

*Emergency Powers Act*

to draw attention to the sequence in which Mr. Towers proposes that direct controls might be resorted to. He begins by saying:

Fiscal and monetary measures plus increased savings, on a sufficient scale to bring total demand and supply into approximate balance, are essential prerequisites for stability, but they may not be enough in themselves to maintain reasonable stability under all conditions. If defence expenditure became so great that it was humanly impossible to finance it on a pay-as-you-go basis, or if at an earlier stage financial measures designed to produce a fair allocation of the burden did not command public understanding and support, it might become necessary to make increasingly general use of direct controls in order to back up fiscal and monetary measures, despite the dangers to economic efficiency and personal freedom inherent in such controls.

The sequence of the measures to which Mr. Graham Towers refers there is worthy of note. Let us recall, too, that we have had statements from those who were charged with the responsibility of enforcing these controls during and since the war, to the effect that this particular expedient of the application of price controls of various kinds is not a solution to the problem. It is an expedient that may have to be resorted to in given circumstances; but as Mr. Kenneth Taylor, who was the last chairman of the wartime prices and trade board, said last November, price control is like trying to cure a fever by fixing the thermometer. In a statement which has been frequently referred to, Mr. Donald Gordon did not put this particular expedient for meeting the problem of inflation on any higher level than the frying pan, in comparing it with the evils it was designed to combat. Then there is Mr. Edgar Burton, who was one of the important controllers during the war, and who on February 6, said in a speech at Montreal:

The straitjacket of a maximum price and wage ceiling, with all the administrative difficulties, is no answer to the degree of inflation we are facing in 1951. All a price and wage ceiling ever has done is to suppress and postpone the ultimate reckoning.

We also remember the statement by the Prime Minister in his address to the Canadian Construction Association last year, in which he pointed to the difficulty of massing public support in peacetime behind measures which in wartime have depended for their success upon general public support. He said:

In peacetime the government of a free nation which attempted to control and regulate the whole economy would threaten freedom itself.

The purpose of governmental intervention in peacetime should be to foster economic conditions in which initiative and enterprise will flourish.

Because government directed many aspects of our lives, with conspicuous success, in wartime, is no reason for assuming such direction would be successful in peacetime. We have ample evidence that in countries where the peacetime economy is rigidly controlled, prosperity and a high standard of living do not necessarily follow.

[Mr. Fleming.]

Indeed, the kind of action required to make a wartime economy successful has, in many cases, to be reversed in peacetime.

It seems to me the accuracy of that statement is unchallengeable. Therefore we are confronted with the question: are the conditions we face today typical of peacetime or of wartime? That brings us to what seems to me to be the inescapable conclusion that the success of a program of the kind that has been proposed in this debate will depend upon the extent to which the public mind has grasped the dangers of the present situation and the nature of the present emergency, and that will require the kind of clarion call on the part of the government for which my leader has been asking since the opening of this session, and before. Until that clarion call comes we may expect that in certain areas and with certain people in this country, perhaps a good many of them, there is not as effective and widespread an appreciation of the existence of the present emergency as will be required to make this particular proposed expedient as effective as some seem to expect it to be.

Now, sir, because I said I hoped to try to state this problem in its perspective, and because there are many other expedients that have to be considered, I propose to deal briefly with them and point to the responsibility of the government in relation to them. Some of these are perhaps expedients like the one that has been discussed in this debate. Others of them can claim to be solutions to inflation. Because the government has been so late in wakening up to the dangers of the situation, it may be that the application of some of these measures today would not be nearly so efficacious as if they had been applied some time ago. The whole approach of the government to this question has been a very leisurely one. It has been ineffective. It has been marked by a sort of fatalism, the kind of fatalism revealed by the speech of the Prime Minister (Mr. St. Laurent) in which he seemed to regard the existence of inflation in the United States as making inflation in Canada inevitable.

I am going to touch upon half a dozen of those means that have been largely overlooked by the government. The first, of course, and most important, is the control of credit. It was with no little amazement that we followed the course of the remarks of the Minister of Finance (Mr. Abbott) in the debate on the address when my colleague the member for Toronto Greenwood (Mr. Macdonnell) was dealing with this subject. The Minister of Finance, with some apparent degree of consternation, questioned the member for Greenwood in a manner indicating that the Minister of Finance was not aware that the Bank of