

*Supply—Finance*

off his knees and stop grovelling to the financial interests of this and other countries. We have asked him to exercise the political sovereignty that the government possesses on behalf of the Canadian people. The choice he must make is to decide who his friends will be, whether they will be the vast majority of Canadians who through the electoral process have sent a political party here to be their government and to represent them or whether they will be the small group of people who have traditionally been shortsighted and stupid in terms of their outlook toward the management of the country's finances.

I rather suspect that we are not talking about a villain when we talk about some of these traditionalists. They are not really villains. I believe it is just that in their efforts to resist change, in their efforts to effect political sovereignty, in their efforts to prevent the government from acting on behalf of the people, they are being shortsighted and stupid. It is for the government to correct this attitude.

• (4:20 p.m.)

The Minister of Finance stated today that the traditional instruments of fiscal and monetary policy are no longer entirely adequate to handle the sort of problems facing the country. I have pointed out to the minister on a number of occasions that he was always hinting at this but never came out boldly and stated as much. Today he did do so, Mr. Chairman, and we in this party are delighted that he has finally taken this position. I recognize the limitations of trying to manage the economy of Canada by adopting straightforward fiscal and monetary policies only. Obviously there is a need for other methods of correcting the defects of the market system.

It is the feeling of this party that the government could have done even better with the traditional instruments of fiscal and monetary policy than they have. The effectiveness of these traditional instruments has been limited by various commitments of the government in different areas. Some that I have mentioned are the commitment to the United States to maintain a ceiling on reserves, the commitment to a fixed exchange rate, the refusal to examine investment policies and capital flow policies and, incidentally, the refusal to consider some form of exchange control.

I would not be surprised if shortly, despite the minister's intention to raise objection to

it, we do have some form of exchange control. We are fooled no longer by the violent protests of the minister regarding things like a prices review board, because a few weeks after protesting he brings in such a board or something like it. I think there is a necessity for exchange control. This has been clearly recognized by one of his competitors in the leadership race, who has pointed out that we cannot rely on the good will alone of the United States, good though their intentions may be. After all, subsidiaries in Canada of United States corporations cannot always be effectively controlled, and we cannot rely on their good will to restrain the flow of money out of this country. Therefore we may have to take positive measures to prevent an indirect attack on the Canadian dollar as a result of excessive repatriation of interest and dividends from Canada.

It is difficult to know exactly what the government will propose in its new tax measures, but one thing seems fairly clear. The government still intends to raise approximately the same amount of revenue that it intended to raise with the previous 5 per cent surtax. One would have thought that the government, having been saved from its own shortsightedness and bungling which brought about its defeat, would have taken the reprieve given to it to re-examine its policy and to recognize that trying to balance a budget at this time is no answer to the problems facing the country.

We have in Canada a high level of unemployment. I am sure the Minister of Finance is not happy about the level of unemployment and would like to do something about it, but he seems to have given the subject lesser priority than price stability. In fact, he has given it no priority at all. However, I want to give the minister the benefit of the doubt in this regard. The minister has had a breathing spell and he should have recognized that this is no time to talk about balanced budgets. There is today, in addition to a high level of unemployment, slow growth in the economy, unused capacity and a need in many sectors to increase demand. If such need were met, then some of the revenue required would accrue to the government automatically.

This is not to say that there are not times when taxation is necessary. Sometimes taxation is necessary to pay for certain programs. We are not going to stand here and be placed in the position of arguing that certain government expenditure is required and then refuse to acknowledge the necessity for taxation to