major problems the United States faces today is inflation, but they are fighting a war in Viet Nam and we are not.

It was also indicated that in Britain, Germany and the Common Market countries costs have increased more rapidly than in Canada. Well, Mr. Speaker, if the consumer price index of our trading partners abroad is rising more rapidly than our price index, how does the minister expect goods being produced in those foreign countries at ever-increasing costs to come into this country at lower prices under the Kennedy Round and cause our manufacturers and producers in Canda to lower their prices? It just does not work that way. The minister's theory is all right in the long run, provided there is some price stability in foreign countries manufacturing goods which are to come to Canada. Those goods could serve as a spur to the production of cheaper goods here. But the minister cannot entertain such ideas and to that extent there is an element of doubt as to how effective the minister's proposal may be.

• (3:40 p.m.)

I will defer to another occasion the examination in greater detail of these proposed tariff cuts. When the legislation is introduced, we will discuss their effect in particular detail in respect of the average cut and the movements one way or another, what goods are primarily affected, etc.

The minister, both in the house and outside, made much of the tax increases that he or the administration had put in effect to siphon off inflationary funds. He also said that bank credit was being made much tougher by the fact the Bank of Canada is really putting on the screws with regard to secondary reserves, thus forcing the banks to pick up far more treasury bills and thereby keeping down any attempt to lower interest rates.

My view is that the minister is trying to contain inflation of the so-called traditional pattern, which does not exist, by means which are designed to deal with inflation as it exists today. The standard of inflation is too few goods being chased by too many dollars. It is normal to have too many people wanting to buy too few goods thereby causing increased prices. Housing has its own peculiarities because of restrictions as to the type of housing being dependent upon income. In the consumer market today there is a shortage of particular types of goods. Too many people are rushing around trying to buy the limited supply of goods, thereby forcing up the price. This is what occurs in wartime.

In wartime it is determined that certain goods shall not be produced in order that production may be devoted to war purposes or certain commodities with more essential purposes. The manufacturing of such items as refrigerators, washing machines and deep-freezers is cut off. Let the market forces play and you will see a vast increase in the price of those goods. The answer to that has been heavy taxation and forced lending in order to siphon off the additional revenues. This is what the minister is trying to do. Is the minister suggesting by taking an extra $100 million out of the economy through additional taxation over the last year, and this is the net effect of the tax proposals—

Mr. Benson: A thousand.

Mr. Lambert (Edmonton West): A $1,000 million or $1 billion—that by doing so there is a lessened demand for goods and services to the extent of $1 billion? What is going to happen? Goods will accumulate on the market and people will not be hired. This, frankly, is a policy to encourage a certain degree of unemployment simply by non-production or under employment of the goods and assets now used. That is all there is to it.

In addition to taxation, the Bank of Canada has been forcing the chartered banks into a policy of tight money. The minister approved of increasing interest rates. Is the minister going to speak tomorrow as he spoke on Friday with regard to the increase of the prime rate of one of our chartered banks? The minister in effect said that high interest rates help to fight inflation; they are anti-inflationary. That is the way the minister is reported. They discourage people from borrowing. We will, of course, expect the minister to approve of the increase of the prime rate to 8½ per cent or 9 per cent. I trust the minister will correct the impression, but that is the way he is quoted in part. He is quoted in part as saying that the increase in the prime rate of a chartered bank is in effect an anti-inflationary tool that will discourage people from borrowing and therefore they will not spend. I cannot see that, Mr. Speaker.

Is the minister's answer to inflation idle plants, idle hands or fewer occupied, less wages, unemployment or under-employment? Is that what the answer is going to be? The provinces also have reacted to this continuing use of the surtax and the social development