

### Inflation

The air has been filled of late with talk of inflation. It is said that the fear of inflation is disturbing confidence in Canada's financial outlook. If it is, the condition is certainly not confined to Canada. The United States is displaying all of the symptoms which are said to exist at present in Canada.

I do not deplore the current evidence of concern over inflation. On the contrary, I think it is a healthy sign that people are showing concern for the preservation of the purchasing power of the Canadian dollar. That degree of public concern will, I trust, assist governments and others in grappling with the problem. I am concerned, however, that the discussion of this subject should be realistic and balanced. The danger of inflation exists, as it has existed for the last twenty years. We will not, however, overcome it by exaggerating it beyond all recognition.

Indeed, just as a year ago gloomy and exaggerated talk about recession and unemployment actually enlarged the dimensions of these problems by disturbing confidence, so we can today actually bring on some of the feared effects of inflation by yielding to an unwarranted inflation psychology. The current situation is certainly not one of overt inflation but of the fear of inflation. Inflation has been defined as "too many dollars chasing too few goods". There is, however, certainly no scarcity of goods in Canada. The problem with respect to most products and commodities is that we have surpluses of them.

One would expect to find inflation reflected in the Consumer Price Index. The Index in December, however, showed a slight reduction. Over the last year the Index has risen only 2.5 per cent. How modest is this rise may be seen when it is compared with rises of 6 per cent in 1946, 15 per cent in 1947, 7 per cent in 1948, and 10 per cent in 1951. Of the slight increase in 1958 little was in the prices of goods -- food, fuel or clothing. The greater part of it was in the cost of services, especially health care, personal care and recreation.

One would also expect to find inflation reflected in the Wholesale Price Index. However, the general Wholesale Price Index is the same as it was a year ago. It is also 16 points or 7 per cent below the 1951 figure.

The condition with which inflation has currently been associated is an increase in money supply, that is, the total of currency in circulation and deposits in the chartered banks. In the twelve-month period commenced October 1, 1957, money supply in Canada, as so defined, increased by \$1,422 million, or 12 per cent. This increase in money supply was greater than the increase in government debt.