

those places out of the market in competition with them. If you look at the international labour organizations, which they have been very active in, part of the effect of those has been to make life more difficult for low-wage labour in places like Hong Kong, Singapore and Africa, under the guise of making life better for those guys. You don't guarantee them the jobs. You guarantee that if they could get a job they would be well paid. But wages are so high that they cannot get the job in the first place. That is not a contribution to human welfare.

Senator Croll: I presume that the Auto Pact is, in your view, an example of what would happen under what we call free trade?

Dr. Johnson: No.

Senator Croll: All right, show me the difference.

Dr. Johnson: The Auto Agreement seems to me to be a reflection of some of the worst things that Canada does. We did not really have free trade so far as Canadian consumers were concerned. We were keeping up the price of automobiles for Canadian consumers and giving companies an incentive to build factories and employ labour. That is not free trade.

Also, as it worked out, Canada started this whole thing and the United States paid the international price of it. The way it worked, Canada did not seem to be violating any international rules in getting, in effect, guaranteed employment for Canadian labour at the expense essentially of European and other automobile labour.

The United States was in technical violation of the rules of GATT in that it was discriminating in favour of Canada as opposed to other countries.

It was very definitely in violation of the rules of non-discrimination. The only way it got out of that was by arguing that since these companies were American companies, it really was not discrimination in favour of Canada, it was legitimate business on behalf of American companies.

This reflects something I said earlier on. It involved the United States carrying the can for violation of the principles of free trade while Canada got the benefit. I do not regard that as being a desirable situation.

Nor have I ever regarded the business of producing automobiles as necessarily man's highest contribution to civilization. I know that all countries I have visited, top and bottom, regard the automobile industry as a sign of industrial competence, but economically you are buying yourself fluctuating employment, soul-destroying kinds of work in assembly lines, and all sort of things which are not attractive in themselves, in order to have the advantage of saying, "That is a Canadian car being driven down the street."

Senator Croll: On the other side, the largest employer of labour in the United States is the automobile industry.

Dr. Johnson: That is no particular credit to anyone.

Senator Croll: Whether it is a credit or not, let us take a look at the Auto Pact for a moment. You said the consumer was at some disadvantage, that no advantage came to him; but to thousands of employees an advantage

did come to them when their rates were brought up to parity with American rates.

Dr. Johnson: That is all very well if you want to identify your social welfare with the happiness of automobile workers.

Senator Croll: But automobile workers are not a group aside. I was taking it as one example. I was going to bring in some other industries. I rather thought that it appeared to be an example of two countries doing some sort of trade—it might be considered free trade—and that there were some advantages and disadvantages. It cannot always be advantageous to both.

Dr. Johnson: That particular agreement gives you an appearance of free trade, but it is not too beneficial from the standpoint of the Canadian consumer, who is the person who is supposed to benefit from the trade. My second point is that I do not particularly see human happiness as consistent with everyone having a job in the automobile industry. In fact, many of the young people who go out protesting, protest against the soullessness of producing automobiles. I think they are right.

My third point is that it is not the automobile industry, or the government which encourages the automobile industry, that really provides jobs. What provides jobs is the government's willingness to provide a climate and level of aggregate demand that will provide jobs.

Senator Croll: A former Canadian, who is almost as distinguished as you are—Professor Galbraith—speaking yesterday in Calgary before the energy people, said that the trouble with our economy, and the reason for our inflation, was the fact that 50 per cent of what it is all about is in the hands of the national and multinational organizations, and they control as much of the economy as does the government.

Dr. Johnson: I would not want to put myself within even talking distance of Professor Galbraith as a great man, but as an economist I have no doubts at all as to who the economists of the world are, and he is not one of them. That is the fallacy of Galbraithian thinking about companies, and also of worries about Canadian ownership, companies do not raise prices because of sheer devilment, because they want to raise hell for the government, they raise prices because the government is pursuing an inflationary policy. It is visible when a company raises prices, but it is not visible when the price of hired help or haircuts or something like that goes up. You do not start lambasting the barbers because a haircut costs more than it used to, but you do lambaste the company. That is purely an accident. The cost of haircuts can rise and hurt you just as much, proportionately, as the cost of automobiles, but you do not notice it when the cost of haircuts goes up, you do not assume that some malevolent group is busily putting up the price of haircuts, just to get after you and they do this to spite the government. You notice it when a company has decided to raise prices, as the automobile companies do, because they take a decision on prices which go across the board and is very visible. It appears that the automobile companies decided out of sheer viciousness to raise prices. With the price of haircuts, no one in particular decided it, it just happened that