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National effort required to battle the problem of inflation

In an address to the Canadian Club of Toronto on January 27, Finance Minister John Turner pointed out that the nature of inflation in Canada was changing. Whereas initially, he said, it had been created by a world-wide boom that caused demand of many commodities to exceed supply and by the "fourfold increase in oil prices", the main reason now was the rapid escalation of wages and salaries to keep pace with the rising cost of living.

To combat the problem Mr. Turner called for the "support and co-operation of every group" in the country. Passages from his speech follow:

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Resolving this critical problem will take time, patience and persistent effort. It has now become so deeply entrenched in the world economy that it cannot be expected to yield quickly or easily even to the most Draconian of policies — as the recent experience in the U.S. has indicated. There is no magic solution, no miraculous stroke of "leadership" by government that is going to make the problem suddenly disappear. Now more than ever it requires the support and co-operation of every group in our economy.

All of which brings me to the effort we have now launched in a more formal way to seek accord among these groups on national goals for steadily reducing the rate of inflation and on practical and acceptable means of achieving those objectives.

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What tends to be overlooked is the fact that we are also confronted by circumstances that are very different from any we have experienced in the past. Economically, the world faces a far more critical situation than at any time since the last war.

This essential fact was clearly recognized by Joe Morris, President of the Canadian Labour Congress, in his New Year's message:

"Apart from the hardship inflation poses to wage and salary earners, pensioners and, in general, all middle and lower income groups, there is a definite danger that the problem may, if it is not curbed soon, destroy the very social fabric of our country and other countries as radically and surely as violent revolution," he warned.

"On the international front, the

danger is that countries will take steps to protect themselves without any consideration for the damage such isolationist steps may cause other countries and the world as a whole," he continued.

"In Canada, individual groups may tend to look out for their own interests alone in order to protect themselves from the dangers of inflation, often unconcerned or simply unaware that by doing so they are hurting other groups, thereby ultimately hurting themselves."

Controls not the answer

But the stark nature of the problem confronting us is not the only new factor which needs to be taken into account. We have found from sad experience that the classic method of combating inflation — sharply restraining economic growth — has become increasingly less effective in achieving its purpose. Furthermore, it is not a viable or acceptable alternative in a country such as ours with a very rapidly growing labour force. The experience of many other countries, most particularly the U.S. and Britain, suggests that broad and comprehensive wage and price controls not only tend to disrupt economic growth, but over time do little to curb inflation and may, in fact, even aggravate it....

That leaves only one alternative, the alternative now being pursued both by the United States and Britain — voluntary support for a national effort to gear down the rate of inflation. When British Prime Minister Harold Wilson was asked throughout the election campaign in Britain last fall what the situation would be if this approach did