

possibility of our trading in manufactured goods, and this is what this motion deals with today.

The *Financial Post* of March 13 clearly spelled out big deficits, calling for retooling of trade policies. It pointed out that Canada's slump on the manufacturing trade front is getting worse. Canada ran up an \$8.2 billion deficit last year, \$1 billion worse than the year before. The article goes on to describe the difficult position in which Canada finds itself. How will we get out of that difficult position? Rather than the dollar increasing in value in relation to the American dollar, it should be decreasing. That might increase the cost of foreign goods, but it would allow our Canadian manufactured goods to search out and find markets which are available.

The Minister of Finance blamed the slump in our trade picture on world economic conditions. World economic conditions are not as bad as he suggested they might be. In fact the economies of Europe and the United States are improving at a much more rapid rate than that of Canada right now, and yet our trade picture, particularly with regard to manufactured goods, is not at all encouraging.

On the question of contradictory economic policies, the government has come out with high interest rates, a high growth money supply, and a high growth in government spending. On his famous telecast the Prime Minister (Mr. Trudeau) suggested that the government is going to cut back on the growth of government spending. It will be limited this next year to 15.2 per cent. Government spending contradicts other policies and encourages inflation.

The government has come along with a poor application of what I call wage and price controls. It is a poor application because these controls do not freeze food prices, the cost of housing, the cost of energy, the cost of transportation, the cost of money, or the cost of imported goods. These are the six major commodities which fall within what we might call the desires of the average consumer in purchasing and carrying on a business or livelihood within this country. The cost of living for the average person may well continue to rise because of the things the government is doing and the things the government is not doing.

We certainly will have a freeze on wages, and it does not take a financial genius to realize that somewhere down the road, perhaps in the middle of 1976, the ordinary, average worker, whether unionized or not, will find that he cannot keep pace with the cost of living, and he will find himself financially worse off than he was the year before.

Some hon. Members: Hear, hear!

Mr. Horner: There are steps the government could be taking. There could be a cutting down on federal and provincial government borrowings outside Canada. I think borrowing outside Canada is only being done because to some extent interest rates are too high in Canada, and it is less expensive to borrow outside Canada. Foreign countries are prepared to invest in Canada because of our high interest rates, which are artificially held so high because of the action of the Governor of the Bank of Canada.

I think we must also concern ourselves with our energy picture and our energy needs. What has the government done to encourage further development of our energy resources? We are now a net importer of oil. We are still

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exporting something in the neighbourhood of 500,000 barrels per day, but we import about 700,000 barrels per day. We are a net importer, but the sale of that oil still does help our balance of payments and our trade picture.

The minister stated how well Canada's trade picture compares with other countries. Our trade picture did as well as it did in the last year purely because we were able to export our raw materials, our agricultural products, oil, gas, minerals and lumber. If we had not had a market for raw materials we would have been in a severe economic recession. We were able to export those raw materials through no good policies of the government. In fact many of the policies of the government made it even more difficult for those products to be exported.

What we need is for the government to create a climate where business can operate with some degree of confidence that conditions will remain the same for the next year, the next six months, or even the next three months. There has not been that degree of confidence in the government in the past couple of years. Business has become edgy, hesitant, and worried about investments.

The minister brought in an anti-inflation program under which he was going to freeze dividends, and then the next week he took that freeze off dividends. He brought in a tax on export profits, and then somehow or another that was negotiated away. Business does not know where it stands. Canadians are taking their savings out of Canada and investing them in the United States. That is not a healthy thing to see. They are forced to do that because they have no confidence in what the government is planning economically for the country.

It is the duty of the government to create a healthy economic climate. This climate cannot be created if economic policies are contradictory. A climate of growth and stability cannot be created when governments are changing their minds every other day.

The Minister of Finance quoted out of context some of the suggestions made by the hon. member for York-Simcoe (Mr. Stevens). He only has to look at his own cabinet ranks to see the difficulties in which the Canadian business world finds itself. There have been changing and contradictory policies over the past two years with regard to the whole question of energy and energy development. There have been contradictory policies with regard to investment within Canada, and the situation became so bad that the former minister of finance had to resign and leave the government completely. That must have shaken the business community—to have the minister of finance leave the government without saying why, without fully disclosing the differences of opinion he was having with the cabinet.

● (1700)

Since that time another minister has resigned, and there is one who should have resigned. These conditions do not create a climate of confidence or contribute to the growth and stability of the Canadian economy.

Yesterday a great confrontation took place between organized labour and the government. This does not create confidence and stability within the union movement, nor even on the management side. Management sees greater unrest in that confrontation. In the summer of 1976 labour