

The Budget—Hon. Marcel Lambert

Mr. Rasminsky continued:

The worsening of our cost and price position does appear to have weakened our capacity to withstand the shocks from abroad that we have had to face. The first of these came on November 18 when sterling was devalued.

I do not intend to go into this speech, chapter and verse, because of the time limitation. I will not go through the tribulations in respect of our Canadian dollar over the past nine months. These things are well documented. I would recommend the speech of Mr. Rasminsky to all hon. members because it shows just how difficult it was to deal with this crisis. It indicates why Canada is particularly vulnerable as a result of the action taken by the previous administration which has placed us in such a difficult situation.

The other evening I referred to the equalization act of the United States and our undertaking to limit our foreign exchange reserve to \$2.6 billion. I should like to ask the Minister of Finance what steps are being taken to bring about an easing of this situation particularly having in mind all the steps we had to take with regard to the shoring up of the Canadian dollar. We have linked ourselves closer and closer to the United States. As a matter of fact, last spring we converted \$500 million of negotiable United States holdings into non-negotiable holdings. We are becoming more and more tied in with the policy and actions of the United States government. The sooner we can get away from the ceiling and the sooner we have more freedom of action, the sooner the Minister of Finance will be in a better position to deal with some of our own problems and we will not have to be tied to the United States go-cart all the time.

I can understand the action taken by the United States. I did not agree with it but I understand why they took the action they did in 1963 when the former hon. member for Davenport took the foolhardy action he did in his budget of 1963. The action taken by the United States was predictable. We got what we deserved in so far as government action was concerned. I should like to read one more quotation from what Mr. Rasminsky had to say:

Now that the problems connected with maintaining a sound external financial position have eased it is possible to concentrate once again on our other economic problems. I am afraid that none of them has gone away. Prices and costs are still rising too rapidly despite the emergence of considerable unemployment and unused capacity. The growth of the economy has been well within our potential for more than two years but so long as

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the strong upward trend in prices and costs continues, there are real risks in taking steps to accelerate the expansion of total spending in the economy. Our recent trade performance has demonstrated that Canada is still competitive internationally but it is also true that our recent exchange problems have shown how important it is to avoid any undermining of confidence by a further extended period of poor cost and price performance.

It is plain that in addition to following sound fiscal and monetary policies we need to do everything we can to increase the efficiency of the economy and to bring about more realistic attitudes toward the size of the increases in the incomes, all forms of income, which we can really afford to pay ourselves. There has been a good deal of discussion in recent times about guide lines for increases in incomes and other aspects of incomes policy and I have made it clear that I favour action in this area. I am not going into that matter further today except to say that the basic limit for the non-inflationary increase in incomes in any economy is not set by the authorities. It is set by our actual performance. The basic limit is the increase in real output per person employed. If we ignore that limit and settle for larger increases in money incomes all we are doing is guaranteeing that prices will rise.

Frankly, I cannot see that any action has been taken by this government which follows the course advocated by Mr. Rasminsky. The government has placed some sort of a temporary ceiling on the public service, but on the other hand it has also come forward with legislation to set up various tribunals and boards. We hear of other proposals which naturally will mean that the public service will be built up more and more. There is legislation before the house which says there shall be a tribunal with regard to dumping. We had the machinery board. There are a great number of others. I cite these merely as examples. Again the government is bursting through the ceiling it imposed on itself.

One of the other problems the budget does not solve is in respect of housing. In fact, because of the taxing of insurance companies less money will be available from that source for housing financing. There have been no reductions in costs with regard to housing. The minister could have reduced the sales tax on building materials. I heard him discuss this afterwards on television when he said that building materials should bear their fair share of the expenses. I could suggest a number of other areas which are more of a luxury in respect of which he could have done something with regard to housing. But, no; we are to have a continuation of the sales tax on building materials. The budget therefore failed to deal with the question of housing.