

*Finance*

conomic conditions in Canada and which I would like to outline in some detail for the information of hon. members.

In my remarks to the conference regarding the economic situation, I reminded provincial ministers that the fundamental objective of the federal government is to halt the inflationary spiral of costs and prices in order to pave the way for a return to the path of strong but stable growth. At the same time I emphasized it is vitally important that we should remain flexible enough to meet changing conditions in order to maintain a sound economic balance.

As the provincial ministers were well aware, the necessity of maintaining flexibility was sharply underlined by the recent massive build-up of our foreign exchange reserves and the resulting decision of the government to allow the exchange rate to float above its fixed margins.

I advised the conference that we fully recognized that any appreciation of the Canadian dollar for an extended period of time would tend to add a further measure of restraint to the economy. I said that further restraint would not be appropriate and that we would offset by other measures any such restraining effects on the economy. Nevertheless, the problem of inflation remains a matter of fundamental concern. Nothing that has happened up to this point suggests that we can let up in our fight to break the inflationary spiral of costs and prices.

As I told the conference, there is a considerable danger that a continuation of the current substantial increases in wages and salaries will seriously undermine the initial progress we have made in slowing down the rate of price increases. Most members of the House will already be aware that Dr. John Young, Chairman of the Prices and Incomes Commission, proposed to ministers that the federal and provincial governments join in supporting the adoption of guidelines to establish reasonable upper limits on wage and salary increases in present economic circumstances.

At their conference last February, the first ministers of the federal and provincial governments endorsed a set of proposals adopted at the National Conference on Price Stability. These proposals were aimed at establishing a yardstick against which to measure the reasonableness of price increases in relation to costs. I believe the agreement reached at this national conference has played a significant part in restraining the rise in prices to date

[Mr. Benson.]

this year. It has also restrained profits, which in the first quarter of this year were down 3.8 per cent from the total in the same period last year.

We have been greatly disappointed that the leaders of organized labour have declined to join representatives of other sectors of the economy in helping to work out the terms of an agreed approach which held some reasonable promise of being both fair and effective. For some time after the National Conference on Price Stability we continued to hope that organized labour—appreciating its own self-interest in the maintenance of strong and stable growth—would at least evolve some way of its own of co-operating with the national undertaking launched by the Prices and Incomes Commission. The attitude evident on the part of delegates who attended the recent convention of the Canadian Labour Congress in Edmonton now makes it abundantly clear that it is no longer realistic to expect such co-operation to be forthcoming.

At the conference in Winnipeg, the provincial finance ministers and treasurers generally indicated strong support for this new proposal put forward by the commission and all of those present agreed to put it before their respective governments for consideration. For our part, Mr. Speaker, I made it clear that the federal government is prepared to give its full support to the kind of wage and salary guidelines outlined by Dr. Young.

We agree the time has now come to establish a yardstick against which to measure the reasonableness of wage and salary increases in relation to productivity and other relevant factors in an effort to end the relentless and damaging cost-price spiral which continues to plague the economy. I acknowledged that it would be unrealistic to expect such guidelines would attract support from any substantial segment of organized labour. But these proposed criteria would provide important guidance for those in both government and private sectors responsible for decisions about granting wage and salary increases, as well as for mediators and arbitrators. Equally important is the fact that such guidelines would provide the Canadian public with a yardstick against which to judge the reasonableness of future wage and salary settlements in relation to the public interest.

We agree that in the interests of equity it is also important that provincial governments should intensify their efforts to curb the upward climb of rents in many urban centres and to use their influence to restrain increases