

**Mr. Gillies:** What about Germany? Has the hon. member considered conditions in that country?

**Mr. Abbott:** The problem was compounded by the quadrupling of oil prices—that fact is well known—and the government acted accordingly. As the Minister of Finance (Mr. Turner) has frequently pointed out, now the major driving force of inflation is coming from the rapid escalation of wage and salary costs as those who work in every country press for increased incomes to at least keep pace with the rising cost of living.

**Mr. Gillies:** Wage settlements in Canada have been 100 per cent higher than similar settlements in the United States.

**Mr. Abbott:** This was not an attempt to place the blame for current inflationary pressures on wage and salary earners in Canada in an effort to impose on them the main burden for reducing the pace of inflation in Canada. It was nothing of the kind. It was simply a statement of fact. In its Economic Outlook for December, 1974, the OECD voiced the same conclusion by asserting that earlier in the year the rise in oil and other commodity prices played the main part in generating inflation, but that now it is the rise in wages which is maintaining inflation at much the same high rate.

Joe Morris, president of the Canadian Labour Congress, pointed out in an interview in the *Financial Times* not long ago that there is nothing very new about the fact that rising wages and salaries should provide the main source of inflationary pressure at this stage of the economic cycle; he said it is just the way the economy could be expected to act. No one wants to see his standard of living eroded by inflation, not even members of parliament. It is fully to be expected that all Canadians will want to obtain a sufficient increase in their incomes to at least keep pace with rising costs. The government understands and supports that ambition, not just with words but with deeds. Through a wide variety of measures—subsidization of some basic commodities, reduction and elimination of sales taxes, a degree of protection for savings, and much increased social assistance benefits such as family allowances and old age pensions—the government has made a concerted effort to help maintain the standard of living of Canadians.

This government strongly supports provisions for periodic adjustments, to ensure that wages and salaries keep pace with the rising cost of living under the inflationary circumstances we face today. The real danger arises from the possibility that some groups in our economy may attempt to do very much better than to keep pace with the cost of living by pressing, by way of insurance, for increases in income from whatever source that go far beyond any reasonable expectation about prospective inflation rates. Undertaken on any large scale, such efforts would have the effect of a self-fulfilling prophecy.

This view has been expressed by many members on this side of the House, including the Minister of Finance, and in other forums. The president of the Canadian Labour Congress, in a New Year's message, warned that in Canada individual groups may tend to look out for their own interests alone in order to protect themselves from

### *Inflation*

the dangers of inflation; often they may be unconcerned or simply unaware that by doing so they are hurting other groups, thereby ultimately hurting themselves. It is for the very purpose of avoiding this danger that the federal government embarked on a series of discussions with various groups in the economy—

**Mr. Stanfield:** To achieve the so-called consensus.

**Mr. Abbott:** —discussions which the Leader of the Opposition (Mr. Stanfield) derides, in order to seek accord on national goals for steadily reducing the rate of inflation and on practical and acceptable means of achieving those objectives.

**Mr. Stanfield:** What are they?

**Mr. Abbott:** The Conservative's financial critic has voiced his dogmas, yet it can be said that the government has taken positive steps.

**Mr. Stanfield:** What are they? What can we expect?

**Mr. Abbott:** Reaching such an accord will not be easy. It has never been easy. It was not easy settling the strike which ended last night; it took a great deal of patience. The speeches made last night by members of Her Majesty's Loyal Opposition did nothing to settle the strike. It was settled by this government through negotiation and consultation. This process of consultation and discussion which is derided by the Leader of the Opposition and his party supporters is the only process by which we can bring about accord and the kind of stability so badly needed in this country and in the world.

**An hon. Member:** You don't believe that.

**Mr. Abbott:** I believe that we should consider such a course. The fact is that circumstances are very different from those we have ever confronted in the past. The world economy faces a far more critical situation than it has at any time since the last war. The classical method of halting inflation, the drastic slowing of economic growth, has become increasingly less effective in achieving its purpose. Furthermore, its cost in terms of unemployment is particularly unacceptable in this country, given the fact that we have by far the fastest growing labour force in the world.

**Mr. Gillies:** What trash.

**Mr. Abbott:** I hear groans of disappointment from hon. members opposite, but facts are facts; we cannot ignore them. These unacceptable costs have become evident in other countries, particularly in the United States and Britain. Experience indicates that comprehensive wage and price controls do not offer a viable alternative either, because they tend to retard economic growth and over the longer term may serve only to aggravate inflation rather than reduce it.

**Mr. Gillies:** We have inflation and unemployment.

**Mr. Abbott:** This method of dealing with the economy has won the acceptance of the Leader of the Opposition and especially of his financial critic.