

spending plans. Equally, it appeared to us that government spending plans did not consider sufficiently the capital spending plans of the private business sector.

The public should be able to expect that future expenditures of governments at all levels will occur only within the context of a set of clearly established priorities based on thorough cost-benefit analyses and that existing expenditures will be perpetuated only if they pass continuing examination that utilizes worthwhile efficiency criteria.

SUMMARY

To summarize, then: although the levels of interest rates in Canada are more conditioned by external factors beyond our control, we believe inflation, and inflationary psychology, at home are major contributors to high interest rates.

We acknowledge that the degree of inflation in the U.S. seriously affects us. As more than one witness stated, there can be no price stability in Canada if there is inflation in the U.S. Our two economies are intimately inter-related. That is not to say, however, that we cannot affect the degree of inflation in Canada. We think collective action by Canadians can reduce our inflation.

Our recommendations are directed at:

- (a) Making management, labour and all sections of the economy more accountable to the public interest.
- (b) Increasing the effectiveness of federal government fiscal, monetary and economic measures that may be applied to regulate the economy.
- (c) Concerting the spending plans of the Federal Government, the Provincial Governments, and through the provincial governments, those of the municipalities.

Recommendations

1. The Committee strongly recommends that there be no relaxation of current monetary and fiscal policy until it results in a distinct deceleration in the rate of increase in the elements of cost, particularly incomes, and in prices. The Committee recognizes the importance of programmes which complement the attack against inflation by encouraging improved productivity and diminishing unemployment, especially in the disadvantaged regions of Canada.

2. Anti-inflationary policy must be aimed at the intricate and subtle problem of inflationary psychology. The Committee is convinced that inflation is neither an inevitable nor a necessary concomitant of economic expansion. It urges the government to attack the basis of two prevailing attitudes which encourage inflationary psychology.—viz:

- (a) the view that public policies of restraint are likely to be ineffective;
- (b) The view that almost any price or cost increase will soon be brought on side by similar increases in other industries.

3. Guidelines should be established and published by the government for wage, salary and price increases based on the annual productivity increases of the economy.

4. The Prices and Incomes Commission should now be asked to write a report relating both to the appropriateness of the wage demands that will be made in the coming months by the major unions and to the behavior of prices in the industries involved. It should also be asked to make such report public prior to a settlement being arrived at by labour and management.