Economic Policy

He said: Mr. Speaker, there is a growing lack of confidence in the country. Under the present administration confrontation rather than co-operation has become the custom. Labour is uncertain; it is bewildered. Why else would some 15,000 union people come to Ottawa in protest, the largest demonstration in history? Businessmen have tried to maintain hope, but they hesitate to make the necessary capital commitments needed to ensure prosperity in the country.

Consumers have learned to spend today, and even to borrow in order to spend today as they have little confidence in what tomorrow may bring. Can such consumers, such businessmen and such labour be blamed for this attitude when in a very basic sense the administration has done little to defend our currency?

During the last eight years the value of the dollar as measured by the Consumer Price Index has fallen by 40 per cent in Canada, a direct result of the most prolonged period of inflation in our peacetime history. To maintain a strong dollar we must assure a vibrant inflation-free economy. The value of our dollar at any particular time is based on the condition of our domestic economy. Yet in the past eight years the administration has followed fiscal and monetary policies which have built strong inflationary forces into the structure of the economy itself. They have discouraged savings and capital investment in the private sector. Consequently, capital investment in Canada during this period has been one of the lowest of any major industrialized nation.

Rationalizations for administration failures have become more and more commonplace. It is only appearance which seems to count, not reality. Gestures are the order of the day rather than effective action. Policy in respect of the making of decisions is preferred to decision.

We are now told that as a result of the administration's approach to the economy, including controls, inflation may drop to 8 per cent this year. Why only 8 per cent? Certainly the Americans are doing better. Why can our target not be 5 per cent or, certainly, 6 per cent? With responsible economic planning at the federal level we could have significantly less than 8 per cent inflation in Canada this year. In fact until recently it was widely forecast that we would do much better than the administration now predicts.

In the summer of 1975, prior to the Minister of Finance (Mr. Macdonald) taking office, prior to the Prime Minister's (Mr. Trudeau) control program, prior to the Liberal leader's musings at Christmastime, concerning a new society, and certainly prior to the so-called tight money policy, independent forecasts by eight of our most reputable financial institutions, including the Bank of Montreal, the Bank of Nova Scotia, and Woods, Gordon and Company, predicted that inflation would be down to the 6 per cent range this year. And now the government is saying that 8 per cent is the target.

● (1520)

On that point I think it is interesting to review what the winter forecasts are of the institutions which were optimistic about a 6 per cent range of inflation for the current year. The Conference Board is now predicting that for 1976 our inflation might be as high as 10.5 per cent. The Bank of Montreal, instead of its summer prediction of 6 per cent inflation in 1976, is now stating it may be 9 per cent to 9.5 per cent. The Bank of Nova Scotia is now predicting an 8.8 per cent inflation, Woods Gundy are predicting 9.3 per cent inflation, Woods, Gordon and Company are predicting 8.1 per cent.

[Mr. Stevens.]

What went wrong? Why should we be faced, after so-called government action with an 8 per cent inflation when nine months ago such reputable institutions anticipated a 6 per cent level? Why should we be tolerating the administration's vague hope of less inflation when William Simon, the counterpart to our Minister of Finance, who is Secretary of the Treasury in the U.S. is confidently predicting a 2 per cent inflation in that country within the relatively near future?

The administration has consistently fallen short of its real growth projections. In November of 1974 we were told there would be a real growth of 4 per cent in the economy in 1975. It turned out to be barely zero. That 4 per cent loss represents $5.3 billion of a loss for the Canadian public, or $220 for every man, woman and child in this country. Last summer the Conference Board in Canada and the Bank of Montreal, for example, were confidently predicting that our growth this year would be 6.3 per cent. Already the government is conditioning us to less, stating it hopes we will reach 5 per cent this year. In this context our motion today deals with five deficiencies in the administration's approach to the economy.

First, its economic policies have been contradictory. I cite three examples. While we have been subjected to the wage and price control program designed to contain inflation, the administration has followed a counter productive fiscal and monetary approach.

The present administration preaches restraint, yet its own spending will increase this year by 20 per cent when main estimates are compared with main estimates annually. The money supply increased by 16.5 per cent in the 12 months ended January 1976, and the Minister of Finance now tells us it will be difficult to hold this year's increase to 13 per cent. The minister's approach seems to be to anticipate inflation and thus adjust the money supply to accommodate it rather then to contain inflation. With such an approach how could any control program work effectively?

Again, while the Foreign Investment Review Agency attempts to regulate foreign investment, we have found out that more than $4 billion in foreign capital was encouraged to enter the country in 1975 to finance our trade deficit. This capital was attracted by Canadian high interest rates and as a result of a change in the government's attitude to such borrowing. While debt is preferable to equity, the extent of Canada's obligations to foreign lenders is alarming. On this point governor Bouey of the Bank of Canada stated in the bank's annual report that such borrowing "could at some point prejudice a healthy expansion of the Canadian economy".

Not only do these borrowings run contrary to the spirit of the foreign investment review legislation, but we find that these heavy borrowings abroad have driven the Canadian dollar above parity with the U.S. dollar. If the exchange rate remains at this level serious damage could be done to our economy through the overpricing of our exports and the underpricing of our imports. With a trade