Mr. Benson: This money has come in and is continuing to come in. As I was saying, in contrast to the present degree of confidence in Canada reflected by the strength of the Canadian dollar, there would be a flight of capital from the country. This could lead very quickly to a major balance of payments crisis, which would finally leave the government with no choice but to resume the battle against inflation once again, a battle that by then would be just that much harder to win.

To follow such a course is clearly not in the national interest. Instead, the government has followed the slower and more arduous course of working to dampen down the fires of inflation while avoiding the danger of recession. While our position remains flexible and alert to any changes in underlying economic conditions, to date the economy has followed closely the path we foresaw at the time I introduced the budget last March.

The present course of economic restraint being followed by the government is not unique to Canada. To a greater or lesser degree, it is the same course that is currently being followed by most of the industrialized nations, virtually all of which face a common inflationary problem. This is particularly true of the United States, which has adopted fiscal and monetary restraints that closely parallel the thrust of our own. I might observe, Mr. Speaker, that not only have these restraints received a broad measure of support from businessmen in the United States, but also from a number of the leading economists outside of the administration. I might also point out that unemployment in the United States on a seasonally adjusted basis rose from 4.4 per cent in March to 4.8 per cent in April, following the same trend as that evident in Canada.

Ironically, what concern has been expressed over the direction of administration policies in the United States has tended to focus on the possibility that fiscal and monetary restraints may not be sufficiently restrictive in combination to check the momentum of inflation within a reasonable period of time.

Within recent months there have been a few tentative but encouraging signs that the government's efforts to moderate the growth of the economy may have helped to bring about a slowdown in the rate of price increases. Over a seven-month period from September, 1969 to April of this year, the consumer price index rose at an annual rate of 4.1 per cent, compared to an annual rate increase of 7.1 per cent between February and August of last year. Unfortunately, however, there has still been no comparable slowing down in the rate of increase of wages and salaries, which represent the major component of costs. If anything, the reverse is the case. Figures for the first quarter of 1970 indicate that there has been some acceleration in the rate of wage increases approved as part of major collective bargaining negotiations between mid-January and March.

In a speech to the Canadian Club of Toronto on April 20, the Governor of the Bank of Canada observed:

> So far as wages are concerned, the average pattern of recent settlements under collective bargaining suggests that we are continuing to build into major sectors of the economy average annual increases in excess of 8 per cent; broader measures of wages and salaries actually received are still showing year-to-year increases of 7 to 7½ per cent on average.

The Governor continued:

> These rates of pay increase are obviously far in excess of the average productivity growth in our economy and are not compatible with a movement towards price stability.

In an article published in the current issue of the *Labour Gazette*, Professor E. P. Neufeld of the University of Toronto, one of Canada's leading economists, noted that we are suffering from a high and persistent rate of inflation. He states that:

> If we examine current trends in wage rates and wage rate settlements, we are forced to conclude also that, in the absence of strong and persistent anti-inflationary action, current inflationary trends will continue for several more years.

• (2:40 p.m.)

As the House is well aware, the government has strongly supported the undertaking of the Prices and Incomes Commission to gain support from all sectors of the economy for voluntary restraint of cost and price increases. To the extent it is successful, such an effort would make it possible for the government to ease its restraints on the growth of the economy. It is a matter of considerable regret that leaders of organized labour have to date not only declined to co-operate with the Commission, but also have consistently rejected any responsibility for contributing in any way to the restoration of cost-price stability.

In its submission to the cabinet on March 23, the Canadian Labour Congress maintained that there should now be enough sophistication in the nation about economic matters to make it unnecessary to point out that private