of the provinces. Even the effort and time involved in getting together with the various provincial governments is something that cannot be taken lightly. I feel it makes discussion of the bill, you might say, somewhat academic.

However, I should like to raise a few points regarding the workings of the Canada Pension Plan. There are those who suggest that the CPP should be used to replace the old age security and guaranteed income supplement plans for the elderly. In my opinion, the old age pension and the guaranteed income supplement should be the means by which the state guarantees to its citizens a basic pension when they reach retirement age.

There are those who say that the Canada Pension Plan should override old age security and that eventually old age security ahould be phased out in favour of the CPP. In my estimation it is important that the Canada Pension Plan remain a pension plan for those who, either by working as an employee or by being self-employed, make contributions to the plan and thus qualify for a pension when they retire. For this reason I think amendments to the plan that seek to override the plan have to be seriously considered to ensure they are actuarially sound.

There are those who say that the Canada Pension Plan is not really a pension plan in the accepted sense of a private plan or one's own plan, but merely a transfer of income from those who are working to those who have retired. This is perhaps true of any large scheme whereby massive sums of money are raised by way of levy on employers, employees and people who are self-employed and the money transferred to those who have retired. Others would go farther and suggest that the Canada Pension Plan is largely a tax levied on those who are producing and earning, the revenue from which is given to those who have reached retirement.

● (1630)

I think it is wise in any discussion of the type of Canada Pension Plan we would like as a nation to consider the impact of a compulsory-type saving such as this in relation to the level of voluntary saving, or the general desirability of private plans such as employees' pensions, annuities, and so on. Personal savings are usually directed toward specific goals. In my experience as a physician, some 20 years ago people thought seriously about the problems they would face when they became old, particularly if they were ill. Today people do not worry so much about having enough money to live on. Years ago people wanted to make sure they would be able to pay their hospital, physician and other bills associated with illness when they became incapacitated, in order that they would not be a burden on their children, which very often was the case.

In a relatively few years we have taken care of these expenses in that hospital bills are paid for universally, medicare is universal and in most provinces, at least in my own, the cost of drugs is looked after. There is practically no one past the age of 65 who has any difficulty getting drugs. We also have nursing home care and assistance in respect of a wide range of services, including assistance in providing shelter cost for those in low income groups. In that relatively short time much of the basis for the fear on the part of the pensioner has disappeared.

With the level of old age security and guaranteed income supplements, it seems that personal savings are no longer as attractive to many people. Many who took out life insurance policies 25 years ago with the idea of saving now realize they might as well have taken a trip with the money at the time, particularly in view of the dollar devaluation as a result of our inflationary trend. This is one area we must consider in respect of the Canada Pension Plan as it relates to voluntary savings.

Very shortly we will be considering the foreign investment bill and the government's screening process for foreign investment. I think we should all realize that, in a practical way, what people in Canada save and invest will ultimately determine how effective will be Canadian control of our own resources. A very rapid inflation rate means, for most people, that personal savings programs drawing conventional rates of interest do not really offset the inflationary effect on such investments. People receiving 8 per cent or 10 per cent on their investments—and this is a high rate of interest for those who are buying homes—will pay 3 per cent or 4 per cent in income tax at the end of the year and will be substantially farther behind in terms of real value.

There is one other aspect of the Canada Pension Plan that should be discussed in terms of savings. This represents a large pool of capital, at the present time in the neighbourhood of $4 billion, earmarked for the provinces. Employees' corporate pension plans, mutual funds and the savings portion of insurance funds have all contributed to the pooling of capital in the hands of a relatively small number of companies under the control of professional managers. One bad feature in this regard has been the withdrawal of capital from rural areas with concentration in a few cities in the country. Most communities in the past had a local money-lender who was perhaps not very popular in the area but who did serve a purpose. Rural areas are now starved of capital. As these small capital pools have been centralized, governments have attempted by various programs such as DREE to provide capital for rural communities, but in my opinion they have not been too successful.

The combined effect of the old age security and Canada Pension Plan being tied to the actual cost of living index will mean the taking over from a large number of Canadians the function of personal saving. In other words, very few private pension plans can be indexed in this way, so the Canada Pension Plan will assume a much more important role. When voluntary personal savings cannot be related to the inflation index it becomes very unattractive to build up personal savings. While it is desirable, and perhaps easy, to provide automatic increases in basic pensions by tying them to the cost of living index, this is a somewhat arbitrary measure.

It is very difficult to measure the actual increase in the cost of living, as various items are included; but the index does not reflect the entire economy. The governor of the Bank of Canada made a statement the other day to the effect that he could not understand our unemployment rate at a time when indices showed such business activity. This probably results from the fact that the conditions which affect the indices are upset by changes in the