

Currency Devaluation

Canada who see this as a crisis and dwell upon it daily are members of the opposition.

I think an objective study would suggest that when the dollar begins to be sold at 83 cents or less, it would be undersold. On the basis of that I would be very surprised to see the dollar drop to the level of 79 cents, which I believe was mentioned by the Leader of the Opposition this afternoon.

I do not think there is any reason to panic. This is a time to roll up our sleeves and get to work. It is a time to sit down and debate with members of the opposition who are quite capable of debating these issues, who are knowledgeable in these areas, like the hon. member for Don Valley—to sit down and engage in intelligent debate, not the kind of amusing comic relief we heard from the hon. member for St. John's West (Mr. Crosbie). Admittedly, the hon. member did provide some relief to what I believe was, unfortunately, a rather dismal performance by the opposition in this debate today.

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, in the few minutes at my disposal I would like to join in this debate. I am disappointed that the government feels that this motion should not have been brought forward and that discussion about what level the Canadian dollar should be at should be reserved for the financial pages and for the tourist when he buys his American or British money at the bank.

Our dollar is at its lowest level in 46 years. Forty-six years ago we were at the height of the great depression. Even then the dollar remained so low only for a few months. During the time of the depression the Canadian economy was agricultural and agrarian in nature, but then our economy was much smaller than those of other industrialized countries of the west. I think it is significant that our dollar is devalued to 83 cents and that many knowledgeable people argue that it could drop to 79 cents. I think this is something for us to worry about or, at least, discuss. Whatever we may think, what the traders of the world think of the stability of our economy and how good it is, is important.

We have had deficits in the billions in federal budgets for the last few years. Ministers of finance have consistently underestimated their budgetary deficits and inflation rates. The Anti-Inflation Board said that inflation would be down to 4 per cent, but it is more than double that amount. I think it is nonsense to make such predictions in the first place. There does not seem to be a light at the end of the tunnel. If there were, we would be much happier.

The government has made much of the fact that our trade surplus is \$3.5 billion. If we examine this, we find that that is really only the percentage increase as a result of the fall in the value of our dollar. Unless the government gets the economy in order, this surplus will soon be lost. It is no secret that we can buy Japanese and German appliances and other products at a cost of only a little more than previously. That is certainly not because the value of our dollar has decreased. Businessmen supplying our markets from outside are not necessarily at much of a disadvantage.

[Mr. Johnston (Westmount).]

● (2150)

Now, Mr. Speaker, what is essentially wrong? Essentially, too many dollars are being printed, and they are being printed too fast so that domestic inflation is rampant. We have been keeping our interest rate high, as the government of the Bank of Canada has mentioned. He had hoped to control inflation, but it now becomes debatable whether or not the inflation can be curtailed by a high interest rate while at the same time the supply of money is being expanded too rapidly.

There is no doubt that the impetus of the present inflation was fueled by the minority government between the years 1972 and 1974 when the Liberal administration sought to stay in office by buying off, at all costs, the demands of the NDP. These expenditures were not met by borrowing in the money markets but by printing money which in those years financed some 75 per cent of the deficits of the government.

Reliable American estimates show that we have to plan for a 7 per cent inflation so far as the United States is concerned. It is suggested that almost certainly the deficit in the United States will be much bigger, in excess of \$30 billion, and will end up closer to \$40 billion. But the American position seems good compared with ours. The rule of thumb relating to an economy ten times our size involving \$40 billion, would indicate \$4 billion, but our deficit is some two and a half times the projected American deficit. Our balance of payments problem is even worse than theirs. They have some \$29 billion, ours is closer to \$4 billion or \$5 billion, which in their terms would be \$40 billion or \$50 billion.

The message for all of us is clear. Governments must control their spending. It is no use borrowing huge sums of money to be paid back at a future date when we have this gigantic deficit.

Can we consider the indexing problem and the built-in outlay in government expenditures? Governments must control expenditures even when that is socially undesirable. Even when expenditures are politically very desirable, their total effect on the economy must be assessed. In periods of rapid inflation, total indexing should be brought into question. In Canada, governments at all levels are involved in vast transfer payments, not only right across our society but across all the regions of the country.

The indexing of personal income tax raises serious problems. The possibility that an indexed income tax would make a government more aware of its responsibilities and more prudent in its budget managing makes it desirable, if governments would heed warnings. It is obvious that the tax structure is out of balance. Perhaps it should be realized that decades ago we lived in a very stable economy when taxes were raised through consumption taxing.

In the last two decades the exchequer collected money largely through the income tax system. This was based on the theory that those who earn more should pay more. This was considered a fair tax. Now some 60 per cent of total federal and provincial revenues are raised through the income tax vehicle. But this has its disadvantages. A heavy tax discour-