

*Oral Questions*

economic resources of the country are always limited, we are concentrating our efforts on helping most disadvantaged senior Canadians. Such are our first priorities. So I have not rejected the FADOQ recommendation, as the hon. member is suggesting, I simply said that our efforts are going to go where they are most urgently needed. It is very urgent to improve even more than we have done the lot of older people getting the supplement because some of them are still below the poverty level. I will look after those over 65 first.

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[English]

### THE CANADIAN ECONOMY

#### DEVALUED CANADIAN DOLLAR—EFFECT ON DOMESTIC BEEF PRICES

**Mr. James Gillies (Don Valley):** Mr. Speaker, my question is for the Deputy Prime Minister. Is it the position of the Deputy Prime Minister that because the Canadian dollar is selling at a discount, this has no effect on domestic beef prices?

**Hon. Allan J. MacEachen (Deputy Prime Minister and President of Privy Council):** No, Mr. Speaker, that is not my position at all. The commodity about which we exchanged questions and answers has a history and a life of its own that may be influenced by the exchange rate, but the main influence comes from the forces of supply and demand.

**Mr. Gillies:** Mr. Speaker, given the fact that beef today is selling at \$70 per hundredweight in Omaha and \$84 per hundredweight in Toronto, the difference is exactly the difference in the exchange rate. Surely the minister must understand that the depreciation of the dollar is one of the major reasons for the increase in the price of beef in Canada today. It is exactly the differential.

I ask the Deputy Prime Minister, and I ask him in terms of his previous reincarnation as an economist, is it the position of the government that we can get inflation under control in this country as long as we have a stance on monetary and fiscal policy—I notice the increase in the money supply is 10 per cent, year over year, with real growth at 3 per cent—that leaves us with an exchange rate at 85 cents? I am not talking about pegging the dollar; I am talking about a change in the structure of monetary and fiscal policy to get the dollar up in order to control inflation. Is it the government's position that they need do nothing about that?

**Mr. MacEachen:** Mr. Speaker, the hon. member has asked me quite a number of questions—

**Mr. Hnatyshyn:** Answer any one of them.

**Mr. MacEachen:** —in his statement. I want to tell him that the recent strength of the Canadian dollar, which I am sure the hon. member applauds, will to some extent moderate the force on inflation that arises from imports. It is clear that it will have its effect on Canadian prices. I should advise the hon.

[Miss Bégin.]

member that whatever differential exists between the price of Canadian beef and American beef, that price differential has been registered in an increased movement of American beef into the Canadian market.

With respect to his question on inflation, was it the position of the government that one could contend with inflation entirely through fiscal and monetary policy, it is certainly not my position or that of the government that, in itself, fiscal and monetary policy can counter the forces of inflation. I believe the experience of this country and other countries shows that the harsh application of fiscal and monetary policy in the battle against inflation can be quite counterproductive as a sole weapon; that there are other instruments required as well.

#### REQUEST FOR PREDICTION OF FUTURE RATE OF INFLATION

**Hon. Robert L. Stanfield (Halifax):** Mr. Speaker, my question is for the Deputy Prime Minister who said he was interested in facts relating to inflation. One fact is, of course, that two or three years ago the government predicted that the rate of inflation by last October would be down some 4 per cent. Unfortunately, it is not.

Can the Deputy Prime Minister indicate what the rate of inflation will be in the coming months? Is it still his position that the rate of inflation is going to settle down, that it is going to reduce, and what does he think will bring this about? Can he give us something firm to go on, in view of the unfortunate predictions and assurances that have been given in the past?

**Mr. Hnatyshyn:** Over the next three months, for example.

**Hon. Allan J. MacEachen (Deputy Prime Minister and President of Privy Council):** Mr. Speaker, I would say, first of all, that there are some positive signs. I do not for a moment believe that in the next several months, as the hon. member has requested, the price of beef, for example, will show a noticeable decrease.

We have noted in the past week that the price of fresh vegetables has decreased, according to newspaper advertisements. I know that the price of coffee in the commodity markets has decreased, and that will have some effect on the consumer index. I believe, also, that the strength of the Canadian dollar gives us some reason to believe that inflation may ease a bit. I believe a change in consumer buying and the reaction of consumers to the price and supply situation will have some effect as well. I believe there are some positive signs showing for the next few months, but I certainly cannot give the hon. members any precise indication as to what the rate will be three or four months from now.

**Mr. Stanfield:** Mr. Speaker, I must compliment the Deputy Prime Minister in one respect at least. I think he is being honest: he is not predicting any reduction in the rate of inflation, although he sees some hopeful signs. I do not want to misinterpret him, but in view of the policy of the government which is, as far as one can see, the establishment of a Mickey Mouse surveillance operation, and in view of the position of