

*Cost of Living*

meaning. However, in a very real sense inflationary psychology behaves like a disease.

When you are faced with an epidemic of a contagious disease, you do not just fiddle around with selective inoculation. Certainly, you give treatment to those already hit by the effects of the disease, and we have recommended support measures to do this. We continue to support these. But you must also make a massive public assault on halting the spread of the disease. Nobody likes to be given needles. I know that and have always conceded that a great deal of public support would be necessary for the implementation of a comprehensive program of price and income restraints. As the danger of inflation psychology mounts, however, I believe that more and more Canadians are now in a frame of mind to give that support and receive the needle, and join in a program to restore the economic health of this country. Initiating such a program is something that the government has not done and shows no intention of doing.

Sir, why are so many industrialized countries resorting to programs of price and income restraint. Why have they been doing so for some time with varying degrees of success? Why are they doing so if traditional trade-off and counter-cyclical approaches to economic policy are still appropriate and, above all, still sufficient? Surely, these other countries have adopted these programs in an endeavour to achieve at least some stability in their economies. They recognize that the traditional approaches have given us the boom-bust cycle over and over again, with each boom bringing worse inflation than the one previous and each bust bringing worse unemployment. In boom times, what good is a five-figure salary when it is eroded by two-figure inflation. And that is where we are rapidly moving today, Sir, to a two-figure inflation.

**Mr. Nielsen:** I see the Prime Minister (Mr. Trudeau), is nearly asleep. He is bored.

**Mr. Trudeau:** You are not looking too lively yourself.

**Mr. Stanfield:** We are into another spiral now in Canada. What has been the government's response in 1973, as it remains locked into this traditional approach? The government's response has been to increase taxes on those companies producing food, on those companies transporting food and on those companies selling food. This, of course, increases the price to anybody buying food. The government's response has been to push mortgage rates on homes to over 10 per cent. You look at that kind of policy and conclude that we could well change the title of the Minister of Finance to minister of flat earth and other absurdities.

**Some hon. Members:** Hear, hear!

**Mr. Stanfield:** How can anybody seriously consider the policies of our Minister of Finance and say to all those other countries, "You are all out of step but our John."

Now, we have the International Monetary Fund, in its annual report released yesterday, urging nations who are cooling off their economies through the use of their federal budgets and control of money and credit to supplement these anti-inflation tools with price and income controls. I wish to take a minute to read from their report.

[Mr. Stanfield.]

After emphasizing the difficulties of controlling inflation, at page 6 the report reads:

—In any case there seems to be a growing belief that the task of dealing effectively with inflation will require national governments to use a wide range of policy instruments—to buttress fiscal and monetary policies with other policy measures, such as incomes (including prices) policy, regional policies, manpower policies, and the like, depending on the particular circumstances. Such a viewpoint reflects (a) the disappointing experience that many countries had in relying solely on fiscal and monetary policies to handle the problem of inflation in the past several years and (b) an increasing recognition that the problem may stem, at least in part, from specific features of the economic structure or economic process not clearly related to the level of aggregate demand. Many countries have in particular been making use of incomes policy as a supplement to the instruments of demand management; this seems generally sensible and appropriate since it provides a possible way for countries to achieve a better reconciliation of their aims with respect to resource utilization and price stability than otherwise would be realized.

I believe that our Minister of Finance was going to attend a meeting of the International Monetary Fund in order to provide some leadership.

The fund report then goes on to say, and it is nice to see a factual appraisal of this for a change, that the United States decision to drop mandatory controls too early in the game was a mistake. I have expressed the same opinion for some months and indicated that we could learn something from the United States experience.

The slogan mongers who are in the apology business have invented a phrase about "the disastrous U.S. experience". They have vigorously peddled this questionable gem as a rationale for inaction. The principle seems to be: If your argument is to throw out the baby with the bath water, then it is certainly better not to bathe the baby at all.

Sir, there are some who honestly do not understand what we have been proposing and there are others who have chosen not to understand what we have been proposing. There are some, even, who have chosen to misrepresent what we have been saying.

**An hon. Member:** Are you listening, little David?

**Mr. Stanfield:** I will take a few moments to review the essence of our approach.

● (1520)

First, let there be no misunderstanding. We have never represented a so-called freeze as the be-all and end-all, no more than a dentist would represent the freezing of a tooth as the treatment. Those who suggest we are presenting a freeze as a policy to combat inflation are misrepresenting our position.

Our position is to put into place an economic stabilization plan incorporating for a temporary period strict mandatory controls of prices and incomes. The time we envisage for such strict temporary controls is in the order of 18 months to two years.

**Mr. Trudeau:** Including food.

**Mr. Stanfield:** I am glad the Prime Minister (Mr. Trudeau) finally woke up. If he wants advice on this subject, I