

Economic Policy

ings of one country without regard to economic conditions in other countries, especially without regard to the United States with whom we do some 60 per cent of our total trade.

Not only must we in this country concern ourselves with the inter-relationship between personal incomes, consumer expenditures, output, employment, capital investment, prices, profits, savings and interest in an analysis of our own economic health, but we must also look at each of these items as they relate to our major trading partners. There is also the additional variable, when we take this more global view into account, of analysing the impact of exchange rates.

This world-wide inter-dependence of economic conditions was the principal reason why the Liberal party fought extremely hard, and as we know very successfully, against the policy of a wage and price freeze as proposed by the official opposition in 1974. Because Canada is one of the world's major trading nations we were very vulnerable to the inflationary pressures that swirled around us in 1973 and 1974. In effect we were importing inflation, and no degree of price and wage freeze would have isolated us from the effects of the most serious bout of inflation since the second world war, 30 years ago.

However, I do not want to flagellate the opposition too much, Mr. Speaker, because they paid their price with interest two years ago for the errors of judgment they made. A freeze at that time would have been iniquitous in its effect upon the Canadian people. Perhaps the official opposition would have preferred this iniquitous solution. Perhaps they would have preferred a solution which was really put into effect by our American neighbours to the south, but maybe I can come to that in a moment. I do not believe that the Canadian people would have appreciated that kind of policy.

Repeatedly over the past year we have read reports from august economic bodies such as the Economic Council of Canada, the Organization for Economic Co-operation and Development, and others, which laud the policies pursued by the Government of Canada during this period. In order to refute the implications of the motion before us, let us look at some of these policies, since this is the essence of the criticism that is made in the motion.

The hon. member for Crowfoot (Mr. Horner) dealt extensively with the subject of energy, but the one price oil system has for two years provided a balance in this country. It has meant that all Canadians have been forced to shoulder the burden of the increased world price of oil. In addition to the one price policy we have kept the domestic price below the world price. This has not only benefited consumers who have had a chance to adjust themselves to higher fuel prices and scarcity of supply, but more important, certainly in terms of the motion before us, Canadian industry has benefited from a lower than world price for oil and natural gas. There is no doubt, Mr. Speaker, that the results of this policy have been to keep more Canadians in work than would have been otherwise possible. It has kept industries operating at a healthy capacity.

The subsidization of one price oil has resulted in a net deficit to the treasury. With the decline in export tax revenues from the sale of crude oil to the United States, the deficit in the oil account had to be met from general

[Mr. Collenette.]

revenues. This, of course, placed additional cash demands upon the government and has contributed to inflation.

But, Mr. Speaker, think of the alternative. Think of the industrial havoc that would have been wreaked in Canada, especially in Ontario. It is interesting that the hon. member for York-Simcoe is one of my neighbours in Ontario, and I ask him to think what could have happened in Ontario had the government not pursued this policy. Perhaps he does not appreciate the number of jobs saved as a result. Certainly the industrial workers in my constituency and in other industrial areas of this country appreciate the effect of this policy.

We have been attacked for our expansionary fiscal and monetary policy over the past two years, but we had little choice. A government that is Liberal, that is responsible but compassionate, had no option but to expand the monetary supply, to pay for existing government programs hit by inflation. Is the hon. member for York-Simcoe telling this House and the Canadian people that he was against cushioning the effect of inflation for the elderly, the poor with children, the unemployed, and the veterans? That is what the government did. It indexed old age pensions, family allowances, unemployment insurance benefits. Is the hon. member for York-Simcoe against this, and are the members of his party?

The government also indexed personal income tax and reduced personal taxes as well as corporate and commodity taxes so that incomes could keep pace with inflation, consumer demand could be sustained, and capital investment encouraged. As a result we were able to keep Canada's productive capacity in manufacturing and other areas stimulated at a time when the rest of the world crumbled into recession.

Mr. Elzinga: Mr. Speaker, I rise on a point of order. I wonder whether the hon. member would entertain a question?

Mr. Collenette: Well, Mr. Speaker, I might have been disposed to answer a question had the hon. member sat in his seat for the last two hours awaiting his turn to speak, as I did. With only two minutes left I feel compelled to continue.

I am sure hon. members on the other side would argue that we have encouraged inflation in Canada, and I suppose to some degree we have. But look at the alternatives, Mr. Speaker. The hon. member for York-Simcoe talked about the United States. Is he saying that his party would have liked to inflict upon the Canadian people the heartless and, indeed, almost ruthless policies of the Ford administration in the United States? Has the hon. member paid many visits to the United States over the past couple of years? Has he seen the swarms of unemployed in the major cities; has he digested the tremendous increase in the welfare rolls, especially in the northern American states; has he been to Buffalo, Detroit or any other northern city and seen how an insensitive government has almost ground the economy to a halt?

● (1740)

Sure, the inflation rate in the United States last year was well below ours. The hon. member for York-Simcoe is