

Alleged Failure to Improve Economy

costs had risen in 1969-70 at the same rate as in 1968-69, the total increase in the consumer price index last year would have been 3.5 per cent. Or, if food prices in 1969-70 had risen at exactly the same rate as the average of the other components of the price index, the year to year increase would have been 3.1 per cent. If it is far to assume that the government's economic policy was irrelevant to the decision of the supermarkets to commence a price war which was involved, in the short run, selling food at less than cost, then the real reduction in the inflation rate resulting from the government's policy lies somewhere between 1 and 1½ per cent.

Who has benefitted from the more modest rate of price increases? The people with money have benefitted, the people with money in the bank. The people who have purchasing power have benefitted from this reduction in the rate of inflation. The strongest trade unions have benefitted. The working middle class has benefitted and to a certain extent people living on fixed incomes have benefitted.

Who has suffered? The unemployed have suffered. They are out of luck altogether. Little advantage for them to benefit by a reduction in the rate of inflation to 1.5 per cent if their income is down by 30 per cent—in the case of some of my constituents who are unemployed their incomes are down by a good deal more than that. The young people of Canada have also been disadvantaged. There are not enough jobs to go round. The capital flow for new investment has not been sufficient to provide meaningful opportunities for the large numbers of young people now entering the labour market.

In considering the question of inadequate capital, we must take into account lost production due to the economy operating at less than capacity. Based on the Economic Council of Canada Report "Performance and Potential, mid-1950's to mid-1970's" the following figures are significant. Expressed as a percentage, the gap between actual and potential performance in 1969 in terms of 1967 dollars, was 1.8. In 1970, the gap actually doubled and in terms of 1967 dollars was 3.5 per cent. Still more significant, and of even greater concern, is the fourth quarter performance in 1970. In that quarter, in terms of 1970 dollars, the actual performance was 3.9 per cent below the potential of \$90 billion. This means that if the fourth quarter gap were projected for a whole year the loss in terms of 1970 dollars would amount to \$3½ billion. Expressed one way, this means the loss of 50,000 new houses at a cost of \$20,000 each. If the balance of that lost production had been used for capital goods 100,000 jobs could have been provided, based on an average capital requirement for new plant and facilities of \$25,000 each.

Of course, the extra production could be used in other ways. It could be used for slum clearance or pollution control or rehabilitation of run-down areas, or urban transportation. It could be used to meet any one of the priorities which have been established governmentally and collectively in our country. It could have been used for anything. The tragedy is that the potential was all lost. It is like water flowing over a falls. It is gone, and it is gone forever.

[Mr. Hellyer.]

In addition, as a result of our own failure to produce more and save more, we have become more rather than less dependent on foreign capital to regain our momentum. There is something humiliating about seeing premiers going hat in hand begging for foreign investment to get the economy moving again.

An hon. Member: Right.

Mr. Hellyer: Get it going again we must, because the present situation is quite unsatisfactory both in the short and the long run. There is no reason why there should not be enough jobs to go around. The only reason in my opinion, and this applies equally in Canada and the United States, is poor economic management. The right to work is a fundamental right. We can and we must operate our society in such a way as to enable any able-bodied person who wants to do so to find meaningful employment. It is not just a question of the economic input. It is a question of human dignity, it is a question of the right of an individual human being to make a contribution, it is a question of the right of an individual human being to be needed. The right to work is a fundamental freedom.

Government policies designed to change the direction which began about a year ago have been slow and somewhat ineffective. Many government expenditures have the result of encouraging people not to work. You do not solve economic problems that way, neither do policies designed to subsidize industry which is otherwise uneconomic to locate in out-of-the-way places. It is a palliative, expensive and highly questionable to boot. But these things can be discussed at greater length on another occasion.

Today, in the time remaining, I should like to make some positive suggestions; I believe it is not fair just to criticize without offering alternative solutions, and I intend to be constructive. First, I tend to agree with those who suggest there should be immediate substantial tax cuts.

Some hon. Members: Hear, hear.

Mr. Hellyer: I believe that these benefits should apply to people who need tax relief most. This would create an immediate demand in the marketplace; it would help get the wheels turning because it would put money into the hands of people who spend it and, in the process, soon produce jobs.

Second, I would suggest a further reduction in interest rates. This would encourage expansion and help make funds available to Canadian industry to build new facilities. It would provide capital for investment in industry. Third, and this is related to the previous suggestion, I believe we should ensure that virtually unlimited funds are available for the rehabilitation of housing which is in disrepair and for the construction of new housing. I believe there should be no limit in this direction until the industry is operating at capacity. This would have a powerful multiplier effect. If properly done and not exaggerated, this would help bring down prices since the increased supply would tend to put a downward pressure on prices of existing housing as well as rents.