

*Government Administrative Policies*

divorce law, and introduce the white paper on unemployment insurance, a forward-looking document? I ask, could this be the same government? What in the world has happened? The Prime Minister (Mr. Trudeau) has a habit of speaking on the issue of guidelines on the basis that if one is not for the Prices and Incomes Commission then one is for inflation. I fail to succumb to that point of view.

● (5:00 p.m.)

All of us, and I particularly, are concerned about inflation, but I believe the great tragedy in this connection has been Dr. Young and his commission. I cannot imagine how in the world Dr. Young was able to inveigle the position except that possibly the Minister of Finance (Mr. Benson) was busy with the white paper, the government was busy with other things and there was a vacuum into which the Prices and Incomes commission moved. This was a disastrous decision which will reflect on this government and on this nation for some time to come.

The terms of reference of the commission were quite wide. The commission could have assessed the situation—inflation is obvious—and tried to find out what was causing it. Having done that, it could have recommended either restrictive or expansive policies. I do not mean the same type of expansive policies mentioned by the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas). The commission quite possibly could have decided to be conventional. I have a feeling that even Dr. Young was not in command. I have a feeling it was Rasminsky and Bryce. Thirty years ago these two young clerks had all sorts of ideas, but they have not caught up with the changes and theories which have been introduced. What did the commission and the banks do? First, they tightened the money supply. They blamed our inflation on the United States inflation. Everyone in Canada knows there is an inflationary demand pull in the United States because \$20 billion worth of their total production goes into the space program. More than \$20 billion or \$30 billion goes into the war in Viet Nam. They are fighting two wars, both of which are very expensive.

The money spent for the production of these goods has to produce approximately 75 per cent of the remaining goods. That is the demand pull. We agree. Had we been in the same position and had the Price and Incomes commission recommended restrictions, I would have said that possibly they would work. But we were not in this position.

[Mr. Otto.]

Obviously according to the balance of trade figures, we would have been able to out-sell the United States in its own market had our production capacity been anything like comparable to that of the United States. In that case, we would have been out-selling them at 50 per cent of their price, but this was not so. The government decided to go on in this conventional way without thinking of the new ideas mentioned by able economists such as Weldon, Miss Cohen and others. They decided to keep the old way of doing things. The government could not possibly have reviewed this policy and asked itself what is happening today in this country.

So, as the Leader of the Opposition said, we do have an unemployment figure of 6.2 per cent. It will become worse. Of that figure, 118,000 are new people in the labour force. Another 27,000 or so are in Quebec and, of course, there were the British Columbia strikes which did not help the situation. The time will come very shortly when the companies which now are paying men for not doing very much will place these men on the unemployment lists, because the reserves in Canada are limited and we are eating into these reserves at a fantastic rate. What will happen if the government should decide to slow up a bit? There will be a tendency for inflation to shoot up. I venture to say that by spring next year we will not have a 6 per cent annual inflation cycle but rather a 10 per cent annual inflation cycle, and then we will be completely out of the market. The real fact in respect of Canadian inflation is that Canadians are poor producers. The DBS figures point this out. We stand ninth. We have the second highest standard of living but on a per man productivity basis we are ninth in the world. We are behind Greece, France and Italy. This is a fact. It is not all labour's fault. Indeed it is not labour's fault. I think it is ridiculous to keep blaming labour for something which really is the responsibility of management and governments.

It has been said, for example, that if the major items of equipment in our factories were modernized we could increase our production by almost 28 per cent. Is it conceivable that we could do this all at once? We could certainly increase it by 14 per cent, because we do have poor equipment in Canada which should be replaced. Does anyone dare tell me that the restriction on the money supply will help industries put in new equipment? Where would they get the money? Can Dr. Young explain how the restriction on wages to 6 per cent will ensure