

almost all walks of life who seem to have reached the conclusion that now is the time to get more while the getting is good. As a result we have had accelerating increases in prices and costs, accompanied by urgent and pressing demands by special groups for more income, using whatever means are open to them.

DEMANDS ON ECONOMY MUST ABATE

We have now reached a position that is unstable — the present trends just cannot continue for long into the future. We cannot all get what we want and do what we want; if everyone tries, there is going to be an excessive rise in prices and in costs, because right now the country just couldn't — no matter how hard it tries — produce enough to meet all the demands. If this kind of boom goes on, many will suffer as a result of higher prices and from the inevitable upset that will follow. All Canadians will suffer if a continued boom should lead to a bust. We must moderate our pace so that we can continue to grow in a steady way, with a continually increasing standard of living and with the economic and social improvements that we can afford year by year. Such moderation does not require that we cease to make progress toward social justice nor that those who have lacked opportunities must be left without help.

Let us bear in mind some simple facts. We are now producing about all we can in Canada this year. We have excellent market opportunities at home and in other countries. We have again been lucky in getting huge grain crops at a time when grains are in great demand. Our labour force is growing at a rate of a bit over 3 per cent a year — and is becoming better educated and trained. Our productivity — the volume of goods and services per worker that we can produce — is growing somewhere between 2 and 3 per cent a year overall. Canadians can expect an increasing standard of living — on the average — which increases at a rate that bears some relationship to their average increase in productivity — say about 3 per cent a year over a long period....

If...some succeed by the strength of their position in getting substantially more than this increase in real income from year to year, others must get less than this increase. This applies to the owners of companies that sell goods to earn profits as well as those who sell their labour to earn salaries and wages.

We must also recognize that the average Canadian, although he is a fortunate citizen of the world and can look forward to a steadily rising standard of living, cannot have the same standard of living as the average American — at least not for some years. We just don't produce as much — we have not the same productivity in our industry — and we are not as rich in capital and technical capacity.

Our prices and wages are the result of bargaining and of market forces — and of the efforts of individuals, businesses and groups to better their position. Prices are not held under control by governments, either federal or provincial, apart from minor exceptions like public utilities, which enjoy monopoly positions. There are laws to prevent businesses from

combining to increase or maintain their prices and profits. Such laws do not apply to workers, however, who are not only permitted but encouraged to organize and bargain collectively. This is one of the cornerstones of modern industrial democracy. On the whole this system has worked and has enabled great progress to be made in improving the incomes and status of workers. Parliament is engaged this session in setting up a framework for the extension to its own civil servants of this power to organize and bargain collectively — so it is clear we think well of it in principle.

Our experience this year, however, shows that these processes by which Canadians increase their incomes — their prices, their profits and their wages — have dangers as well as virtues. They can bring about excessive demands and excessive increases. They can promote inflation at the high levels of employment, and low levels of unemployment which we have now achieved. It is clear that, if we are to succeed in maintaining high employment along with price stability, we must improve the working of our economy. We do not want to be forced to aim at a lower level of employment in order to avoid inflation. This is the kind of cure for inflation that could be almost as bad as the disease, and is to be avoided if at all possible. But to maintain high levels of employment without inflation is not a task for the Government alone — it is only possible if business and workers will accept it as a serious objective and help to make it possible.

HALTING EXCESSIVE PRICE RISE

I think we should all agree that we should not let our economy persist in this rising and excessive rate of increase in prices and costs — including wages. But it is easier to reach that judgment than to implement it. What practical means can we use to check this rise — and to get back on to a stable path of economic growth?

First we recognize that most of us do not want — and in any event we cannot impose — Federal Government control over prices and wages generally. This is only within Parliament's powers during a national emergency like war. In practice, price and wage controls would be unworkable in a diverse economy such as ours, so actively engaged in foreign trade and based essentially on a free-market system for business and collective bargaining for labour. I say this as one of those actively involved in the successful war-time price and wage controls. Moreover, we as politicians really do not want the responsibility for deciding on everyone's prices and wages — we should be in endless trouble. Our recent experience in trying to deal with railway wages is evidence enough on that point.

Secondly, we must consider the possibilities of an "incomes policy" such as some overseas countries have had, or "guide-posts" for wage and price increases such as the United States has had. An incomes policy implies not a government control but the expression of government views to focus public opinion on changes in particular prices and particular wage disputes. It involves persuasion and, if