

We urged the government not to fight inflation by creating an economic slowdown. We urged them to set up machinery for capital investment and for some control of investment on the basis of social priorities and for employment creating purposes. We urged them to establish a prices review board in an endeavour to stop unjustified increases. We said that if that was not successful, we were prepared to support selective mandatory price and income controls. We warned the government that the methods they were using to combat inflation would inevitably result in the kind of economic recession in which this country now finds itself.

It is interesting to note that Mr. John Young, the chairman of the Prices and Incomes Commission, said, as reported in the *Toronto Daily Star* of January 16, that the price paid for victory over inflation, massive unemployment, was too high. He said and I quote:

"There is a way to fight inflation and save jobs,"—

Young said the best method of fighting inflation is to get voluntary support for mandatory price and wage restraint, then force adherence to the voluntary guidelines through legislation or government pressure.

This is preferable to the alternative of forcing a slowdown in the economy, which inevitably involves higher unemployment,—

We certainly welcome the change in attitude by Mr. Young. It is precisely what we have been saying for the past two years. We cannot stop inflation by periodically creating economic recessions. There are tools which this government did not have the courage to use. Today, this country is paying the price of a government that was short-sighted, incompetent and lacking in moral courage to deal with the problem of inflation without putting half a million people out of work. As the Economic Council of Canada has been pointing out for the past four or five years, Mr. Speaker, what we need in this country is a greater measure of economic planning designed to promote full employment, economic growth and a high level of national income while at the same time maintaining a relatively stable price structure. This requires some changes in our institutions for governmental planning.

The government should establish an economic planning board or a department of economic affairs to plan the economy of this country. It could co-ordinate the work of the Department of Finance, Bank of Canada, the Department of Industry, Trade and Commerce, the Department of Manpower and Immigration and the Department of Labour. In this way, we would not have the kind of program that we have had for the past five or six years. We have had a stop and go program. In one budget, the Minister of Finance (Mr. Benson) put his foot on the gas, in the next budget he put his foot on the brake and in the next budget he again puts his foot on the gas. A stop-go policy will only lead us into more trouble.

If we accept the premise of the government that the choice is between inflation and unemployment, are we to assume that the steps that are to be taken now, too late, to put money into economy, merely means that in 12 or 18 months from now we will again have inflation? Once more we will be putting on the brake, and once more we will have unemployment. Surely, in this day and age

#### *The Budget—Mr. T. C. Douglas*

with our sophisticated economic tools, our knowledge of Keynesian techniques, it is possible, as demonstrated in other countries, to avoid periodic booms and busts. We should be able to plan an economy which will meet the needs of our people without terrific and catastrophic changes in the business cycle.

The attempts of the government to cope with this crisis are, as Winston Churchill said of certain activities during the war, too little and too late. In the budget which the Minister of Finance brought down on December 3, he proposed some of the things which should have been in his budget of last March. Moreover, he refused to bring down some of these things and ridiculed us during the debate on the budget of last March. The fact that he had to bring in a second budget in December is proof that the budget he brought down in March was completely incapable of coping with the problem of unemployment, which even then was beginning to manifest itself.

In March, the Minister of Finance ridiculed those of us on this side of the House who talked about winter works programs and assistance to the provinces and municipalities in order to assist the unemployed in finding work, particularly in the winter season. In December, when it was too late for the provinces and municipalities to make use of financial assistance to help solve unemployment this winter, the minister announced a \$150 million loan fund. A loan fund of \$150 million is totally inadequate. Approximately \$70 million will be loaned to the province of Quebec. The rest will be spread over the other provinces. The individual provinces, including Quebec, will not receive sufficient money to even begin to cope with the problems which are facing the provinces and municipalities. It has come too late to help this winter. It is too little to be effective for the coming year.

Premier Bourassa of the province of Quebec, at the federal provincial conference, asked the federal government to set up a fund which would be partially on a loan basis and partially on a grant basis. The amount of the contribution that would be grants would increase on the basis of unemployment in each province. Apparently, the government has rejected that suggestion. The entire \$150 million will be in the form of loans to the provinces, if I remember correctly, at 7.91 per cent interest. When a province borrows from the federal government, that debt becomes a contingent liability and this directly affects the ability of the province to borrow money on the open market to meet its other responsibilities and obligations. If the government really wanted to help the provinces and the municipalities this fund should have been a fund from which grants would be made to the provinces and it should have been of a size many times the \$150 million the government is offering.

● (4:30 p.m.)

We have heard from the government statements which indicate they are taking refuge in the time lag between the point at which money is pumped into the economy and the point at which jobs result. Of course, the government must take responsibility for that time lag. Yesterday, the Minister of Labour said the Minister of Finance