

thing. It will take a long time before there is that degree of confidence that will bring businessmen and people with money to invest in Canada. And that is the name of the game—people with money who are prepared to put up their money for investment on which they will obtain a reasonable return.

We are told that business spending on new capital has been sluggish so far this year. Of course it has been. Businessmen have been stung by the proposals in the white paper. In the exporting industries, we note that since last May there has been a continuing decline in certain types of exports. Here, one must look at the heavy chemical and forest products industries, where Canadian exporters are now competing on a foreign market at a price disadvantage. Not only have there been inroads on their sales in Canada as a result of accelerating the Kennedy Round reductions on certain domestic products so that imports have been competing against domestic products, but their exports have also increased in price on foreign markets as a result of the floating of our dollar. Why is there this difficulty with industrial production and with the economy of the country? Mr. Speaker, it is the result, frankly, of a crisis of confidence in this government. Businessmen have lost confidence. The government does not seem to know where it is going in so far as its economic programs are concerned.

We saw the wild ideas contained in the white paper. They alarmed the country tremendously. They alarmed foreign investors who wished to invest in Canada. Actually, they have caused the withdrawal of some funds from Canada. A very successful foreign investor actually told me this past summer that at present there is just no case to be made for investing in Canada if one compares investment opportunities and returns on investments in the United States, Australia, South Africa and a few other countries which have demands that are as strong as our own for development capital. The United States, notwithstanding that it is a major country with a fully developed economy, still offers opportunities for development capital. I refer to innovating capital, with which people are prepared to take a chance. According to the white paper we, in Canada, were denying people the opportunity of taking a chance. This has created an element of uncertainty.

Let me refer now to the gyrations of our dollar. There may have been a case, since the minister explained that there was pressure on the dollar, for something to be done with respect to it; nevertheless, I suggest that the answer is not in bringing about a breach of our obligations under the International Monetary Fund and being the one left-footed soldier in all the squad. We got away with it once, years ago. Is it right that we should now go back again and say to all the other countries, "You must respect your responsibilities under the International Monetary Fund regulations but we, in Canada, choose to opt out and, when we find it suitable, we will come back in." That is not the way to conduct our financial relations with our trading partners. In so far as the Canadian economy is concerned, confidence will be restored when the government makes up its mind, I hope soon, to peg

*The Address—Hon. M. Lambert*

the dollar. By saying that I do not for one moment want it to be understood that I approve of the narrow range of plus or minus 1 per cent existing under the present Bretton Woods Agreement. I suggest either that there be a wider range or that there be a moving average rate. Canada must return to a pegged dollar in order to give business the degree of stability that it requires and in order that our exporters can put into effect those plans and operations that must be implemented in order to compete internationally.

It is no answer to the problem put forward by the Minister of Finance (Mr. Benson) to say that Chemcell is laying off 300 people in Edmonton—these are people with Phd's and other degrees—and that Dupont and other large chemical companies may lay off hundreds of people. People like these are not mere sweepers; the companies are laying off from the backbone of their work force. How does one expect them to start operating again a few months later or even a year later when the economy may have recovered? This is where we all lose as Canadians.

● (3:20 p.m.)

The other question is the crisis in confidence. The minister pointed out that there is now far more industrial unrest than ever before. This, of course, causes a lack of confidence both in businessmen and organized labour. As the minister indicated, we are now getting wage demands and wage settlements to cover future inflation because no case has been made that productivity is even approaching wage increases.

I am not going to get into the hassle of whether a 6 per cent or 12 per cent increase in wages is right or wrong, but if there is a consistent increase in wages, salaries and profits, and profits that are withdrawn are the wages of management, and if these are in excess of the increase in productivity there will be continuing inflation. A study made last year by the Standing Committee on Finance, Trade and Economic Affairs amply proved that this is the case as far as Canada is concerned. We see the case being made in other countries where there are rapidly escalating wages which are ahead of the increase in productivity.

One does not quarrel with the disruptive effects of work stoppages. No one gains from a work stoppage, including the employee and employer. Where there have been work stoppages in major industries a great deal of consequential unemployment has resulted. Although this has affected the figures, the net result is that our rate of productivity has declined. This was discussed earlier. Why is it declining? It is simply because the base of operation has been narrowed so much that the overhead and fixed costs have to be paid for by the much narrower base of operation. The consequences are apparent.

We did not get any answers from the Minister of Finance. He mentioned an acceleration of payments to the provinces, but that is not encouragement to the private sector. This is where the government should have support for its programs. There should be incentives for business to invest in capital assets, but they are declining.