

Price Stability

The white paper on policies for price stability envisaged that the joint committee would provide a very valuable parliamentary forum for the public consideration of the reports of the Prices and Incomes Commission and for public hearings and airings and reviews of trends in major price and income development in the private sector of our economy. The white paper recognized the necessity of undertaking a continuous analysis of cost and price developments and of studying the causes and effects of inflation outside the traditional framework of the government decision-making process.

The government proposed the formation of the Prices and Incomes Commission to perform this function, a proposal that at the time received wide support and led to the commission's establishment last summer. In the white paper we said of the commission that its "primary influence should be directed to rallying a strong sense of social responsibility, on the part of those making private price and income decision, in support of the national interest in price stability". We further said, "To achieve this, it will be necessary for the commission to win the continuing acceptance and co-operation of major economic interest groups" and gave our opinion that it could "win this support only by maintaining close consultation with such groups on a regular basis." In the statement I made at the time of the appointment of the commission I said:

The commission will be asked to inquire into and report upon the causes, processes and consequences of inflation and to inform those making current price and income decisions, the general public and the government on how price stability may best be achieved. The commission will be authorized to prepare and publish from time to time under its own authority specific reports on:

- (a) the results of their studies and investigations of the matters outlined above;
- (b) current developments in costs, prices, productivity and incomes in particular sectors and industries within the economy and for the Canadian economy as a whole.

Following its appointment, the commission accordingly began by devoting most of its efforts toward establishing close relations with leaders of major economic interest groups and winning their support through private discussions for a program of voluntary restraints on prices and incomes. There was at that time, as there has been since, criticism of this approach. Some people suggested that the idea that leaders of interest groups might be induced to give adherence to such a program was illusory; others, while not ruling out the possibility, considered that

agreement could be achieved only after the commission had engaged in a lengthy program of self-education followed by public education. Nevertheless, the commission persevered even in the face of setbacks which seemed insurmountable some months ago, and this February it achieved a good measure of success in reaching its initial objective. At the National Conference on Price Stability a large group of business leaders agreed on criteria designed to reduce the number and size of price increases business will make in 1970.

Mr. Orlikow: That is a fake.

Mr. Basford: The agreement is in terms sufficiently specific to make it possible in individual instances to determine whether it is being met or not—in other words, whether these pricing criteria are being followed or not. The program agreed upon at the National Conference on Price Stability was supported by the first ministers of Canada and all the provinces at the federal-provincial conference the following week.

It is interesting to note that shortly after that conference and as a result of it we announced the deferral of a whole range of government fee increases we had intended implementing. They were deferred because of the inflationary situation in the country. Following the conference, the provinces were asked to concern themselves with reviewing their laws relating, for example, to the cost of housing and rental accommodation particularly. Following that conference some provinces have reviewed their laws and some have proposed legislation which will have a restraining effect on rent increases.

In my view, the commission and business leaders together at the National Conference on Price Stability made a significant contribution to the objective of achieving better price stability at much less cost, in terms of output and employment, than would result from exclusive reliance on the traditional fiscal and monetary weapons.

The commission has embarked on a number of reviews of specific price situations in order to determine whether these have been developing in line with the criteria. It is obviously important that the commission come to conclusions rapidly and transmit these conclusions rapidly to the firms concerned and to the governments. If it is to do this as quickly as possible it cannot hold extensive public hearings. However, I think the House will agree that public examination and discussion of these reports is needed, and surely there