*The Address—Mr. St. Laurent*

I do not know how many hon. members have given themselves the benefit of the interesting and valuable study that would come from the perusal of this discussion pamphlet issued by the Labour party last January and which is entitled "This Cost of Living Business", in which they attempt to explain why it is that they have not been able to keep prices down in spite of their rationing, their direct controls and the other methods they have endeavoured to employ.

From page 9 of the pamphlet I cite this paragraph:

> One big element in the cost of living, the prices we have to pay for imports, is outside the control of the government.

That is true here as well as it is in the United Kingdom; and in this country there is not only the prices we have to pay for the goods we import but the prices our Canadian producers can obtain for the goods they export, unless we prevent them from exporting them and force them to take from the Canadian market for their labours less than they can obtain by exporting. The pamphlet goes on to say:

> Britain has to import about half its food and many raw materials. Both food and raw materials are far more expensive than before the war. And prices have taken another steep rise since the outbreak of war in Korea.

Then a little further down:

> Dearer imports are not due only to the war. There are other, more fundamental causes. Standards of living in many countries are higher now than they were before the war and as a result the great food-producing countries are eating more of their own food. There is, consequently, less for importing countries like Britain.

Then at page 13:

> About 60 per cent of the value of the nation's output is the cost of wages and salaries. Changes in wages and salaries therefore have a profound effect on prices unless the higher wages are matched by higher productivity, or are met from profits.

With respect to profits they give this explanation:

> Profits cater for the creation of reserves to pay for expansion and re-equipment and the additional money manufacturers want to pay dividends to their shareholders. The more money firms put aside to develop new methods of production, the more consumers have to pay now for goods. But new equipment and better laid-out factories mean more efficient production, lower costs, and the possibility of lower prices in the long run. If the money to pay for this were not raised from profits it would have to be raised in some other way.

On page 14 we find this:

> Can we, then, cut profits?
>
> First, it has been explained that, to the extent that profit makes provision for re-equipment and new building, it is an element in increasing efficiency in industry which, in the long run, should make price reduction possible. This leaves then that part of the profit which is distributed to shareholders.
>
> A reduction in distributed profits could do little to reduce prices.

[Mr. St. Laurent.]

That is not my statement. It is the statement of the Labour party in England after years of experience with their controls over the industry of the United Kingdom.

Then they go on to say, as to profits:

> They are a very small part of the cost of any item so, although there are very many excellent reasons for dividend limitation and profit control, their effectiveness as a means of reducing the cost of living is not one of them.

On the same page they explain what inflation is:

> Inflation is an increase in spending money without a corresponding increase in the supply of goods and services. The effects of inflation are higher prices or a shortage of goods, or both. A country which has full employment must face the problem of inflation. When there is plenty of work for everyone, there is more money to spend. The more money there is to spend, the more demand there is for goods. Prices tend to go up, and goods sell out quickly. If incomes go up faster than prices or production, there is even more competition to buy goods, prices rise again, and there is pressure for further income increases. The cost of living then begins to rise really fast.

Then they go on to make this statement which is a truism for all of us:

> The first and most obvious thing to do in these circumstances is to increase production and productivity as outlined previously. While this is being done the other main anti-inflationary safeguard is to restrict the supply of money available so that it matches the amount of goods and services.

If you want two things to be equal in weight and one is heavier than the other, you have to lighten the one or increase the weight of the other. There are several ways of doing this. One is to put a stop to increases in wages, salaries and profits. Another is to tax away the surplus money. That is not a popular way, but the Labour party in the United Kingdom recognizes, as do all economists, that it is an effective way. They go on to say that they have used these ways, and at the same time the government has taken more from the people in taxes than it has spent on running the country and providing the social services. This has taken money out of circulation and has reduced the inflationary pressure. They go on to say:

> This looks like a paradox.

Probably it does look like a paradox.

> It seems difficult to believe that higher taxes prevent prices from rising. But it is still true that the use of higher taxes and budget surpluses prevents inflation, preserves the value of our money and prevents the cost of living from getting out of control.

On page 12 they deal with the cost of distribution and with the effect of resale price fixing, and they say:

> A great deal more evidence is needed before all the various aspects of the problem of distribution can be tackled.

But with respect to retail price maintenance they explain that once a merchant or manufacturer has created a demand for his goods by brand name he is in a position to