

*Anti-Inflation Act*

price index of 8 per cent. In fact, the increase was 6½ per cent, a notable reduction from the 11 per cent increase recorded in the previous 12 months—not all attributable, of course, to the controls program. There was an element of good luck and good fortune as well. In the second year now under way, the objective is a 6 per cent increase in the consumer price index. This may or may not be attained because of price increases in food and imports which are not fully under the control of the program, but it looks as if the target will not be missed by more than about one per cent or so. If this is, in fact, the result, it can be said that over the first two years the control's program did at least achieve, and may better, its consumer price target.

● (1710)

Most independent observers are of the view that this was not a coincidence, that the controls, notwithstanding their limitations, did bring about an immediate and significant reduction in the rate of price and cost increases beyond what would otherwise have occurred by the free play of market forces and collective bargaining. I think it is also fair to say that most independent observers are also of the view that the rate of increase in prices and costs is still excessive, that the controls have been effective all right, but that domestically-generated inflation is still serious.

One valid criticism of any comprehensive system of prices and incomes controls that restrains incomes and prices in accordance with some yardstick is that it results in inequities amongst the various participants in the economic process. Wage earners who have fallen behind feel that controls prevent a full restoration of their relative status. Some professionals may feel they have been unfairly treated. Wage earners may feel that professionals and business executives are not being as closely controlled as they are. Businessmen contend that profits are being held so low as to inhibit investment, and so forth. Every effort should, of course, be made to achieve fairness and equity, but regardless of what form the regulations take, those that are effective are also to some degree arbitrary. This is one of the main reasons why controls should be temporary. They are, in the nature of things, bound to cause distortions.

What can be said about the period since October, 1975, is that on the average wages have risen more quickly than prices, so that for those who are working there has been an improvement in the average standard of living, although not necessarily, of course, in the standard of living of every working Canadian. For example, wage rates on the average rose approximately 10 per cent during the first year of the control period, as against an increase in the consumer price index of 6½ per cent; and while we do not have final figures for the period that is now under way, the second period, I understand that wages are still surpassing prices. If you look at the whole period, whatever else one can say about it, the wage earner has improved his relative position.

What is less satisfactory and a cause for concern is that, notwithstanding controls, wages have risen on the average

[Mr. Sharp.]

more quickly than average productivity, which means that there is a continuing upward pressure on costs and prices of domestically produced goods and services.

Mr. Speaker, I trust there is agreement on all sides that it is of the utmost urgency to try by every means to bring an end to the inflationary bias that now seems to permeate the economies of the industrialized countries of the world, including Canada. It is no longer a question of choosing between inflation and unemployment, if these ever were valid alternatives. Inflation threatens to undermine the stability of our societies, and by so doing to jeopardize employment opportunities and conceivably to bring about even worse dislocation and social unrest.

No one can be quite sure how this inflationary bias is to be eliminated. I have heard the opposition criticize the government for not having a sure remedy for all these ills. I have greater confidence in the government, because they are not quite sure what should be done. I suspect that there are no simple methods, that the problem has to be tackled on several fronts, by prudent fiscal and monetary policies and, also, I am convinced, by concerted efforts on the part of political, business and labour leaders to achieve consensus as to the price and wage objectives that are in the national interest.

I know that efforts made prior to the imposition of mandatory controls to achieve voluntary restraint were not particularly successful. I was in the government at the time, and I sympathize with the Minister of Finance, the Minister of Labour (Mr. Munro) and other colleagues who were endeavouring to bring about a program of voluntary restraint and found that it was an extremely difficult exercise. I venture to say, however, that the dangers of persistent inflation were not as well understood two or three years ago as they are today. It also is encouraging that progress has been made recently in working out a format of consultation which could serve to bring together principal decision-makers.

I have been following with great interest the debate on the control of inflation that has been going on around the world, not only in Canada but in Europe and in the United States. I have been listening to the various economists expressing their views on what is the right and perhaps the only way of controlling inflation, and I heard the other day some reference being made to the views of Professor Milton Freidman who said that there was only one way of controlling inflation, and that was by controlling the money supply. He said that you can stop inflation if you stop creating money in order to finance the business of the country. I am skeptical, however, about the acceptability of this remedy as a sovereign cure when the pressure builds up. That is why, it seems to me, some consensus amongst the principal decision-makers as to price and wage objectives would be helpful.

It would be much easier for those who try to exercise some control over the money supply or over fiscal policy if these decisions could be made within the framework in which there was general agreement as to objectives. This happens in other free societies, and while our institutions and conventions are in many ways unique—I regret to say we are one of the most