

Finance

placed before prudence in the management of the economy? Is there no situation more important than being elected? Is Canada not to adjust to the world economic situation?

The former ministers of finance, and in particular the hon. John Turner, were not willing to put any restraint on the economy. They were not willing to tell Canadians that major changes were necessary to take care of the problems. They were more interested in receiving political bows for finessing their way through difficult situations. The government cannot say that it did not know what was happening. The problems Canada is facing at the present time were not difficult to predict. Anyone could foresee that those problems were coming.

A year ago the hon. member for Qu'Appelle-Moose Mountain (Mr. Hamilton) pointed out that if the government insisted on following policies which would result in large deficits in the balance of payments, there would be a serious decline in the value of the dollar. When there is a large devaluation, there will be an enormous amount of inflation. Thus, our inflation rate was predictable. A great deal of that inflation is as a result of the devaluation which is being experienced at the same time. The net result of this situation is that in the eyes of the world we have a discredited government. That is being expressed by the manner in which the dollar has devalued during the last two or three days. There is no confidence in the economic management of Canada. If there were confidence, there would be no problem.

Mr. Anderson: It is travelling.

Mr. Gillies: It is not travelling. There is no confidence anywhere in the world in the economic management of Canada.

● (2212)

The great question is: why has our economic management been so bad? Part of the responsibility has to rest with the Department of Finance. Forecast after forecast they made has been wrong. The monetary policy of the Bank of Canada in the mid-1970's was disastrous. The increase in the deficits against the falling rate of growth has been lunacy and, as anybody could observe, would create enormous problems for the country.

For several years many members of the House have been calling for changes in the way in which we make economic policy. It should be open and it should have countervailing forces going. Almost every country in the world has a committee system which examines estimates in a meaningful fashion, or has debates on budget-making before the budget is brought down. These things are done before, not after the fact. But in Canada we still have a closed in, locked in way of making economic policy, and we have certainly seen the consequences of that.

We have heard a lot of talk about the first minister's conference which was held a week or so ago. The reaction of the world to that conference was rapid. As soon as people assessed what really happened at that conference and what the

[Mr. Gillies.]

federal government was really going to do, it was reflected in the money markets, and the dollar fell. You can say what you want about the conference, but the evidence is clear that the assessment of world money markets was that it failed because no hard policies were put forth at that time to deal with the situation we are facing in this country. There is no secret about those things; they are not hard to understand, but you have to take some action about them.

There is something unreal when you listen to the government members talk about the economic management of the country. Just before the first ministers' conference the government put forward its short term economic forecasts. They were ludicrous. The short term economic forecast is for declining inflation. At the same time that they are forecasting declining inflation, the dollar is falling. When the dollar falls, it means higher inflation. It does not make sense.

The government is talking about decreasing unemployment. At the same time it is talking about increasing investment. You cannot have increasing investment when you have increasing inflation. It is ludicrous to put forth proposals of that sort. That is exactly what the world markets have been saying about the conference and about the dollar.

An integral part of the operation of an economy in any country is confidence. You really cannot do much in a country if you do not have confidence in it. Indeed, without it almost any economic policy you put forth will be difficult to operate. It is interesting to note what people were saying about confidence in the Weimar Republic in the 1920's. We know what happened in the Weimar Republic because people did not have confidence in it. In the 1930's, until the inauguration of the first term of Franklin Roosevelt, no one had confidence. His admonition that "we have nothing to fear but fear itself", is, I suspect, more important than any economic theory because what the people in the U.S. needed at that time was some confidence. I say as seriously as I can that the way in which the Minister of Finance is managing our economy is destroying the underlying essential and most significant ingredient we must have to get this country moving again, that is, confidence.

Some hon. Members: Hear, hear!

Mr. Gillies: No one believes the things he says. The Minister of Finance is not like any other minister, and I say this with no pejorative connotation. He has to be careful about every single word he utters. He cannot have a wry sense of humour, because bankers in Switzerland may not know what he means. People read and listen to what the Minister of Finance says. If it becomes apparent that one cannot believe what he says or one cannot understand or make sense of what he is saying, then his credibility is lost, and with that goes the confidence in his economic management.

I say as seriously as I can that confidence in this government is shaken to its foundations so far as any economic aspects are concerned. I do not know whether the Minister of Finance can regain his credibility. You can laugh all you want, but I tell you that this is the most serious problem in the country today,