intelligence of this government. Either it does not know what it is doing, or it is not going to tell the truth to the people of Canada and the international community about what it is doing.

• (1530)

The Minister of Finance says day after day that the dollar is floating, yet while he says the dollar is floating he empties out our exchange reserves of $5 billion. He borrows almost $6 billion abroad and pushes through seven increases in the bank rate, all of them for the precise purpose of ensuring that the dollar does not float. Watching this contradiction unfold, the money traders in Toronto, in New York or in Zurich can only conclude that the Government of Canada is either dishonest or incompetent, or both.

**Mr. Alexander:** I like that last.

**Mr. Clark:** Second, the government has completely failed to deal with our basic weaknesses in our dealings with the rest of the world. Our weak dollar is only a symptom of much more fundamental problems—a $12 billion deficit in manufacturing trade, a deficit of more than $1 billion on our tourist account, and an even larger imbalance in the flow of interest and dividend payments to other countries. These problems require action by the Government of Canada. They cannot be solved by the Bank of Canada. All the bank can do is finance our current account deficit by ever larger borrowing from abroad. This compounds the problem. In fact, we shall have to add $1 billion more to our merchandise trade surplus this year just to offset the widening gap in non-merchandise accounts.

The government has not brought forward a single major policy initiative to deal with these problems except for the false pretence that a devalued dollar is, in itself, an answer. Surely the experiences of countries like Britain and Italy make it clear that a weak currency is no answer to anything. Our problems are much deeper than the level of our dollar and they have to be faced.

The third major failure lies in the area of growth. The government has kept the economy well below its potential. If one were to score the government, its recent economic box score could be summed up this way: budgets, 5; task forces, 22; direction, 0.

**Some hon. Members:** Hear, hear!

**Mr. Clark:** It might well be the most telling commentary on the approach taken by this government to say that the only important development in the economy has been the drop in the Canadian dollar. Having amassed the largest spending deficits in our history, the government have absolutely no plan to bring the budget into better balance. They have what is called a restraint target. What does that mean? It means that government spending would double in seven years and even that, in the words of the Minister of Finance, would only be a pause before they get on with bigger and bigger spending.

Ours is a country of enormous potential, a potential unparalleled elsewhere in the world. Yet we are heading into our third straight year of inadequate growth, with unemployment over one million and inflation of 8 per cent or more. And the response of the government is to tell Canadians to lower their sights, to get used to unemployment and higher prices. That is a recipe for disaster and it is a response which can no long be accepted.

It is well known that there is deep disagreement between the parties in this House about national economic policy. The Prime Minister (Mr. Trudeau) claims everything is just fine—there are no problems and there is no need for any major change. We in this party believe fundamental changes are needed. We have to reduce the size of government and reduce the burden the government places upon the private and productive sectors of this country.

We believe we have to put money back into the hands of individual Canadian citizens by tax cuts, tax incentives and other means which will get the country growing in line with its potential. That is the fundamental difference which exists in economic policy. It is well known. It is known to the House and it is known to the people. The lines are drawn. There will be an election. The election will be fought on that question and as a result of that election, as a result of that issue being decided, there will be a new government. And there will be an opportunity to bring some growth back into the economy.

**Some hon. Members:** Hear, hear!

**Mr. Clark:** The disagreement which exists about the fundamentals of economic policy is well known. But what we are dealing with today is a different and, because of its urgency, a more serious problem. I say this because the disagreement on the question of the Canadian dollar is not a disagreement between political parties alone. Disagreement has now become public among the small group of people in this country who are privy to the policy which is actually being followed to defend the Canadian dollar. The chairman of the board of directors of the Royal Bank of Canada, Mr. McLaughlin, deliberately made his concern public on January 11 when he dealt directly with the pretence that the Canadian dollar is floating. I will quote briefly from his remarks.

**Mr. Breau:** He has been replaced—

**Mr. Clark:** One of the hon. members opposite who specializes in talking from his seat has talked about people being replaced. He should look forward to that.

**Some hon. Members:** Oh, oh!

**Mr. Clark:** I shall quote only two passages from the words of Mr. McLaughlin:

> It is true that we officially have a floating rate for the Canadian dollar, but during the past year the float became a rather dirty one. Ottawa maintained that the Canadian dollar was being left to find its own level on the market. That is the essence of a clean float, with intervention only to prevent too great a movement either way, over a very short period. But what Ottawa said and what Ottawa did seemed to be two quite different things. In my view, this has been part of the reason for the fall in the Canadian dollar.