

in this morning's *Globe and Mail*, after discussing the government's economic policies Mr. MacDonald said:

We have not heard one thing that in any way suggests there is going to be any effective measures or policies introduced to cope with Canada's No. 1 problem—that of unemployment.

Having a long Scottish ancestry, Mr. Speaker, I have as great an instinct for survival as anyone in this House. But even an instinct for survival has to stop at a certain point of principle. I say to my friends on the left that there is a very large body of evidence to indicate that the country does not stand behind the financial, fiscal and economic programs of this government, and that the duty of every member in this House today is not to think of his own survival or his own short-term benefit, but to think about what the great constituency outside this House really thinks and feels. I think that the constituency outside this House is more important than any short-term interests within it, and I ask all hon. members to remember that when they vote tonight. Confidence votes in this House, on the basis of short-term or long-term expediency, depending on how it turns out, are not the same as saying that the country has confidence in the economic policies of this government.

Hon. Bryce Mackasey (Verdun): Mr. Speaker, I am not going to take up too much time of the House in discussing the notice of motion before us, which quite astutely joins the provisions of the present budget with those of the May, 1972, budget in an attempt, as someone has said, to unify the opposition when the vote comes later this evening and defeat the government.

I think it is fairly obvious that there is no economist in the world today with all the answers to the economic problems of any particular country. Like everyone in this House, we all have our favoured economists, our favoured economic magazines, books or theories. But I think deep down all of us know that the role of a minister of finance is, under the best of circumstances, an extremely difficult one. Whether or not this budget is expansionary enough, only time can tell. There are so many factors that are beyond the control of the government or minister of finance of any particular country.

For example, one has only to look at some of the events that were outside our control over the last 18 months and which affected, I think, the recovery of this country. There was the prolongation of the war in Viet Nam, the monetary crisis in the United States and the rate of inflation that existed there two years ago. We had a form of price and wage controls without a consensus, which means that we limited our public servants to a 6 per cent salary increase whereas the provinces granted increases to many of their public servants of 12 to 13 per cent. I suspect this is why the Minister of Finance (Mr. Turner) has emphasized the need for a consensus before we move ahead with many of the contingency plans that exist. The minister also pointed out that one point of aggravation to this country today is the cost of food, which even in the United States, with their wage and price controls, was left free because in theory the cost of food varies more than any other commodity in accordance with supply and demand.

I think we have to realize, perhaps for the first time, that the constant booms and busts of any nation, particu-

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larly our own, do not react as swiftly as was once the case to fiscal and monetary policies. I think, for instance, multinational corporations to a great degree are immune to the fiscal and monetary policies of a country. Their own cash flows which must be determined five years ahead often result in the price of automobiles being increased at a time when you would imagine the cost would decrease in order to stimulate competition which may or may not be present.

Having said that, I think any government that in future uses fiscal and monetary policies in order to check inflation is running a grave risk when it reverses its policies to restimulate the economy, because it might find that the economy does not react in the usual, traditional manner. That was true between 1958 and 1962, and it is true today for a rash of reasons which have been beyond the control of the government, though probably there were a few which were within the scope of the government to manipulate.

The problems that confront this country are unique. Indeed, the problems confronting any country are unique in that country's particular context. First of all, we are a country that is very dependent upon the export trade. Although we may look at our trade figures and think we are doing wonderfully well, if we removed from those figures exports of raw materials, exports of grain and transactions under the auto pact, I think we would find that our contribution to exports of manufactured goods in the world is a rather lowly, nominal one compared with some of our competitors that are growing in increasing numbers around the world.

When you add to that Great Britain's entry into the Common Market with other countries like Denmark and Ireland, traditional customers, and when you realize there is a growth in protectionism in the United States, which has suddenly realized that their currency, like any other, can create problems. It is apparent that as an exporting nation Canada must overcome our shortcoming of a small domestic market. Compared with our territorial size we are badly underpopulated, with a potential market one-tenth that of some of our competitors.

With the tremendous cost of transportation in this country, it becomes apparent that we start with a certain disadvantage. Our advantage, of course, is our proximity to raw materials, and the processing of raw materials into manufactured goods is something we have not exploited, perhaps, as fully as we should. But I think that is obvious to all of us.

I should like to concentrate a little more on the items brought in by the minister in his May, 1972, budget—accelerated depreciation and the reduction in corporate tax. As the former minister of labour, I had to look into these areas in the past more than I normally might have. Certainly labour unrest was one of the problems with which I was faced. Certainly the cost of settlements was something that made any politician, including the minister of labour, vulnerable, especially when they tended to be on the high side.

• (2020)

I think it was only three or four years ago that this country participated in the Kennedy Round with other