always presents members with an opportunity of bringing grievances to the attention of the government and referring to matters which are of vital importance to the people of Canada.

I can think of no question which is of greater interest to all Canadians than the steadily rising cost of living and the spiralling of consumer prices. This is something which has been going on at an accelerated rate for the past three years. Rising costs of living affect every person in Canada. This rise in consumer prices has drained the pocketbooks of every Canadian. This has a most adverse effect upon those who live on fixed incomes, old age pensioners, superannuates, veterans pensioners, people who live from rent on small properties and people who are not able, in a competitive market, to demand a larger income to compensate for the higher cost of living.

• (4:30 p.m.)

Various reasons have been for this phenomenon which is commonly called inflation. We in this party do not believe that inflation is the real cause of the present unfortunate situation. Inflation in usually defined in economic terms as being too much money chasing too few goods. Inflation indicates that the economy is no longer able to increase its productivity in relation to the increased money supply. That is just not true in Canada today. In this country we could increase our productivity. The Economic Council of Canada has pointed out that from 1957 to 1965 the wastage in Canada by our failure to use our full potential production cost the Canadian people $21 billion. That is an amount of $1,200 for every man, woman and child. That is $6,000 for a husband, wife and three children, an average family.

This is what we lost by not making full use of our productive capacity. It is the price we paid for having human wastage in terms of unemployment and failure to use our full industrial capacity. The Economic Council of Canada points out that even now we are falling $2.4 billion short of our productive capacity. That is $120 per capita, or an average of $600 per family that we are losing because we are not utilizing to the full the productive capacity of this nation. Therefore, to suggest that we are in a state of inflation because we can no longer increase our productivity to meet the money supply is begging the question entirely.

We in the New Democratic Party contend that the rising cost of living is due to two factors; first, to the inequitable distribution of the national income and, second, to a misallocation of our human, material and financial resources. A great many attempts have been made to find a scapegoat for the rising cost of living. It has become popular for some newspapers and some politicians to lay the entire blame on the fact that wages have increased; that trade unions have put pressure on the employers and have received increases in wages for their members. The argument goes this way; that increased wages push up the cost of living, the increased cost of living means that workers want more wages, and, therefore, we are in a vicious circle.

All the facts that can be adduced prove this contention is not true. I do not say that wages have not risen; but in a modern society wages can rise without increasing prices, if the wages do not rise more rapidly than productivity. Let me give the house a simple illustration. If a man working in a factory produces one article per hour and receives $2 per hour, the labour cost of that article is $2. If by virtue of technological changes he is now able to produce two articles per hour and his wages are raised to $3 per hour, the labour cost of that article is $1.50. It is true that his wages have been raised; but it is equally true that the labour cost, even with the increased wages, has been reduced by 25 per cent. This has been happening throughout the Canadian industry, and the industries of other countries of the western world.

The standard case with which the house is familiar, of course, is the steel industry. In April 1965, the steel companies of Canada increased the price of steel, the argument being that in the previous five years wages in that industry had gone up 26½ per cent, which was true. What was not told to the people of Canada was that in that period of time the labour cost per ton of steel had dropped from $27.52 to $22.16, a decline of $5.36 per ton. What was also not mentioned was that in this period the profits of the steel industry had gone up by 106 per cent.

The Economic Council of Canada points out in its review that the basic labour cost per unit of output in manufacturing in Canada fell by 11.3 per cent between 1960 and 1963. It is difficult for anyone to argue that increased wages pushed up the cost of living, when in that three-year period the labour cost per unit of output in this country dropped on the average by 11.3 per cent.

If one takes the trouble to look at the figures over the past two or three years, one finds, for instance, that in 1965 the percentage