

*Price Control*

pletely what has happened in the last 25 years and what a contemporary incomes policy is all about.

We have been amazed that last year the government permitted an 8 per cent inflation rate to grip this country and has permitted an inflation of 10 per cent to continue for this year and done nothing about it. Now we know why. The government is still looking at the situation of 25 years ago and has learned nothing. The government still believes that the proper economic policy for Canada involves the old continentalist approach it has followed for years. The fact of the matter is that since the days of C. D. Howe and Robert Winters, the economic policy of the government party has been determined by the way it perceived the interests of the Canadian business community and a continentalist philosophy.

It was made clear today that the Liberal Party has had no new ideas in terms of resource policy, ownership policy, competition policy and industrial structure. The government is rejecting any new approach to the fight against inflation because it is still looking back at what happened 30 years ago during the war.

The minister said that the answer to inflation will be found by increasing supplies around the world. He was quite correct. No one disputes that, but it is not the issue. We know that you must increase supply in order to solve the inflation problem and bring supply and demand back into equilibrium. The question is, what do you do during the next one, two or three years to ameliorate some of the inflationary effects which will be felt by people while supply and demand are brought back into balance? I do not for a moment accept the proposition that we must continue with a 10 per cent or 12 per cent inflation rate during this period. There must be policies which are utilized in the short run as well as in the long run because, as Lord Keynes said, in the long run we are all dead. But the question is: How are we to help Canadians who are suffering under the impact of a 10 per cent inflation rate now?

The Secretary of State for External Affairs quoted the Prime Minister (Mr. Trudeau)—I forget the exact words used—and said it would be less than honest to support a policy which locks people into the low income brackets, as an incomes policy might do. Let me say that it is even more dishonest for a government to permit inflation to continue at the present scale and destroy the savings and incomes of people in the middle and low income groups. I ask my friends in the NDP: How can you support the government when statistics show so clearly that last year the rise in average hourly earnings was substantially less than the increase in the cost of living? Arguing that you should not adopt an incomes policy because it would hurt low income groups is to fly in the face of reality and to ignore what is happening.

I cannot understand why the NDP has been able to support the government when it has seen that the government will do nothing to fight inflation in this country and when everybody in the country knows that inflation is our number one problem. However, I am pleased that the party has come at least halfway. By introducing the motion we are debating, it has made clear to the people of Canada that at long last it is interested in the problem of inflation and in doing something about the increase in the cost of living. I am particularly pleased to hear that party

[Mr. Gillies.]

now say that it does not agree with the analysis of the government, namely, that we cannot do anything about inflation in Canada because it all comes from abroad. One year ago we hoped for the support of the NDP on a policy not totally removed from half the policy they are recommending today. They would not support us then.

● (1520)

If the New Democratic Party had supported us a year ago last February when we came forward with our policy, it might now be in effect. If this had happened, what would be the inflationary rate in the nation today? It would certainly be less. No one can say with certainty how much less, but we would not be in the situation where we are at the present time, with 10 per cent inflation. I cannot understand why it has taken them so long to come around. All I can think is that the NDP must have believed the analysis put forward by the government that we cannot do anything about inflation in Canada. I do not know what changed their minds. I hope we do not hear any more speeches from the NDP indicating we cannot do anything about inflation in Canada because it all comes from abroad.

**An hon. Member:** You have not heard one yet.

**Mr. Gillies:** The fact is we now know that our friends in the NDP accept our analysis that you can do something about inflation in Canada if you have the will. I hope they will support us in programs that will be effective. If they had had the courage to do so a year ago, we might have a different situation in Canada today. Why did they have to wait for a year? Do we have to wait for another year before they really care enough to do something about inflation in this country?

The statistics are very clear. Two-thirds of the increase in the cost of living is in housing and food products. These are areas we can do something about. To argue that all inflation comes from abroad, and you cannot do anything about it in Canada, is ridiculous. You can do something about it if you have the will and really want to help the Canadian people. My own view is that inflation could get worse in this country. Actually, we in Canada have not felt all the pressure of the increase in oil prices as has been felt in Japan, Britain and other places around the world. As soon as that comes into the economy, prices will go up again. The wholesale price index went up 24 per cent last year—2.5 per cent in January. Inflation will get worse in this country. And are the NDP still going to say there is nothing we can do about it?

The fundamental point is that we have to recognize that monetary, fiscal and exchange rate policies, in the traditional sense, something we have always relied on in the past, will no longer check inflation. Such policies are designed to operate in economies that are perfectly competitive and with normal expectation rates. However, these two conditions are not present at the moment in Canada. I am sure hon. members will agree that no one thinks expectations in the economy are now normal. The price of gold is moving toward \$200 an ounce. Why? Because of inflationary expectations and speculation. The price of housing in Toronto increased by 22 per cent last year, most of it because of inflationary expectations and