

Economic Growth and Employment Situation

cerned with primary production. This is surely a condition of viable federalism.

● (4:40 p.m.)

Fourth, we need a policy to assure that the foreign capital which comes to Canada will not just add to the hardening of our dollar but will provide a high prospect of productive employment for Canadians. There are, of course, other dimensions to a policy on foreign investment which I and others have raised before in this House and will not refer to today. What I have tried to show here is that there is even a monetary reason for a foreign investment policy.

So far as we know, the government has proposed no comprehensive policy on foreign investment, but I am also impressed with the complexity of the problem and the necessity to think through all the implications before assuming responsibility as a government. I look forward to the policy being put forward by the government as soon as possible. Meanwhile, considering our reverse exchange crisis, I think it would be highly desirable to establish an interim foreign exchange control system which could be administered by the government or the Bank of Canada and which could have the effect of taking some of the pressure off the Canadian dollar; that is, the pressure which has been created by the movement into a positive balance of payments position.

It would be the job of the administrators of the control system to give and withhold approvals of currency exchange conversions based on the considerations which I have enumerated this afternoon—to keep domestic borrowers from going abroad for funds to achieve only marginal savings when there would be undesirable balance of payment effects, to retain foreign takeovers, which offer substitution of ownership only, but to permit foreign investments which meet positive growth criteria.

This is an interesting point of view, Mr. Speaker. I followed the hon. member's contribution to this debate. In a previous statement he indicated that he favoured a system of wage and price controls. Today he has added the suggestion of foreign exchange controls because of the strength of the Canadian dollar, and that its adverse affects should be considered. The language of the motion before us is interesting. It attempts to condemn the government for failing to institute the economic planning necessary to bring about economic growth, full employment and price stability. In framing this motion, members of the opposition have added the failure to achieve stable exchange rates and a stable balance of payments situation. These are elements which economists try to study in order to give guidance to public authorities. The problem of Canada today is to balance these multiple objectives. To the extent to which a government achieves one, it frequently sacrifices another. In the point of view of the official opposition and the mover of this motion, this is quite easy. To the extent that government achieves price stability, it can be condemned in respect of the unemployment question, and vice versa.

The thought that I would like to leave with hon. members this afternoon is that this problem is not unique to Canada. It is one which is a challenge to conventional

economic wisdom throughout western society. There is no clear guidance given by economists on how to achieve these goals. Government has to take responsibility for policy. It cannot retreat through a maze of mathematical calculations. The government has to live with the elements of instability.

Mr. Speaker, I am one who does not believe that the solution lies in the direction of expanding controls. I am a little older than the hon. member for Don Valley and I remember World War II very well. I remember the control systems devised in that period. I know that although we had rent controls we had to pay money for the key to an apartment. I know we wanted for many things, and we had ration books. These things caused problems in the marketplace. I know that society can make controls work, but at a price. In many ways the nature of society is altered. This problem is not to be considered lightly, and I feel that we still have the challenge of trying to work things out within the framework of institutions that have done very well, before undertaking alternatives as drastic as those proposed by my colleague.

This government has acted within the framework of conventional economic wisdom and has tried to do the right thing. We have tackled the problem of price stability, but the difficulty is that when we do the right thing we suffer the consequences. By maintaining stable prices and a reputation as a good place for investors we have created an unstable exchange situation. To the extent to which we create upward pressure on our dollar, we create a situation where it is difficult to achieve regular employment objectives. By following policy we have achieved certain objectives, but have created a situation where we cannot achieve others.

To the dimension in which my generation studied economics has to be added the dimensions of a new generation which may be different. We were greatly impressed by the eminent economist Keynes; the word "Keynesian" meant a great deal to us. The government must follow monetary and fiscal policies, and to this we have now to add another dimension—it must have economic intelligence. We have to guess what our major trading partners will do, and we have to arrange our monetary and fiscal policy so that we will do a little better—but not that much better—in the way of price stability than our trading partners. The problem of controlling inflation, creating high levels of unemployment, stable exchange rates and desirable rates of economic growth is a challenge to western society. Indeed, today western Europe is showing symptoms of this kind of malaise.

The government has done many things to attempt to deal with the problem which is the specific issue of the motion—unemployment. I could enumerate the measures which have been announced. On March 17 the Minister of Industry, Trade and Commerce (Mr. Pepin) announced in this House a series of contracts for Canadian shipbuilders. This was the result of a program, instituted by the government last fall, of subsidy for vessels of foreign ownership as well as Canadian. This program involved contracts of \$64 million for ships to be built, two at the Port Weller drydocks in St. Catharines, three in Quebec and others in Saint John, New Brunswick. This program

[Mr. Francis.]