

*Anti-Inflation Act*

have followed this approach, that we should not have sought to build in these elements of fairness and equity? Unless they are prepared to advocate that course, they have no grounds on which to argue that the cases going before the anti-inflation agencies for consideration of compensation increases in excess of the guideline can be said to provide one shred of evidence that the program is biased against Canadian workers. If anything, the very opposite is true.

What about the position of prices and profits? Let me give the House some plain facts. The first and most important fact is that the program is working now to restrain prices and profits and, if anything, is working to restrain them more severely and more effectively and it is working at present to restrain wages and salaries.

It is perfectly true that there has not been a series of rulings pouring out of the Anti-Inflation Board up to now ordering firms to hold price levels, to roll back price increases or shave profit margins. There should be no expectation that a price and profit control system in this or any other country would work in that way. It did not work that way in the United States. It does not work that way in Britain where, incidentally, there is no similar chorus about the ineffectiveness of price and profit controls, even from organized labour, despite the fact that the systems are very similar—and it cannot work that way here in Canada.

Unlike the case of wages and salaries, the guidelines do not provide broad latitude for exemptions or exceptions from the general rules restraining prices, profits and dividends. As members know, the general rule is that prices must not increase by more than permissible cost increases, and profit margins must be limited to 95 per cent of the average of the past five years.

**Mr. Orlikow:** Except for exports.

**Mr. Macdonald (Rosedale):** The hon. member for Winnipeg North (Mr. Orlikow) says "Except for exports." I draw to his attention the fact that when we took off the export levy, the Canadian Labour Congress approved of our position in that regard. Contrast that stringent regime with the provisions for real increases provided in the case of wage and salary earnings generally, and even greater increases provided for those who have fallen particularly far behind in the pay race.

The Anti-Inflation Board, of course, has some flexibility in how it administers the general rules applying to prices and profits and some power to deal with exceptional cases. No doubt there is also room for some dispute between companies and the board over the interpretation of particular provisions of the guidelines relating to prices and profits which could give rise to appeals from board judgments. Generally speaking, however, it is a fact that the price and profit guidelines are understood and are being applied by companies to the best of their ability in the daily operation of their business. While there may well be a few firms busily intent on circumventing or evading the guidelines, I think the overwhelming evidence is that the vast majority of companies are anxious to do everything possible to remain strictly within the guidelines, mostly because they know it is essential to make the program work—and they desperately want it to work—and some

because they are fearful of the heavy public censure that would result if they were seen to be stepping out of line.

To ensure continuing compliance by companies subject to mandatory controls, some 150 key firms have been required to give the Anti-Inflation Board 30 days advance notice of any proposed price increases involving a wide range of strategically important consumer and industrial goods and services. A clear indication that the program is working effectively now is provided by the fact that such notification of proposed price increases has up to now been received only for a limited range of goods and services, although of course more can be expected as rising costs work their way through the system. Some 6,500 firms are already in the process of filing extensive information as a basis for actively monitoring their prices and profits in future.

In some cases, the argument about price and profit controls follows a rather different tack. The line goes something like this: Yes, no doubt the government and the Anti-Inflation Board are sincere and well-intentioned in their determination to restrain prices and profits effectively, but everyone knows they are doomed to failure because the companies can easily circumvent controls simply by cooking their books.

**Mr. Orlikow:** That's right.

**Mr. Macdonald (Rosedale):** The hon. member says "That's right." That is a point that has been made before by the hon. member for Oshawa-Whitby (Mr. Broadbent) and his followers. The most effective way I can deal with this argument of members of the NDP is to point out to them, and others who make a similar argument, that they were also in the forefront of those who long called for imposition of controls on the prices and profits of a number of companies. May I suggest, Mr. Speaker, that these hon. members cannot have it both ways.

**Some hon. Members:** Hear, hear!

**Mr. Macdonald (Rosedale):** If they believed, at the time of advocating such controls in the corporate sector, that the program could be made effective, then it still must be true, and they are caught in their own contradictions. Before concluding, I would like to comment briefly on one further aspect of the anti-inflation program, the restraint of government expenditures. My colleague, the President of the Treasury Board (Mr. Chrétien), recently tabled the estimates for the coming fiscal year and advised the House that the increase in total federal outlays in 1976-77 would be around 16 per cent. Notwithstanding the substantial cuts that were made in prospective government spending to hold the increase to that limit, a number of members of the official opposition in this House and a number of observers outside the House have condemned an increase of that magnitude as excessive.

It is not unfair to recall in this connection that we have just taken a vote on the second reading of a bill which had as its specific purpose the limiting of federal government expenditure in the area of medical care. If one is effectively to control the cost of expenditures by government in that sector and others in Canada, this kind of approach is necessary and we have to accept that there will be this tighter discipline. Speaking as an Ontario member, it