

The Budget—Mr. Thompson

facilitate the distribution of what we can produce. One economist commented recently, "We are learning to live with prosperity, but we do not know as much about managing it as we do about getting there."

The general policy of slowing down the boom is a dangerous one. It is dangerous because the case for an inflationary situation has not really been made. The Minister of Finance says that we face the threat of dangerous inflation. I do not believe that in the traditional meaning of the word "inflation" this is true. With due respect to the attempt by the hon. member for Verdun (Mr. Mackasey) to define "inflation," I would say the inflation to which the Minister of Finance refers, but which is not really the case is caused by too many dollars chasing too few goods. If this were the case in Canada today, why are we borrowing from the United States market the tremendous amount of money that we have borrowed for our capital development?

In the first two months of this year we borrowed from the United States market \$172 million. The amount was large last year but this year there has been a general increase in borrowing from the United States. I believe that we have in Canada today not an inflationary situation but a deflationary one. I do not think we have enough capital to carry on our normal commercial and industrial activities and at the same time carry on the resource development needed in this country. What we face in Canada today is an inflation of prices. It is this inflation of prices that is causing concern all across the country. In fact, Mr. Speaker, I think the general increase in prices that has been evident this year is just a beginning. It is in this area that we should be attempting to find an answer and employing the necessary slow-down in an effort to keep the cost of living in some sort of equilibrium.

• (4:30 p.m.)

The Economic Council in its second report clearly stated that there are not yet sufficient means for judging the economy to be in a phase of general inflation. The council warned the government, and I had hoped the minister would have taken more heed of this warning, by arguing that we should not be too quick to implement anti-inflationary policies. The council wisely said that fiscal and monetary policy should be aimed at sustaining economic growth over a prolonged period of time instead of using monetary policy in an attempt to control short term fluctuations

in economic activity. Instead of attempting to slow down the entire economy, the government should have recognized the need for priority areas. In so far as expansion or maintaining the status quo is concerned, there can be no place for slowing down the productive growth of Canada. The development of our resources must go ahead with an increased rate of growth. It is the only means by which we can provide new jobs and an increased standard of living.

In this regard the attempt to apply in Canada a policy that is used in Sweden, namely, the withholding of a percentage of the earnings of corporations, I think is not going to accomplish the intended effect in any way whatever. The 5 per cent of earnings which is going to be held in a position of trust is only going to provide the security for new borrowings in foreign markets. Companies are already moving toward this idea in order to overcome the adverse effects of this particular policy. I do not believe it will work. Corporations will merely borrow on this accumulated credit.

I believe that those in this house who use Sweden as an example of the ideal controlled economy, which results in greater government control and ownership of industry, are completely wrong. The fact remains that today Sweden is basically a free enterprise country with over 90 per cent, in fact nearly 95 per cent, of her total productive machinery owned privately by the Swedish people.

I suggest to the minister there is another area of capital development which we cannot, we dare not, slow down. I am referring to essential capital development for such projects as schools, hospitals, universities and for research. We cannot slow down this type of economic development. While this is non-productive development, it is the pre-requisite for future productive development. I think the present policy of slow-down is going to run into difficulties because it is going to slow down these two areas of our economy that really should not be slowed down at all. The first one, again, is required for the productive sector of our economy and the development of our resources. The second is for the essential type of capital development which may be non-productive today but which is vitally connected with the productive process tomorrow.

There is a third area which should be considered in these areas of priority which might strictly be termed non-productive development and which could well be slowed