

government in Canada produced a tax burden of 34 per cent of the gross domestic product. In the G-7, only the United States and Japan have a lower figure. In fact, the Canadian tax represents a figure of 4.2 per cent over that recorded in the United States. However, when I make that statement I remind myself that we tax for medicare. The United States medicare cost is 12 per cent of their gross national product. If those costs were all run through the tax system, as they are in Canada, the 4.2 per cent tax advantage now recorded in their favour might very well disappear. I think it would disappear.

Yet, and I do not burke this fact, the gravest economic problems face Canadians. First, we are in the midst of a recession that not only still affects our country but is worldwide. We see it in the United States and there does not seem to be any evidence that Europe and Japan will escape the kinds of problems that we have here. Far too many Canadians are tragically not working, and the personal tragedy of unemployment that that involves can scarcely be imagined by anyone who has not experienced it.

We know that business profits are poor so we see that business investment is largely on hold. We see that Canadians are not spending, they are not borrowing, they are paying down their debt. Every time we open the paper we see evidence of new bankruptcies, and that has been referred to this afternoon.

What has become of what John Maynard Keynes described as "entrepreneurial animal spirits" when the psychological attitude of the people of the nation, I think, can safely be described as having seldom been lower. No matter what upbeat statistics I might be able to recite to the house on certain aspects of this matter, this is a problem which ought to have our first consideration.

When I look at this question I ask myself, as I guess we all do, "what to do". I have a few suggestions on that point. First, we should persuade the Governor of the Bank of Canada, as my friend who just spoke indicated, to declare "victory". We should persuade him to declare that the fight for inflation has been won, that it is well and truly won, and that he can think of other problems to solve. We can point out to him that the inflation villains in the past little while have been government taxes at all levels. They have been the effect of administered prices of various kinds. I do not know what he thinks he can do about those particular factors with inflation.

Right now, having digested those humps in the inflationary cycle, we do not see rising prices in this country today that threaten inflation. We do not see rising wages to any great extent now, although they have been very serious. We do not see demand pressures pushing up the inflationary rate in Canada. We do not see commodity input prices being too high. They are falling, not rising. So the problem in Canada today, no matter what it has been in the past, is not one of inflation but of deflation.

Deflation is our problem. This was referred to by the gentleman who has just spoken. If you look at the record of commodity prices of crude oil, mineral products, forest prod-

ucts and wheat, all those things that enter so largely into our national economy, those prices are, all in all, the lowest they have been in the last five years. So we have a severe deflation in commodity prices, with all that that means to the farmers of my part of the country, to say nothing of the rest of Canada.

We have something more than that. We have a fierce deflation in company balance sheet and in asset valuations. Every day in the paper we see the effect of the deflation of asset values like real estate, the effect of too much debt, and matters of that sort. We see how deflation is eroding income and profits and is pushing the economy down, not only in the commodity sector but in capital assets which are now being written down on the balance sheets of so many companies.

What to do? It seems to me that the desirable policy is very easy to state and very hard to implement. It is, namely, that we need a strong dose of fiscal and monetary stimulus in this country as soon as possible. When we look at the situation of the federal government it has to be said, in all fairness, that the room for federal fiscal stimulus is indeed limited. We do not need a bigger deficit; it is big enough. We want to try to persuade the federal government and, I emphasize, the provincial governments, that this is no time for them to increase taxes further. But I suggest that there must be some room in the economic policies of governments to encourage workers and business, even if it is only on the margin.

What do I mean? The other day, truckers in this country received a relatively modest and minor concession in respect of the taxes that affected them, but a concession which will do them some good. I am not sure that it will revive that industry in the way it would be desired, but it certainly will not hurt them. We need to look through the whole of our fiscal, taxation and other such policies and to identify those areas, small as they might really be in the total context of things, to see where the federal government can offer encouragement and a pat on the back to those who are trying to make ends meet these days.

• (1610)

I suggest—and here is where I join company with my honourable friend at the end other end of the room—monetary policy offers more promise than fiscal policy in connection with the problems we face. I agree with him that a lower Canadian dollar could speed up recovery. The Bank of Canada says that it does not, and cannot, set the value of the Canadian dollar. Maybe so, but what it can do is influence the value of the Canadian dollar. To take a phrase from Shakespeare, if I may, "By indirection, find direction out." In other words, you do not have to tackle the problem head on; there are other ways of dealing with this matter.

A year ago, the G-7 was looking for a way to devalue the American dollar. Do honourable senators remember that? They have devalued the American dollar all right, and it was done by all the central banks in that constellation of nations. If their influence could deal with the question of the value of the American dollar, how more likely is it that they could do something with respect to a relatively minor currency like the Canadian dollar?