

*The Address—Mr. Leduc*

While admitting all this, there are some who say: I do not like high prices but I have never been as well off as I am now. That is no argument.

Thanks to the progress of science and to inventions, people now enjoy the benefits of increased production and better goods. If the workman produces more, more goods are available. Production would have been just as great without inflation.

The practical way to fight inflation would be to put in a day's work in proportion to the salary received. If everyone did that, we would have not only more goods but cheaper goods. We could thus produce better quality goods and offer them at better prices, while allowing a fair margin of profit to the manufacturer. They would not then be tempted to profiteer. Then we could avoid unnecessary expenses. Economy begins at home. This is no time to make non-essential expenditures. Certain expenditures could be postponed by the municipalities, the provinces and the federal government.

Above all we must save. Compulsory savings would be an effective weapon against inflation. It would be better to deprive ourselves now of a part of our income than for our widows to be barely able to live a few months on our insurance policies.

In closing, may I quote an article by William R. Biggs, the vice-president of the Bank of New York. This article is about controls in the United States and it compares the stand taken by the Canadian government to that taken by the government of the United States.

It deals with inflation and economy in the United States. I quote:

(Text):

Before we go to the direct methods of control, it is interesting to contrast our indirect controls with those of our neighbour, Canada. Canada has enacted additional personal and corporate income taxes and various sales and excise taxes, but has so imposed this additional taxation that almost 45 per cent of the increased tax revenue has been obtained from sales and excise taxes. Furthermore, Canada has not only had a surplus in every year since the war, but expects to have a surplus in the fiscal year ending March 31, 1952—and a substantial one in relation to the size of her budget. Her national debt has been reduced over 15 per cent since 1946.

Canada not only has increased her discount rate from 1½ per cent to 2 per cent, but she has been realistic in the matter of encouraging savings. Recognizing the importance of accelerated public saving, she has increased the rate paid on her savings bonds by about one-half of one per cent. In other words, Canada has acted upon the necessity of higher interest rates as part of a program

to contain inflation. Again in Canada really tough instalment selling terms have been laid down. As just one example, the down payment for a new or used automobile is 50 per cent with only twelve months to pay.

Because of the concentration of banking into a few large banks in Canada, with branches throughout the country, the Canadian credit control system, which seeks to limit bank loans to last year's levels, has been particularly effective.

Canada has also adopted a very ingenious plan for discouraging unnecessary capital expenditures. No depreciation on new construction or new equipment will be allowed as a deduction for income tax purposes for a four-year period commencing April 1, 1951, except in certain categories considered essential to defence or basic to national development. This should prove to be, over the long run, an extremely effective way of reducing unnecessary capital expenditures and, hence, should relieve the strain on the supply of raw materials.

These indirect controls add up to an effective program which has some real teeth in it. They have also the great advantage over direct controls of not requiring a great build-up in bureaucracy to operate and enforce them. In connection with the effectiveness of the Canadian program, it should be realized that inflation in Canada, as in the rest of the world, is affected most importantly by rising prices in this country.

Our indirect controls in the United States have been so inadequate that we have turned to direct controls. Our direct control system is built around the allocation of raw materials, price and wage ceilings. Had we set ourselves the task of attempting to control the prices and distribution of a limited number of essential raw materials, there might have been some hope for the success of such a program. Our planners, instead of proceeding on a selective basis, have put most of the economy under their so-called price and wage controls. There is obviously little or no hope of enforcing such controls under less than all-out war conditions. From our experience after the last war we all know how difficult it was to control prices, particularly without rationing. But this should not have surprised us, as such has been the experience of controllers over hundreds of years.

(Translation):

According to a foreign economist who should know, Canada did well and is winning admiration abroad.

Why then these repeated criticisms where-by the opposition tries to have people believe nothing is going well in this country? If we consider our present situation and the present difficulties caused by the cold war and the defence preparations necessary to our protection and our survival, these criticisms should not be taken seriously.

In most cases I have found that the criticisms of the opposition were directed at the fact that the government was not spending more on many projects.

We find proof of this in their constant request for higher expenditures for national defence and for increased grants, while they regret the inadequacy of old age pensions.

In other words, the opposition would have the people believe that it is ready to give them more than the government is prepared