under false pretences. But today the government has no hesitation in taking hundreds of millions extra from the taxpayer.

The minister explains this on pages 2317 and 2318 of *Hansard*. He says that this amount of $282 million was used, along with $110 million from various government accounts and $131 million from cash balances and that the total of $523 million was used, in the minister's words, "to reduce the unmatured debt held outside these government accounts". This means that this money went into the hands of banks and other holders of government bonds.

Discussion of these financial operations naturally brings me to the burning question of inflation or, as I prefer to call it, high prices. I like better the plain English words. High prices bear very unevenly on the community. Those who are able to gear their income to rising prices are usually able to come out even or perhaps a little ahead. Of course, those who are buying and selling find rising prices to their advantage. To the well to do high prices are not a vital matter. Perhaps it means a motor car or a television set less, but to those near the bottom of the income scale, those whose incomes are derived from old age pensions, those on fixed incomes, the mass of white collar workers, etc., the question is not of a motor car less but a loaf of bread or a pound of butter less.

I suppose that of all the devices which have assisted human beings to live together in an orderly society, nothing has played a greater part than stable money. We of this generation have every reason to know what happens when money loses its value and when we have what is called "galloping inflation". In Germany, after world war I, a bushel of bank notes was needed to purchase a loaf of bread. Between January, 1920, and November, 1923 wholesale prices in Germany rose more than 7 trillion times. Instances could be multiplied without end. Perhaps one of the most homely is the story of the Mississippi captain during the civil war who came to a wharf to load cordwood fuel and was told that the price was "cord for cord", a cord of wood for a cord of confederate notes.

Mr. McCann: Why did they not burn the notes?

Mr. Macdonnell: Coming to our own situation, let me give some figures. A dollar which was worth 100 cents in 1946 was worth only 66 cents in 1956. In other words, the consumer price index rose by an average of 4.3 per cent. In other words, a man who retired in 1946, having made what appeared to be adequate provision for his old age, may now be in dire want. Yet, we are facing a situation where some people are saying that nothing can arrest the rise of prices and government expenditures so that we might as well relax and enjoy it. Some people are even so foolish as to conclude that the best way is to take satisfaction in the growth of nominal income and find ways, legal no doubt, around the income tax.

The National City Bank's comment on this is as follows:

> This is a fool's paradise . . . the unequal distribution of the cost of inflation brings social discontent . . . retired people on fixed incomes get hurt . . .; demands arise for price controls, government intervention and destruction of individual freedoms and opportunities. The history of great booms is that they inevitably collapse. The history of inflation is that in the absence of firm restraints it tends to accelerate.

The National City *Review* goes on to say:

> Once under way it is hard to stop an accelerating rise of public expenditure and prices.

In an article entitled "The Age of Inflation", the London *Economist* says:

> The chief social objection to inflation is that it is unfair. In effect it defrauds—for the benefit of the rest—all those people whose claims on the community are at present fixed or nearly fixed, in money terms. It defrauds that is to say, pensioners, holders of fixed interest securities of every kind, creditors in general, most people who save, people who insure themselves, many salary earners and those wage earners whose bargaining strength is relatively weak.
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> Yet once it is generally believed that continuous inflation is inevitable . . . then that belief automatically makes inflation worse. In a moderate inflation the fraud works by money losing its value when people expect it to remain stable. If they start expecting prices to rise then the fraud must work by prices rising faster than they expect . . . this is the galloping inflation familiar enough in countries hitherto less fortunate than Britain.

Those are the words of the *Economist*.

There are certain accidental matters which are in danger of causing us to take inflation lightly. The fact that our currency has been at a premium has I fear puffed us up a bit and made us feel rather proud and superior. But what good is that if it merely means that we and the United States are going hand in hand down the slippery slope of inflation?

We must not be led away by the fact that a good many people—those who are able to keep their incomes level with rising prices and those who are buying and selling—find rising prices not unsatisfactory.

I said a few moments ago that stable money is the greatest support of orderly human society. We may, therefore, fairly ask the government what they have done to prevent currency being debased.

Prices had been controlled during the war, but consumer prices rose 25 per cent from 1946 through 1948. We had a sort of breather in 1949 and 1950 when galloping inflation