

The Budget—Mr. Gordon

our attention on our merchandise trade. Historically we have had a continuous and substantial deficit balance in our trade with the United States, both in merchandise and in invisible items. This has been to a greater or less extent offset by a surplus in our trade with the rest of the world. In the past two years we have had small over-all trade surpluses.

Some hon. Members: Hear, hear.

Mr. Gordon: I am not quite clear why hon. gentlemen opposite are so pleased about this; we should have had far greater trade surpluses.

Some hon. Members: Hear, hear.

Mr. Gordon: Over-all trade surpluses must not only continue; they must be increased substantially by increasing exports and efficiently replacing imports. Such an increase will not only help to solve our balance of payments problem but will also help to solve the unemployment problem that goes with it.

We must now consider the growing series of budgetary deficits of the federal government. In nine of the 11 immediate post-war years there were annual budget surpluses, and the net debt of the federal government was reduced by \$2.4 billion. In more recent years, however, under conditions of slowed economic growth and high unemployment, our revenues have been insufficient to meet expenditures. In the past six years there have been large deficits and our net debt has increased by \$2.9 billion, almost \$3 billion.

I do not propose, Mr. Speaker, to enter into a detailed discussion of the pros and cons of deficit financing. Government deficits can be justified in periods of depression or recession when the resources of the nation are underemployed, provided the expenditures and revenues are so designed as to stimulate the economy and provide more jobs. Unfortunately the budgetary deficits of recent years were not planned in this way. Because of this, and because it seemed as if the government of that day was unable to cope with our financial and economic problems, confidence in the Canadian economy was damaged both at home and abroad.

There has been a resurgence of confidence since the election.

Some hon. Members: Hear, hear.

Some hon. Members: Oh, oh.

Mr. Gaffney: He said it with a straight face too.

Mr. Gordon: But if this is to be justified and maintained it is important that we begin to put our national house in order: that we begin to move toward balancing our federal

budget under conditions of high employment. We must take the first step in this direction now.

I have discussed in frank terms, Mr. Speaker, our unemployment problem, the problem of the deficits in our balance of international payments, and the problem of our federal budgetary deficits.

In seeking solutions to these problems our salvation does not lie in isolationism; it does not lie in withdrawing unto ourselves and ignoring the currents of progress and change around us. Let us remember that we are a great trading nation dependant on our relationships with our friends throughout the world. We must not at the first storm signals of economic danger simply throw up a ramshackle tariff against imported goods and imported ideas and imported obligations and seek to bury our heads in the sand. That way lies stagnation.

The way of the future, the way of prosperity, the way of national pride, involves the fullest participation in the world around us in an economic sense as in every other sense. It involves expanding our trade in conjunction with our friends. It does not involve isolating ourselves from the trend toward international co-operation and freer interchange of goods and services. Rather it involves participating to the fullest in these new movements and moulding them to our best advantage.

These are the views, the broad economic philosophy if you will, of this Liberal government. It is our purpose to see these views are translated into action.

I shall have something to say in a few minutes about efficiency and economy in government.

An hon. Member: We have not had any yet.

Mr. Gordon: Be patient. But the need for increasing efficiency and productivity is equally great in the private sector. To increase our employment and decrease our dependence on foreign capital we must compete successfully for markets, both at home and abroad. If markets are to be retained and captured, both business and government and labour must know where we are heading, not merely from month to month or from year to year, but over the years ahead. For this reason the proposed economic council of Canada will be of benefit not only to Canadian governments but also to Canadian labour and to Canadian business.

Following the review of our major problems which I have just concluded, I should like to state briefly what the policy of the government will be in a number of important fields. I shall begin with a word regarding monetary policy.