

Income Tax Act

once it is known that "recession coupled with inflation" can happen, in other words a slackening of business activity, increased unemployment and high prices. This is what Great Britain, the United States and Canada are experiencing at the moment.

Another current theory is that of relationship between wages and unemployment. If unemployment goes up, say reputedly serious economists, the demand for higher wages goes down. The facts contradict that principle. The working class, which is not blind after all, demands bigger wages as prices go up, and this never ending pursuit between prices and salaries is cutting down the possibilities of increasing productivity. Consequently, profits decline, business slows down, factories close their doors, other quickly resort to automation, and unemployment goes up.

Another theory is that, in order to reach full employment there is no reason why the currencies should not go on the chopping block. That does not make sense, say some. The proof is that the devaluation of the pound sterling in 1967 brought no remedy to unemployment in Great Britain.

The editorialist goes on to say:

There are other barren theories that were refuted by Pietre and that only served in the final analysis to send the governments—

That is interesting. Look out, for this piece of advice should be well noted. And I continue:

—on the wrong tracks forcing them to improvise on an immediate basis rather than taking action with their eyes turned to the future.

Unemployment is a striking example. Quebec and Ottawa are quite naturally trying to fight unemployment but they are reduced to the point of resorting to public works—highways, subway, airports—to reach that goal. With a view to really fighting this plague, the authorities should temporarily forget the quite challengeable theories of their economists and consider in all humility the initiatives to be taken for the development of new structures likely to provide permanent jobs to the greatest possible number of Canadians. Obviously, the economic theories applicable at the frontier time are obsolete in our highly urbanized society. We must think in terms of a completely new social texture. Our theories are wrong.

• (4:50 p.m.)

So, taking this situation into account and on the strength of our findings coupled with the many proofs which demonstrate that our current system is at fault and that our problems are due to a financial system in permanent disagreement with our current economic realities, it would be normal that the Creditiste suggestions and proposals submitted to the House on several occasions be considered more seriously if we truly want to eliminate this ridiculous social disorder which permits poverty to exist in the midst of affluence.

• (4:50 p.m.)

[*English*]

Mr. James A. McGrath (St. John's East): One cannot help feeling that this debate has an air of fantasy about it, Mr. Speaker, a feeling which was confirmed by the outstanding speech of my hon. friend the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney), the hon. member for Calgary South. We could hardly believe our ears. Knowing the hon. member as I do, I am sure that he would have great difficulty in believing a lot of the material he placed on the record today. I am sure he was not convinced and still is not convinced. It was, nevertheless, an effort on the part of the hon. member having some responsibility and being on the periphery of government as Parliamentary Secretary to the Minister of Finance, to

try to justify the mess we are in today as a consequence of policies pursued by his minister and his government.

We are discussing inside this House the complex problems of the tax bill, while without the country suffers from industrial stagnation, plant lay-offs and an unemployment situation which can only be described as a prelude to an economic disaster of the first magnitude. Inflation is still with us, inflation which continues despite the policy of the government to erode the purchasing power of our dollar, to erode the consumer purchasing power where it hurts most. I need only refer to the cost of living index released today by Statistics Canada.

I say fantasy because in terms of the economic situation in this country we are not discussing meaningful tax reforms; we are discussing a measure introduced by this government which is as deceptive in style as it is in content. The position of this party is clear, Mr. Speaker. We believe this deceptive legislation will not in any way serve as one of the economic catalysts this nation so badly needs at this particular time. As the motion before us states, this government has reacted to Canada's serious economic plight with a tax program which does not provide sufficient tax cuts and incentives, nor does it contain, as the motion stresses, adequate tax exemptions to ensure a healthy growth of Canada's economy. This is deceptive legislation, Mr. Speaker. I say it is about time that the Prime Minister (Mr. Trudeau) and the Minister of Finance (Mr. Benson) stopped evading their responsibilities and admitted that the unemployment and anti-inflationary strategies of this government are not only useless but in fact are harmful. If proof of that statement were needed one would have to look at the figures released today by Statistics Canada showing the rate of seasonally adjusted unemployment in this country, the highest rate of unemployment since records were kept, going back to 1946. As if this situation were not bad enough, coupled with it are the figures released on the consumer cost of living index in Canada. As one journalist has put it, Mr. Speaker, it is a bad day for the government.

Some hon. Members: Hear, hear!

Mr. McGrath: If the government persists in its present policies there will be worse days ahead. Let us look at the cost of living index which has jumped to a record level of 135, a rise of .7 per cent in one month. In real terms that figure represents hardship to the consumers of this country. Even the hon. member for Calgary South, the Parliamentary Secretary to the Minister of Finance, is a consumer and even he must be feeling this increase in the cost of living. I think it is about time that the government of this country lived up to its responsibilities, to the onerous responsibility it has to the people of Canada. Here is a rise of .7 per cent in the cost of living. Inflation is still with us, Mr. Speaker, and not only do we have continuing inflation but we have the double jeopardy of continuing inflation and continuing unemployment, rising inflation and rising unemployment. Something is wrong. In other words, Mr. Speaker, according to the present strategy of the government, if you can call it that, inflation was to be curbed by placing a halter on the economy. They were going to slow down the economy and as a consequence deliberately create unemployment because that was necessary to cure inflation.