Economic

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As a Montreal economic analyst recently told a meeting of investors, they have no reason to fear profit guidelines will be "strictly enforced" since he would "be surprised to see Jean Luc Pepin come down hard on business."

Another measure of the government's intent in enforcing the complex guidelines it devised was the decision to add 200 new staff to do the work of the Anti-Inflation Board, 40 of whom are to be P.R. officers. Many of the large corporations whose products must be cost accounted if price increases are to be monitored and investigated have more accounting staff than the Board, and will thus remain in effective control of their financial data and reports.

By contrast to the manpower allocated to administering this economic program, Canada needed a staff of over 10,000 during the war to administer much less unpopular controls over a much less complicated economy. And the U.S. had a staff of more than 5,000 to administer its control program in the early 70's and later a top administrator of that program said five times that number would be needed if they were ever serious about applying price controls.

But the Canadian government intends to add a staff of 200 to administer its program.

Perhaps a clearer expression of the government's intent in enforcing the program was the statement in the economic policy paper indicating that the only other priority areas for increased staff and spending are police and prisons.

A POLICY REVERSAL

One of the major items of press speculation since the announcement of the economic program has been why the federal Liberals, who campaigned and won an election on an "anti-controls" platform, would suddenly "reverse" their position.

The puzzle can be solved, however, if we forget about the political rhetoric, consider the program as an effective means of controlling wages and nothing else, and look at recent economic trends. The reason for the government's apparent about-face then comes into focus.

The results of the first business quarter of 1975 showed that an economic turn-around was beginning. For 15 straight business quarters, while many workers were tied to 2 and 3 year collective agreements, profits increased in relation to wages. In 1971 wages accounted for 72.4 per cent of the national income, while profits were 12 per cent. By 1974, labour's percentage of the national income had dropped to 67.9 per cent while corporate profits rose to 16.1 per cent. In terms of dollars, between 1971 and 1974 corporation profits increased from $8.6 billion to $18.3 billion annually, an increase of 111 per cent. During the same period wages increased only 25 per cent.

This trend came to an end in the first quarter of 1975, and continued as the year progressed.

By the second business quarter of 1975 wages accounted for 70.8 per cent of the national income and profits declined relatively to 14.0 per cent. A year earlier, second quarter figures were 67 and 16.8 per cent respectively. This represents about a 5.7 per cent increase in wages share of the economic pie, and a 20 per cent decline in profit's share - although profits did not decline absolutely.

In dollar terms, this means that about $8.3 billion was transferred this year from profits to wages compared with 1974, a transfer amounting to 6.8 per cent of the total national income.

But, after two and one half business quarters in which wages and salaries suddenly started to catch up to profits, and as many long-term collective agreements were up for renegotiation, the government just as suddenly reversed its long standing objection to economic controls and announced its new program.

But rather than being an inexplicable move, nothing could be more natural for a government which has

traditionally based its economic policies on the principle that maximization of profit serves the interests of the nation. Seen in this light, the reversal in the government's attitude to economic controls is really only a continuation of existing policy under changed circumstances.

ORGANIZED LABOUR

On October 21, eight days after the announcement of the controls, a perspiring labour minister John Munro was howled at by delegates at the CUPE national conference in Toronto. He chose an apt provocation when he told them the program was "not a crude attempt to zap labour, to make labour the inflation scapegoat."

The phrase was identical to one used by Arnold Webster, former director of the U.S. Cost-Of-Living Council, when he explained the purpose of the control program he administered.

"The idea of the freeze and phase 11 was to zap labour. And we did" he boasted after it was all over.

Munro had anticipated the charge correctly. Organized labour did feel "zapped" and rather singled out to bear the brunt of the program. But Munro and his colleagues did seem to underestimate the intensity of feeling among the union rank and file.

The story the Liberals were trying to get out was that although the union leadership "might greet the program negatively", "the rank and file of labour unions understand the need of restraint .. and I think they will accept it" as one Western Liberal leader put it.

But at the CUPE convention the delegates rejected a resolution condemning the controls put forward by their leaders, and demanded another that was tougher. They jeered at Trudeau when he made a stop-over at their hotel to address a business luncheon. They howled at Munro. And they openly debated the calling of a general strike to defeat the economic program.

The official condemnation of organized labour was no surprise, least of all to John Munro and the federal government. The Canadian Labour Congress, which represents over 2 million unionized workers, clearly stated its position during last spring's round of talks on "voluntary restraint" conducted by then finance minister John Turner.

The CLC at that time set out its views in an 80 page memorandum rejecting Turner's proposed "restraint" package. The primary thrust was that labour would cooperate with a "restraint program only if profits and prices were restrained along with wages and salaries, and only if it included a mechanism whereby wealth and purchasing power were transferred from the higher to the lower income brackets.

The also wanted full employment policies and no restraint until wages caught up with recent profit and price increases.

Since the government's new program was almost identical to the Turner plan, and since it met none of the CLC's demands, the non-support of organized labour was assured even before the announcement was made. The real questions were how the rank and file would respond, and what action the CLC would take to oppose the program.

In the first weeks following the announcement of the program workers voted by show of hands at every possible occasion to demand strong action to defeat the program, and voted "with their feet and lungs every time Munro attempted to address a workers group. Since the feeling of the rank and file were quite clear, the focus turned to the CLC.

The 30 member executive council of the Congress met on October 24 in Ottawa and came out with official rejection of the program "on the grounds that it is highly inequitable and will be unworkable in curbing the rate of price increases over the period intended to be covered.

Just what the Congress intended to do to fight the program, however, was not announced until the end of the month, after a meeting between CLC officials and Prime Minister Trudeau.

That meeting made it clear the government was not going to back down on wage control, nor would it make any hard promises about prices and profits. The Congress responded after the meeting by unveiling its own "Program of Action" to counter the wage control program.

The CLC plan specifically rejected the militant line of calling for a general strike, and confined worker resistance to strategies which do not break the law. Local unions would "persue their collective bargaining objectives with vigour and determination" and ignore the controls. A national lobby and information campaign would be established to discredit the government and to put forward to the rank-and-file and the general public the position of the CLC.

As well, constitutional lawyers would be retained to advise the CLC in appealing to the Supreme Court for a ruling on the constitutionality of the federal program, a legal question which is by no means predestined to be answered in the federal government's favour.

Additionally the CLC announced that a special levy of 25 cents per member would be collected to provide $500 thousand to finance the campaign.

CONCLUSION

The battle lines in the attack on inflation are now clearly drawn. On the one side there is the federal government, supported by business and the commercial press. On the other side are the 2.3 million members of the CLC.

But a major factor in deciding the outcome of the battle will be the response of the general public over the months ahead.

Will people generally support the government program and believe it to be what Ottawa and the press claim it is - necessary, fair and workable? Or will they view the program as the CLC depicts it - unnecessary, unfair and unworkable?

One thing is certain. Public attitudes may be influenced by the arguments and rhetoric of the two campaigns, but the general response will be fundamentally determined by the economic results of the program.

The success of the program from the viewpoint of the average Canadian can be reduced to a single question: Will the program result in price restraint and arrest the deterioration of our standard of living, and will it do so without created even more unemployment and economic hardship for the middle and low income classes?

The answer will unfold in the economic and political developments which emerge in the upcoming months. From the analysis of the program presented above, however, it follows that the program will fail to produce results satisfactory to the wage and salary earning public and the government will be forced to either withdraw or fundamentally amend its program, or utilize its police and prisons to their maximum capacity.