

*Canada Pension Plan*

I think the arrangements worked out with respect to the earnings index are excellent. They struck me as a bit ingenuous at first but the more I studied them the more I thought they were good and that they really give our people the benefit of rising wages and rising productivity.

My hope is that the government will consider using the earnings index rather than the cost of living index for escalation of pensions after they have been put in pay.

**Mr. Chatterton:** Questions were raised in the committee regarding what is an adequate pension after retirement, and no real definition or statement was made on that subject. However, there seemed to be some consensus that the retirement pension must bear some relationship to the average earnings of the working population. Therefore I agree with the hon. member for Winnipeg North Centre that a more realistic index to use in adjusting pensions, once they are being paid, might be an earnings index rather than a pension index based on the consumer index.

Clause agreed to.

Clauses 18 and 19 agreed to.

On clause 20—*Pension index for year 1967.*

**Mr. Aiken:** Mr. Chairman, several witnesses who appeared before the special joint committee expressed concern about the indexing feature of the bill. In fact the first witnesses to appear gave the committee some very serious facts to consider. They were strongly of the opinion that the tying of the pension to the cost of living index would contribute to inflation. The same opinion was given in connection with the earnings index which is mentioned in the next clause.

There were two bases on which these opinions were given. The first was a financial or actuarial one, in which it was felt that where there was a cost of living increase in our national economy it would have the effect, in a short time, of increasing the amount of the pension. It was felt that the effect of increasing the pension would increase the amount of money available in the country for expenditures, thus sending up the cost of living once again which would result later in further increases in the pension itself. In other words, there was a great fear that it would be a self-sustaining inflationary feature.

The second reason given was of a psychological nature. The witnesses felt that once you accepted the feature of indexing in any plan then people would expect it across the board. In other words, if we accept the

principle in the Canada pension plan that, as the cost of living increases, pensions ought to increase then people in all other levels of society would also feel they were entitled to protection against inflation. The witnesses felt this would extend itself into the private pension field and all features of the economy.

Against this is the principle that I for one proposed on many occasions five or six years ago, that the old age security itself ought to have some protective index and that it should be raised by some measurable amount rather than by being raised just before general elections. Indexing does protect our aging people against the continual rise in the cost of living, and I think it is well worth noting that the indexing applies not only in connection with the pension under the Canada pension plan but is also made to apply to old age security. I wanted to raise this point at this time because it is a matter which was seriously considered by the committee.

On the other hand, on balance it was felt by our members that since the government had come up with this feature, since it and its officials felt that the danger of inflation was not that great, and since some of the economists who appeared said it would not really create inflation but might create an atmosphere for inflation, we have decided not to move an amendment or vote against this clause. We have decided not to move an amendment in the circumstances but we do not wish to let the clause go by without this comment. The fear is there, and also the possibility. It is one of the things which will need to be watched very closely and borne in mind as the pension plan goes into effect.

**Mr. Benson:** Perhaps I should say a few words about the pension index. I am pleased to see that the hon. member is at direct variance with what his hon. friend from Macleod said in his speech yesterday, at which time I had to make a few comments with regard to the pension index being attached to the plan.

The purpose of the pension index is to deal with inflation, not to cause inflation. As I read the reports of the committee, the general opinion was that it would not have an inflationary influence on the economy except in so far as this might arise because of the psychological effect on people generally. The index is used to adjust the ceiling on earnings for each of the years 1968 to 1975 inclusive, as mentioned in clause 17 dealing with max-

[Mr. Knowles.]