

Control of Inflation and Unemployment

At the same time, the Bank of Canada has been able to restrict the expansion of credit, and has been helped in this operation by the sharp reduction in borrowing requirements of the federal government. Provincial governments have been asked to co-operate in this fight against inflation. Where possible, the restraints of the federal authorities have been placed on those areas of the country where the inflationary pressures have been the greatest, so as to minimize the effect on the less fortunate parts of the country. In the coming year, the federal government is planning to continue its policy of restraint.

Yesterday my colleague, the President of the Treasury Board (Mr. Drury), tabled the estimates for the coming fiscal year. In these we have provided for items to which we and the other parties in this House attach high priority, such as support for underdeveloped regions of the country, support for Indians and Eskimos, manpower retraining programs and incentives to industry for technological developments. But in spite of these items and increases in costs of important shared programs which we do not directly control, we have reduced the rate of increase in government estimates.

I believe that the policy of restraint will work. By making it more difficult to act in an inflationary way and easily accede to cost or income increases, the rate of price increase will diminish. However, there may still be those who are counting on a continuation of inflation and who will continue to demand far more than the economy can produce. Against a background of general restraint on demand, to the extent these groups succeed the more the economy will generate inflation and the less it will generate real production and jobs. It is these groups who will be creating inflation and unemployment.

It was in order to minimize the effects on production and employment, and to speed the adjustment to stable economic growth without inflation, that the government established the Prices and Incomes Commission, so much derided by the Leader of the Opposition (Mr. Stanfield). My colleague the Minister of Consumer and Corporate Affairs (Mr. Basford) will say more about the commission in a few minutes.

The job of the commission is to convince those who exercise some power of decision that it is in their own self-interest to scale down their demands to levels that permit a quick return to non-inflationary growth. We were all gratified, except perhaps the deputy

[Mr. Benson.]

leader of the New Democratic party, at the results of this week's conference where some groups indicated a willingness to participate in a voluntary exercise to restrain prices as an initial step in an over-all program. As members are aware, the chairman of the Prices and Incomes Commission will be reporting his results to the meeting of first ministers next week, where the problem of inflation will be discussed by the federal government and the provinces.

I firmly believe that this approach of seeking the co-operation of important decision-making groups in the country to reinforce and support the general policies of restraint of the federal government—and hopefully of all the provinces—is the best solution.

Mr. Stanfield: Why wait until 1970?

Mr. Benson: Our restraint programs started much earlier than that. As I have explained to my hon. friend, in our opinion it would have been useless for the government simply to establish guidelines unilaterally without taking further steps to reinforce them. I remind the hon. member that he said he would not be in favour of price and wage controls.

Mr. Stanfield: That is right.

Mr. Benson: What the hon. member wants is for the government to hope that people will do this or do that. It is a better policy to have people exercise restraint at their own particular level. The alternatives of either an even more restrictive fiscal and monetary policy, or a massive program of price and wage controls, would be more painful and disruptive than what has been accomplished. They cannot be ruled out entirely if things took a serious turn for the worse, but surely the country will suffer less if it can capitalize on the willingness of our important groups to help with the job by observing reasonable restraint in their demands.

● (4:20 p.m.)

I would remind hon. members, particularly those in the party which moved this motion, that any system of price controls would necessarily involve wage controls, and wage controls would in a single stroke suspend the freedom to bargain collectively. This freedom, and the other practices of our market economy, should not be cast aside lightly. They have done a great deal to make this country grow. We are confident that as the year proceeds and a program of voluntary restraint