

was asked by the government to undertake a special study of the relationship between prices, costs, productivity and incomes, the problems of reconciling price stability with other economic goals, and the policies and experience of other countries in this regard. The Economic Council's report on that study stressed the importance of monetary and fiscal policies, on which the deputy leader of the NDP poured scorn today, and it recommended a number of long-term policies such as labour mobility and training programs, which the government is following. But on the matter of an incomes policy, the council defined such a policy as having three main components: a set of general guidelines for incomes and prices in the whole economy; a means of making those guidelines relevant for individual price and wage decisions; and a means of inducing conformity to the guidelines.

At that time the Council recommended against this approach for Canada, although it did not completely rule out under all circumstances the adoption of an incomes policy in this country. They recognized that there could be circumstances in which sufficient voluntary support might be rallied behind that program to make the policy effective for a temporary period. In December, 1968, I tabled in the House the white paper on price stability which analysed the inflationary problems facing Canada and gave notice of the government's intention to establish the Prices and Incomes Commission. Following publication of the white paper I held consultations with a large number of businessmen, leaders of the trade union movement, professional people, consumers and others. In those consultations we discussed the potential role of the commission and obtained a wide measure of support for the policies proposed in that document.

I would like to draw particular attention to one key sentence in that white paper. Speaking of the experience of other countries with incomes policies we pointed out:

—this experience has shown the critical importance of having broad acceptance of voluntary restraint.

As the House knows, the commission was appointed last July, and the Leader of the Opposition both before the appointment and since has been asking questions almost daily in the House, somewhat ridiculing me as the minister responsible for the commission and ridiculing the work of the commission. As I said today, I am delighted to see him solidly behind the program of the commission, and

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delighted to discover that what he has been saying for the last year he really did not mean at all.

The commission began work immediately, and in August they began to explore a concerted program to bring about greater price stability with representatives of business, labour, the professions, and with the federal and provincial governments. The commission noted at that time that the governments of Canada and the United States were committed to bringing this inflation to an end, and, as the Minister of Finance confirmed today, that is our determination. We have adopted credit and fiscal policies designed to achieve this. But given the momentum and the pervasive nature of the inflationary forces, this will take time and might have undesirable side effects. It seemed to the commission, and it seems to me, that a smoother, shorter and less painful transition back to price stability could be achieved if some way were found to cut directly into the spiral of price and income increases to slow it down more quickly. If this could be done, it would be possible to moderate government policies of budgetary and credit restraint earlier and soften some of their most painful side effects.

The commission was told on October 17, after a series of meetings, that the leaders of the two major trade union federations rejected as impractical any approach that might involve an explicit formula limiting wage and salary increases. The commission then decided to explore with business leaders alone the possibility of working out a more limited set of commitments applicable to price decisions through 1970. The objective would be that price increases should not exceed what might be necessary to recover increases in cost, and should normally be clearly less than that.

● (4:50 p.m.)

Exploratory discussions with the business community were encouraging enough to justify the commission's proposing a national conference on price stability, the conference that was held on Monday and Tuesday of this week. Quoting briefly from a preliminary background statement of the commission I read:

The first step would be to try to work out, through informal consultation with business executives representative of various industries, specific criteria for business pricing policies during 1970 which, if widely observed, would result in fewer and smaller price increases than might occur otherwise. Such criteria would necessarily require of business firms a meaningful effort on their part to do as much to limit price increases as could rea-