

*Income Tax Act*

made a very handsome packet when the pound was finally devalued.

This may be so and there may be others who quite logically and normally have decided that these pressures, the statements of the Minister of Finance and his assertions on the air, together with the defeat of his government the other day on that taxation bill, have added greatly to the uncertainty of the fate of the Canadian dollar. There may have been people who have been listening to him and have decided that it is safer to take their money out of Canada. I do not know whether any of these things have happened or to what degree they have happened. Certainly the Bank of Canada professes not to know either, and not to know the precise causes of the pressures on our dollar.

I have wondered about this dollar crisis, if it exists—and it probably does—and whether it is anything more than part and parcel of the results of the misguided monetary policies of this government which in turn have led to misguided and disastrous fiscal policies. The minister tells us that these steps have been taken to restore confidence in the Canadian dollar. He proposes to restore it by means of a rather ineffectual tax measure, I suggest, because when he first introduced his mini-budget last fall my chief criticism was that it was hardly worth discussing because it would have a minimal effect on the economy. However, the minister is going to rely on these measures to establish confidence in the Canadian dollar.

I hesitate to think that the Minister of Finance is so unsophisticated that he really thinks the stability of the Canadian dollar or the currency of any country can rest on anything whatever except the level of productivity in that country. This is the main yardstick of the stability of any currency.

The minister seems to have an old-fashioned idea of what produces confidence in a nation's currency, and places his faith in a monetary bulwark in the form of exchange reserves. The minister should be aware that in the final analysis, the currency of any country is based upon the productive capacity of that country, which is the reason that even though the United States dollar is under heavy pressure today and they have a very severe drain on gold, no one really doubts the stability of the currency of the most productive country in the world. We know that when the chips are down the United States dollar will still be the premium currency in

the world, because it is backed by the most productive economy in the world.

I think the minister has been putting the cart before the horse, or perhaps one may say he has been clutching at the shadow and letting the substance go. If we have rising levels of production, our currency will be sound. But if on the other hand we have declining production and rising unemployment, no matter how many technical steps the minister may take with regard to the manipulation of exchange reserves there will be lack of confidence in the Canadian dollar. The longer that condition remains, the weaker the Canadian dollar will become and our exchange reserves, if our economy is allowed to continue contracting and is indeed encouraged to contract under the policies of this government, will eventually melt away in a vain endeavour to support the dollar at what will become an unrealistic pegged rate of exchange.

It seems to me that the minister is confusing cause and effect. A strong dollar cannot be artificially maintained, and if it could be artificially maintained it would not give us a strong and buoyant economy. On the other hand, a buoyant and expanding economy will provide us with a strong dollar in international exchange, if that is what we want.

Let me return to the minister's three stated objectives—stable prices, full employment and equity. These three express in capsule form the idea of a rich and developing economy supporting an enlightened and progressive society dedicated to the proposition of at least a reasonable measure of equity. I am sure no one will quarrel with those objectives, but I doubt whether even the Minister of Finance has the temerity to suggest that he has achieved these goals or is on the way to achieving them.

I am quite sure the minister seriously wishes he were achieving these goals. We have to examine the obstacles which continually frustrate him. How does one go about expanding the economy? I think even the minister will agree that you do not expand it by contracting it. You do not expand it by curtailing public expenditures and creating more unemployment. You do not expand it by allowing prices to climb and interest rates to soar. So what do you do? I suggest that you put yourself in a position whereby you can inject more fuel into the economic boiler.

I was interested to hear the Leader of the Opposition say a few minutes ago that he did