

Finance

attention the fact that a number of hon. members are anxious to participate in this debate and we are running short of time.

Mr. Max Saltzman (Waterloo): Mr. Speaker, since this is the kind of debate in which so many members wish to participate, I shall restrict myself to fewer remarks than I might have made otherwise. I have found that few worthwhile suggestions about inflation have been made in the debate to this point. Everyone is against inflation. We all realize that inflation creates problems. I am not at all sure that the previous speaker's suggestion that he would not repay his office would make any significant contribution to the struggle against inflation in the Canadian economy. However, it was a worthy gesture on his part.

We must really ask the question, and it is a question which has not yet been asked, why have we got inflation? In my opinion, the answer is that we have reached a position where those who are strong in the market place laugh at the market place. Adam Smith may be dead a couple of hundred years but it is only today that his theory is being buried. Those able to dominate the market place and fix prices in oligopolistic industries are not subject to the kind of forces discussed in the day of Adam Smith. This is what we have to recognize. When the strong ignore the dictates of the market place, when competition has ceased to be a significant factor in our life, or as significant as it used to be, then the weak are going to suffer.

The answers are not easy; they are not simple. I, for one, face the future with some hesitation because I think the result is inevitable. Unless we bring in some measure of price control, we are not going to solve the problem of inflation. We are now getting the worst of both worlds. We are getting inflation and high unemployment. At one time one would have thought that if we had the kind of unemployment we have at present in Canada, inflation would have been contained. But that obviously is not the case now. Unemployment is not working to offset inflation. Unless we bring in some measure of price control, or at least a prices review board, we cannot stop inflation.

The question of adjustment in pensions was raised. This must be government policy because no matter what measures we may take to contain inflation, inevitably there will be some industries that must have their prices raised. Industries in which productivity

cannot increase as quickly as in others will want to raise their prices and competition will have to be made to work in such cases. We shall have to make some very significant changes in our tax system.

I would like to deal for a moment with advertising and selling costs. We have a situation where it is obvious that the economy is under some strain so far as price increases are concerned. But what is happening? Everybody is breaking his neck to try and get people to borrow more money to buy things that are not really necessary. One of the difficulties is that advertising almost nullifies the government's attempts to encourage restraint. It is like trying to hold back the flood waters, and I think the government should have taken a lesson from King Canute.

I was particularly disturbed by the phrase used by the hon. member for St. Paul's (Mr. Wahn) when he said it was stupid to own government bonds. Mr. Speaker, we are having enough trouble selling government bonds without supporters of the government adding to the problems of the Minister of Finance (Mr. Benson). In some ways the government is responsible for the position in respect of bonds because the tax system as it now exists discriminates against the holders of government bonds. On the one hand we say, "Buy our bonds," and then we design a tax system which says, "Bonds are a bad thing for you to buy."

Certain things, like dividends from equity in Canadian corporations, are deductible from taxable income but income from bonds is not deductible. If we are serious about reducing the price of government financing we should neutralize the tax system, and realize that it is usually people of limited means who invest in government bonds. We should make it possible for income from government bonds to be deductible for tax purposes.

A country has only so many resources, whether in manpower or in money. It is very important that we start thinking in terms of planning our economy and the way we can allocate resources, because we must remember that what goes into one sector cannot go into another sector. We have to make some value judgments about what is important in our society and what sort of activities should receive the most resources. We have failed to do this, and it is important that we do it. Otherwise, the war on poverty and our efforts to overcome regional disparities will fall on barren ground. There is much more I would like to say on this subject but since there are