

Your suggestions as to improvements will be welcomed in Ottawa, and I feel sure, in provincial capitals. But in the meantime, let us not look to more machinery (we can have too much of it), nor yet to the scapping of what we have. Let us keep our present machinery in good repair and, like good craftsmen, make the best possible use of it.

But the conciliation machinery will not fill its role, nor will collective bargaining generally work for the good of us all, unless we are prepared to dig deeply into the facts surrounding our problems.

In an expanding economy, practically everyone agrees that the standard of living of the people can and should rise over a period of time, but no one has developed a formula to determine just how much the standard of living should rise and when.

Real earnings are dependent broadly speaking on the nation's productivity, which may vary from time to time and from industry to industry.

Productivity, which is often measured statistically in terms of output per man-hour, is affected by many things. It is affected by technical improvements in production methods and by a host of human factors, such as management's efficiency, the energy and skill of workers, and the character of union-management relations. It is also affected by the level of our national output and by shifts of resources and manpower from industry to industry.

In addition to productivity, earnings are dependent on a complex set of relations within the plant, industry and economy. These include the state of the markets both domestic and external, the cost of raw materials, and other factors affecting cost-price relationships.

These relations, whether they are confined to the industry or plant, or extend beyond, are, I am sure we will all agree, frequently highly complicated. I do not intend to discuss them at any length on this occasion, but I mention them since it is important that they be understood and appreciated in collective bargaining, particularly during our current preparedness program.

At a time when our defence budget during a single fiscal year is in excess of two billion dollars, we must prevent any serious maladjustments in our economy that would interfere with the attaining of both our civilian and defence objectives.

Inflationary pressures have not proved to be quite as serious as they threatened to be, but the possibility of inflation still remains with us. This possibility means we must be constantly on our guard to see that the factors which tend to encourage inflation are kept in check.

This is not a matter for government action only. When the possibility of inflation is present, national policies can be frustrated to a considerable extent by unwise action on the part of private individuals or organizations. For example, unnecessary spending by consumers could rapidly revive the danger of inflation. Unwise investment by business could have a similar effect. Unreasonable increases in prices or in wage-rates could also contribute to this same tendency.