

*Economic Policy*

age in this country than in any other industrialized country. Our relatively better performance on this front is due to the fact that employment has continued to grow relatively strongly despite the adverse circumstances confronting the economy. In February, for example, the number of Canadians with jobs was up by nearly 300,000 over the level a year ago, which is an increase of 3.2 per cent, somewhat above the long-term trend of growth we have experienced over the past decade.

Now, I should like to address just a few remarks to the question of Canada's international competitiveness. What about the allegation that our so-called contradictory policies have contributed to a decline in Canada's competitive position? I do not for a moment deny that our international competitive position was in danger of becoming seriously jeopardized. That, of course, is why the government moved last October to launch a major national anti-inflation program with the co-operation of the provinces, to bring under control the domestically generated cost-price spiral that threatened to undermine our competitive position at home and abroad.

The developing problem of a domestically generated cost-price spiral, which by last year was rapidly becoming the primary source of inflationary pressure in Canada, was in no small measure the result of the success of government policies and programs aimed at minimizing the impact on the Canadian economy and the Canadian people of inflation and recession abroad.

● (1630)

Had Canada followed the course of a number of other countries and allowed inflation and recession abroad to erode the real income of Canadians and their real power to purchase goods and services, we in this country would also have suffered a massive recession and a massive increase in unemployment. In those circumstances we undoubtedly would have experienced substantially less upward pressure on costs and prices. But we, for our part, were determined to search for a means which would enable us to bring prices and incomes in this country under control without the imposition of severe hardship on the Canadian people in terms of output, employment, and real incomes.

I hope that during the course of this debate the official opposition will let us know whether the Conservative party believes we should have resorted to severe recession as a means of preventing the build-up of domestic cost-push pressures. As the House is aware, we sought over a period of many months to develop a consensus among the major groups in our economy in support of voluntary restraint of prices and incomes. When that effort proved to no avail, we finally found ourselves with no choice but to impose mandatory restraints on the major groups in the economy in order to bring inflation under control without at the same time jeopardizing our prospects for the revival of healthy economic growth.

I should like to address myself now to one of the phrases in the motion of the hon. member in which he refers to "contradictory economic policies of the present administration." I should like to cite some of the policies he and his colleagues have advocated over the same period of time which I passed under review with regard to the economy to see where the contradiction lies.

[Mr. Macdonald (Rosedale).]

Where, for example, does the Conservative party stand on the broad thrust of fiscal and monetary policy? Does it believe it should be more expansionary, or more restrictive? Let us take a few random declarations by various Conservative spokesmen to see if we can how they approach this question.

First, almost exactly a year ago, on March 26, 1975, the hon. member for York-Simcoe, who moved the present motion, was quoted in the *Toronto Star* as complaining that the November, 1974, budget produced by my predecessor did not provide "sufficient stimulus to the economy and a new budget is needed—It's needed now more than ever". Then we find that the same member, speaking in the debate following the budget of June, 1975, a budget incidentally which did add to the net stimulus being injected into the economy, had completely reversed his position. He contended that major cuts should be made in government spending to reduce both the government's budget deficit and its cash deficit, the effect, of course, being to reduce rather than add to the stimulus of the government's economic policy.

On October 25, 1975, the Conservative financial critic was again quoted by the *Toronto Star* on the occasion of his entry into his party's leadership race, and at that time he warned that his fellow Conservatives would vote against the government's price and income restraint program unless it was accompanied by more monetary and fiscal restraint.

What is the position of the Conservative Party? Well, a new note of confusion was injected by the hon. member for Qu'Appelle-Moose Mountain (Mr. Hamilton), one of the intellectual leaders of the group on the other side and a privy councillor on the front benches, on December 19, 1975, when he warned that the economy was heading into recession and urged the government to adopt more expansionary policies. But on January 6, 1976, another front bencher, the hon. member for Don Valley (Mr. Gillies), the former financial critic, appeared to reverse the field when he indicated that he was in favour of more restrictive economic policies, particularly in his advocacy of a balanced federal budget.

On March 1, 1976, the hon. member for Rocky Mountain (Mr. Clark), now the leader of that party, was quoted in the *Financial Times* as demanding during the course of his own leadership campaign that the government must set a dramatic example of restraint by sharply reducing the rate of growth of the money supply and the growth of government spending.

On the basis of those remarks a reasonable man might reasonably conclude that the Conservative Party now believes, in contrast to the position—and the hon. member for York-Simcoe supports this—of the hon. member for York-Simcoe of a year ago, that the government should have adopted highly restrictive fiscal and monetary policies, reflected in a balanced budget and money supply growth trimmed to the long term growth potential of the economy of around 5 per cent. Were we today following such a policy prescription, the Canadian economy today would still be in the grips of a critically severe recession. Output would have fallen to catastrophic levels, unemployment would likely have risen to the double-digit level, the real incomes of Canadians would be very much lower than