

*Anti-Inflation Act*

decision to re-elect the government? This commitment was that it would develop a food policy, the objectives of which would be neither "unduly low prices for farmers" nor "unduly high prices for consumers," and those I think are the exact words. Also on page 10 of the white paper it is stated:

Many non-food prices may have become unduly rigid as a result of government policies. The federal government intends to focus with some urgency on identifying ways in which supply bottlenecks and price rigidities in its own areas of responsibility can be reduced.

Why does the government express concern only about undue rigidity of non-food prices? What about the rigidities in food prices caused by the government's own policies? The rapid increases in egg and dairy prices over the last several months are considered to have been one important cause of recent increases in the cost of living. This is the very situation the government is now trying to deal with through its anti-inflation program. Still, I am glad the government is presently recognizing the need of having policies to deal with structural problems in the economy which contribute to inflation, as I called for this kind of action in a speech in this House over a year ago.

Why does the government apparently consider higher productivity important only for the agricultural sector, so that to get it the government will allow farmers any return they can extract from the marketplace? Surely, it must also be concerned about maintaining and improving the productivity of other sectors of the economy as well. How does the government intend to encourage and maintain productivity in the non-farm portions of our economy?

I suppose one argument which could be made for exempting farm prices even from the voluntary application of the guidelines and the review procedures of the Anti-Inflation Board is that farm prices are affected, and in many cases set, by international factors. It is argued that, being internationally determined, there cannot be lower prices for many farm products in Canada than those one could obtain for the same products in the United States or elsewhere on world markets. However, farm products are not the only ones produced in Canada which trade internationally and for which Canadian prices are therefore the same as world prices. The guidelines state generally that Canadian prices of such non-agricultural products should conform to the price guidelines, and export prices should be at world levels. In other words, there should be a two-price system, and if a two-price system is not practical, then the guidelines say the government will impose a levy to the extent the Canadian price would be in excess of the price permitted by the guidelines.

Why should there be a two-price system for non-farm products traded internationally, and not for foodstuffs? Further, if farmers increase their Canadian prices to match international prices, why should they keep the entire gain any more than the producer of a non-farm commodity whose goods trade internationally?

The government has not made a definite statement in its white paper as to its objectives for reducing the rate of inflation over the next three years. One could say that these objectives are implicit in the wage targets of 8 per cent for the first year, 6 per cent for the second year, and 4 per cent for the third year. However, there is no definite statement that these are also the government's over-all

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objectives for reduction of price levels. In fact, if the wage targets are reached, it will not necessarily be the case that the cost of living will decline to the same level. The government admits this in saying that where the cost of living exceeds the basic protection factor in any year, the excess will be added to the basic factor in the next year.

The government intends to exempt increases in the cost of production of energy and some aspects of housing, as well as farm prices, from even the voluntary application of the guidelines and the monitoring which this would entail on the part of the Anti-Inflation Board. This implies possible rises in the cost of living and price levels generally, in spite of wage restraints. It could be argued that inflation was running at only some 7 per cent for several months earlier this year, and that it was government policy which brought about increases in energy costs and in the prices of certain agricultural products which helped to lift the cost of living to double-digit levels once again. A statement of the government's target for the general level of prices over the next three years would help reassure workers that the government is as interested in dealing with prices as it is with incomes.

As I have said, to be successful, the attack on inflation program and the prices and incomes policy requires the support of all Canadians. This means, in particular, that they must be equitable and must be seen to be equitable by wage earning Canadians. It has been suggested that the poverty line for a family of four today is at least \$7,000 annually. I think it would be fairer for low income Canadians if the floor below which wages could be increased without reference to the guidelines were raised in a fairly substantial way and the income level to which the floor applies raised as well.

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The enforcement of the legislation must be even-handed when it comes to its application to prices and profits and to wages. It cannot be administered in a way which appears to be severe when it comes to wages, and lax when it comes to prices and profits. I think the government could argue that the guidelines themselves are tougher when it comes to prices than they are for wages. The guidelines spell out the percentages by which wages will be allowed to increase. The basic rule for prices, however, is that they can increase only by the amount required to cover actual increases in costs. There is no automatic percentage increase allowed for prices, as for wages. But to make this concept meaningful there must be as strong an enforcement procedure on the price and profits side as on the wage side.

There will be transitional difficulties to be dealt with in administering and applying the controls program as it gets under way. I think that with the application of common sense, sensitivity and good will, these difficulties can be worked out and the program successfully applied. But the program must deal adequately with major areas of expenditure for the average Canadian, including food, housing and energy. So far, the government's program does not appear to reassure individual Canadians to the extent I think it must that the government will do what it reasonably can to restrain price increases in these and other key areas of costs for them.