

increasing by restraint—by retrain demand—or whether we try to cure it by increasing productivity. With Mr. Otto I agree. There is an enormous area for us to explore in terms of increased productivity, particularly in respect of our industrial machinery and processing in this country. In the last report of the Economic Council it was pointed out that we were something like 25 per cent less productive than the United States, but that at the same time we probably employed more capital per capita than the United States. This seems a rather strange situation.

There have been other reports such as the report of the Royal Commission on Canada's Prospects, and the study that was done on secondary industry in 1957, where it was pointed out how badly splintered Canadian secondary industry was, how badly it was organized, and how its facilities were duplicated, together with a limited market. There is a study by the Canadian Planning Association headed by Mr. English, which came up with similar conclusions. There is the recent study by Professor Safarrián along these lines. I think this is a fruitful area to be explored, in an endeavour to find out how to make the industrial structure more efficient than it is now.

Certainly, if we can do this now or in the immediate future there is the prospect of increasing our productivity by 25 per cent. Now, an increase of 25 per cent in our productivity would go an enormous distance towards preventing inflationary forces occurring. From the studies it is not so much a question of building new plants as of reorganizing our industries so that they produce more effectively, and so that we get longer runs, and so that we become more specialized. I will leave this to you for your comment.

Mr. BRYCE: Well, we have had an example in the last few years of the sort of thing you are talking about in the automobile program, but that has involved a good deal of building of plants, and a good deal of reorientation of the industry. It has involved complicated trade arrangements, and inter-company and intra-company changes. It takes time. It takes skill. It takes investment. Certainly, I would say that that is the sort of thing which Canadian governments favour, and the more we can solve our problems in that way, and along the lines that Mr. Otto has mentioned, I would think the better off we will all be. But the question, in addition, now is: How far does one restrain the inflationary tendencies current at present while we are waiting for—"waiting" is a bad word here—the results of our labours in this other direction to bear fruit? It is a matter of degree and a matter of judgment here as to what damage is done by allowing the inflationary tendencies to have one or another degree of freedom to bring about price increases while we are waiting on these longer run forces.

Mr. SALTSMAN: I would suggest the word "waiting" is the sort of thing that we are opposed to. I think what we are looking for is an aggressive determination while we are allowing inflationary pressures to move in the other direction.

Mr. BRYCE: We are doing a great deal in the other direction. Just speaking of the federal Government here, the Department of Manpower is not waiting; it is working hard. The Department of Industry is not waiting; it is working hard. Even we in the Department of Finance, I hope, are not just waiting on events in order to take action.

Mr. OTTO: I have one other point—

Co-Chairman Mr. BASFORD: Is it supplementary?

Mr. OTTO: Yes. Mr. Bryce, there was a comment published in the last couple of days to the effect that the orders for farm machinery from the Prairie provinces are down considerably—this is for next year's purchases—even though the money is there. Then, there is the bogey-man brought up again in the idea that when people are apprehensive about restrictions or recessions they