

● (1540)

[English]

Hon. Mitchell Sharp (President of the Privy Council): Mr. Speaker, ordinarily the Minister of Finance (Mr. Turner) would enter this debate on behalf of the government, but unfortunately he had a prior engagement that he could not break so he asked me to make a contribution.

The motion put forward by the Social Credit Party seems to me to be a rather strange one. Let me elaborate on what I think are certain peculiar characteristics of the motion. The motion condemns the government for inaction in the fight against inflation. There may be some in the House who would take this point of view, and I am sure that from the other side of the House those particular sentiments will be echoed a number of times before the end of the day.

I should like to recall to the House that when the hon. member for Abitibi (Mr. Laprise) spoke in the debate on the motion of the New Democratic Party on March 13, he contended that the more the government fought against inflation, the worse it became. As reported at page 4077 of *Hansard* he said:

I could almost ask the Minister of Finance to cease fighting, since the more he fights, the worse things turn out.

In today's motion the hon. member for Champlain (Mr. Matte) deplores what he considers to be the inaction of the government in the fight against inflation. That is one of the least peculiar aspects of the motion. It is far more notable for the manner in which it dismisses reality through its denial of inflation as an international problem. I would point out to the House the terms of the motion which reads:

That this House deplores the inaction of the government in the fight against inflation on the fallacious pretext that it is an international problem—

Virtually every developing and developed country in the world is suffering from the effects of sharply increased costs and prices. Surely there would be general agreement on this fact even from my hon. friends in the Social Credit Party. As of January the average year-over-year increase in consumer prices in all 24 member countries of the OECD—which comprises the most developed countries of the world—amounted to 13½ per cent. For the OECD countries in Europe—that is, excluding Canada, the United States and Japan—the percentage average was 14.3 per cent. Over the same period the increase in Canada was 12.1 per cent. I think it should be admitted in any discussion of the problem of inflation that it has at least some international aspects.

The International Monetary Fund, which is a considerable authority in this field, declared in its 1974 report that in mid-1974 the world economy was in the throes of virulent and widespread inflation. In its Economic Outlook of December, 1974, the OECD pointed out that member countries were suffering from the after-effects of the excessive demand that they allowed to build up in 1973 and from the external shock of the sudden and sharp rise of oil prices. This is some external evidence that it is not a fallacious pretext by the government that inflation is an international problem.

Inflation

Let me quote from the annual report for 1974 of the governor of the Bank of Canada which was tabled in the House only yesterday. This is the latest report of the Bank of Canada. The governor pointed out that common forces have been making their impact felt on the economies of all countries around the world. He said:

The origin of these common forces was the recent worldwide inflationary boom, a boom generated by the highly expansionary monetary and fiscal policies followed in virtually all of the major industrial countries in an effort to restore high levels of output and employment following the economic slowdown in 1970.

So we have evidence that this is not a fallacious pretext; there is in fact an international inflationary situation. We can talk about the extent to which it has influenced events in Canada, but it exists as a fact and it is not fallacious. The governor pointed out that this upsurge in economic growth caused global demand to outrun the global supply of primary commodities. He said:

At the same time it created all sorts of other shortages and extremely tight labour markets... In these circumstances price increases grew larger, more frequent and more general... The inflationary process was substantially reinforced by shortfalls in supplies of food grains and animal feeds, and later by a fourfold rise in the world price of oil.

These are facts, not fallacious arguments. This is not drawing particular facts out of the situation. What exists is a worldwide inflationary situation, and to dismiss it as a fallacious pretext is to deny the obvious. As one of the world's major trading nations and one of the important participants in world capital markets, there is simply no way that Canada could totally insulate itself from adverse developments abroad, certainly not from a worldwide inflationary movement. Our economy has in the past benefited substantially from these trade and financial ties with the rest of the world, but we have no other choice than to face the consequences that flow from these ties when the whole world is in trouble. To suggest that somehow we can at such times withdraw, untouched, behind the walls of a fortress Canada is absurd, even ludicrous.

It is true, as the Minister of Finance pointed out in a speech to the Canadian Club in Toronto on January 27, 1975, that the nature of the inflationary problem is changing in a fundamental way. I do not think anybody, particularly on this side of the House, would deny that the nature of the inflationary forces at work in Canada have changed, but it is one thing to say that and another to deny that international inflationary forces have had an effect upon Canada. The Minister of Finance said then, as I have also had the opportunity of saying from time to time, that initially the forces of inflation were set in motion internationally by the worldwide boom that caused demand for many commodities to outrun available supply, compounded by the quadrupling of world oil prices.

In his speech on January 27 the minister said that the major driving force is coming from the rapid escalation of wage and salary costs as those who work in every country press for increased incomes to at least keep pace with the rising cost of living. In its Economic Outlook for December, 1974, to which I referred earlier, the OECD came to a similar conclusion. The report states that earlier in the year the rise in oil and other commodity prices played the main part in generating inflation but now it is the rise in