

understand its causes nor believe there is anything they can do about the problem. It is important, therefore, that the people of Canada understand the nature and causes of inflation and come to the potent realization that if all of us make a commitment to co-operation we can pack a mighty clout. If Canadians, as individual citizens and consumers, as producers and businessmen, as trade unionists and professionals, as farmers and members of governments, really decided to work together in the one direction of the common good, instead of in the many competing directions of self-interest, we would find we have the strength to deliver a much more powerful blow against inflation.

It is understandable why each group in the price chain feels it must protect itself against rising prices, that it must get a better return for its resources, investment, labour or risk. Yet it has become increasingly clear to everyone that the vicious circle we have created is self-defeating; that even the strong are suffering; that the plight of the weak and unorganized is getting worse; that there must be a better way. There is a better way, if we have the courage and the common sense to pursue it. In normal, non-inflationary times we all accepted the vigorous jockeying for position among the various economic groups in our society. Buyer and seller, producer and consumer, business and labour pitted their strengths against each other in the marketplace and thereby established the share each received of our total national income.

The traditional sharing may or may not have been fair, but at least we had a stable economic framework within which we could apply selective judgments designed to achieve greater economic and social justice. With normal increases in productivity, the size of the pie got bigger. While each group maintained its traditional share, each became better off because an expanding pie gave bigger pieces.

In inflationary times, the relative size of the shares gets thrown out of whack. For example, Canada could not insulate itself completely against the rapidly rising price of oil around the world. It was inevitable that foreign and domestic oil producers would increase to some degree their share of the national income pie. However, if every other group insists on maintaining or increasing its traditional share, inflation is the unavoidable result. That is to say, if the shares add up to more than 100 per cent, if the total claim on income is greater than the sum of the real value of what we produce, then the effort to increase shares when we are at high levels of economic activity and employment causes the dollar value of national income to be raised artificially. That is inflation. Everybody's dollar is worth less.

In normal times, if one economic group increases its share of the pie another group gets a smaller share. If labour gains, business pays through lower profits. If pensioners gain, those who are currently working pay through taxes. What causes instability is the fact that no group, even though it recognizes the inevitability or desirability of a larger share going to someone else, is willing to accept a smaller share for itself. When we, as a country, give a larger share to the oil producing countries because we cannot avoid it, or to our own farmers because justice demands it, then there are only two possible consequences—either other groups in Canada accept a propor-

The Budget—Mr. Trudeau

tionately smaller increase in their incomes and we have a non-inflationary redistribution, or those other groups insist on maintaining their traditional shares and we have to increase the money supply, resulting in inflation. Which do we want? If we want stability, then we must pay for it: all of us must pay for it, excepting only those groups to whom we give a bigger share either voluntarily or involuntarily.

If we want stability, then it makes no sense to say, "Yes, I agree that farmers, fishermen, pensioners or our native population, deserve a bigger share; but don't try to take it from me." Where are these bigger shares to come from, if everyone refuses to budge? I am not asking business, the workingman, the investor or the other levels of government to bear an unfair share of the burden of income redistribution. No one expects any one group to do all the suffering for the rest of us. We can succeed only if all the power groups in our national community, and all the strong countries in the community of nations, are willing to scale down their demands so that those in need may survive and economic stability be restored.

How do we start on the road toward stability, on the road toward some kind of agreement among the strong power groups in Canada, an agreement about how the pie should be divided equitably? We start by talking to each other, by seeking together a greater understanding of the problem which afflicts us all—inflation and the fears and problems it creates. If business and labour, government and the press, the farmer and the consumer could learn to understand each other's problems it should be possible to co-operate on the basis of that understanding.

That is why the government is launching a program of consultation with various interest groups across the country. Before any program of shared national restraint has a chance of success, Canadians in different power groups must come to know each other, understand each other and trust each other a lot better than we do now. No group can be expected to scale down its demands upon the economy unless it has reasonable assurance that the effort of scaling down will be shared equitably with other groups, with none going backward but some going forward somewhat less than they might otherwise have liked. Obviously, the federal government must take the lead in bringing together competing interests to serve the national interest. We are not shrinking from that challenge. We were given a mandate to lead and we are exercising that mandate—

Some hon. Members: Hear, hear!

Mr. Trudeau:—both here at home and in our international efforts to restore stability to the world marketplace. The budget is the proof of our determination. We are saying to business and to labour, "The federal government is willing to reduce its take of the national income by \$2.2 billion, in the hope that you will moderate your claims for increasing profits and wages". We are saying to corporations, "The budget is giving you generous write-off allowances, lower sales taxes on building materials and construction equipment, capital cost allowances, pollution control assistance and general encouragement of investment. If you didn't get this assistance your costs would be higher, so you would have to push your prices up. So when you're setting your prices, when you're calculating the