

*The Budget*

are available. We have introduced large new programs of regional development to bring jobs to people.

Today the task of job creation is made immeasurably more difficult by inflation. In its present cost-push form, inflation threatens to price our goods out of world markets and to lessen the capacity of our business firms to expand their operations. It disrupts financial markets and impairs rational planning by business and government. It undermines the effectiveness of the traditional instruments of demand management policy to keep the economy on course. When inflation reaches a certain point, the stimulation of spending may simply lead to higher prices rather than more goods and more jobs; in the longer run, it actually makes unemployment worse.

Not only that, but inflation ultimately inflicts grievous damage to the fabric of society. It lowers the living standards of those on fixed incomes, including pensioners. It leaves people without reliable, understandable guideposts by which to arrange their economic affairs. It injects grave uncertainty into decisions on family budgets, housing, savings and provision for old age. It provokes deep frustration, social tension and mistrust of private and public institutions. Collective bargaining is embittered. Industrial relations are damaged. We in Canada are already beginning to live some of these experiences.

During the past few months, I have had the opportunity to talk with many people all over the country—from labour, from business, from our farms, from the professions. I have found a widespread understanding of the risks to our country from persistent inflation. I now wish to share with the House and with the people of Canada the government's thinking as it has developed in the course of the consultations and during the intensive review we have conducted in recent weeks. If we are to find a way out of our present difficulties, no single step is more important than to promote the widest possible public understanding of our problems and the real choices which we have to make.

Among the various policy options open to us, there is one which this government has rejected, and rejects again, in the most categorical manner. This is the policy of deliberately creating, by severe measures of fiscal and monetary restraint, whatever level of unemployment is required to bring inflation to an abrupt halt. Such a course of action would be completely at odds with my own instincts. The cost would be much too high. The hard-won sense of security in our society would be replaced by a sense of fear and anxiety, and the cost in terms of lost output and lowered standards of living would be unacceptable. In human terms for me it would be unthinkable.

● (2030)

[English]

It was because we rejected this course of action that we launched the series of consultations with the leaders of labour and business, provincial governments and many other groups and associations in the country. Our objective was to seek a better solution to inflation and slow growth. We sought a consensus on a new framework to govern the setting of incomes and prices in a manner which would be fair to all.

[Mr. Turner (Ottawa-Carleton).]

Members will recall that my parliamentary secretary—and at this stage I should like to pay tribute to him as an outstanding member of parliament.

**Some hon. Members:** Hear, hear!

**Mr. Turner (Ottawa-Carleton):** The hon. member for Sarnia (Mr. Cullen) has been invaluable to me in the discharge of my duties in this House and in the country. He tabled in the House the report I gave on this subject to the conference of first ministers. Let me now summarize the impressions we gathered from the whole series of meetings.

First, all those who took part in these meetings gave generously of their time, often at short notice. They spoke frankly about what worried them. They gave their opinions constructively. They helped me and my colleagues a good deal and I want to thank them.

Second, those who joined us at those meetings welcomed the opportunity to exchange views with the government on problems and policies. I think they have learned more about the problems we are facing. Certainly, my colleagues and I have greatly benefitted from hearing their views. We must find ways of keeping these channels of communication open and I intend to do so.

Third, there is now, I believe, a clearer understanding in the country of the fact that if each and every group tries to improve its position by pushing up its own money income, the total effort in the end is bound to be self-defeating. If Canadians generally come to recognize that moderation and restraint are in the interest of everyone—that will in itself dampen inflation. The most useful result of the consensus exercise has been increased public awareness and understanding.

Despite these positive aspects, consensus on a set of voluntary guidelines has not been reached. The impression was created that this has been due to an inability to formulate a set of proposals that were fair and equitable. I believe this is not so. The proposals were evolving, and I think we were on the way to rounding them out in a manner which would have met the main concerns of the various parties. But we had to struggle against a persistent doubt whether the voluntary guidelines would in fact be followed. Each group feared that others would be less exposed to the force of public scrutiny or less able to commit its membership. There was a general concern that the burden would not be shared equally.

Faced with the deadline of a budget and in the absence of a consensus, I had to consider other options.

We gave careful consideration to the imposition of statutory controls over prices and incomes. In contrast to the situation in 1973 and 1974 when our inflation primarily reflected international forces, and controls couldn't possibly have worked, we are now faced with escalating domestic costs in an under-employed economy. In these circumstances, controls could provide the most direct response to the problem. Thus, unlike our position on severe monetary and fiscal restraint, we did not reject controls in principle. Indeed, in one respect, they would have had an advantage over a voluntary consensus. By using the powers of the law to make all groups obey the rules, each would have had the assurance that all would be making a contribution.