**Mr. Johnston:** All we have to do is look at the U.S. performance in autos and in steel. All we have to measure that against is the reaction of the UAW in this country, encouraged and egged on by our friends in the NDP who categorically refuse to recognize the linkage between wages and prices in a period of falling productivity. Again, the financial critic for the New Democratic Party surely knows that in the absence of productivity, wage increases are translated almost immediately and almost completely into increased prices. We are not alone in this situation. All countries have recognized that fact.

I would like to refer the hon. member for Kamloops-Shuswap to an article appearing in yesterday's *Globe and Mail* by one of the most respected economic writers in this country, I would say, Ronald Anderson, who draws heavily upon the statement of the Bank of International Settlements. I would like to quote several passages from the article. It states:

> Statistical tables indicate that Canada is making the wage adjustment less successfully than any other country among the 11 major industrial nations examined in the report.

It goes on to state:

> The BIS report comments that Japan, West Germany, Austria, and Switzerland have a good record in terms of adapting wage behaviour to the broader needs of the economy. Moderation in bargaining attitudes, by both labour and management, has allowed real incomes to adjust smoothly to changing conditions. Concern over job security—

The hon. member is now leaving the House. He said that he does not understand and we are offering him the opportunity to understand some of the problems which we face and some of the solutions we are proposing. I see that he has left his seat. In any event, I will continue and send him a copy of *Hansard* tomorrow. The article continues:

> Moderation in bargaining attitudes, by both labour and management, has allowed real incomes to adjust smoothly to changing conditions. Concern over job security has been a factor in persuading unions in West Germany, for example, to accept wage increases lower than the rate of inflation.

This is fundamental, as I said before, to the problems confronting us in this country. Japan and Germany have kept wage increases down and have done well. I say that in answer to the question raised by the hon. member just a few moments ago. But militant unionism in this country is not helping us at the present time. I plead with the hon. member to go forth and preach restraint to the union movement just as we practise restraint in government.

**Some hon. Members:** Oh, oh!

**Mr. Johnston:** I hear some cackling from my friends in the Conservative Party.

**Mr. Riis:** Watch Dome Petroleum.

**Mr. Johnston:** Your Honour will notice that I have gone rather easy on our friends from the Conservative Party because I have one thing to say for our friends in the New Democratic Party: at least they come forward with proposals. Those proposals are totally unacceptable and will simply exacerbate the very difficult economic conditions in which we find ourselves, but at least they have the courage to come forward and suggest that we should spend, spend, spend. The Conservative Party proposals, on the other hand, whatever they may be, have remained a deep, dark secret and I suspect they will always remain so.

**Mr. Munro (Esquimalt-Saanich):** Withdraw the budget.

**Mr. Johnston:** In any event, I will ignore the cackling from that side of the House and deal lastly with one idea that I must repeat because it is such an important lesson for the hon. member to learn, since he does not understand it.

There are some who believe that if the wage increases are less than the CPI or do not exceed the CPI, they in some way do not have an inflationary impact. As I pointed out a moment ago, any wage increase in the absence of productivity gain is immediately translated into increased prices.

There is also another aspect to this matter. The hon. member clearly has compassion for the unemployed. We all have great compassion for the unemployed. It is a serious problem with which every thinking Canadian must be concerned. Those of us who have jobs, whether as Members of Parliament or members of the press gallery, are in a privileged position. Each time we put demands on the system, whether in the public or the private sector, through seeking increased wages, we are effectively taking that out of the hides of the unemployed. That capital could be used for job creation, capital investment, plant expansion and the kinds of programs the hon. member is putting forward. It cannot go into wage increases on the one hand and at the same time provide employment. When the hon. member asks what he can do, I tell him to preach to the CLC and the labour movement that if they restrain their wage demands, they will bring more of the work force back into the workplace, which is what we want.

• (1740)

The hon. member touched in the traditional way on the problem of high interest rates. I do not intend to go over that except to say that for 30 years in this country savers have seen their savings erode. We have seen low interest and a steadily depreciating value of those assets and debt obligations due to inflation. That is why inflation is and remains our number one problem.

What we are witnessing today is a revolt of savers. This is particularly true in the United States where the spread between the rate of interest and inflation is so large. Why is it so large? It is not only because of the tight money policy, but because savers have been burned year over year. The constituent who came into the hon. member's office and said, "I see my life savings being eroded by inflation" was absolutely right. That is one of the problems, and is why we have to focus on inflation.

Is the kind of spending recommended by the hon. member for Kamloops-Shuswap compatible with an anti-inflationary stance? Is it conceivable that further expansion emphasis, further government intervention and further government programs of the kinds he is describing are compatible with tackling inflation, which all responsible economists and all