

There are side industries such as tire manufacturing to be considered. Plastics are used in a good many agricultural machines at the present time. There are also the implements manufactured in the United States for large tractor and manufacturing facilities. They could not only be in short supply, but the price could increase substantially. I think these are the kind of questions to which the government must address itself.

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What is the government going to do to deal in the long term with food prices in Canada? As I mentioned before, I should like to talk for a few moments about the use of food and fuel on a worldwide basis and how these commodities will ultimately affect Canada. There has been no indication that the government is going to take any steps in this direction until we face what might be termed a very serious situation. Fuel and food shortages on a global basis interact to increase the effect of each. It is safe to say that rising fuel costs will discourage increased output of food, thus escalating the cost of food. This in turn will force up wages and other production costs, which once again will force up energy costs. I do not intend this to be a warning to the public that higher food prices are in store for us all, but certainly the fact is that the Canadian public, as people throughout the whole world, will experience higher and higher food prices unless steps are taken now to safeguard against this.

Commodities derived from oil and grain are central to the needs of all mankind. As I have said, their production is interrelated. In various forms they are so essential to the entire human economy that their relative scarcity and their price affect and will affect the availability of all commodities. Because they are traded on a worldwide scale, the effects of scarcity and the price of these commodities will be international. Therefore, it will be difficult or impossible to shelter the economy of any nation from the effects of sudden price increases unless governments are prepared to introduce policies to offset these increases.

Because price increases have been sharp to date, and because these new high prices will prevail, sudden and sometimes startling economic disruptions can shortly be expected on a worldwide scale. One of the first effects of these disruptions will be the creation of pockets of unemployment. One industry likely to be sharply affected in North America, certainly in the United States, within the next 12 months is for example, the automotive industry. If gasoline rationing is imposed, sales of standard cars with a V-8 or six-cylinder motor will be sharply reduced and the output of automobiles will decline. This will have tremendous side effects on related industries, thus damaging the economy.

We will also see a reduction in tourism and recreation. Two effects of this will be rising costs and fuel shortages that will cut back the distance travelled as well as the number of people travelling. Carrying this assumption to its conclusion, the consumer durables industries will also be affected. If unemployment rises—and there is certainly no indication that it will not do so once we get into the new year—and if prices continue to escalate, consumer buying very likely will decline. Since the effects I have outlined are likely to spread to all of the industrial world,

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a major economic disruption of a new and little understood form would appear likely. I think as early as June, 1974, we can expect a good part of the world to face major problems.

So far as domestic policy implications in Canada are concerned, if we continue on our present course, applying stop-gap measures, I think we will see widespread economic disruption on an international scale, the effects of which will spill over into Canada in the form of price instability and diminished markets for manufactured goods, consequently bringing about unemployment.

Canada produces large, exportable surpluses of most of the commodities in short supply. We are self-sufficient in others and in still other cases, such as oil and natural gas, we could expand production to make surpluses available for export. In this context I think it is imperative that the nation understands that international terms of trade have undergone astonishing changes in the last 18 months and that these new terms of trade are going to be more or less permanent.

In essence, the balance of bargaining power has shifted to favour those regions or nations that have available for export supplies of food, fuels, hides, paper, wood and natural and synthetic fibres. The balance has shifted away from those countries or regions that have had available well-made or low-cost manufactured goods. The mere capacity to produce steel, automobiles, aeroplanes, colour television sets or cameras is of little value if food is short throughout the world and energy is scarce. Indeed, rapid increases in energy and food costs may make price structures so unstable as to reduce the capacity to manufacture, and may also tend to diminish markets. The terms of trade have changed not only among nations but also among regions. The regions with oil and grain and food products for exports are favoured by such terms of trade as exist at the present time. In Canada, the west and the north are so favoured, really to the disadvantage of the industrial heartland of Canada, and certainly this is a change.

Unless the government gives direction to the country and consults the people of Canada, instead of simply bringing in ad hoc and short-term measures to deal with the situation, I think we can assume four or five different eventualities. First of all, I think the price of most food-stuffs except fruit and vegetables will remain high. In fact, if nothing is done by the government to increase production—and the government has not been able to increase production significantly up to this time—the price of most of these items will probably increase. I think it goes without saying that the price of oil and natural gas will remain high. I think, also, that inflation, food costs and energy shortages will ultimately generate unemployment, leading to what could be considered an economic recession. I think lumber and paper prices will remain high for some time to come, and the price of manufactured goods will be forced down by diminishing demand.

With energy and labour costs going up and general inflation increasing, prices are likely to be erratic and confusing. Consequently, prices are likely to be very erratic and uncertain for the consuming public not only in Canada but in the total global sphere in which we are talking.