



Bulletin

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FEDERAL GOVERNMENT AND THE PROBLEM OF INFLATION

The discussion of inflation, "a matter of paramount and immediate concern for the country as a whole", was opened by the Prime Minister at the federal-provincial conference held in Ottawa on February 16 and 17. In his statement, Mr. Trudeau outlined as follows the position of the Federal Government:

...It is clear from the presentation on the economic and financial situation given by Mr. Rasminsky that inflation remains the first-priority problem facing Canada today. This is so in spite of the fact that policy restraints on public and private spending, which have been at work both in Canada and the United States throughout 1969, are now beginning to have an impact on the pace of economic activity. This had not yet resulted in a lower rate of prices and incomes inflation, but at least the acceleration in the upward push of prices appears to have been stopped. This is an essential first step. The next major step will involve an actual reduction of the rate of increase. We must bring this about in order to stop the inflationary spiral, and we shall obviously

have to work hard to achieve it. But that effort is essential, and must be pursued until it succeeds, if we are to bring to an end the injustices and instabilities caused by inflation.

DANGERS FORESEEN

I scarcely need to spell out the many evils to which inflation gives rise. By now these are only too obvious, not only to those on fixed incomes but also to farmers, industrial workers, small businessmen and, in fact, almost every group in our society that is not in a position to keep ahead of prices or otherwise to exploit the situation to their advantage. Furthermore, the effects of inflation are not limited to those areas where pressures on the economy are most severe; they show up also in accelerating increases in costs and prices, even in those parts of Canada where economic activity is slack. We would be foolish indeed if we were to conclude that the effort to control inflation is too great, and hence to resign ourselves to trying to live with it. There is a temptation to take that view because the pain of curative efforts is immediate and obvious. The consequences of *not* acting are worse, but they are less apparent here and now. But the consequences of not acting would, in the long run, be an unjust worsening of the position of the weakest and most exposed people in our society, irreparable damage to Canada's international trading position and impairment of the future economic growth of the country and the well-being of all Canadians. It is clear that the longer inflation is allowed to run on the harder it becomes to keep it from getting worse, and the heavier will be the eventual cost of stopping it. Continued inflation will undermine our economy, dangerously alter the structure and stability of our society and impair the credibility of our political institutions. In the long run, it can constitute a threat to our future as a society and as a nation.

It is for this reason that the Federal Government is doing all in its power to combat the wage/price

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