major complexes in the United States are being developed with Canadian money. Investors have no faith in Canada or its government, and thus they are getting out. The net outflow of capital has been growing in recent years. In 1976, even though foreign economies were plagued by stagnation, Canadians invested $555 million abroad. For the first time in at least 25 years, 1976 was the first year in which foreigners actually reduced the value of their holdings in Canada by $395 million, because Canada is no longer an attractive place to invest money. Figures for the first quarter of 1977 show that the net outflow is continuing: $35 million in the first quarter, at an annual rate of $140 million.

Some Canadian investment counsellors are concerned about this irreversible trend. One such firm is Peter Henry Jerch & Associates of Winnipeg, Manitoba. That firm points out that this mass exodus of investment capital and business leaving Canada has been going on for the last few years. Mr. P. H. Jerch in a document prepared by his firm points out the following:

> Countries or for that matter provinces which have nationalistic, leftist or extremely strong bureaucratic tendencies make striving and successful entrepreneurs feel uncomfortable.

Certainly they feel uncomfortable in Canada. Mr. Jerch gave examples of 64 Canadian businesses which are planning to move to the United States or to expand there. He gives statistical information on the job loss caused by this investment money leaving Canada. Because of these Canadian firms planning to expand into the United States, there will be a loss of up to 17,000 jobs in Canada. Also he gives a perfect example of the political climate caused by socialistic governments similar to the one Manitoba previously had.

The effects of the New Democratic Party being in power for eight years were devastating to Manitoba. As an example, Mr. Jerch pointed out where $40 million of investment money was driven out of that province by the Schreyer government. Investors do not trust socialist governments. They will not make long term investments in provinces or countries where there are socialist governments. Also Mr. Jerch pointed out that this mass exodus of money from Manitoba resulted in the loss of 4,000 jobs. This trend has been slowed down somewhat by the change of government in Manitoba.

Another example which could be used is the province of Saskatchewan with Premier Blakeney nationalizing the potash industry. That put the fear of death into the minds of business investors across the United States. Also there is the Barrett government which caused serious economic problems in the province of British Columbia. An NDP government does not attract investment or business, for which there is no substitute.

I should like to comment on wage behaviour before, during, and after controls. Before controls 77 per cent of employees under AIB jurisdiction were achieving wage settlements above what the wage guidelines would have been if controls were in force. During the first year of controls, 41 per cent of employees attempted to achieve wage increases above the wage guideline. During the second year of controls only 30 per cent of employees attempted to achieve settlements above the wage guideline. Because the third year guideline was altered to a flat 6 per cent on October 20, the relationship between wage gains attempted and allowed is not clear. Even those wage settlements found to be excessive by AIB attempted to overshoot the wage guidelines by a smaller margin. Before controls, average wage settlements were 15.6 per cent, where 10.9 per cent was justified under the hypothetical guidelines—a 4.7 percentage point in the first year of controls and to 0.2 in the second.

[Mr. McKenzie.]

While it is clear that the AIB had some considerable effect on wage settlements, it is not clear that the AIB was the sole or even the principal determinant of wage settlements. The over-all state of the economy had a very significant influence on wage demands, as many unions and workers realized that high wage gains could lead to a loss of jobs due to a corporation's growing inability to compete on domestic and world markets.

The behaviour of Canadian average industrial wages compared to those in the United States is instructive in this respect. Without controls the United States has reduced inflation sharply. Its correction took place at a high cost in unemployment, but United States unemployment rates have been below Canadian rates for ten months, and they have experienced lower inflation since early 1975.

I should like to refer to the percentage increase in manufacturing hourly earnings as between the United States and Canada. In 1976 the increase for Canada was 13.6 per cent, whereas the increase for the United States was 7.7 per cent. In 1977 the increase for Canada was 10.5 per cent, whereas the increase for the United States was 8.6 per cent. If economic conditions have the bearing on wage rates that is suggested, then pressures for large wage adjustments following decontrol will be limited by workers' fears of losing their jobs.

Should economic restraint fail to limit wage gains, it is the Conservative party policy that for the six-month to 12-month period following decontrol, unions negotiating with the top 200 corporations will be required to submit wage settlements to the Department of Consumer and Corporate Affairs 30 days before a contract can take effect. If found to be excessive, and where publicity and suasion fail, the then Minister of Consumer and Corporate Affairs may refer the increase to cabinet. As a last resort measure, cabinet could roll back the wage.

PROCEEDINGS ON ADJOURNMENT MOTION

[*Translation*]

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Deputy Speaker: It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised at the time of adjournment are as follows: the hon. member for Capilano (Mr. Huntington)—Transport—Date when harbour