

The Budget—Mr. Pearson

the discouraging possibilities in the employment picture we were sneered at, as we were this afternoon, by the Minister of Finance as being prophets of doom and gloom. A year ago we told the government that the unemployment level throughout 1958 would remain high, and we were laughed at. This government optimism of that time is proving to be false, and our forecasts, which were dismissed then as expressions of doom and gloom, have shown themselves to have been correct.

The action taken by the government last year to meet the employment difficulties was both too late and too little, as the establishment of the winter work program showed. Employment in this country varies closely, though of course with an inevitable lag, in accordance with the physical volume of our gross national product. In 1958, on an average, 6.6 per cent of our labour force was unemployed during the year. The estimated increase in our labour force for 1959 is 2.5 per cent. Therefore, if our gross national product remains constant, 9 per cent of our people will likely to be out of work in the current year. If only a 4 to 5 per cent increase in the volume of the gross national product is achieved—and that is the estimate of the tax foundation—that would mean that during the current year we would have, on the average, more than 300,000 people unemployed in this country which would be the second highest level in the post war period. Thus, notwithstanding the hon. gentleman's facile optimism on this score, the problem of unemployment remains and is likely to remain throughout the year.

Along with this there is a second serious problem—though one would never know it from the minister's budget statement—and that is the problem of increasing prices along with persistent unemployment. Though inflation remains a problem parallel with that presented by unemployment, the minister, in a somewhat brief reference in his budget speech to inflation, said merely that he was against it, but that he did not see any evidence of overt inflation in the coming year. The danger, he said, was only that of potential inflationary pressures. Believe me, in the light of the fiscal and monetary situation of this country and the amount of money that the minister, according to his own calculations, has to raise this year, that danger of potential inflationary pressures is a very real one indeed.

The minister tried to make us feel a little happier about this by pointing out—and he was quite right—that the consumer price index had declined slightly since November. I think that is the case. But he did not point out that since November the wholesale price

index has been rising—1.7 per cent—and the wholesale price index has a better coverage and is a better reflection of the movement of prices and costs than the retail price index though it usually precedes the retail index in its changes. The minister has once again in this budget rejected the doctrine of the inevitability of creeping inflation and yet—and I know I will be told that I am a prophet of doom and gloom when I say this—even if we have a boom in 1959—and we are not going to have a boom in 1959—I believe that prices will rise in the current year. There is a great deal of evidence, unfortunately, to support that view.

The increased taxation imposed by this budget will mean—indeed, it has already meant—an opportunity for further increases in the prices of goods and services to producers; and any further increase in the money supply—and there is a real danger of that—will certainly expedite that process. Last year we had a tremendous increase in the money supply. I think it amounted to \$1,400 million. The full inflationary effect of that increase was not realized because the recession had reduced what the economists call the velocity of its circulation. This year, however, any progress toward recovery—and we are making progress toward recovery—will serve to remove any such brake, and inflationary pressures will consequently be greater.

To sum up, last year we had mounting unemployment and some inflation in the midst of recession. This year there should be less, but still serious, unemployment and a greater danger of inflation. The paradox of this dual problem, this double dilemma, will persist and will remain a challenge to a government which has not yet shown that it has any effective plan to meet this challenge.

When we on this side talk in this way someone on the other side usually interjects to ask: what would you have done or what else could the government have done? I would remind the hon. gentleman that I went into this matter in considerable detail in the speech I made during the debate on the address, a speech which the minister conveniently forgot this afternoon when he twitted me for not having found alternative policies.

But I say to the minister and his colleagues that they could, a year and a half ago, have introduced into this house a budget making provision for a planned program of expenditure designed to extend possibilities of employment and which could later have been quickly and easily readjusted so as to meet conditions as they changed. The ordinary expenditures of government could have been