

ue to pay top attention to removing unsettling fluctuations in the supply and price of our domestic products. The Speech from the Throne provides measures that do these very things.

We do not think wage and price controls will help. Tonight again, just as the Leader of the Opposition in the other place did, the Leader of the Opposition in the Senate came out for wage and price controls. He has the right to do that, but we have to examine what would be the effect if we were to bring in a general system of wage and price controls. Can we ignore the experience of other countries? Can we ignore what the leading economists of the world say about what we should do in this regard? Can we ignore what a committee of this Senate found in 1971?

● (2130)

In the United States and the United Kingdom the sources of supply were dried up by price controls. The result was a temporary fixed price for scarce and sometimes unavailable products, followed by a breakaway rise in price when the controls were removed. That is the fact. We know from the political crisis in the United Kingdom that that is the situation, as was admitted by Mr. Harold Wilson two nights before the recent election in the United Kingdom.

I have in my hand the report of the Standing Senate Committee on National Finance entitled "Growth, Employment and Price Stability", under the chairmanship of Senator Everett, and the deputy chairmanship of Senator Molson. It will be remembered that a leading member of the House of Commons, the financial critic for the Opposition in the other place, was this committee's chief economic counsel. This is what the committee concluded:

While we advocate one very special kind of incomes policy for Canada we are in general deeply skeptical about most varieties of controls, guide-lines and incomes policies. Their historical record of effectiveness against inflation is poor, and they pose important threats to personal freedom and economic dynamism. They also tend to divert attention from more effective anti-inflationary policies. Problems of public acceptability alone would militate against selective wage-price controls. The control system would likely be either general in its application or a largely meaningless gesture. Controls are one of the least desirable of all economic price stabilization tools. If they are used at all in peacetime it should be on a short-term emergency basis.

That last sentence gives some comfort to my honourable friend, but if he looks at the sentence carefully he will see it begins, "If they are used at all..." The Committee recommends against their use.

**Hon. Mr. Flynn:** That was in 1971, not in 1974.

**Hon. Mr. Martin:** All right. In 1971, nevertheless, we were reminded in this very debate by the Leader of the Opposition that inflation had been a serious problem for some time, and that the government was doing little about it.

**Hon. Mr. Flynn:** It was nothing compared to what we have now.

**Hon. Mr. Martin:** Well, of course, the problem is serious.

[Hon. Mr. Martin.]

I point out that the sharp rise that has taken place in consumer prices over the past months is a matter of deep concern to this government. We regard this as perhaps the most serious problem facing Canada. We must, however, look at the problem in the light of its world context, in the light of the fact that we are a trading nation, in the light of the fact that the Opposition and other political parties and the people of Canada do not want us to resort once again to tight money policies.

Although the results may be the same, the cause of inflation varies considerably. The current inflationary pressures are worldwide, as I said. They are worldwide in origin, and they are generated by a unique combination of international circumstances. For the first time, the economies of all the major industrial nations have surged forward simultaneously, and this in turn has led to a rapid and large increase in demand for a wide variety of internationally traded goods at a time when many of them are in short supply as the result of various factors.

Food products are the most acute example of the adverse impact of these forces. The output of many basic food commodities was reduced substantially last year because of poor harvest conditions in a number of countries. At the same time, sharply rising incomes led to a substantial increase in demand for foods of all kinds, particularly wheat. Food costs, as a result, have climbed steeply, accounting for some two-thirds of above average increase in consumer prices among the 24 nations that make up the Organization for Economic Co-Operation and Development mentioned by the Leader of the Opposition in his speech.

In Canada and the United States the problem has been compounded by the significantly increased cost of many imported goods caused by the substantial appreciation during the past year of the currencies of a number of their major trading partners. The problem has been further intensified here in Canada by the adverse effect of the renewed United States price freeze last summer, which only served to reduce supplies and push up prices still further, and by United States export controls on a number of commodities.

It is the government's conviction—and it has advice not only from the Public Service but from other sources, such as its contacts with other countries and other governments—that Canada, as a major international trading nation, cannot expect to isolate itself from these worldwide inflationary forces by measures aimed at curbing prices, which at the same time would not damage the longer-term economic interests of the nation as a whole. When the inflationary problem is caused by an international imbalance of supply and demand, the only solution is to increase supply. This may not always have been government policy, but it is now the right method.

Given the inescapable increases in the prices of oil, food and other commodities, price stability might be partially restored in the short run by lowering prices of other goods and services. To achieve this by deflationary measures would involve a degree of unemployment and a reduction of real output which would be totally unacceptable to the government and the people of Canada.

Long ago, I can tell the house, the government drew up a plan for controlling prices and incomes as a matter of