

*Election Promises*

There is an economic consensus which has developed, and the minister has referred to it. He finds comfort in numbers. Indeed, in the 1930s his predecessors found the same comfort in the same numbers. All the great geniuses who were in power in the 1930s were of the same mind; they had the same point of view. They went to conferences and agreed that there was nothing they could do. There is no tremendous difference now. We find there are conferences, that Margaret Thatcher agrees with the Prime Minister (Mr. Trudeau) about what economic policies should be followed and that the Prime Minister agrees with Margaret Thatcher. The minister may find some comfort in the fact that Sir Geoffrey Howe, Chancellor of the Exchequer in England, is in agreement on what the economic policies should be. He may find some comfort in that as the inflation rate in Britain goes up to 20 per cent and as unemployment reaches the highest point since 1948. That may be the recipe which the minister wants to provide for the Canadian people. But I do not think there is any comfort to the Canadian people in that consensus of economic Liberal conservatism, or Conservative liberalism, whatever one wants to call it.

That consensus has basically five elements to it. The first element, and we are applying it to Canadian conditions, is that government's borrowing—in short, budgetary deficits—is already too high and causes inflation. I think that that is the first assumption which I would categorize as a mythological assumption. The assumption is that the way to reduce the budgetary deficit and the borrowing is by raising taxes, which is why the minister and many of his colleagues have been referring to it in the various interviews which they give from time to time—which is the only way we have of discovering what their policy is. In fact, one can say that the minister has raised inaction and lethargy to art forms in terms of his economic statements and policy.

The second assumption is that the budgetary deficit, the borrowing problem, is the real problem and that the current account deficit is secondary to that.

The third assumption is that tight monetary and fiscal policies are the best way to fight inflation.

The fourth assumption, stated by governor Bouey a couple of weeks ago in the Senate, is that unemployment is not as serious as it used to be and is not a major problem to those people who are out of work.

The fifth assumption, which the minister stated beautifully here today, is that there is really nothing he can do and that in fact, faced with a party like this one which is preaching economic ruin and catastrophe, which would cause dramatic inflation and a decline of the western world, the Liberal policy of inaction makes perfect sense, and that is the policy which the minister has put before us.

Let me state briefly the five central myths of policy which the minister recited here today. The first is, I think, the essential one about the size of the deficit. Whether a deficit is stimulative or not depends on what is going on in the rest of the economy and, in the case of the Canadian economy, depends on what the provinces are doing. The minister said that we did not talk about the provinces.

Well, I quite agree with the concern which he expressed and I nodded agreement to it when he said the federal government should be providing for its own revenues and should be concerned about its revenue base in its negotiations with the oil producing provinces. Of course, we agree with that, that is the central problem. In fact, it is one of the reasons why public ownership in the energy field is so crucial. But whether a deficit is stimulative or not at the federal level depends on what is happening at the provincial level. So it is quite artificial to refer to federal deficits of \$13 billion, \$14 billion or \$15 billion, when we know at the same time that projected revenues in some of the provinces are such that they will be running substantial surpluses.

What is important is the net effect of all levels of government spending on the whole of the economy. I think most economists would agree that the net effect of all deficits and all borrowing by provincial, municipal and federal governments has not contributed to Canada's inflation, is not inflationary at present, and in fact all the figures indicate that aggregate demand is down.

When we talk about aggregate demand, the hon. member for St. John's West asks what we are talking about. We are talking about whether or not the individual in the street has enough money to buy a car, and we know that his real disposable income is falling and that what he is paying for the car is more. So a basic and fundamental point which has to be brought out is, what is the net effect of all borrowing and is it inflationary? I do not know of one economist whom I would respect, not necessarily one who would be a member of my party, who honestly thinks that the net effect of federal policies at the moment is inflationary. It is not inflationary. It is designed, according to the minister and according to governor Bouey, to restrict aggregate demand, to cause unemployment. That is what the word means. It means you will force people out of work.

The second myth is that a budgetary deficit is more serious than a current account deficit. It is a simple thing. The budgetary deficit or borrowing is what the Canadian government borrows, from its own citizens in most cases. The current account deficit is the deficit which we run in all our economic relations with the rest of the world. An interesting fact which is not widely known is that since 1947 Canada has spent over \$48 billion in interest payments and dividends out of the country. In the last year, the deficit on interest rates and dividends was \$9 billion. This is what makes us poor as a nation. It is tied up with the foreign ownership question; it is tied up with our unwillingness as a nation to borrow from ourselves in order to invest in our own country. In my view and in the view of our party, you cannot solve the current account problem without temporarily increasing the budgetary deficit.

There was an exchange the other day between my leader and the Prime Minister about the new oil projects in the west and in the east. Where is all this money going to go? The fact of the matter is that every time we allow Exxon, Mobil Oil or Shell Oil to take over these projects—and that is really what we are doing—every time we increase the price of oil and