

by some nine and a half per cent; another was to reduce temporarily the capital cost allowances theretofore permitted under the tax act. A third step was to provide for a tax in the corporation field which would be refundable—under conditions of which honourable senators are aware.

Honourable senators, the problem of wage control and of price control in a federal state, as opposed to the position which obtains in a unitary state, is one of jurisdiction. During war time the War Measures Act is available and, as a result of the emergency of war, prices and wages were controlled during the Second World War.

Hon. Mr. McCutcheon: Up to a point.

Hon. Mr. Connolly (Ottawa West): Up to a point and as far as was possible.

The honourable senator who has just interjected was one of those who contributed mightily to the success that program enjoyed, and I am glad to mention this here tonight.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): Therefore, it is impossible, without the concurrence of the provinces, to do much in the way of price control and wage control in a legislative way. On the other hand, sometimes the power of persuasion, sometimes the setting of an atmosphere, the creation of a climate, can do much. It is hoped that some of the measures which the Government has proposed will help to create that kind of climate, develop that kind of atmosphere, which might, in the words of the journalists, "cool off the economy".

I think it can be said that we have virtually full employment in Canada now. That does not apply everywhere, as there are always pockets of unemployment; but we virtually have full employment, and in some places over-employment.

With full employment there has come into the economy a number of elements which are difficult to handle and are damaging to the economy and to the people. Wage spirals develop because of the competition for workers. Workers, seeing the kind of prosperity enjoyed in the country, feel that they should get part of that prosperity. What they have to sell is their services and they sell them in the form of wages. Therefore, they try to get higher wages.

Price increases are inevitable, too, first of all because of the increased demand created as a result of full employment. The increases

are also attributable to the fact that the costs of the items that go into manufactured products—and, indeed, into all kinds of products, sold both domestically and abroad—are rising as well.

There are profit increases. The profit pictures of the majority of Canadian corporations that have been so important to the economy of our country in the past, in the extensive industrial expansion since 1945, show that those companies have had great profit years more recently.

One should remember that it is highly desirable for these companies to show a good profit record, if they are to attract investment capital in an economy which gives, I hope, more than just lip service to private enterprise. The cost of money is increasing, the cost of food is increasing. These are the two items which more than anything else concern the average citizen. If he has to pay more for a mortgage when building or buying a house, or pay more for food and the other necessities of life and the additional items now considered to be part of our standard of living, then he will feel the pinch of rising prices when his income remains unchanged.

I do not wish to speak at length tonight on the question of productivity, but it is a very important factor in the development of our economy. It is, of course, important to the domestic market that our producers be competitive, but it is particularly important to a country that depends so much for its prosperity upon its sales abroad. Therefore there is a definite relationship between productivity and costs, between productivity and wages, and between productivity and profits.

These are things that concern us all. The idea of having these problems aired before a Joint Committee of the Senate and House of Commons, which I hope will begin its work as soon as possible, certainly during the recess, is very important. I think this will further help to create the kind of climate to which I alluded earlier. Speeches alone will not do it. The committee will have the opportunity of hearing representatives of the consumers, of the producers, of trade unions, economists and industrialists. In the result, I think the public generally will have a better concept of the problem that faces not only the Government and Parliament but the whole of the Canadian people.

It is also expected that some time this fall the result of a special study by the Economic Council of Canada in this field will be available. I am sure this joint committee will have