

Middle East and Venezuela. The price rose from \$2.80 per barrel to \$12 per barrel in a few years, and so contributed to inflation. So, Madam Speaker, there are four general causes of inflation.

We must make it clear, however, that one thing that is not a cause of inflation is wage demands. It is a popular thing for the Minister of Finance (Mr. Macdonald), the Prime Minister (Mr. Trudeau), and certain newspaper editorialists to point the finger at working people and say their wage demands have caused the terrible inflation we have today. Anyone who takes the time to do an economic and statistical analysis of inflation in Canada in the past three years must conclude that such is not the case, and that wage demands have not pushed up the rate of inflation. As I mentioned earlier, the consumer price index rose by 33 per cent during the past three years but, Madam Speaker, wages rose by 36 per cent, or by just one more per cent each year than the rate at which prices rose.

● (2030)

A few weeks ago the Governor of the Bank of Canada admitted that wage demands have not caused our present inflation. Clearly, most workers were locked in by two or three year contracts. They were forced to accept the rise in prices which took place during the last three years while their wages were fixed by contract. In other words, prices went up before wages went up. It has been the actual experience in Canada that wage demands have always followed increased price demands. That fact is indisputable. Even the Minister of Finance last week during the debate admitted that workers' wage demands had not caused the severe escalation in the cost of living which we have experienced during the past three years.

It may interest hon. members to know that government of Manitoba representatives yesterday, at the finance ministers' conference, used figures compiled by Statistics Canada to demonstrate that since January 75 per cent of today's rise in inflation has been caused by price increases in the fields of transportation, housing, and food.

I admit that unreasonable wage demands can contribute to inflation, and can lead to the inflationary spiral. We oppose, as do others, unjustified wage demands which are not related to parallel increases in productivity or profitability of the company concerned. That situation is the exception in our economy and, as I said previously, the Governor of the Bank of Canada agrees.

The Liberals fought the 1974 election campaign on the theme that they were against controls. But it is interesting to note that in 1972 and 1973, when prices rose dramatically and, hence, profits—average company profits rose by 40 per cent and some oil company profits by as much as 200 per cent—the government did not impose selective price controls to dampen that inflationary spiral. Now, after inflation has got out of hand, the government has been pushed into a corner and has responded by bringing forward the present wage and prices control program.

The Prime Minister has argued that the inflationary psychology of workers, a psychology which has resulted from this government's inaction, is causing workers to demand high wages to catch up. Others are demanding high wages in order to insulate themselves from the inflation which will occur during their next two or three year contracts.

#### *Anti-Inflation Act*

One also hears Liberal cabinet ministers arguing that inflation is caused by too much money chasing too few goods, that we are living beyond our means and that we must begin tightening our belts or in other words, that we must reduce consumer spending. And what will be the effect on the economy of reduced consumer spending?

The government can reduce consumer spending either by increasing taxes of individuals or by controlling wages. Either way the result is less spending money in the hands of people. This means they cannot buy as much, and you will not see too much money chasing too few goods. But when you reduce consumer demand, when you reduce demand for the articles people buy, you affect output. The factories will not produce as much, workers will be laid off, and unemployment will increase. That, exactly, is where we fault the government. It has not thought through properly the implications of the proposed wage controls. They will certainly reduce consumer spending and increase unemployment. And, with 700,000 Canadians presently out of work, unemployment now is bad enough. What is the government thinking? How our people will manage their affairs as we slide further into the recession which the present policy will make worse, I do not know.

The fact is that our economy is not overheated. We are in recession, experiencing our highest levels of unemployment since the great depression. Our manufacturing companies are not, I repeat, are not operating at full capacity. They are not producing all the goods they are capable of producing. For these reasons we say that the government's anti-inflation program is based on false premises, and that its failure to introduce selective price controls during the past three years when prices were running out of control has resulted in our present day inflation.

The present incomes policy which, supposedly, is to control prices but which, as I will demonstrate effectively, will control wages, will force wage earners to pay for the government's lack of policy to control rising prices during the last few years. Actually the Trudeau government will try to fight inflation by controlling wages. The question is: will controls on the scale proposed by the Liberal government work?

I suppose some Liberal members are listening with cynicism. Therefore I will quote one of their favourites, the former minister of finance, the hon. member for Ottawa-Carleton (Mr. Turner). Only eight months ago he said:

The experience of many other countries, most particularly the United States and the United Kingdom, suggests that broad and comprehensive wage and price controls not only tend to disrupt economic growth but over time do little to curb inflation and may, in fact, even aggravate it . . . It is an expanding economy that in time will enable us to grow out of inflation by providing the increase in real purchasing power Canadian families need to meet the increased cost of food and energy.

Clearly, eight months ago the former minister of finance argued that the sort of controls we are now contemplating will not, in the long run, control inflation, but aggravate it.

Some may say that the former minister of finance fell into disfavour, resigned his portfolio, and that therefore his views are suspect. For the sake of people holding those views let me quote the Prime Minister himself. On September 29 last he was interviewed by *Maclean's* magazine.