

*Control of Inflation and Unemployment*

more." I hope the Minister of Manpower and Immigration will read the few suggestions I have made about his department. He will see that I appreciate what has happened in connection with the area office.

● (5:10 p.m.)

**Mr. Steven Otto (York East):** Mr. Speaker, the subject matter under discussion is a serious one. I hoped it would be discussed in a nonpartisan way but, after seven years here, I have given up that hope. Of course, the opposition will lace into the government. We are expected to support government policies. This whole issue will probably disappear at ten o'clock this evening. I do not intend for one moment to criticize or support the government, but I have great criticism for established or conventional thinking and the conventional thinking that is behind our attempts to remedy the inflationary cycle. The clearest illustration of conventional thinking is to be found in thinking that says the earth is flat. There are still people who believe that. There is a flat world society, and its thinking probably epitomizes conventional thinking. I do not say that the conventional thinking of government advisers who try to solve our economic crisis goes quite that far; but their thinking does not make much sense.

For example, people say this about our unemployed, "Well, what about it if the man is out of work; if he is a carpenter, he can do something else—build a fence, or a boat, or work elsewhere. Let him take a little lower wage and eventually the whole thing will iron itself out." That may have held true 50 years ago. Today, a man unemployed is absolutely unemployed because all the trades are protected. The carpenter cannot pump gasoline or paint a fence. If he is a carpenter he must do carpentry or nothing. When a man is unemployed today he suffers most grievously and loses his sense of dignity and daring. For perhaps 25 or 30 years after being unemployed, he will be most cautious and careful and never dare to venture because the frightful consequences of unemployment today are most severe.

Although statisticians may tell us that 5.5, 4.8 or 4.9 per cent of the work force is unemployed, they do not really know anything about unemployment. It matters little to the unemployed man that there are 200,000 others in the same boat as he. Our conventional thinkers ought to realize that the consequences of unemployment for any one man are most severe.

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I came across another example of conventional thinking when talking to a senior official of a department. I asked, "Tell me sir, if you are to restrict credit and make money more expensive, how will that cure the inflationary cycle?" He said, "You see, what really happens is this: We raise the bank rate; that means that industries and entrepreneurs must pay more for the use of the money they borrow. Therefore they have to meet this extra cost by cutting costs." I said, "How does the entrepreneur cut his costs?" The reply was, "Of course, he must make his plant more productive and lower his wage costs." I then asked, "And how does he lower his wage costs? Will he go to his men and say, 'I will not pay you \$3.70 an hour anymore but offer you \$2.50 an hour to work for me.'" Of course, his workmen will not work for those wages, and therefore the idea that they will is nonsense. Yet the whole idea behind our tight money policies is that somehow wages will be brought down.

The officials also said, "Of course, the businessman would have to restrict his production." Anyone who knows anything about business knows that once you reach a certain level of production you cannot cut back without serious consequences. You have only one choice: Go ahead at any cost, no matter whether you have to borrow money more expensively, and try to produce more to stay in business or go bankrupt. You cannot reduce your production; it does not work. Everything is presold months ahead. Futures are sold; money is advanced; your machinery must be productive or you go bankrupt. Clearly, conventional thinking is wrong in this field and conventional ideas will not work in the fight against inflation.

Similarly, price and wage controls will not work either. We accepted them in wartime when we all felt patriotic. Besides, you could not take money out of the country, because the flow of money was restricted. Also, wage and price controls were designed to hold down production of civilian consumer goods and increase production that would go into the war effort. I have no doubt that business and labour will not support wage and price controls; even if they do, the controls will not work.

I will now talk about an issue most hon. members here have tiptoed around. I can understand the NDP not talking about this issue because, of course, they represent labour. We who are Liberals or Conservatives