

The Address—Mr. Clermont

consumers at reasonable prices in the near and distant future.

So it is proposed to help small and medium-sized businesses, to amend the Unemployment Insurance Act and the Canada Pension Plan. First, I would like to deal with inflation which has spared no country in 1973. Several factors have caused the increase in prices, like bad crops, the growth of world population and, in many parts of the world, the shortage of food, changes in eating habits, the strong economic growth in several industrial countries like Canada, which actual growth rate was the highest in the last 17 years, have experienced in 1973 which has brought about a shortage of basic materials and food, the decrease of oil exports by some producing countries and price increases.

All these cases I just outlined have bad effects on food prices, materials and products involved in industrial processing and the building trade. In order to alleviate these effects, the federal government chose selective measures and continues to do so. Inflation strikes everybody, but particularly large families, people on average or fixed income as well as a large number of retired persons.

That is why we have seen the federal government pay subsidies to limit price increases of various items, such as bread, milk, heating oil, gasoline and other oil products, amend tariffs to allow greater imports of fruits and vegetables, increase old age pensions and the guaranteed income supplement, increase family allowances gearing them to the cost of living. The sales tax on children's clothing has been removed and the personal income tax geared to the cost of living.

In the Speech from the Throne, the government announces its intention of taking steps to increase food production; I hope it will do the same with regard to industrial products and thus reduce the pressure on prices.

The official opposition prefers an overall price and salary freeze for a period of 90 days. It is not very clear about what steps would follow. Recently, the hon. member for Saint-Hyacinthe (Mr. Wagner) suggested, also to counter inflation, doing away with the sales tax on building materials and clothing.

With regard to the tax on building materials, he did not specify what measures would make up the reduction in income that would amount to about \$500 million. Some may say that government expenditures will be cut down; Mr. Speaker, that reminds me of the experience with the conservative government: from May 1957 to 1963 they made the same promise. What was the result? An annual increase in expenditures.

The progressive conservative party might perhaps want to increase personal income taxes to make up the shortage. Who knows?

Mr. Speaker, we are aware of the experience of the United States and the United Kingdom in the area of price and wage controls which, following completion of Phase IV of the program, resulted in an exhaustion of supply sources and the spiralling of prices in the United States.

Here is what the policy of the Progressive Conservative Party was on inflation, as reported in the March 1, 1974

[Mr. Clermont.]

issue of the *Montreal Gazette* by Mr. John Meyer, the former financial critic with this newspaper, and I quote:

[*English*]

The Conservatives, predictably, have persisted in their argument for controls—surely an anomalous position for the party bearing the name it does to be in. They have been making that argument for so long, and with such indifference to the experience of other countries where controls have been used, that it has begun to threaten their credibility as an alternative to both the Liberals and the New Democrats.

Their persistence is curious in view of the number of senior members of the party with business and financial backgrounds, both practical and academic. There was, and still may be although with clearly reduced force, an argument for controls on strictly political grounds. Controls would be evidence of a government's determination to explore every means of containing inflation and some stability in prices might even be achieved over the short run.

But as the definition and scope of inflation has become clearer, and its source largely found to lie in the inability of production to keep abreast of demand, controls can now be seen more likely to prolong and intensify inflation than to contain it. That is what is happening in the U.S. where continuing shortages of both basic commodities and finished products are directly attributable to the inability of producers to adequately cover their costs.

● (2030)

[*Translation*]

Mr. Speaker, the labour and industrial sectors will not generally support a global policy of price controls, no matter their duration. Some quarters consider that the present state of inflation is attributable to the growth of spending by the various levels of government, and of the money supply. Under these circumstances, in view of the problems resulting from the energy crisis, I feel it would be a gross lack of responsibility to minimize them, since it may happen that because of the increase in the price of oil, which tripled within the past six months, some of our trading partners may face serious problems as far as their balance of payments is concerned. This could result in a very considerable decrease in their economic growth, and we are aware of the impact of our exports on our economy.

The results of a recent survey indicated that the biggest problem for many Canadians is that of energy. It will be recalled that in June 1973, the Department of Energy, Mines and Resources published a paper on energy in Canada. Among other things, the study analyzed energy supply and demand in Canada and many measures that could be implemented. It was then proven that they were most timely, following what happened in the fall of 1973 when some producing countries cut back their crude oil exports and greatly increased prices. At that time, two major problems came up, that of supply and that of prices which Canadian consumers would have to pay.

As far as supplies are concerned, we know that Canada was divided in two ever since 1961 by a line known as the Ottawa Valley or Borden Line. West of this line, oil was mainly shipped from western Canada by pipeline. Consumers east of the line were supplied mainly by cheaper oil imported from a number of producing countries in the middle East and Venezuela. In this case, means of transportation had to be provided without delay in order to ensure a constant flow of oil in this part of the country.

On September 4 and December 6, 1973, the Prime Minister of Canada advised the House of the action the government would take to deal with this difficult situation. On September 4, 1973, he announced the following steps: