Today more than half Canada's gross national product is taken up in wages and salaries. It is true that not all labour is unionized, but we have developed big, powerful unions in the course of the last few decades. This was a natural evolution from the conditions in which we found ourselves in the 1920's and the 1930's. Nothing else could have happened based on that historical set of circumstances. So today you have giants of the labour field as well as giants on the industrial side. The big unions have the power to achieve in the marketplace industrial settlements, often based on the productivity of their particular union, and these set the base, these provide what is now known as wage leadership. The most powerful unions, operating usually with the most powerful companies, can and do effect settlements which are two or three times the average increase in productivity per person.

● (1530)

Now I am speaking of what is happening at the moment. These settlements set the pace for the rest of our economy. Everyone wants to keep up, everyone tries to keep up, everyone thinks they are entitled to a similar share when wage negotiations take place. Not only do all members of the labour force, including those who are non unionized, want the same kind of wage increases but in fact in order to maintain their comparable position they must obtain them. If they do not obtain comparable wage increases, then their relative position will deteriorate proportionately. The impact on prices is enormous. It is axiomatic that wages rising two or three times faster than productivity must be reflected in prices. Although it is futile to get into the argument as to whether rising wages cause rising prices or rising prices cause rising wages, it really does not matter. It is a chicken and egg proposition and you can argue about which comes first for decades. The important point to remember is that the two must be taken in context, that they are related, that you have to cope with both at the same time rather than trying to ascribe responsibility or blame to one or the other. The relationship between wages and prices cannot be ignored.

I should like to cite very briefly something of the British experience. In an excellent book, that I recommend to any hon. member who is interested in the subject of inflation and possible methods of bringing it under control, called "The New Inflation" by the Right Hon. Aubrey Jones, a book well worth reading, Mr. Jones has some very interesting statistical information which is worth looking at. First of all, he shows what has happened in so far as labour's share of the national income is concerned and he shows that, going back as far as 1855, for example, labour's share was about 53 per cent of the national income in Great Britain. This fell in 1870 to about 45 per cent. But in the succeeding years it has increased until it is now more than 70 per cent of the total. Labour's share of the national income has been rising. At the same time, labour unit costs have been rising, and this inevitably has played an important part in the establishment of prices. There is an index in the book which I cannot find at the moment. Perhaps my colleague could look it up and I will return to it.

The important part of the graph is that, first of all, the unit cost of labour has increased dramatically over an extended period. But from our standpoint perhaps the lesson to be drawn is that the two graphs of labour unit costs and the consumer price index virtually parallel each other throughout the entire period. They are almost identical. One lies almost on the other. I tried to find comparable figures for Canada but was unable to lay my hands on them this morning. However, it is interesting to note the relationship between wages and prices in this country. In my book, "Agenda", I propose a formula. All other things being equal, which of course they never are exactly, I suggest that P equals W minus Q. This means that the rate of change in our consumer price index is equal to the rate of change in wages in money terms, minus the rate of change in productivity in real terms.

It might interest you to know that in the ten year period from 1963 to 1972 the average annual percentage increase in wages and earnings in Canada was 6.5 per cent, the average annual percentage increase in productivity was 3 per cent, the average annual increase in consumer prices for the ten year period was 3.5 per cent. The increase in consumer prices was exactly the difference between the wage increases in dollar terms and real productivity throughout on an average throughout the ten year period.

My colleague the Conservative House leader has now found the chart to which I referred earlier, Mr. Speaker. It is an index beginning at 100 in 1948 to 1970. It has gone from 100 to about 270 in so far as labour unit costs are concerned. In the same period of time, the price index has gone from 100 to about 250, almost parallel to the increase in unit costs.

The Prime Minister (Mr. Trudeau) told the House of Commons the other day, as recorded at page 33 of *Hansard*, the following:

> I find it appropriate at this time to destroy the myth that the cost of labour has been a dominant factor in contributing to the present inflationary round in Canada. That is not true.

To put it bluntly, the Prime Minister in this case is full of hops. To make that kind of statement in spite of the professional expertise available to him is outrageous. If he is not careful, he will wind up in jail with the Minister of Consumer and Corporate Affairs (Mr. Gray).

I do not want to give the impression that labour is primarily responsible for inflation. I think that government expenditures and high taxes have put a tremendous pressure on the working man. But there is a relationship, mathematically, between wages and prices, and this must be taken into account in any discussion of inflation, along with taxes and profits.

If the bill does nothing to control the influence of big monopolistic labour, the question arises as to whether or not it will be more effective in controlling industry. Certainly, on the basis of past experience there is little hope. I should like to quote, if I may, two paragraphs, again from my book, as follows:

> The Canadian approach to these questions was suggested by Mr. King in presenting the bill. Like his colleague to the south, Mr. Roosevelt, he indulged in no sweeping condemnation of trusts but differentiated between the good ones and the bad ones. And the formula for enforcement was publicity and conciliation resting on the conviction that "light is the sovereign antiseptic and the best of all policemen".

Does that not sound strangely reminiscent of the present Minister of Consumer and Corporate Affairs and