

Finance

other hon. members who wish to speak I conclude by saying that I appreciate having had the opportunity of saying these few words.

Mr. Alastair Gillespie (Etobicoke): Mr. Speaker, I would like to compliment a number of those who have already spoken on this subject. They have dramatized for all of us the seriousness of this question of inflation, but to state the seriousness of the problem is not to solve it. I was particularly interested in the remarks of the hon. member for Edmonton West (Mr. Lambert) since he was prepared to admit that the federal government alone is not responsible for inflation or for curing it. I think this is something we too often overlook. Too often when there is a problem, we take the attitude "Well, let the government settle it."

The hon. member who spoke after the hon. member for St. Paul's (Mr. Wahn) indicated that restraint was necessary, that we all had a responsibility for restraint. I think the hon. member for Waterloo (Mr. Saltsman) underlined this when he referred to market power. Market power I believe is a significant concept in this discussion of inflation both from the point of view of those who are selling goods and those who are offering their services in the form of organized labour. Those who are in a position, because of their particular situation, to extract an 18 per cent increase in wage rates are in a position to affect unit costs. When this sort of thing occurs with some frequency, such people are in a position to affect the climate of opinion just as those who are selling goods and services and are in a position of market power can abuse their position. What I am attempting to say here is that inflation is very largely a question of attitude. It is very largely affected by one's expectations of the future. I think the federal government has recognized this problem and has underlined it on a number of occasions. I believe the budget presented to this house on October 22 underlined the government's attitude when the minister introduced measures which will balance the budget.

● (5:50 p.m.)

The minister underlined the seriousness of inflation when he met head on this whole question of expectation, the need to show those who are most concerned that we can in fact manage our economy. In this connection, I should like to say a word or two about the effects of inflation. Too often we talk about

[Mr. Saltsman.]

inflation as if the taxpayers who will suffer are not also lenders. I am suggesting that the beneficiaries of social security programs, such as pensions and life insurance, are also those who are the lenders in the final analysis. Their premiums are the savings which buy the bonds that are the basis of investment in the private companies in Canada. These savings also underwrite and finance government programs. I am saying that the lender is not the large institution, is not the life insurance company, is not the pension fund, but is the person whose premiums flow into the pension fund, or into the life insurance companies and which are invested on his behalf.

I believe that too often we tend to regard inflation as something which affects only a few, the weak. So it does; frequently, they are affected more than anybody else. I am concerned about this because they are least able to defend themselves. Equally, however, inflation affects almost everyone in Canada. Almost everyone in Canada now has an interest in a pension plan. I think the hon. member for St. Paul's (Mr. Wahn), when he referred to inflation as a tax, was accurate. I believe it is a tax. Not only does it tax everyone, but it taxes those least able to defend themselves. But inflation is not something which is generated only within a country; it is generated as well by events outside a country. I believe that in Canada we are particularly sensitive to the actions of the United States in this regard. Over 70 per cent of our trade is with the United States. What happens in the United States affects us quickly. The United States has been concerned with a major inflationary problem and has imposed a 10 per cent surtax on income taxes to cope with this problem.

I should like to add as well that I share the view of the hon. member for St. Paul's with regard to creeping inflation. I think the Economic Council gave more credibility than it should have to that suggestion by calling it a trade-off. I think the trade-off between a certain percentage of inflation, perhaps 1.4 per cent, to obtain the 3 per cent employment rate which the economic council says is a goal is no more than an invitation to the very thing to which the hon. member was referring. I was happy to see that the Governor of the Bank of Canada, Mr. Rasminsky, in a recent speech abroad drew attention to this question. He said:

Expressions of concern about inflation sometimes draw the reply that we must choose between inflation and unacceptable rates of unemployment. I think we are today seeing more and more evidence that this is an illusion.