

anyone getting hurt by such a move. There are many aspects of the policies of the opposition which really are shrouded in mystery and secrecy. But that is not the case in so far as the government is concerned in relation to the dollar.

Long term solutions are obviously necessary. We have to work together in a non-partisan way to arrive at long-term solutions which will ultimately resolve the problem of the dollar and the other attendant difficulties flowing therefrom. Low productivity presents a serious problem in this country. Reference has been made to the situation in the United States, where productivity is also a serious problem. In fact *The Economist* recently published material which indicated that of the seven largest OECD countries the increase in productivity in the United States was the lowest. Britain was second, and we are the third lowest. That is not a good record. And that is where we have to make a start. We need to establish long-term economic objectives, and I am sure we will do so.

Mr. Gillies: You have had 15 years.

Mr. Johnston (Westmount): I take the view, obviously not shared by members of the NDP, that we require more foreign equity in this country. We have too much debt. One reason why our foreign account balance is in such a deficit position is the tremendous interest burden we must bear. But many object to foreign equity and, as a consequence, there has been a patriation of foreign equity, something which has not helped our dollar situation either. We ought to adopt a series of sound fiscal measures to attract capital into the industrial sector.

Mr. Gillies: Again, you have had 15 years.

Mr. Johnston (Westmount): The government has introduced such programs. This is the kind of thing we should be discussing during the debate today. We also need to control the money supply carefully. I believe the Bank of Canada has done an admirable job in this respect holding the money supply within the limits of the narrowly defined M1. Perhaps the time has come to consider larger aggregates of money supply. These are matters on which it is legitimate to submit a number of varying ideas for consideration by this chamber.

● (2140)

I have not heard any ideas from the opposition except one, and I would like to deal with it very briefly. This afternoon the Leader of the Opposition told us that the program of the Progressive Conservative party to stimulate the economy is to cut taxes. To my knowledge we have heard only one concrete proposal emanating from the official opposition with regard to that tax cut, and it takes the form of mortgage interest deductibility and real estate tax deductibility within certain limits. I, for one, would not say that that is a ridiculous suggestion because at one time I proposed it myself. However, careful examination of that proposal, which I would have thought would have been made by the Conservative party, indicates that it would be a tragedy to inflict it upon the Canadian people.

Currency Devaluation

In terms of the productivity this country requires, and in terms of attracting capital for us to develop the competitive industrial sector which will ultimately result in our dollar's achieving a level which would be satisfactory to all of us at some future date, I submit that that policy is sheer folly.

In the course of the last week a number of us journeyed to Washington to discuss with Americans their experience in this area. I would say that any informed observer—certainly every representative of the U.S. government and every economist of note—was virtually horrified at the prospect of our introducing such a measure in this country. They would do anything to get rid of such a measure in the United States because of the inequities it creates, the social problems inherent in it, and the variety of negative impacts it has upon the American economic scene. Those negative impacts would probably be greater here in Canada. The Americans have lived with this, not really by choice but through inheritance, since 1913, and here we are with the prospect of having it foisted upon the Canadian public by the Conservatives, should they ever attain office.

I do not propose here to review in any great detail the problems with that measure because I do not consider it to be germane to this debate except in one specific area. Specifically, the deduction of mortgage interest and real estate taxes clearly favours high income groups. This proposal would create disposable income, discretionary income for a privileged group which is less likely to invest it in the commodity sector and which might very well be tempted to invest it outside the country. In fact this proposal might encourage the acquisition of more expensive real estate, to the detriment of the industrial sector.

Reference was made to the problems with which our American friends are wrestling. This is one of them. In the United States the amount of capital devoted to the business sector as a percentage of gross national product is something like a third or less than that of Japan. I urge all to look carefully at any plan of this kind, which is the only one which has been put forward by the official opposition. It would not only have a disastrous effect on the country but also on the dollar because it would not accomplish its intended purpose, even if put forward in good faith.

I occasionally refer to a few authors, as do other hon. members. We talk about where the Canadian dollar should be. The hon. member for Don Valley has said that some people tell him it should be between 88 cents and 92 cents. We know the level of our dollar today. Many observers are inclined to use a somewhat more objective yardstick than a gut feeling, pride, or what they can buy eggs for across the border. I have before me, for example, the February edition of "The International Bank Credit Analyst". In it there is a table entitled "Unit Labor Costs", which one can find in a number of other publications as well. One can see that labour costs per unit in output in Canada, adjusted for the exchange rate, are very marginally less than those in the United States today, making us almost dead-on competitive. So, I suggest that it is no accident that the Canadian dollar is fluctuating between 83 cents and 85 cents. That is not a crisis. The only people in