

is that no matter how badly other countries, particularly the United States, manage their economies, as long as we manage ours slightly better that is all that counts. Surely that is not a satisfactory situation.

It seems to me of vital importance that we recognize that we cannot keep telling the Canadian people we can do nothing about inflation, that it is a world-wide problem, and that as long as there is inflation in other countries we are helpless. We cannot continue to do that sort of thing, because if we say that over and over again pretty soon people will begin to believe it. Once the Canadian people begin to believe such nonsense then they will not co-operate in any policy trying to solve the inflation problem.

I suggest that speeches such as the one made by the hon. member for Mississauga this afternoon do great harm because they reinforce the idea among Canadian people that we really cannot cope with the economic problems we are facing. I am sorry I did not hear the speech of the President of the Privy Council (Mr. Sharp), but if he said the same thing as the hon. member for Mississauga I would suggest that he, too, is doing a great disservice to the Canadian people.

Mr. Sharp: Would the hon. member deny that there is international inflation?

Mr. Gillies: Not at all. No one ever suggested that there is not international inflation, but it is a great mistake to jump from that to the suggestion that no country can do anything about it. It is a great mistake on the part of this government to say, over and over again, that we cannot do anything about it because inflation exists all around the world.

The point is that the government will not take strong action if it perceives that the people of the country do not want it to take strong action, and the people will not want the government to take strong action as long as the government keeps telling them nothing can be done. In this way you get into a hopeless circle.

One wonders why people keep asking why the government does not take stronger action against inflation, but I think the answer is very simple. The government does not take stronger action because it does not believe at the moment that people want stronger action taken against inflation. I repeat that people do not want that stronger action taken because the government has told them over and over again that we cannot do anything about inflation. This is a very dangerous direction in which to move. What is going to be the upshot of this situation? People talk and worry about inflation and rising unemployment.

Let us consider the situation in the United States, which is deteriorating very rapidly. In that country the inflation rate may go down to 8 per cent by the fourth quarter. The government is talking about stimulating recovery through deficits that could range up to perhaps \$52 billion. The important thing about it is that this recovery will start from an 8 per cent inflation rate. If we have anything like the same sort of inflationary forces during the next recovery period as we had in the last, this means that in a couple of years we could witness about a 30 per cent rate of inflation in that country. The same conditions apply in Canada.

Inflation

The big question is whether our social system can survive this sort of an inflationary level. What this will really mean is that the recovery will be short, the recession will be longer, and we will be back in the inflationary cycle all over again. If we cannot get inflation under control, and cannot convince the people of Canada that the government can do something about it, then we will be in such a cycle. I think we have to take this message very seriously. Under such conditions it is really an open question as to whether our social system, as we know it, can survive.

● (1750)

There is enormous tension in our country today. Normally one does not expect to see the Post Office not operating, to see the airlines not operating, or to see children not in school. Also people do not expect that, if their house catches fire, the firemen will not arrive. It is the essence of our society that the government provide an infrastructure in which people can live with a feeling of security and confidence. To the extent that this infrastructure falls apart, the fabric of our society is weakened and tension is increased.

A few weeks ago in Montreal the Prime Minister (Mr. Trudeau) spoke about tension in society. He was absolutely right; there is tension and it is growing all the time. The fundamental reason for the tension in our society is the fact that we have had so much inflation. The fact is that people do not believe they can count on staying even, and work and retain their real standard of living. Now, when we find that with rapidly rising inflation we have an accompanying slowing of economic growth, there is an infinitely greater increase in tension because we are not dividing a larger pie but are arguing how the same size pie is to be split. As a result the function of government more and more will not be to manage growth but to manage conflict.

We must be prepared to take the first step in defusing these conditions. The first step is to get our present degree of inflation under control. The tension in our country today, the labour disputes in our country today and the problems around the world are caused because we have not been prepared to deal with inflation. To say we have no responsibility to do this because it is happening everywhere is outrageous. I might say I have great sympathy for some of the views expressed from time to time about the need for consensus and leadership.

I do not think in a democracy we can have leadership that is very far removed from the feelings of the people in society. Leadership cannot be too far in front, nor can it be too far behind. We need leadership to try to get groups together to solve these particular problems. The real test of leadership, however, is to pick the strategic moment when it is no longer possible to operate with consensus but rather to take positive, strong action which the people really want. At some time if democracy is to survive, political leadership must be strong enough to take the chance of seeing whether or not this can be done. I believe that time has now arrived.

The real question in the world as we go into the latter part of the 1970's is whether democracy will survive. This is a very good question. If we look at history we see that the capability of democracy to deal with impending crises