you have to go both ways at once when dealing with a country as big as Canada. When you are in a boom situation in Montreal, you can be stagnating in Toronto. We are stagnating in the areas north of Toronto and in Montreal all the time. You need to have conflicting policies in theory working at the same time.

It is as true as I am standing here that when you have to deal with a country with at least 17, 18 or 19 regions, there have to be policies that are different and they can be the opposite at different places at the same time or even in the same area. However, I do not want to repeat all those types of positive proposals in this one speech. I have made it in the House on three or four occasions. I know that the Minister of Finance and his officials have read it. However, I do not see evidence of any thought being given to it in the form of action by this government.

The second problem that I mentioned is the danger to the world of these concentrations of capital. I am not only referring to the Eurodollars. The finance ministers of the world and their officials still have not put anything forward about funding those Eurodollars and getting this floating danger off the backs of reserve funds of the various nations of the world. More important is the tremendous buildup in the Arab nations. Some Arab and African nations can put the money they receive for their oil back into investment in their own country, but many of them cannot such as Kuwait, Abu Dhabi, Saudi Arabia and possibly Iraq. There is no possibility of the billions of dollars pouring into their coffers being used in a prudent way so quickly in their countries. Therefore, it is a job for all thinking people in the western world.

Japan is going to be very short of oil energy sources for an indefinite time, as will western Europe. The United States is moving into a period of shortage, but will, I think, be out of it in about 10 years. There are some