economic trend. Here is what the Prime Minister had to say as reported in *Hansard* for yesterday:

The government believes, and the statistics support it, that the economy has been stimulated in the proper fashion by this government.

If the Prime Minister believes this—and he says he does, so we cannot doubt him—he illustrates a complete lack of knowledge of what economics is all about, because many more things could be done by the government to cut down government outlays and restore a little respect to Canadians by enabling them to find jobs.

● (1542)

The root cause of inflation in any country is government spending and over-spending which results in government deficits. Government deficits must be covered somehow. The government can cover deficits easily. All it has to do is print more money. That does not mean turning on the presses and turning out dollar bills, but it means spreading around the credit and selling a few more bonds to the Bank of Canada. The Bank of Canada does not really want the bonds; neither do investors. The government must get rid of its bonds in order to cover the deficit.

Every home owner in Canada is aware of the fact that he must balance his budget. He can borrow from the bank and a few lending institutions for a while, but he cannot continuously borrow year after year as the government does. The government suggests that, because it is the government, it cannot go bankrupt. I wish that were true. The current inflationary trends, which are not being attacked by the government, are leading Canada into the same type of collapse that any business or family would encounter if their affairs were conducted in the same way as the government conducts its affairs.

As the House is aware, I am a chartered accountant. Accounting principles can be applied to household budgets as well as to national budgets. If one continues to carry out policies which are economically bad, then he must reap the penalties later on.

Canada requires increased production. That would allow for the expansion of the economy in a normal manner. The government recognizes that there is inflation. It quotes figures based on percentage growth year over year, as well as on a much lower rate of real growth. If the government wanted to be more honest when using the term "real growth", it would tell us that this is the rate of growth after inflation is deducted—inflation it is unable or unwilling to cover.

There have been various arguments concerning the causes of inflation. Some people believe that wages cause inflation. Wages may add to the problem of inflation somewhat, but the labour people in Canada are seeking to regain what was lost through the inflation the government has allowed to occur. Because the labour unions are attempting to keep up does not mean that workers are gouging the people of this country.

The government has decided that the minimum wage in Canada will increase. It wants the lowest paid workers to receive the higher minimum amount. Of course these workers have needs, but the floor the government puts under wages has to work its way through the system. That results in higher prices for the consumer. Certainly that adds to inflation, but the point is that it was commenced by the government and not labour.

If a worker is earning $1 over the minimum wage and the minimum wage is increased by 50 cents, then he has to receive a proportionately larger amount. An increase of 25 cents in the minimum wage probably will result in an increase of 60 cents or more at the higher wage levels.

People have indicated that the government cannot control the inflation it imports. That statement is not completely true. Some of the goods Canada imports result in a greater cost to the consumer, but if Canada were more productive, then its dollar would be at a higher level than at present. If that were the case, Canadians might receive $1.08 U.S. on the Canadian dollar, which was the situation two or three years ago, instead of 90 cents today. The devalued Canadian dollar translates into a higher price of approximately 15 per cent on everything imported into Canada, which is a result of government policies. That could and should be avoided.

During the time that my party proposed a freeze some years ago, some people indicated that it would not control imported inflation. Those who said that forgot that the proposed freeze was to be implemented for a temporary period of 90 days. Any importer can control the price of his goods for that period. His orders are usually placed well in advance, and if there had been any problem, it could have been absorbed in his business.

I should like to direct a few remarks toward what can be done in order to resolve inflation. The government must have asked itself what can be done about inflation. Obviously it came up with the answer of controls, some year and a half after indicating how bad controls would be. That might be referred to as bungling or being dishonest. I would not want to say which right now. After a two-year period of application, the controls are not working. I refer to the government's "Year Two" report prepared by the Anti-Inflation Board. Under the section entitled "Fiscal Restraint", the report reads as follows:

The annual increase in federal, provincial and municipal government spending is back to 1972 levels or even lower.

As a comparison, during the first six months of 1977 the annual increase in federal expenditures was 13.7 per cent. At the same time as telling Canadians to tighten their belts and not spend so much money, the government was increasing its expenditures to the extent of 13.7 per cent. Also it might be interesting to note that the increase in municipal spending was 7.4 per cent, and for provincial spending it was 12.1 per cent for the first six months of 1977. Once again the federal government led the way in creating inflationary expenditures, while telling taxpayers to spend less.

Under the section entitled "Wages and Profits Restraint", the report indicates that at the end of Year Two of the program the consumer price index was 8.8 per cent, which was 2.8 per cent over the goal of 6 per cent. There are more current figures available since this was printed which indicate that 9.5 per cent seems to be the rate of increase for the consumer price index rather than 8.8 per cent.

[Mr. Clarke.]