

materials, the problem we have in terms of being competitive internationally—these are some of the difficulties we have to face.

Mr. Stevens: You had nine years.

Mr. McRae: I am giving an over-view of the situation. There is a series of international problems.

Then we go into national problems which I think are endemic in this country, such as the relationship of the provinces to the federal government, the ability of the federal government to decentralize its operations without losing control of the economy, and the problems relating to regional differentiations.

There is another massive problem which I am very much concerned about, and that is the forthcoming energy shortage. I think we really have not learned that energy is no longer a cheap commodity and that we will have great shortages which will create a number of difficulties. One of them is both an international and a national problem, that is, there will be a shortage of available capital. We are told that if we are to do all the things required to maintain an energy growth rate of 3.5 per cent to 4 per cent, we will have to spend \$181 billion in the next 15 years. This amounts to about \$30,000 per family unit in today's dollars, almost the amount that a family would expect to pay for a home.

All kinds of distortions can be expected, and these distortions can already be seen in our economy. For instance, in Quebec we see this in the fact that the James Bay project is using up a very high proportion of the capital dollars available. Therefore these capital dollars are not moving into some of the areas where they should be moving. I believe the pulp and paper industry in that province is grossly under-capitalized, while a massive amount of capital is going in one direction. The figure I have is that the James Bay project is likely to use up 40 to 50 cents in every dollar in that province. I see these as forthcoming problems.

The hon. member for York-Simcoe (Mr. Stevens) has mentioned the growth of public spending. There is certainly no doubt that government spending presents a major problem, but it is easy to say, "Cut it back". If we see 30 per cent of our spending as being the amount required to operate the government of Canada, to run the post office, the defence establishment and all the other departments, and the other 70 per cent as transfer payments in various forms, then it becomes evident that it is not so easy to cut back, as the hon. member suggests. A good portion of these transfer payments, to my mind, are not net losses, as the hon. member has indicated, but they may well be the kinds of things that create demand in the sense that they take money from one pocket and put it into another pocket, and the money in that other pocket may create more effective demand than the money in the first pocket. I do not see these as a net loss. Certainly there are many subsidies to all segments of our economy that are pretty important, and these all come in these transfer payments.

Then we have the whole area of inflation. Again I feel we are dealing with it simplistically. The kind of inflation we have

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had since the early 1970's is rather unique. In the first place it is world-wide. It has been massive in the sense that it has affected most countries of the world, and it has been of long duration. It has not been the 1 per cent or 2 per cent that we could expect over a period of the last 100 years. It has been much more serious than that. As a nation we have a great deal of difficulty with this because we are so dependent on foreign trade, foreign pricing and so on. This is a very difficult problem. I agree that inflation has changed over the years, but there are many reasons why it is a problem.

Mr. Stevens: It is a problem with your government.

Mr. McRae: The inflation rate in this country—

An hon. Member: Quit the deception.

Mr. Stevens: It is the Trudeau government that has caused the inflation.

The Acting Speaker (Mr. Turner): Order, please. The parliamentary secretary (Mr. McRae) has the floor. The hon. member for York-Simcoe (Mr. Stevens) has had time to speak.

Mr. McRae: If the hon. member is correct and if this government is to blame for inflation, why are we doing the fourth best of all OECD countries in terms of inflation? There are 12 or 15 countries that are doing a poorer job of fighting inflation. To assume that this is a self-induced problem is a gross over-simplification.

In the few minutes I have left I should like to deal in much greater detail with unemployment because I think we have to look at it in a more careful and a more structured way, to look at structural unemployment to see where the real problems are. There is no doubt that the situation is serious, and anyone who would say otherwise is grossly underestimating the attitude of Canadians to this. We now have an unadjusted rate of unemployment of 9.1 per cent, regardless of the argument which we get back and forth as to whether or not—

Mr. Stevens: This is an international problem too.

Mr. McRae: I spoke about the international aspect; now I am dealing with the national problem. The rate of 9.1 per cent means that taking just the figure that was given of 932,000, close to 10 per cent of the population of this country is unemployed at this time, perhaps more or less depending on how we use the figures. It is an extremely serious problem. But there are some reasons for this problem, and we have to look at some of these reasons.

Since the 1960's at least Canada has created more jobs in both the private and the public sectors than any of the OECD countries. For every four jobs in Canada in 1972, by 1975 there were five jobs, or a 20 per cent increase. The only other country from among the OECD countries that can show anything close to this is the United States, and their figure is 8.5 per cent. So we have done a commendable job in this area,