

*Supply*

**Mr. Riis:** What about the people who invest in Japan?

**Mr. Smith:** I did not interrupt the hon. member.

**Mr. Benjamin:** Who cares?

**Mr. Smith:** Now they say "Who cares?" What would happen to the inflation rate in Canada if we had to pay a much higher price for the goods we import? Statistically it is a fact that every time we lose three points on the United States dollar, inflation rises 1 per cent in Canada. What happens if there is a drop of about eight or nine cents in the value of the Canadian dollar? We would immediately be faced with a 15 per cent or higher annual inflation rate. Does the hon. member think that would be doing a favour to Canadians on fixed incomes? Did he address that? No, he did not, because as usual the NDP approaches the situation in a naïve manner; with the magic wand and the push-button approach, they have the answers!

Of course, there is one way to stop Canadians from taking money out of the country to obtain higher interest rates somewhere else. We could put on exchange controls. Is the hon. member advocating that? Is his party advocating that? I am not really sure that I heard that. I listened carefully to what the hon. member for Kamloops-Shuswap said, but I do not recall his specifically saying that. Of course, if we are to have exchange controls, we would have to hire an army of public servants to administer them.

**Mr. Benjamin:** No!

**Mr. Smith:** Would they be administered equitably and fairly? I fully anticipate that within a day or two someone in an NDP constituency would be pleading on behalf of someone whose mother had arthritis, needed to live in Arizona, and wanted to take money out, after having worked hard in Canada to save it to buy a house there. Of course, the Governor of the Bank of Canada and the Minister of Finance, after having had their regular daily bowl of nails, would say, "Oh, no, we will not allow that".

The simple fact of the matter is that there is not an easy way to impose exchange controls which would treat Canadians fairly. Do they want to remove Canada from being one of the major western industrial countries, one of the group of seven, and to sink us down to the tier of second-rate countries with no confidence in their currencies who in order to keep money in their countries have put on exchange controls? Is that the route they want to go? It sounds as if it is, but that is not the route the government wants to take. Once exchange controls are announced, a further drop in the dollar results; everyone is scared off from bringing money into the country if they think they will not be able to get it out. Did hon. members address that problem? They did not even talk about it.

What if we kept money in the country by somehow subsidizing interest rates? The hon. member did not even talk about it, but I am sure we can all figure out what it will do to the deficit. If anyone thinks that is the solution, I suggest it is not. Members of the NDP said that we should have lower interest

rates. They said we should not worry about money leaving the country, the increased cost of imports, exchange controls or the inflationary spiral. In addition, of course, we have the NDP policy of spend, spend, spend; abandon caution on the deficit; let the dollar sink to a very low level. We never have to worry about who will pay for it when NDP members are talking.

**Mr. Benjamin:** Rubbish!

**Mr. Smith:** The Liberal government believes in a balanced approach. We believe the primary target we must address is inflation. It was one of the main targets of the last budget.

**Mr. Huntington:** Then why don't you start doing it?

**Mr. Smith:** Another target was to reduce the deficit. When we do that anyway and revenues are increased we immediately hear a great hue and cry from the Tories opposite who seem to think that it should be done without any pain to anyone.

What about the Tories? At least when members of the NDP are talking we get a consistent message—"Do not worry, spend all you want; do not worry about who will pay for it; stop worrying about the dropping dollar and the deficit—spend, spend, spend"! With the Tories we never really know. One day we have the hon. member for York-Peel (Mr. Stevens) rising and, when the slasher gets going, we hear a real, honest, genuine blue Tory saying, "Cut spending, do not spend any more"! But as soon as the government does anything to reduce spending in a reasonable and conscientious way, such as eliminating some very costly VIA Rail routes, they object to it. The Tories want you to reduce spending, but actually they do not want you to do it. They want you to do it in theory but not in practice. Therefore, when we make a move, as we did on some of the very costly and inefficient VIA Rail routes, the Tories yell and scream. When we suggest that the post office should operate on a user-pay basis and we increase the postal rates, these same people yell and scream. They say "You have to reduce spending. You have to reduce the deficit, but don't actually do it. We want to talk theory but not specifics." When we say that we are not going to be able to maintain the same level of transfer payments, boy, do all the flares go out then! All the crying towels come out for the provinces.

• (1440)

**Mr. Baker (Nepean-Carleton):** And the grenades start flying.

**Mr. Smith:** The Tories want to talk theory but they do not want to be specific. The next day you can have the red Tories on their feet and you will hear a completely different story. Maybe the hon. member for Rosedale (Mr. Crombie) will speak or perhaps the hon. member for Kingston and the Islands (Miss MacDonald). The message then is spend, spend, spend! You need a score card to tell whether or not their members have a blue shirt on, a green shirt, or whatever colour it is they wear. The red Tories say "Let us spend more on pensions. Let us give more money to the provinces. Let us