

surprised that the NDP would urge such a proposal because we hear so frequently from that party their condemnation of independent boards that have control over prices.

When the Canadian Transport Commission recommended a price increase for Bell Canada it was the NDP that called for the cabinet to take action. The point here is not the Bell Canada increase but, rather, who should take the action. I believe it is the government that ought to take full responsibility under the glare of parliament, under the daily criticism and questioning of parliament. It should have the responsibility for taking such very strong action as rolling back somebody's prices and possibly not rolling back somebody else's. Of course, the Prices Review Board is quite free to recommend to the government that certain prices be decreased. But it is the government of Canada, being aware of its constitutional position, which must make the ultimate decision. To delegate such sweeping powers to a board of inquiry could be very devastating. It could cause some serious dislocations in our economy, particularly in relation to the supply of necessary foodstuffs.

Concern over inflation has led members of the Special Committee on Trends in Food Prices to consider on more than one occasion the advisability of resorting to controls. The committee has not shunned its responsibility for looking at this particular course of action. I think the members have done so in a very serious, responsible way, but the committee in its two reports to date has made no such recommendation to the government, nor has the Food Prices Review Board up to this time. If the board ever does, Mr. Speaker, the committee would certainly want to examine its reasoning with very close scrutiny.

So far, however, most of the sound evidence appears to be in opposition to the imposition of controls. For example, a recent study prepared for the board by Professor David Smith, who looked at the situation in Great Britain, indicates that a temporary resort to controls can make more appropriate monetary demand management even more difficult to attain.

Mr. Atkey: He said that in 1966, too.

Mr. Penner: That is fine. The truth does not alter from year to year. Controls, it is argued by this professor, can cause more severe inflationary problems in the future. Price freezes or other controls at best only suppress prices for a short time. Once a freeze is ended, prices explode. They did in the United States. Indeed, the success claimed for the initial control program in the U.S.A. really was the result of much earlier restrictive monetary policy and the slack in the economy.

Attempts by the U.S. government to control prices have demonstrated quite clearly not only the ineffectiveness of such controls, but, indeed, their perverse effects. Nevertheless, some members recognize that there are certain political attractions in a temporary resort to controls. It is most appealing in certain ways because it gives the appearance of doing something that is bold and effective. I emphasize that it gives the appearance of doing that, but a great many serious-minded observers and commentators, including leading economists, continue to cast doubts on this approach to fighting inflation.

Food Prices

Recently, the president of the French Employers Organization pointed out that since 1945 France has issued 25,931 price control decrees. Despite that huge outflow of bureaucratic decrees, a 10-ounce jar of instant coffee in Paris costs \$3.75, and a pound of sirloin \$2.95. Price controls represent decisions by a few men given authority to press buttons which they think will give the desired results, that is, reduce inflation and stabilize prices. The trouble is that humans, no matter how clever or well intentioned, never know for certain what will happen when they push the buttons.

Did price controllers elsewhere know that putting controls on prices at one level but not another would make farmers destroy eggs, kill baby chicks and laying hens, and sell off their sows because under the control system it cost more to produce chickens, eggs and hogs than they could get when they sold them? Did price controllers know that many meat packers would have to close down? In effect, the controls reduced supplies of these products. This process tended to force prices up, not down.

In contrast to that, the Government of Canada takes the position, and the hon. member for Medicine Hat (Mr. Hargrave) reinforces this view, that the measures we must take are those designed to conserve and increase the supply of food while at the same time protecting farm incomes. Certainly it is a finely balanced course that the government is following, but it is a serious and a responsible approach.

Falling prices or set prices can discourage production. Marina von N. Whitman of the U.S. Council of Economic Advisers has warned as follows, and she ought to know a great deal about this subject:

Direct controls on food are far from the whole answer, and in the long run they are not the answer at all. Controls which hold prices below the levels which market conditions would otherwise generate for any sustained length of time are bound to create shortages, and thus the necessity for some means of rationing to substitute for the rationing function normally performed by prices in a free-market economy such as ours.

When a price control freezes the price on a product which is in short supply and which is costly to produce, naturally the producers will be reluctant to sell. One writer on economic matters said recently:

The supply side of the supply-demand equation (based on free prices) has been neglected too long. Incentives to increase productivity should be developed; tariffs should be lowered, taxes, especially sales taxes, should be cut.

● (2140)

On the sidelines, Mr. Speaker, when these controls are having their effects or their supposed effects there are always those who are willing to pay a little more to get what they want. These people will make a direct deal with the producer at a new, higher price despite the fact that they are breaking the law. The more affluent people in a society where there are controls will drain off supplies while the poorer people will go without. The more ridiculous the level of the price from the standpoint of the producer, the less he will produce and the less will appear in the recognized marketplace to be consumed by the poorer people. Controls have never failed to produce black markets which favour the rich and penalize the poor.

An hon. Member: Oh, come.