

Supply

There are other issues here, Mr. Speaker. The Minister of Transport (Mr. Pepin) has been diligently trying to come to grips with problems regarding the western rail transportation system and the Crow rate issue. I can assure you that if things do not change, that will become the monumental political football of the decade. Not only need it not become a political football, but it should not. If that does happen, however, we will probably forgo the development of an efficient rail transportation system in the west. Western economic development will suffer and the nation will suffer. I think it is time we started to think of a consensus on that subject instead of trying to find ways of condemning the Minister.

We have to come to grips with the fundamental issue that workers cannot demand more than is justified by their productivity, and that no amount of monopoly power granted to labour unions can justify demands for more. We have to come to grips with the fact that management cannot expect more than it is willing to give and cannot expect loyalty from workers if, when things get tough, those workers are thrown out of work. I do not think that owners of capital can have higher profits during the good times and not expect to share the burden during the bad times.

Those are the kinds of issues that I think have to be debated, Mr. Speaker. How can we come to a national consensus where workers share in profits through good times and also bear their share, across the board, in the lowering of incomes of bad times? It only delays the day of reckoning for any group to run to the Government for protection from competition or to ask for more monopoly power to protect their position within the domestic economy. I guarantee that such action will intensify the severity of adjustments that have to be made in future. It does not put off the day of reckoning, but just makes things harder when we have to face them.

The symptoms of this have been growing during the decade of the seventies. Collectively, we have been unwilling to come to grips with these problems, and now they have come upon us in full force in the worst recession of the past 50 years. The symptoms were present in this country, in the United States and in western Europe, but the political system was unable to face the facts and make the hard social choices that should have been made if we are to move forward.

Inflation was a warning. It was a sign that we were trying to live beyond our means. That is what inflation is, Mr. Speaker. Inflation is the automatic adjustment mechanism of the economic system which is trying to bring incomes into line with output.

Mr. Benjamin: That is what Mackenzie King said and he was wrong too.

Mr. Evans: That is precisely what it is. It is the signal. The answer to this fundamental fact of life is that the system is trying to adjust. One reaction to this was to index.

Indexation is a very interesting phenomenon, Mr. Speaker. It protects those who need protection most. That is fine, but as the indexation system spreads, it implies that the system is going to adjust and reduce incomes to fall in line with output. It implies that those who are indexed are going to be immune to inflation. For those who are not indexed it implies that they

are going to pay a heavier and heavier price. The group that was not indexed during the last 10 or 15 years of high inflation, that is, the people who put their money in savings or invested in plant and equipment, have been devastated by inflation, along with others. That is one reason why there is not more investment in this country. The real return on investment and risk taking has been devastated by inflation, while other incomes have been protected. Our personal income tax system was indexed. Our social system was indexed. We had indexation in other areas, but the system still had to adjust to excess demands and it put it all on to the part that was not indexed. That is unacceptable for the future. We have to ensure that the burden of our readjustment is fairly shared throughout the system and that no one integral part of our system bears such an enormous burden of those adjustments that they simply disappear.

● (1530)

We can adjust quickly and equitably to the changes that are going to be necessary in the future or we can respond to the kinds of cries from special interest groups that we have heard so many times in the past. We can adjust slowly and painfully. I am afraid right now that the process we are going through is an example of the latter. It is a slow, painful, adjustment process that we are going through where a great many people are being devastated as a result of the fact that our system has a built in structural rigidity that will not allow that adjustment except on the backs of certain classes of our society.

Let us examine one aspect of the compensation system. I heard the Hon. Member for Vancouver-Kingsway (Mr. Waddell), for whom I have great respect, talking about the Japanese system. I am not touting the Japanese system, but I would like to put forward a hypothesis. In the main, the Japanese system has a very interesting system of compensation. There are differences, but the basic system of compensation is a relatively low fixed wage rate and a very generous bonus system based on productivity and profitability over and above. During good times the profitability and the profits of the firm are shared equitably with the workers. During bad times the variable part of the wage is reduced. The fixed component is low enough that the firm's cost structure reduces during those times. It can stay in business and does not have to throw workers out of their jobs to cut costs.

Another thing that a compensation structure based upon productivity and upon a fair and equitable sharing of profits does is that it leads to the kinds of so-called cultural things that we have seen in the Japanese system that I do not think are cultural at all. They are economic, quality circles. If you, as a worker, benefit from the productivity and profitability of the firm, you, therefore, have an incentive to ensure that everything that can be done to improve the competitiveness and the profitability of that firm is going to happen. It leads you to work co-operatively with your fellow workers on the production line. If they work better and you work better as a team, the firm is more efficient and more profitable. As a