

Borrowing Authority

government which has been a Conservative government for more than 30 years and which, this year and last, has projected budget deficits of more than \$1 billion.

We are not opposed to deficit financing if that deficit financing is part of a well thought out economic policy designed to meet the needs of Canadian citizens, and if that policy is part of a plan to develop an industrial strategy, so badly needed particularly in our manufacturing industry. We are not opposed if it is designed to meet the energy needs of this country without inexorable, sharp, and regular increases in the price of energy, such as the government is proposing and which we believe will have a very immediate adverse effect on the rate of inflation.

The rate of inflation is now running at just below 10 per cent. It has been accepted by most economists that the \$4 per barrel increase in the price of oil, which it is pretty certain the government will announce in the very near future, will add at least 2 per cent to the cost of living. If we have an excise tax added to that, we can think in terms of at least a 3 per cent increase in the cost of living. That will give us an increase in the cost of living on an annual basis of somewhere between 11 per cent and 13 per cent by the middle of 1980. That is a sad prospect for the Canadian people who look to the new government to change the basic policies that were being carried out by the former Liberal government.

In asking Parliament to permit this \$7 billion borrowing, the government is doing so without providing any answer to the basic problems facing the country. After all, those hon. members have been the government since May of this year. During the election campaign, and before that time, they told the Canadian people they had worked out policies which would better meet the needs of Canadian people. Yet here we are, six months later, with no definite policies. All we get are promises that studies are being done and policies will be announced in the near future.

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One of the most serious problems we face is that the country has no industrial strategy. There is also the problem that the work force in the manufacturing industry, which is so basic to any modern economy, is gradually being reduced. The Canadian manufacturing industry cannot, has not been able and is not now able to meet the competition of foreign producers. Not only are we not able to compete for international markets, we are increasingly unable to meet the needs of Canadian people in competition with countries outside Canada. So the number of people working in the manufacturing industry has declined from 26 per cent of the labour force of some years ago to about 20 per cent of the labour force at present.

We believe that one of the most fundamental reasons for that decline, a decline for which there is no indication that it will be arrested, is the failure of Canadian governments in the past, both Liberal and Conservative, to establish a research and development program in the government, our universities and our industries, which would meet the needs of our Canadian people.

[Mr. Orlikow.]

In June, 1978, the then minister of state for science and technology made what he considered to be an important announcement. He said that by the year 1983 the governments proposed research and development expenditures in Canada would increase from the level at this time of 1 per cent of the gross national product to 1.5 per cent. In proposing that, the minister knew that most of the industrialized countries of the world were already spending 2 per cent or more of their gross national product on research and development.

That announcement was criticized by the official opposition at the time and, indeed, by the present Prime Minister, as well as by our party because we said, and quite correctly, that that objective would not meet the needs of the Canadian people. Within one or two months of that announcement, the then government, seized by the supposed necessity for restraint, whatever that meant, made substantial cuts in the already planned research programs in government, and because of the restraint imposed on its expenditures to universities through the provinces, it meant a further erosion of university research.

There is no indication that the plans of the former government and the plans of the present government will provide for the very sharp increase in research and development required from the private sector, and especially the industrial sector, to reach even the modest goal proposed by the former government, not to mention the higher goals endorsed by the present government when it was in opposition, and by our party.

Let me summarize the situation with regard to scientific research and development in this country at the present time. According to the OECD data, Canada ranks in the middle of ten industrialized countries in education variables conducive to scientific research, but it ranks near the bottom in terms of research and development employment expenditure and research production. While other countries were expanding their employment of R and D personnel at rates of up to 8 per cent per year, Canada's R and D employment per 100 population has fallen since 1968. In terms of 1970 dollars, total R and D expenditures in Canada have declined from \$980 million in that year to \$910 million in 1977. I am sure that when we get the figures for 1978 we will see a further decline.

The ratio of R and D spending to gross domestic product has declined steadily since the peak of 1.8 per cent in 1967. It is now probably less than 1 per cent. The attrition of scientific research goes back to at least 1971, well before the time of fiscal restraint in the federal sector. From 1971 to 1979 the increase in the Medical Research Council and the National Research Council budget in current dollars was less than twofold, whereas the total of federal expenditures in the same period increased by nearly fivefold. In terms of 1969 constant dollars, the average operating grant for medical research funding scientists has declined from \$24,900 in 1971 to \$18,700 in 1977.

It is no wonder that there is a steady and constant stream of the best trained medical researchers in Canada to other countries, particularly the United States. There is not a member here who has a university in or around his constituency, regardless of which party he belongs to, who cannot with a