

Supply—Finance

national product by some \$2 billion a year. An unemployment figure of more than 6 per cent means we are losing in the neighbourhood of \$6 billion of increased wealth production, roughly one third of which would find its way back into the treasuries of federal, provincial and municipal governments of this country.

One thing which disturbs me about this question of unemployment is this. I have the uneasy feeling that the government considers unemployment one of the ways by which it can solve the problem of inflation. I refer to the statement made yesterday by the minister, as reported at page 7337 of *Hansard*:

We have found that at a level of unemployment of 3½ per cent in 1965 and 1966 our prices began to reduce sharply. Our costs increased much more rapidly than did those in competing economies. Even when the level of employment dropped off a little and the pressure of demand upon our markets was less intense, we have found that the momentum of wage increases, of other cost increases, of price increases, has kept up. That is now the chief constraint upon our policy.

If the government is taking the position that allowing unemployment to rise is one of the methods by which it hopes to stop price inflation, then it is committed to a policy which will bring this country to disaster.

Another indicator to which I want to refer is the cost of living. The cost of living is something which affects every person in Canada. The Minister has already referred to the fact that increasing unemployment has not resulted in a drop in prices. On the contrary, the reverse is true; unemployment and rising prices have gone on side by side. In January, 1967 the consumer index was 146 compared with 152.6 in 1968, representing an increase of 4½ per cent in twelve months in the cost of living. In the past four years during which this government has been in office the cost of living has gone up by almost 14 per cent. This is not due to increased demand. As a matter of fact, manufacturing orders last year failed to show any increase over the figure of \$3,150 million of the previous year.

• (3:20 p.m.)

As my colleague from Waterloo South pointed out yesterday we are not suffering from the old style inflation of too much money chasing too few goods; we are facing a situation in which a large part of the economy dominated by large corporations has been able to establish administered prices which are not sensitive to the laws of supply and demand. I do not know of any better illustration I could give of this than to quote

[Mr. Douglas.]

from the *Monthly Business Analysis* put out by W. A. Beckett Associates Limited of Toronto. On page 1 it says:

Corporate profits actually turned in a surprisingly good performance in the third quarter of 1967 in the light of the slow progress in real output. This was achieved by price increases which show in wholesale and consumer prices rather than by any improvement in the productivity and cost picture.

I ask the house to note these words:

—rather than by any improvement in the productivity and cost picture.

We have price increases in this country not necessarily because of an increase in costs or an increase in demand but because there are companies which are able to increase prices to suit themselves.

A very good example of this is the Canada-U.S. auto agreement under which the government has turned back to the auto companies some \$50 million a year in return for which we were told the prices of cars in Canada would decline in relation to the prices of cars in the United States. What do the figures show? They show that the gap between the prices of cars in Canada and in the United States in 1964 was 17.6 per cent and in 1967 17.5 per cent. There has been virtually no change at all. In spite of the fact that the auto companies were able to put \$50 million annually in their pockets they were still able to maintain the same disparity in price for Canadian cars compared with the price which the United States consumer is required to pay. What we are facing in this country today, along with a slowdown in economic growth and an increase in unemployment, is a steadily accelerating increase in the cost of living.

Another indicator at which we might look is housing construction. This is an important indicator not only in terms of the need for shelter but because it is a labour oriented industry which is very important in determining the rate of employment in this country. It is, of course, an economic multiplier, as will be pointed out later, because every dollar we spend on housing brings \$2 in increased wealth and production in the country. The Economic Council of Canada suggested a target of 193,000 homes per year. We have not been able to meet this target. We now have a carry-over for the past two years of 72,284 houses which, plus what we should be building this year, means that we should construct 265,000 homes in 1968. The minister yesterday told us that the government is hoping that 175,000 homes will be constructed. If