quote the words of the governor of the Bank of Canada as found on page 5 of his speech delivered in Victoria on October 17:

Taking the whole period since, say, 1960, our record with regard to costs and prices looked relatively good by comparison with other countries, but in 1966 and 1967 costs had been rising more rapidly than those of most of our major trading partners, including the United States. Indeed, by the autumn of last year we seemed to have developed an inflation psychology in this country. I tried to draw attention to this problem in a speech in Winnipeg last November. At that time I expressed the view that it was essential to break inflationary expectations by making it clear beyond doubt that inflation would not be accepted as a way of life in Canada and that this was the most urgent task of public policy. I am still strongly of this view, and my conviction is not lessened by the fact that Canada has been fortunate enough in recent months to have experienced a very strong international demand for many of its principal exports, or by the evidence that the deterioration in our cost and price structure has not gone so far as to undermine our international competitive position.

● (4:00 p.m.)

I draw your attention, Mr. Speaker, to the words of the governor when he said he tried to draw attention to this problem in a speech at Winnipeg last November. Surely the government must have been aware of it. I think it is natural and proper to assume that the government is very conscious of the views of the governor of the Bank of Canada.

We in Canada are fortunate in having the monetary system and its guiding principles in such good hands. However, I think that money supply is an important feature of monetary policy, and in this connection it cannot be other than alarming to have the figures concerning it brought to the attention of the house. From 1958 to 1962 there was a 5.6 per cent increase in the money supply. From 1963 to 1967 there was a 9.5 per cent increase. In 1967-68 there was a 14 per cent increase, and in June, July and August, 1968, an increase of 21 per cent.

It is obvious that the rate by which the increase in money supply exceeds the increase in productivity on a properly comparable basis qualifies under the old definition of too many dollars chasing too few goods. Since increased production is one way of dealing with the problem I quote again from governor Rasminsky's speech in Victoria on October 17, because there are two ways of dealing with the problem, stop the spending or increase production. Personally I favour increasing production if this can be done. I am a positive rather than a negative person. I know it is not always possible to increase production, but here is what the governor of the Bank of Canada said in this regard:

Now that the problems connected with maintaining a sound external financial position have eased it is possible to concentrate once again on our other economic problems. I am afraid that none of them has gone away. Prices and costs are still rising too rapidly despite the emergence of considerable unemployment and unused capacity. The growth of the economy has been well within our potential for more than two years but so long as the strong upward trend in prices and costs continues, there are real risks in taking steps to accelerate the expansion of total spending in the economy. Our recent trade performance has demonstrated that Canada is still competitive internationally but it is also true that our recent exchange problems have shown how important it is to avoid any undermining of confidence by a further extended period of poor cost and price performance.

In other words, poor productivity.

It is plain that in addition to following sound fiscal and monetary policies we need to do everything we can to increase the efficiency of the economy and to bring about more realistic attitudes toward the size of the increase in the incomes, all forms of income, which we can really afford to pay ourselves. There has been a good deal of discussion in recent times about guide lines for increases in incomes and other aspects of incomes policy and I have made it clear that I favour action in this area. I am not going into that matter further today except to say that the basic limit for the non-inflationary increase in incomes in any economy is not set by the authorities. It is set by our actual performance. The basic limit is the increase in real output per person employed. If we ignore that limit and settle for larger increases in money incomes—

Money supply, in other words.

—all we are doing is guaranteeing that prices will rise.

I come now to my topic which I announced at the beginning of these remarks, the plight of the taxpayer. In this connection I refer to the tables inserted in *Hansard* by the minister in the course of his budget speech, and particularly his statement relative to the 2 per cent social development tax. I immediately wish to challenge the label "social development." Since when has an additional tax become social development? Moreover, since when has it become possible to differentiate in the taxing of a country as to where the money is going to be spent? Where will it go? It simply goes into the consolidated revenue fund and then goes out to pay the bills. That is what happens to it.

The minister metaphorically puts his hands into the pockets of the people of Canada. He extracts $55 million between now and the end of next March and then he takes out another $440 million before March 31, 1970. Then he soothes the poor taxpayer by saying, "This