

Emergency Powers Act

Canada had power to take measures to control credit. He suggested that, after all, that was not quite the function of the Bank of Canada, to undertake the control of credit extended by the chartered banks of Canada. I believe the remarks made by the Minister of Finance since that time, particularly those made on February 16 in reply to a question by the member for Greenwood, do seem to indicate that the minister is now aware that the Bank of Canada has means to control the credit extended by the chartered banks of Canada. This power has been wielded in times past. It certainly was wielded in 1948, as those of us who had the unfortunate experience of sitting on that House of Commons select committee on prices were then reminded by Mr. Towers. The powers have been exercised since, as the Minister of Finance indicated. Those powers have not been exercised as effectively or as soon as they ought to have been. They would have been efficacious if they had been exercised, and could have prevented this runaway with credit.

As a matter of fact, the latest statistical summary of the Bank of Canada, for January, 1951, shows that between December 31, 1949, and December 31, 1950, there was an increase of over half a billion dollars in bank loans and non-government investments in Canada. The figures increased from \$3,419 million to \$3,950 million. There is the explanation for a lot of our inflation.

In the second place, we have the government's resort to the increase in money supply. I am not going to spend more time on that. At page 297 of *Hansard* the Minister of Finance admitted that the government in effect, by borrowing \$200 million, had increased the money supply to that extent. The same issue of the summary of the Bank of Canada of January, 1951, indicates this tremendous increase in the totals in the various components of money supply. Total currency and active bank deposits, inactive chartered bank notice deposits and government of Canada securities increased from \$18,077 million at December 31, 1949, to \$18,775 million at December 31, 1950—an increase of nearly three-quarters of a billion dollars in that year.

The third method or factor, sir, to which adequate resort has not been had is the reduction of governmental expenditures on non-defence items. The Minister of Finance, I shall give him credit for this, in his recent speech did indicate that this was one of the most promising measures, and certainly one to which resort ought to be had. We complain, sir, that resort has been had to it by the government too late. We shall look for

some of the reports that are to be tabled during this session for the proof of the determination of the government really to apply this method. We will put before the Minister of Finance and his colleagues in the government these questions. If you are really earnestly seeking to reduce non-defence items, why do you continue to refuse the establishment of a select committee of the house on estimates, where estimates could really be given a sufficient scrutiny? Why do you also continue to refuse the establishment by the house of a select committee on national defence estimates? You cannot square with the professed determination of the government to reduce non-defence expenditures its obdurate refusal to give the house the means of accomplishing that end.

The fourth method, sir, of course, in regard to taxation involves the adoption of the pay-as-you-go policy. I just have a suspicion that the Minister of Finance, when he brings in his budget, is going to say to some members of the house: You advocated taxing the people, taking more out of their pockets than is actually needed to meet expenses of the government this year on the theory the government can better look after that surplus for the people than the people can look after it themselves. While approving fully of the pay-as-you-go policy, I wish to remind the Minister of Finance that there are some forms of taxation that are directly inflationary. Those taxes that are hidden, indirect, do raise prices. The increase is passed on to the consumer. Those are not taxes that should be resorted to at a time like this to combat inflation.

In the fifth place, there are those two methods that go hand in hand that depend upon the government reminding the citizens of this country of their personal responsibility. I submit that the government has an important responsibility to bring home to the individual in this country his own personal responsibility, and that is a duty in which the government has lamentably failed hitherto. The Minister of Finance did mention the necessity of this in his speech. But oh, he did it in such a coy way, such an inoffensive way, such a feeble way. He talked about the necessity for increasing production. He talked about the necessity for consumer restraint.

Of course, Mr. Speaker, everybody knows, as the Minister of Finance said on page 296, that the fundamental cure for inflation is increased production. Yes, of course, it is the most effective method of combating inflation. Then, when it came to grappling with