

light of the fact that inflation is the most serious situation facing this country today in economic terms. Promises that 6 per cent and 4 per cent inflation would be achieved as a result of the program have just not been fulfilled.

The simplest way to explain the root cause of inflation is an increase in the money supply over which the government has control, particularly if it is in excess of the real growth of the economy. That, in simple terms, is the cause of inflation.

If we showed a real increase in the gross national product of 5 per cent and if the government increased the money supply by 5 per cent, it would be managing the economy in the context in which it should be managed. Anything in excess of that is inflation because there is nothing to back it up. My colleagues all know that the average increase in the money supply over the past five or six years has been in the area of 15 per cent or 17 per cent.

The government has increased its spending during the time of the anti-inflation program at a rate precisely double that of the inflation rate. That gives a clear indication that the government, for some reason or other, deliberately inflated our economy. It increased the money supply to the point where it could no longer manage the economy with traditional tools and methods that we have learned to use.

Why would a government take deliberate steps like that? There are fundamental reasons for it. In our situation we have very serious problems in fulfilling our social contracts. Commitments the government has made to the provinces, to public servants in the form of pensions, transfer payments to individual Canadians in the form of unemployment insurance payments and so on, are already too high. The government finds it very difficult to fulfil its social contracts. The only way the government knows how to get out of that kind of dilemma is to increase the money supply, paying the recipients of these social programs with watered-down currency.

This is not just a domestic activity or domestic con game. The exchange of commodities on a global basis has had the effect whereby some countries have diluted their currencies, hoping that the sellers of essential commodities would not discover the fact before a deal was made. That is what brought on the energy crisis.

The best way to explain inflation is to point to the fact that heavily industrialized western nations were ripping off the Arab countries. The Arabs discovered that whereas they used to ship 2,000 barrels of oil in order to be able to purchase a Cat or some other form of equipment, they now had to ship ten times that amount to the industrialized countries in order to make the same kind of purchase. They got together, looked at the situation and worked out ways of getting out of that situation, which they did. They increased the oil price, through a cartel, in line with industrial commodities that were being traded on world markets.

The oil crisis did not affect the Canadian economy in the same way that it affected our trading partners with which the government likes to compare our economy. We were not affected in the same way as Japan, West Germany, the United

States and some of the other industrial giants in the world economy.

It can well be said that the global oil crisis had no effect on our economy. Because of the position we were in in 1974 or in the years that the oil crisis was raging throughout the world, we were exporting more oil than we were importing. As a result, we were not suffering these negative effects and in fact were putting money in the bank during that time.

This international con game is still continuing. Countries are still watering down their currencies in the hope of gaining a better position in the trading community. As a result, people are being cheated out of commitments the government has made and cannot fulfil.

The reason controls do not work is best illustrated by comparisons that we have made as far back as 1972, when a socialist government was elected in British Columbia. The first thing it set out to do was to move against free enterprise. Because there was such a critical shortage of living accommodation in the city of Vancouver, the government decreed in 1973 that there should be a rent control of 6 per cent. Statistics indicated that Toronto had precisely the same problem, roughly 98.8 per cent occupancy with high rents.

After one year of rent control in the province of British Columbia, rents had gone up 3 per cent more than in the city of Toronto. People began scratching their heads, wondering what had gone wrong. The fact was that every person who had anything to rent increased the rent by 6 per cent, whether it was necessary or not. They knew that if they did not do it that year, they could not do it the next. The ceiling automatically became the floor. Some exceptions were made. In some cases the problem was so acute that additional housing units had to be brought on stream and special deals were made with contractors.

The same was true with the Anti-Inflation Board. The ceiling of 8 per cent became the floor. The ceiling of 12 per cent became the floor. Everyone ran off in different directions trying to pass through costs here and there, trying to discover an historic relationship, anything that would lend itself to a logical argument which could be advanced to the Anti-Inflation Board. That is the reason the Anti-Inflation Act has not worked.

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The only way out of this dilemma is through leadership by example. If the government wishes to maintain any credibility at all it must take drastic measures not only to curb the increase in its spending but to bring about a decrease in expenditure. We in this party claim that there are, indeed, ways of decreasing government expenditure and we are prepared to propose programs which would cut billions of dollars from the budget. It is not sufficient for the government to curb the rate of increase in its size. The size of the administration must be reduced. It must assume responsibility for reassessing some of the programs it has established. It must refrain from hiring consultants to the tune of a billion dollars a year to help