

The Address—Mr. Jamieson

three year period a fourfold increase in energy prices, then this of itself should give us reason for confidence that we can move through the remainder of this difficult period and emerge both wise and more strong than we were before.

● (1302)

In calling it one o'clock, Mr. Speaker, may I say that after lunch I will try to demonstrate some of the means through which we can achieve that goal.

Mr. Speaker: Order, please. It being one o'clock, I do now leave the chair until 2 p.m.

At one o'clock the House took recess.

● (1402)

AFTER RECESS

The House resumed at 2 p.m.

The Acting Speaker (Mr. Turner): When we adjourned at one o'clock, the Secretary of State for External Affairs (Mr. Jamieson) had the floor.

Mr. Jamieson: Thank you very much, Mr. Speaker. When we rose for lunch I had said that the international dimension of the current economic problem was such that virtually all of the leaders of the western, developed countries had acknowledged that what we were facing was a permanent change in world economic structures brought about primarily by the dramatic changes in the energy situation, which in turn, of course, was the result of the fourfold increase in prices. I had pointed out, as well, that although we have had, in the western world and in the developed world, very difficult times since 1974, the performance was not as bad as many had forecast and the free democratic system had shown what I described as far more resiliency than even some of its advocates had thought possible at that time.

There is another aspect of the situation which gives us cause for confidence. That is the fact that during this period from 1974 on, we have also seen the development of international organizations, some of which I have referred to—the OECD, the summit meetings, the International Monetary Fund, and a number of others. They have once again demonstrated the free world's capability to come together to act in concert in order to fend off some of the most difficult aspects of this unprecedented world situation.

While in 1977 we can scarcely say that conditions are normal—if, in fact, that is an appropriate word under any circumstances in today's world—the truth is that progress has, in fact, been made. If one looks at the statistics relating to the OECD countries, it is encouraging to note that the rate of inflation around the world has dropped sharply from what it was in 1974. Then it was running at something close to 14 per cent. In 1975, this concerted action to which I referred reduced it to a little more than 11 per cent. At the present

[Mr. Jamieson.]

time, while the statistics are not in, and will not be until November or December, it is fair to anticipate that the average rate of inflation in the developed world will be something in the order of 8 per cent, some countries obviously doing better than others.

I might point out that while the Canadian figures are deplorable and, indeed, far too high, OECD statistics indicate that only two countries, the United States and Germany, had lower rates of inflation than Canada in the period up to May, 1977; that is, in the period of the last 12 months or so. So there has been a slow reduction in rates of inflation.

● (1412)

At the summit meeting in London in May of this year certain conclusions were reached which were subsequently confirmed by the larger group in Paris at the end of June. It was understood, as I said earlier, that these structural changes have occurred and that new processes are necessary. Everyone in the OECD group concluded that, unlike previous troubles, we were now facing inflation and high unemployment at the same time. Furthermore, there were within the international community significant differences in capacity in terms of coping with such a situation, as well as different problems. The problems of the United States, for example, are vastly different from those of Japan even though, to use a popular expression, we are all in the same boat.

The decision was, therefore, taken at the London meeting that countries with stronger economies would undertake to promote a degree of stimulation, while the less strong countries would, in addition to doing what they could on the stimulation front, seek to bring about a greater degree of stimulation by cutting back on public expenditure and in other ways. Six months have passed since those decisions were made. Obviously, the two healthiest economies, judging by the statistics, are those of Japan and Germany, and in each of those cases the countries concerned have, within the last few weeks, announced certain stimulative programs designed to develop additional consumer demand, thereby generating a greater demand for imports and providing assistance to exporting countries whose economies are weaker.

On the other side of the picture, success has not been so easy to achieve. In the field of domestic restraint, country after country has indicated that it is locked into certain levels of expenditure established over many years, and that a sudden withdrawal from a variety of programs would be exceedingly disruptive. It is important to remember, in this fight against inflation on one hand and against unemployment on the other, that unless stimulation is handled with considerable skill it tends to drive up inflation, and that if stabilization is carried out in too restrained a fashion it tends to generate increased unemployment. The assessment made six months after the summit decision is that though there has been movement, it has not been as great as anticipated and that it will be 1978 before there is any real evidence as to the effect of the action taken, for example, within the German and the Japanese economies.