

Anti-Inflation Policies

Another alternative that has been proposed by the New Democratic Party, and an hon. gentleman in the other place, is that the government go beyond present efforts to achieve voluntary restraint and instead impose sweeping price and income controls on the economy. Speaking in the House during the February debate, the hon. member for York South (Mr. Lewis) contended that, as he put it, "we are suffering from managed and administered prices in the most important areas of the economy and they no longer respond to the broad fiscal and monetary policy." Unlike the gentleman in the other place who spoke about the influence of market power in raising costs and prices, the member for York South made no reference to the strong market power exercised also by certain segments of organized labour.

There is little doubt that the lack of perfect competition in our economy and the degree of market power that can be exercised both by certain companies and certain unions aggravate the problem of bringing inflation under control. It should be noted, however, that the increase in prices in the durable goods industries has been significantly less than in other sectors of the economy, even though this is an area where there is a potential for the exercise of market power. Conversely, some of the greatest price increases have taken place in parts of the service sector where the potential for exercising market power is less evident.

Mr. Stanfield: Then why is the government introducing consumer credit controls?

Mr. Benson: While the possibility of being forced to adopt temporary price and income controls under certain conditions cannot be ruled out, such controls would be disruptive to the economy and cause major aggravation to the Canadian people.

Mr. Stanfield: Surely, that is an argument against consumer credit controls.

Mr. Benson: I was talking about price and wage controls.

Mr. Stanfield: I was saying that the minister's remarks were an argument against consumer credit controls.

Mr. Benson: My hon. friend can argue against almost anything.

Mr. Muir (Cape Breton-The Sydneys): At least he can put up an argument, instead of talking the drivel the minister is talking.

Mr. Benson: Furthermore, unless a host of other measures were also adopted, such controls would have only a limited effect in containing the inflationary forces in the economy generated from abroad. And certainly controls over prices, wages, salaries and other forms of income are not an adequate long-term solution to the ever-present threat of inflation that will face an economy expanding close to the limits of its growth potential. In addition, Mr. Speaker, it is important to note that the proposal for price and income controls urged on us by the New Democratic Party does not even have the backing of the Canadian Labour Congress.

In the brief which it presented to the Cabinet on March 23, the Congress observed that the Prices and Incomes Commission had indicated its intention, in the CLC's words, "In effect to exclude from its price reviews all business firms in Canada except a very tiny minority whom it would regard as being in a position to exercise major market power."

Commenting on the position of the Commission, the Congress brief asserted:

All of this is perfectly understandable. It would require a huge government bureaucracy, which would be politically unacceptable (except under wartime conditions), as well as physically impossible to set up in time to monitor a broad range of price increases in 1970.

For its own part, the Labour Congress expressed its concern over inflation, but offered no alternative means of resolving the problem other than through the dismal one of recession. "Wages and profits," the brief maintained, "are heavily influenced by the business cycle, with profits taking the lead and wages lagging behind when the economy emerges from a recession". "On the other hand," the CLC continued, "when the economy begins to turn downward, profits, again being a leading indicator, are the first to decline, followed shortly after by a decline in the rate of wage increases."

The hon. member for York South, Mr. Speaker, has accused the government of being hidebound by doctrinaire orthodoxy. I wonder how he would describe the views of his friends in the labour movement about the inevitability of recessions and the necessity of relying on such a harsh cure for inflation. Over the last decade, one of our foremost objectives has been to break with this boom-and-bust pattern of the past and instead seek to maintain strong but stable economic growth. I may point out that this is the course that has been repeatedly recommended by the Economic Council of Canada in successive