

Cost of Living

economy, an inefficient and inhumane method which will not work any more.

A major reason for the inflation facing this nation at the present time may be found in our monetary policy. The rate of increase in the money supply in this country between 1970 and 1973 has been roughly in the neighbourhood of 50 per cent, whereas the real increase in our gross national product over the same period of time is probably somewhere between 9 and 11 per cent. Now, Mr. Speaker, to increase the supply of anything by that dimension will cause its value to go down. Of course the purchasing power of the Canadian dollar has gone down. It is because we have practised no restraint whatever on the money supply. The Minister of Finance, now, I grant, has recognized this, but he is afraid to lower the boom on it. He says instead, "We'll put interest rates up, but we won't reduce the money supply." The only thing that happens in such a situation is that you get expensive money. What we find, therefore, in the Canadian economy today is not only the beginning of a tight money policy, but an expensive money policy.

What good does it do to try to counteract inflation by throwing interest rates up? It does not do any good at all. It seems to me that for the minister to announce today, through the Bank of Canada, an increase in the prime rate while at the same time there has been an increase in the money supply during the first six months of this year of approximately \$6 billion, is a totally self-defeating proposition. It will only lead to more inflation. It is bound to. And there is no question in my mind but that the old cost-push element in inflation is going to come back. There is just no question about that.

Certainly one of the functions of the Department of Finance and of a government is to try to recognize what is going on and what is clearly on the horizon, and to try to do something about it. It seems to me, looking at the situation, particularly with regard to the labour market and the profits being earned by many corporations, it is self-evident that the cost-push inflationary element in the economy has not gone away. It is blindness to the point of tragedy not to support a monetary, fiscal and exchange rate policy with an incomes policy.

We in our party have tried very hard to get the Minister of Finance to tell us what the government's position is with regard to its international exchange rate policy. Three times we have asked him to speak on motions and tell us what position Canada intends to take at the meetings of the International Monetary Fund. We have asked this simply because no country in the world will be so affected as Canada by what happens at those meetings in Nairobi. We are one of the world's great traders and much of our future is riding on these fast approaching meetings.

Why is the Minister of Finance unwilling to make a statement about this most important matter, Mr. Speaker? If we accept blindly a proposition involving some sort of continental North American exchange rate, the consequences could be just disastrous. If, out of the operations in Nairobi, nothing emerges to solve, for example, the energy shortage facing the United States, or the U.S. balance of payments problem, and the United States dollar floats to, say, 40 cents on world markets, just think what

[Mr. Gillies.]

this will mean in terms of its effect upon Canada, and what it will do to our domestic economy.

For the Minister of Finance, especially today, to get up in the House at a time like the present, when we are concerned about high inflation, when unemployment is increasing, when the rate of increase in the GNP in the second quarter has fallen short of expectations, and fail to tell us what the government thinks about the changing structure of world trade in relation to Canada, what it thinks about exchange rate policy, what it thinks about interest rate policy, why it is disinclined to use new methods in an effort to get inflation under control, is the height of irresponsibility.

Some hon. Members: Hear, hear!

Mr. Reid: Those are not the questions your leader asked, and those are not the terms of the resolution.

Some hon. Members: Quiet!

Mr. Gillies: I do not care about the particular nature of the speech made by the Minister of Finance, but I really care about what is happening to this country and I am concerned because there is more uncertainty, more unease about what is happening in the world economy than at any time since the 1930s. I ask members to read the 1927-28 editions of the *Manchester Guardian*. They would think they were reading today's edition of the *Toronto Daily Star*. Why? Now, as then, international exchange rates have broken down, there is high inflation, and ministers of finance are saying nothing can be done.

I think that can be done. That is why I am arguing so strenuously. It is a tremendous disservice to Canada for anyone to say there is high inflation in Canada but you cannot do anything about it; monetary and fiscal policies don't work and exchange rates don't matter. This is doing a great disservice to Canada. As I said last Monday when I alluded to this topic, it is exactly the same as people in the thirties saying it was impossible to do anything about the depression. These problems can be solved, but we cannot come to grips with them in the House of Commons until the Minister of Finance is willing to tell us what is the basic philosophy of the government with regard to exchange rate policy, what its basic philosophy is with regard to fiscal policy, what its feelings are about interest rates as cost-push factors, what it intends to do about monetary policy, and why it allows the money supply to increase while it raises interest rates.

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In the situation we are in today, which has all the seeds for rising unemployment, it is totally unacceptable, in a debate of this dimension, for the Minister of Finance to make the speech he made today without explaining what is the policy of the government on these important issues. I agree with what was said by the Minister of Agriculture. What a great country this is, with vast assets and resources. But it is being mismanaged so badly. How is it possible to go from a 7.2 per cent unemployment rate to an inflation rate that is hurting so many Canadians in such a short time. No Canadian should have to worry whether he has enough income to get enough to eat or to get proper housing.