

Hon. L. M. Gouin: Honourable senators, I wish to say a few words on the subject my honourable friend from Mille Isles (Hon. Mr. Monette) has just discussed with such accuracy and, indeed, eloquence.

This subject is of such importance that I would not like to remain silent. I am only sorry that I did not have time to prepare an address which would do full justice to a problem of such difficulty.

First of all, I would like to plead, so to speak, the cause of the party to which I have the honour to belong, and to say that of course after World War II—and I find my argument in the remarks of the honourable senator who has just spoken—there was bound to be a certain degree of inflation. The inflation is not an evil which must always be present; it is not a plague which is uncontrollable. However, at certain moments we have to face that problem and to adopt the best policy which can possibly be applied to its solution.

May I say most sincerely that during the years 1956 and 1957 I failed to see in the administration of the Right Honourable Louis St. Laurent anything which contributed to inflation. Although, to be quite honest, inflation was present, we have had a surplus every year, which would indicate that we have been living within our means. In my opinion the only solution that can be applied as a matter of principle to the eradication of inflation is for everybody in Canada, and that means individuals as well as governments, federal, provincial or municipal, to live within their means. I ask this question: Does a policy which brings a surplus contribute more to inflation than what I would call a system of deficit financing? If our party was defeated, I believe it was to a very great extent due to what I would call our planned policy of restrictions which were placed on credit, generally known as a "tight money" policy. However, I do not intend to deliver a political speech. I merely wish to tackle the difficult task of trying to throw a little more light on the problem of inflation.

Honourable senators, first of all, I am not a member of our Committee on Finance, so I am quite pleased to address my most sincere compliments and congratulations to the honourable members who presented us with a report which, in my opinion, is a masterpiece.

As was remarked by our honourable colleague from Shelburne (Hon. Mr. Robertson) excellent work was done in the past also by our Finance Committee on income tax and other subjects. Every session we used to study in that committee the different

items of the estimates, so that in the last hours of the dying session we would have a clearer understanding of the millions or billions of dollars we were called upon to vote.

This session the question of inflation has been studied admirably by the members of the Committee on Finance and by the experts who were called and who gave evidence. To define inflation adequately and scientifically is a goal which is absolutely beyond our means. At page 471, in report No. 11 of the proceedings of our Finance Committee, we find a very short definition which, in my opinion is as good as any other:

For all practical purposes inflation may be defined as a condition in which there is a persistent rise in the general level of prices.

We all realize that in recent years the question of inflation has become a major concern, I would almost say the major concern of public policy throughout the western world. It has replaced recession as the main topic of discussion and it is indeed a matter of urgent interest. That is why we were fully justified in referring to our committee on finance this great, great problem.

Now, apprehensions exist in the public mind as a result of inflation. I am not at all a pessimist. I have complete confidence in the future of our country, and my task just now is not in any way to create a panic. It is, on the contrary, to reassure the good people of Canada and say that apparently inflation is now being brought under control. It may run out of hand, of course, through circumstances which are absolutely beyond our power to control, such as war, or a crisis, or such as a budgetary policy which would be unwise.

Why did those apprehensions exist? They existed, of course, as well as the persistent rises in prices and costs, because of the fact that our money has been losing its purchasing power to a great extent, to the extent of about 40 per cent.

Now, when money becomes unsound—and that is not the case as regards Canadian money; I don't want any misunderstanding about that—there is a weakening of its purchasing power. We remember that in other countries—in Germany for instance, after the First World War—money became simply worthless, and of course the economy of the German people was absolutely ruined.

Our economy is sound. I want to repeat that, so there will be no mistake about it. Nevertheless, there is, so to speak, a red light, a danger sign, ahead, on account of inflation. As a consequence of the erosion of the value of money various phenomena have arisen—we have, so to speak, sky-high prices of living,