Minister of Finance (Mr. Macdonald) is with us. Perhaps he will enter the debate and answer some of the questions which appear to exist with regard to trade itself.

Touching on that question, I point out that only last Thursday I asked a question of the Minister of Finance concerning the export levy and whether it was the intention to continue that levy in view of the fact that it must be discouraging our export trade. The minister at that time answered that he would be making a statement before very long. In fact, that evening—Thursday evening—he announced that the export levy was to be withdrawn. I mention that because surely that little incident in itself illustrates complete disorganization with respect to the government's approach in terms of encouraging trade for Canada. Last fall the government imposed an export levy which had a dampening effect on much of our export trade, and now, because of the difficulties which have arisen, it has to withdraw that proposition and should somehow explain to the nation why something which has caused a great deal of concern is now being suddenly dropped. I am pleased that the export levy has been dropped. I wish the government had had the foresight never to have imposed it in the first place.

I believe that the debate today is necessary, especially if we can hear presentations from government members, because the handling of the problem of our export imbalance is truly terribly vague. We know that the Prime Minister (Mr. Trudeau) has been musing about a new society and suggesting that there are certain villains who somehow are causing undue hardship for Canadians. I challenge that statement. I believe the Prime Minister is totally wrong in his assessment of what the problems are and I ask him to start naming some of the culprits he feels are the villains of today.

I say that because if we review the relative income share in Canada between corporate profits and labour income, we find that neither labour nor corporations have been taking an undue share of the national income, certainly since 1972. I point this out because the Bank of Canada published figures only this morning pointing out that in the fourth quarter of 1972, for example, corporation profit, after taxes, as a percentage of our national income was 9 per cent. Labour's income was 73.8 per cent in the fourth quarter of 1972. In the third quarter of 1975, corporate profits, after taxes, were still 9 per cent of our national income, while labour's share went down to 73 per cent. Is it not remarkable that in the United States labour's share of income is 75.3 per cent?

I believe figures of that kind should be cited more often, perhaps to put the lie to many of the statements which have been made by the Prime Minister in trying to avoid the main responsibility for the high unemployment and the high inflation in this country, namely, the responsibility of his government and its inept handling of the economy which we have witnessed over the last several years.

Some hon. Members: Hear, hear!

● (1530)

Mr. Stevens: Mr. Speaker, if I may, I should like first to put forth a few blunt facts. Last year, Canada had a $10 billion deficit in manufacturing trade. That compares to the United States which had an $11 billion surplus in its over-all trade position. All in all, in 1975 Canada suffered its first merchandise trade deficit since 1960. Commodity imports exceeded exports by about $1 billion last year. Our over-all current account deficit—that is, the balance of trade in goods and services—was about $5 billion last year. This year it is estimated by the Bank of Montreal that we will be in deficit to the extent of about $4 billion. In two years there will be a total trade deficit of $9 billion.

We have been living beyond our means for some time, yet the government has done very little to correct the problem. Canada's credit rating around the world is being jeopardized as international bankers become alarmed at our increasing trade deficit, our rising foreign debt, our high inflation and lack of productivity in industry. We need, and we have needed, their credit in international terms to keep afloat. The present administration has been balancing their international accounts by adjusting our monetary system so that Canadian provinces and municipalities have become big borrowers in international markets.

Last year it is estimated that Canadian borrowers took down one-quarter of the total amount borrowed internationally by all countries combined. We borrowed, from foreign sources, approximately $4.7 billion to cover our trade deficit of $5 billion. Total world borrowings last year were some $19 billion. Imagine, a country with the resources we have in Canada having to beg and borrow all over the world to balance our trade deficit position! These borrowings have forced up our dollar by approximately five cents in relation to the United States dollar, and the Bank of Canada has maintained a high interest rate structure about 2 per cent to 3 per cent higher than in other countries to make it all work. It is only a few months ago that the Canadian dollar traded at 96 cents in relation to the United States dollar.

It is balanced trade, not foreign borrowing that is needed. By borrowing at relatively high rates outside Canada, we are mortgaging our future to pay for current spending. It is no different, I would suggest to the House, than a merchant who finishes his year and finds that while he sold to his customers some $100,000 worth of goods in the past year, he paid $105,000 for others. By covering the $5,000 deficit he is simply piling up a debt which he must service through payment of interest and repayment of principal in future years.

We have the highest paid mandarins in the world in Ottawa, and they appear to have made a colossal error in judgment. Through a series of misreadings, miscalculations and plain obtuseness they have jockeyed Canada so that we are failing and falling down a slippery slope which month by month will be harder and harder to reclimb. As the Canadian dollar rises in value, our exports become increasingly expensive for others to buy. This puts the lid on any strong economic recovery in Canada. What the nation needs is either a cutback on imports or, preferably, a substantial increase in exports.

There are no easy ways to accomplish this. It would help if the Canadian dollar dropped in value. In that way our exports would become cheaper abroad, making Canadian goods somewhat more competitive, and in turn our imports would be more expensive and difficult to buy. As it now