

are some problems out there. We happen to think that the approach it is taking to solving some of these problems is not correct. My colleague the hon. member for Etobicoke Centre (Mr. Wilson) I think laid out very clearly and succinctly what we would do as a party to turn it around. All I can say is the sooner the better; just give us the chance.

[*Translation*]

**Mr. Claude-André Lachance (Rosemont):** Mr. Speaker, several months ago . . . I see my colleague from Nepean-Carleton (Mr. Baker) is in the House and I am glad to see him. We are both members of a committee which, I hope, will soon be able to table a report and reform this institution. But to get back to today's subject, I think we can say, and various commentators are indeed saying it, that in his statement, the Minister of Finance (Mr. Lalonde) gave us a clear picture of an economic situation that is far from rosy and of the very real financial and budgetary constraints the government must reckon with. It is of course very tempting when discussing economics to get up there with all the other instant experts. I do not think there is another subject on which so many contradictory opinions, theories and schools exist, namely the causes and effects that form the basis of the science of economics. To some people, the market is basically a concept that cannot operate by itself. Its workings are erratic, and it should be up to the State to regulate the market's functions. This theory was fashionable during the thirties, and it was this concept that Keynes used to develop his famous theory on the regulatory role of the State vis-à-vis the market.

During the last fifteen years or so, our western economies have been experiencing a number of hitherto unknown phenomena such as, for instance, stagflation. Now we have a new theory, namely that the State is basically flawed, that the market must be allowed to find its own equilibrium among the various forces that affect it, and that the State must stop interfering with normal market effects. To my knowledge, neither theory has ever been proven because it is impossible to do so. These are working assumptions, and as such, they help economics develop models and thus acquire a better understanding of what is happening, so that they can advise governments on the directions they should take. In the United States and Great Britain, for instance, this new concept that the State should let the market sort out its own contradictions, has given rise to various theories such as supply side economics, a revival of strict monetarism and other economic theories which all have their followers and foes. Going back to the minister's financial statement, I think that he deserves a word of praise for having called a spade a spade and telling Canadians as objectively as possible what the situation is today in Canada, no matter how painful that may be, and letting them know at the same time what the government has decided to do. Of course, some people would prefer a different approach or different solutions, and that is not surprising, since economics is by definition not an exact science. And it is true that the

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resulting exchange of view produces a better understanding of economic phenomena.

● (1440)

Regarding the budget, the press release issued by the minister the same day mentioned six elements underlying the budget process: continued restraint on government spending, maintenance of social security programs for those Canadians needing most help, primary reliance on the private sector as the engine of economic growth, support for outward-looking trade policies, promotion of broad consultation in developing economic policies, development of an effective strategy for national recovery and economic development, building on the cooperative spirit of the six and five program.

That, Mr. Speaker, is what the press release tells us. Today, I would like to consider with my colleagues whether the alternatives suggested by our commentators, politicians and economists would, in fact, be valid alternate choices for the government. I shall start with a fact of our economic life which will eliminate some of these alternatives, and here I am about to pay a debt, Mr. Speaker, because a few months before the House adjourned for the summer, I asked the then Minister of Finance (Mr. MacEachen) during question period whether he was considering the possibility of devaluing the Canadian dollar, the purpose being to help bring down interest rates which had reached exorbitant levels at that time. Remember, we were then talking about 18, 19, 20, and 21 per cent. Now the problem has eased somewhat, but there is still some concern.

So, if we accept the fact that Canada is by definition a trading country, where more than 30 per cent of the gross national product—a substantial figure compared with the percentages of our main economic partners—30 per cent of our GNP is derived from our foreign trade, no one can deny that it is extremely difficult for us to isolate ourselves from what is happening elsewhere, to ignore the international economic situation, to act as though the world's economies do not concern us, to expect to go on selling our products anywhere in the world although demand has become generally slack, in short, to act as though we could live off the land.

We are not Japan! It is often said, and it is true, that Japan is a trading nation par excellence, but Japan is far less dependent on its foreign trade for its economic well-being. In Canada, foreign trade represents 30 per cent, while in Japan, it is 11 or 12 per cent of GNP. Our domestic market is not big enough for our economy to grow and prosper without the benefit of foreign trade, no matter what we do to stimulate the economy. It is going to be affected by considerations that are external to our country. So if that is the case and it is if we, for instance, devalue the Canadian dollar, in the short term it is likely that interest rates will be subjected to downward pressures, which might help Canadian businesses that wish to expand, since