Where we are and where we're going.

"Prime Minister Trudeau maintained his onslaught on Conservative prices and incomes restraint policies before a large noon-hour crowd here yesterday.

"Mr. Trudeau said the proposed ninety-day freeze, followed by two years of controls, would take vast numbers of bureaucrats to administer. Even then, it wouldn't work, he said.

"You can't freeze executive salaries and dividends because there are too many loopholes to squeeze through."

"Mr. Trudeau said Conservative leader Robert Stanfield had already said he would not freeze the prices of farm produce and fish. He could not freeze the prices of U.S. imports or Arab oil, and he admitted he would exempt housing prices.

" 'So what's he going to freeze?' Mr. Trudeau shouted. 'Your wages. He's going to freeze your wages.' "

Timmins, Ontario - Toronto Star, 28 June, 1974

Why the controls?

"The single statistic that stands out in recent months as the key to the Liberal's sudden conversion to a control programme is the 9.3% drop in corporate profits in the second half of 1975 compared to the second half. Beneath this single statistic lies the more profound changes in the share of national income going to wages and salaries as against profits.

"While corporate profits were rising over twice as fast as the national income between 1971 and 1974 and interest payments were rising one and two-thirds time as fast, wages and salaries did not keep pace. In fact, by 1974 labour's share of the national income had dropped to 67.9% while corporate profits rose to 16.1%.

In dollar terms, between 1971 and 1974 corporate profits increased from $8.6 billion to $18.3 billion, or 111%. In the same period wages and salaries increased by only 25%. Of course at this profitable juncture there was no talk of legislated wage and price controls -- except by the quixotic Robert Stanfield. Wages were being adequately restrained while inflation was rewarding the corporate sector handsomely. So handsome was this reward that the 1974 inflationary price rise gave the corporations the largest share of national income they have received in a quarter of a century.

"However, as organized labour became unglued from existing contracts late in 1974 it naturally demanded wages related to inflation. Some unions were able to win new contracts that gained back some of the losses to the inflation of the previous years. Most union members never did recover past losses. Neither, of course, did the two-thirds of the labour force that are not members of unions. Nevertheless, the tide had turned. By the second quarter of 1975 wages and salaries were accounting for 70.8% of the national income, up from 67% a year earlier. Meanwhile the share going to profits had fallen from 16.8% to 14% This turn-about in the first half of 1975 'cost' the corporate establishment about $4 billion. With world capitalism (the western industrial world) stuck in a major recession and international competition becoming keen, businesses were less able to pass wage increases onto consumers.

"Notable in the timing of the legislation is that from the time of its announcement in mid-October, 1975, to year end, 500,000 workers were due to sign new contracts and nearly a million more scheduled to negotiate in 1976. Slashing the income gains of a million and a half wage earners, a fifth of the Canadian labour force, in the space of 15 months, would no doubt make a contribution to sagging profits.

These are important clues that help explain why controls were introduced.

Price controls?!

"The prices and profits guidelines open by listing what they are **not** going to control: the price of oil and gas; agriculture and fish products; property rents and imported goods. It is significant that these are all products which make up a major part of a worker's budget and that 75% of recent price increases have been in the area of energy, food, and housing.

"Even those prices which are supposed to rise only in relation to costs, the ability (and willingness) of the Government to make this stick is very limited. Whereas wage bargaining takes place out in the open and increases are easy to identify, price decisions take place behind the closed doors of boardrooms, and we only find out about the occurrence after the fact. Furthermore, these large corporations can employ high-powered accountants to find loop-holes and means of 'fudging' costs. The American multinational corporations that dominate the Canadian economy can easily increase the prices they charge their Canadian subsidiaries for intermediary goods and thereby take their profits in the U.S.

How the A.I.B. has ruled.

"The first four months of the programme clearly showed the anti-labour bias of the A.I.B. [**These first four months were representative of the whole programme to date. If anything, they have become more one-sided as time has passed -- witness last month's further loosening of 'controls' on profits. Editor's note**]

By the end of February, 1976 there had been at least 30 rulings on wage contracts; 23 of these were reduced by the Board. In contrast, there had been two rulings each on prices and dividends. One of the rulings on prices by the A.I.B. allowed the Weston conglomerate to change the name of a Loblaw's store to Ziggy's and raise prices an average of 20% on all goods except milk and bread. This was justified by the A.I.B. as being part of Loblaw's ongoing "market strategy" -- a strategy aimed at raising prices.

"Similarly, the A.I.B. has not used its rulings to allow low-paid workers to catch up with inflation. In one roll-back, library workers at the University of Toronto earning as little as $5,814 had their contract increase reduced from $18.2% to 12%."

by Cy Gonick and Leo Panitch
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THE ANTI-INFLATION PROGRAM A REVIEW YEAR ONE

Government of Canada
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