advances. But in recent years our productivity has not kept up with our wage increases. In fact, the 1970 annual report of the Bank of Canada suggests that wage increases have outstripped productivity by 90 per cent. When prices have to rise to accommodate the excess, and when markets do not absorb the price increase brought about by the greater cost of productivity, there must be a cut back in production. This is really what is happening in Canada.

The gigantic increase in costs has failed to be absorbed by an increase in productivity, thus bringing about a situation in which the market was unable to absorb the price increases in the commodity. One result of this was a cut back in production, bringing about greater unemployment which no one in our society welcomes or likes. Newspapers throughout all of Canada in the last six months—and one could compile a file of those newspaper reports—have reported cut backs in various plants all the way from General Motors, that the big, sinful giant which is dominating the Canadian economy—if one wished to paint that type of picture of General Motors—to Polymer, the Canadian government owned corporation. All of them have cut back production because the market has been unable to absorb the increased cost of their products.

What does the bill before Parliament do? I think there are a number of steps we should be taking, but I do not believe the government is inclined to take them. I think the first step should be to restore confidence in the nation, confidence in the business community that this nation has the wherewithal to compete with the United States, Japan, West Germany and the European Common Market, to put our products on the markets of the western world and to sell them.

Bill C-259 does not provide the business community with sufficient confidence to re-invest. The minister in his budgetary statement said that corporations would be given a 7 per cent reduction in their tax and that private individuals would be given a 3 per cent reduction in their income tax. As reported in today's paper, a 3 per cent reduction for a single individual earning $6,000 a year is only $12. That is not too much. The person who will be $12 richer because of that 3 per cent reduction is not going to go out and create employment for too many people. The person earning $50,000 a year will save only $314 as a result of the 3 per cent reduction. This is not much to encourage confidence within the business community, and encouragement is what is needed to get the masses who are unemployed back into the labour force to contribute to the development of this country.

• (5:30 p.m.)

We must consider some of the more basic costs. The other night in a speech on the budgetary papers I said that we should withdraw the competition bill and the labour code amendments suggested by the Minister of Labour. We must go further than that and demonstrate clearly that money creates employment within Canada. I recall that the Minister of Regional Economic Expansion said in this House that up until the fall of 1970 his department had created 16,000 jobs at a cost of "X" million dollars. This worked out to something like $5,000 per job and did not take into account the contribution of private industry. Under the regional expansion program it took an investment of nearly $6,000 to create a job. Let us suppose that is one-fifth of the capital investment required to create one job. This means that $30,000 would be required. Let us suppose it could be done more cheaply, say for half; it would still require a capital investment of $15,000 to create one job. Let us say that 500,000 people are out of work. If we multiply $15,000 by 500,000 we get an idea of the kind of investment that is required. I suggest that the Minister of Finance and his parliamentary secretary should look at the facts.

Money is not coming into Canada; it is leaving. Provincial governments and municipalities are not going abroad to borrow. We must ask ourselves if the federal government should be discouraging foreign investment in this country. I am not discussing who should control foreign investment because as a Canadian I believe that we should, but it should be brought into this country to help create trade. But how should we do this, Mr. Chairman? Is Bill C-259 the answer? In my opinion, it is not.

In my opinion, Bill C-259 should be divided in order to give the lower income groups the benefits which may be derived under it. It should be recognized that although inflation is a problem, unemployment is a greater problem. How can these two problems be resolved? Now that the United States has put a freeze on wages, Canada should announce an intention to peg its dollar at 95 cents. This would instill confidence within the business community. If this policy were announced, the immediate result might be an influx of money. To offset this, along with pegging the dollar at 95 cents there should be the announcement of an intention to freeze prices and wages in Canada as long as our major trading partner keeps the same freeze in its country.

The hon. member for Trinity suggested that a wage freeze should be imposed upon unions and prices in this country. If this were done without pegging the dollar, there would be an immediate tendency to force up the value of our dollar. I suggest that it should be stated unequivocally that it is our intention to peg the dollar at 95 cents and to establish a board to impose wage and price controls. In that way the business community would regain confidence and people would be back to work. Part of this bill, not all of it, should be discarded. There should be a tax reduction for the lower income groups and a reconsideration of the capital gains tax and the other measures which increase taxes throughout Canada.

The Assistant Deputy Chairman: Order, please. The time allotted to the hon. member has expired. Is the committee ready for the question?

Some hon. Members: No.

The Assistant Deputy Chairman: The hon. member for Dauphin.

Mr. Ritchie: Mr. Chairman, in view of the far reaching ramifications of Bill C-259, dealing with an over-all revamping of our tax structure, one area that has received little attention is the section dealing with international income. The recent action of the United States government in imposing a 10 per cent surcharge on imports, their avowed aim with DISC and their employment reduction tax to increase industry in that country, coupled with the impending expansion of the European Common Market with the probability of further trade restrictions,