

Unemployment

market as well as our export trade. Taxes go into the cost of production and decrease the amount the dollar can buy, with the result that many of the goods this country has produced are presently beyond the reach of most countries which would ordinarily buy them from us.

During the war and shortly thereafter, because of a depletion of their own resources and damage to their potential, many countries were obliged to buy from us; but that situation does not exist now. The artificial stimuli which spurred our economy shortly after the war no longer exist. Many of the countries who were formerly our customers have rebuilt their industry and are now selling their products at lower prices than ours, by reason of the fact that many of the hidden taxes our fiscal policy demands of production are not incorporated in their products. It seems to me that an intelligent man always benefits by the experience of others. For some reason or another we refuse to do that.

During the course of this debate reference was made to the extraordinary recovery of Germany. I am keenly interested in Germany's recovery because it was my good fortune to have spent many years studying in that country. In thinking of the recovery of Germany we must consider that on May 8, 1945, the country was divided into three areas, each independently occupied. Up until that time the territories were economically dependent upon each other. In order to have a complete picture of the chaos it is also necessary to consider that more than 10 million poverty-stricken refugees from other parts of Europe flooded Western Germany. Then we must also consider the war damage, the dismantling of industry, the general atmosphere of despondency and the lack of hope of a solution, and other conditions and attitudes that existed there.

I believe that an examination of the process of economic recovery there merits consideration, because we all know that today, surprisingly enough, Germany is one of the most prosperous countries in Europe and is, in fact, challenging in world trade the very countries that a few years ago had defeated it in war.

I have in my hand an extremely interesting book called "Germany Reports". It is a calm and objective review of the entire problem. It contains some 84 charts and 84 tables, and is published by the press and information office of the German Federal Republic. First of all I wish to read what I consider to be a succinct passage with

[Mr. Holowach.]

respect to the economic and social policies which were adopted in order to make economic recovery possible.

Mr. Blackmore: Would the hon. member give the date?

Mr. Holowach: This publication was printed in 1953. Speaking with respect to the years 1948-52, the following appears:

Two methods of economic reconstruction presented themselves. Both differed not only in respect of their external form of economic organization but above all in respect of the role of the government in the economy and the position of the citizen within the state and society. They were the planned economy and the free market.

At first sight the idea of directing economic reconstruction in accordance with a comprehensive plan might appear tempting. Actually, however, a planned economy policy could mean nothing more than the continuation of the previously existing course of directing economic activity by detailed bureaucratic regulation. Past experience, however, had shown that such an economic system stifles initiative, the desire for achievement, and the sense of responsibility, as the most valuable driving forces in economic activity. The individual's freedom of decision is replaced by orders of an almighty state and the subservience of its "subjects". Aside from the political significance of such a decision in favour of the planned economy, regulating man's relation to state and society in terms of dependence and subjugation, there can be no surrender in the purely economic sphere of those spiritual and moral forces which flourish only in an atmosphere of freedom. The poorer the country is in material assets, the less can it renounce these forces. For political and also purely economic reasons the economic council of the combined economic area and later the federal government therefore decided in favour of an economic system in which freedom of decision, initiative, achievement and sense of responsibility could once more become the dominant factors.

Then a little further on in this extremely important report this appears:

Now that undeniable success has been achieved, few realize the magnitude and gravity of the decision which had to be made in 1949 when West Germany was faced by the alternative of free market economy or planned economy. In view of the extent of economic disorganization, of devastation, dismantling, refugee distress and prevailing poverty, it was very tempting to believe that a state-controlled economy could provide an escape from this chaos. It required an extraordinary measure of confidence in the imagination and initiative of employers, employees and consumers to risk the decisive step of removing the responsibility for future economic development from the state and turning it over to the participants in the economy and to their unrestricted freedom of decision. However, previous experience with planned direction of the economy by the government made this choice considerably easier.

Furthermore, with respect to taxation I should like to read the following:

Tax policy of economic revival

True to the principle underlying its social policy that taxation must be bearable from an economic as well as a social viewpoint and must not be allowed to stifle private initiative, the federal government strove to adapt all necessary changes in the rates of taxation to the prevailing economic conditions.