

The Budget—Mr. Benson

with all of its attendant evils. I emphasized this dangerous prospect last October. In opting for a policy of fiscal restraint, I spoke at some length about the serious and damaging effects caused by a rapid rise in prices and costs on the scale experienced in recent years. Most of these damaging effects—the injustices visited upon the poorest and weakest groups in our society, the undermining of the productive market system, the erosion of our ability to compete abroad, the disruption of the essential flow of savings and investment through the capital markets—have been painfully evident to us all. There can be no question that the number one priority in economic policy today must be to deploy all available forces—public and private—more aggressively than ever in the battle against inflation in Canada.

In recent months the influence of international price trends upon our domestic price performance has become increasingly important. Hon. members need not be reminded of the key role played by prices in our external trade and of the importance of remaining competitive with other countries. With exports of some \$17 billion, equal to one-quarter of our gross national product, Canada, of course, is one of the world's great trading nations. We all know that we must not let our prices advance more rapidly than those of other countries. At the same time, we also have to recognize that our vast economic and financial relationships with the rest of the world lead to the spreading of price movements from country to country. We cannot hope to insulate ourselves completely from these influences.

Over the past year, however, the problem of price inflation has been of concern not only to Canadians, but to most of the countries with whom we trade. In the United States, price increases have recently been running higher than those in Canada and strong measures have been adopted there to contain the problem, with difficult consequences for our capital markets. Among other major trading nations, Britain, France and Japan are encountering an advance in prices higher than the rise being experienced in this country. In Germany and Italy, the only two major economies where price increases are lower than those in Canada, it is expected that the rate of price inflation will be more severe in the present year than last year.

Looked at from this perspective, it is not surprising that we have found it so difficult in

Canada to make progress in checking price increases as effectively as we would have hoped. Nevertheless we cannot afford to relax our efforts. Major steps are under way on a worldwide basis to reduce inflationary pressures. In the United States especially it is widely anticipated that the restrictive fiscal policy and, in particular, the tough monetary policy now being followed will begin to take hold and slow the rate of price advance significantly before the end of the year. The success of other countries' policies will help us in our own efforts. At the same time it makes the successful achievement of a better price performance here in Canada even more urgent and compelling, I believe.

• (8:20 p.m.)

In this regard, I am confident that the establishment of the Price and Incomes Commission recently announced by my colleague, the Minister of Consumer and Corporate Affairs, represents an important step forward. In too many cases not enough is known as to why the prices we have to pay have risen. Still less is known as to what can be done about the problem, fairly and effectively, in a free market economy which we have in this country. Adding to our understanding and knowledge is the task of the Commission, and in carrying out that task it is bound to point in the direction of relevant and acceptable solutions. It will, I am sure, help all of us to recognize and adjust to the inescapable fact that we cannot expect unrealistic gains in our incomes year after year.

There have been suggestions that because the Commission is not empowered to intervene in particular price and income decisions, for example, in a price or wage increase in a single company, it cannot exert much influence. This is a mistaken view. It fails to recognize the procedures for referral of reports to the Parliamentary Committee, the armoury of formal and informal weapons available to governments, and the powerful thrust of public opinion once it has been focused upon a clearly defined issue. To argue that the work and stimulus of the Commission will be ineffective is to argue that Parliament, government, and the Canadian people themselves are ineffective. I do not agree. I believe, as Dr. Young, the Chairman of the Commission, has put it, that "those who are betting on a high rate of price increase will prove to be wrong".