

highest standard of living. We are behind Greece, France and Spain. We are living high off the hog through the sale of our resources. We are mortgaging our resources to maintain a standard of living which we do not deserve. So the ultimate problem lies with our efficiency, our productivity. This is what we should be addressing ourselves to, not restrictive policies. But those are yesterday's potatoes and we shall not eat them again.

We have to examine the situation as it is now and decide what to do about it in the future. If we were to adopt some of the concepts advanced by hon. members opposite, we would be facing another cycle of inflation within ten months. If we return to the easy money idea, as has been proposed—tax cuts along with the costly support programs the government is already engaged in to create expansion in many areas—we shall be faced later with the responsibility of getting this money back. And where shall we find it? We shall have to get it from the taxpayers, who in turn will get it from the employers, in most cases, who in turn will charge higher prices to the public. Again, it is a vicious circle.

We ought to be extremely selective in our policy decisions and adjustment processes. This is not to say for a moment we should belittle the unemployment crisis. But we should remember that we still have to submit to an accounting in the future. One of the problems I believe we face is that regardless of what the government may have in mind, our financial institutions will not always go along with them. I have been studying this question for some time. There is a tendency to believe that because we have a responsible banking system there will be a reciprocal entente between the government and the banks; that the banks will consider government policy as part of a national policy. But this has not been the case. The Bank of Canada has reduced its interest rate very considerably, but I do not see any move by the banks and the financial institutions to put money out where it is needed, that is, in business. It is being put out in convertible loans at 18 per cent; it is being put out in bond issues across the border. I could give instances where a bank recommended an investment involving short-term money in the United States rather than one which would help build up an inventory for a company in Canada.

So we do not have a responsible banking system. I have regretfully come to the conclusion that the government ought to consider carefully the nationalization of our banking system. I hate to say this because I have always been opposed to the nationalization of any industry, but I believe our banking and financial institutions have been so irresponsible, so much out for their own ends, that we should carefully consider whether we should nationalize them.

Mr. Rondeau: Credit!

Mr. Otto: Well, I once voted with hon. gentlemen in that party when I voted for debt-free money.

Some hon. Members: Oh, oh!

Mr. Rondeau: You did not know about credit.

The Budget—Mr. Otto

Mr. Otto: That is quite true. But in a serious vein, if hon. members opposite do not agree with nationalization of our financial institutions, perhaps the government should exercise a much stronger voice in their policies. Maybe we should hit their reserves. This would be a strong weapon. When the government has decided that certain policies should be followed or certain directions taken, it appears that the banks and other financial institutions have said: That may be good for some people, but as far as we are concerned we are part of a great international business, and if you do not lay down rules which we like we shall put our money elsewhere. We have to contend with this. Therefore, I do not think we can go very far without giving serious consideration to placing more severe restrictions or tighter controls upon our banking institutions.

• (5:50 p.m.)

The next problem, one that we are still facing, is labour. Labour problems have not disappeared merely because we have unemployment. We still have greater emphasis on labour problems than we had before. Hon. members will notice that during the last two weeks two companies have had to adopt ultimatum tactics—I think they have done so sincerely—because they are in a complete quandary as to what to do. These two firms have told their employees they must either stabilize their wage demands or the companies will close their plants and go out of business. This was not said for publicity reasons or for purposes of bargaining. I know the management of one of the companies, and this was a serious statement. So both labour and management have now been driven to the position where there is no longer room for negotiation; it becomes a question of ultimatum. Either the employees do this, or the company shuts up shop. Ultimatum tactics have never paid off and they never will.

I suggest the government seriously consider the whole complex question of devising a labour policy, because eventually, whether it be this year, next year or the year after, wage demands will have to be geared to productivity. I do not care which way you slice it, Mr. Speaker. This policy could be applied industry by industry, plant by plant, right across the nation. But eventually we must face the position that if labour wants a 6 per cent wage increase, it will have to show at least a 6 per cent increase in productivity on a per man-hour basis. If labour wants a 10 per cent increase in wages, then it will have to show a 10 per cent increase in productivity. Only in this way will we stabilize inflationary pressures.

If we do not adopt this policy, I predict that a year from now we will experience a 10 per cent inflationary cycle more severe than any we have had. Costs are still increasing. We speak of stabilizing the cost of living, but the fact is that many entrepreneurs and business ventures are selling off their goods and inventories at cost, even less than cost. When these inventories are replaced, they will be replaced at higher cost and the cost will have to be paid by the public. The over-all remedy, therefore, is not to have a political debate along these lines: We told you what was going to happen. You did a