

Supply—Finance

It is clear to me that for much of the last two years we have overloaded the economy.

As a matter of simple economic arithmetic, the real income of the community is inevitably limited by the amounts we can in fact produce. You cannot get a quart of wine out of a pint jug.

This is exactly what we have been trying to do in Canada. We have been trying to take more out of the economy than we have put into it. This is an impossibility and it is one of the main reasons for the financial dilemma in which we find ourselves. But the Minister of Finance chose to ignore the advice of one of Canada's senior civil servants. The editorial in the *Journal* called for some restraint on the part of the government, and I quote further:

On the same day revenue minister E. J. Benson disclosed to parliament the government's spending plans for 1967-68. They represent: an estimated \$1.3 billion increase to more than \$11 billion in the new fiscal year; by far the largest increase in peacetime history; more than twice the rate of increase in spending in the current year.

One can summarize the editorial writer's feeling by pointing out that in the fiscal year 1967-68 we had a budget of \$11.2 billion whereas five years previously our budget was about \$7½ billion. We cannot move that far that rapidly without some serious consequences to the country. The editorial further quoted Mr. Rasminsky as follows:

Unfortunately, if the warning signals are ignored and policy does not respond until a large number of unsustainable positions have been created, until costs and prices have risen very sharply, and international competitiveness has been impaired, then the problem becomes much more difficult to deal with in a way that will not halt the expansion of the economy.

This is the position we have come to today, Mr. Chairman. We have allowed prices to rise to the point where international competition is going to keep us out of international markets. We have reached the crisis. It is only now that the crisis is apparent that the Minister of Finance has recognized it. At least we hope he has recognized it.

An editorial in the *Ottawa Journal* of May 30, 1967 quoted Dr. John Deutsch, former chairman of the Economic Council of Canada, as saying:

From the beginning of our work, we have been concerned with the inherent difficulty of achieving the goal of reasonable price stability in a Canadian economy which was successfully achieving high employment and rapid growth of output and living standards.

In other words, Dr. Deutsch was concerned about achieving the goal of reasonable price stability. This warning was ignored by the Minister of Finance.

[Mr. Ballard.]

I now quote another authority. Probably he will thank me for saying he is an authority in view of the fact that he is one of the candidates for the Liberal leadership. He is the Minister of Trade and Commerce, and as reported in the *Globe and Mail* of September 13, 1967, when speaking to the Canadian Construction Association he said:

... governments have tended to spend too much—not in relation to our social needs, for much remains to be done—but in relation to the economy's ability to generate government revenues.

The Minister of Finance has chosen to ignore the advice of his friend, the Minister of Trade and Commerce. I could go on giving examples to substantiate my contention that the Minister of Finance has ignored advice from every quarter.

The situation we are in today has not been sprung on us at the last moment. It is something that has developed over the last two and probably three years. The government has been spending much more than it should have. It has actually been a profligate government, not giving much consideration to where the necessary money comes from.

On December 7 last in a speech in this chamber I suggested that the government should set up a system of priorities or set up a committee to study priorities. A few days after that, but not as a result of my speech, the Prime Minister indicated that a cabinet committee would be set up to study spending priorities. Now it appears as though he was paying lip service to the idea because nothing has been done about it in the interval.

There has been steadily growing uneasiness throughout the country at the ever-increasing government expenditures. This uneasiness is reflected in the Auditor General's report where we find that the expenditures of practically all departments have been growing by leaps and bounds. In fact one department increased its expenditures by 114 per cent. It is disheartening to find the government completely ignoring the Auditor General's report. In the past it has ignored reports which have been submitted by the public accounts committee and we find that year after year the same recommendations by the Auditor General appear in his reports.

● (5:40 p.m.)

It is almost axiomatic that there is an increasing waste of money on the part of government agencies and departments, that there is a continuing increase in the numbers of government employees and that there is no effective procedure for administrative control.