

particular worker wants a little more money, management will somehow find a way of paying it to him. So where is your freeze?

• (2110)

The only time the marginal worker in our society gets a break is when there is a labour shortage, when there is a tight labour market, at which time inflation rates may be somewhat higher. At such times management may look at the marginal worker and say, "Well, he does not see so well or hear so well and he is not quite as fast as he should be. But, damn it all, we need him and there is a job for him." Then the worker can bargain for better conditions even though he may not be in an organized group. Will you ask this man to pay the price of your intellectual freeze? I would not ask him to do it.

On the other hand, perhaps you will say that the economy benefits. Perhaps stepping on all kinds of people is worth it as long as the economy benefits. What is the evidence in support of that proposition? The evidence is that when Canada has done better than other countries in the fight against inflation, we have had a national disaster. Two years ago Canada had the lowest rate of inflation among industrialized nations, but what did we get for it? We got a rising dollar and the highest level of unemployment in the western world. That is what we got for our successful fight against inflation.

The important question to ask—as my leader pointed out this afternoon and as the hon. member for Don Valley must know—is, how well are you doing in relation to your chief trading partners? I take a serious view of inflation but I would take an even more serious view if our record in trying to control inflation was much worse than that of our chief trading partners, because then we would be in serious difficulty. If we operated under a fixed exchange rate, our position would be serious. However, that is not the case. We are operating under a floating exchange rate and we have been doing as well as, if not better than, our trading partners in this area.

In which way will our economy be helped if we try to control inflation beyond reasonable bounds and thereby impose intolerable burdens on the people as we fight this battle? That is the question I ask. I keep asking myself, what are you to do and how are you to do it? Let us talk about equity and business, and again I shall refer to something my leader said this afternoon. It is easy to control wages because they are open and above board and there is not much elbow-room for the worker. But what do you do about business profits? Who benefits from the freeze? Presumably you attempt to control everything. Are you going to control the businessman and his profits? How? There is no way to control a businessman's profit in that kind of situation.

An hon. Member: What about taxes?

Mr. Saltsman: You cannot even do it by imposing taxes. We tried to impose additional taxes during the war.

An hon. Member: There was the excess profits tax.

Mr. Saltsman: Yes, we had the excess profits tax. But many businessmen did not allow their profits to reach the

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high point at which they would be taxed. If you are a businessman you make a rational judgment. You see what is happening in your company, and if you find that the government will penalize you heavily if you make profits in excess of, say, 10 per cent you will make darn sure that you never hit the 10 per cent level. There are many ways of disseminating the benefits of profits. You can build nice new buildings with air-conditioned offices. People can have improved amenities; the company cars become bigger and the expense allowances more liberal. Holidays become more frequent. Before you know it, you have destroyed what is a valuable feature of the free enterprise system, perhaps its only valuable feature, the urge to become efficient in order to make profits.

The excess money is disseminated in this way because businessmen will want to make sure the government does not collect it in taxes. How will you force them not to do this? How do you force a doctor to work if he is not satisfied with what he is getting? How can you say to him, "All right, you can make \$30,000 a year but no more." If the doctor knows he will not make more than \$30,000 a year, he is not going to break his back in order to earn another \$20,000 which the government will take. So do you think he is going to keep on working after he has made a certain amount? I hear somebody laughing in the gallery. There must be a doctor there. I wish human nature were otherwise. We in my party hope that some day human nature will be otherwise, but do not be a dreamer and do not tell tales which lack credibility and arouse false hopes in people.

In giving figures this afternoon the hon. member for York South (Mr. Lewis) showed what happens to profits. If they are not paid out in dividends, they go into retained earnings. There are all kinds of ways to get around this problem. For instance, how do you control the rate of return on money; in other words, interest rates? You cannot control them through the Bank of Canada because those rates are an international phenomenon. What would happen if you decided, for instance, to set interest rates in Canada at 3 per cent? What would the people with savings in Canada do? They would immediately take their money out of Canada to where they could get 8 or 9 per cent. In that case you would not be embarked on an incomes policy; you would be watching the border, introducing capital controls and monitoring society in a way that is intolerable. I should like to stop many of these things. Certainly there are many things wrong in our society. But every time I think of stopping them I ask what would be the price. That is the question hon. friends to my right are not asking.

There may be some who would benefit from the conception of a 90-day freeze. At the risk of being misunderstood, let me say there are some politicians who are so committed to power that they are willing to say anything that will benefit them. Some politicians are prepared to play on the legitimate fears of our society. They know people want stability. They know some people want wage and price controls, or think they want wage and price controls. I am not prepared to argue about that. What are you to say to the people? Should you not say, "I know how you feel and I know what you would like, but there are many, many problems associated with trying to do as you would like.