

The Budget—Mr. Gillespie

will be curtailed unless we prove to those who would finance corporate borrowings that we are serious about controlling inflation. Obviously the uninterrupted series of budgetary deficits over the past ten years does not build confidence. That is why the minister's program for a budgetary balance by the end of the next fiscal year is so important.

Federal government policy must be designed to bring about and preserve an orderly capital market. This requires not only the management of its own debt and its own budgetary requirements; it requires on the part of the federal government a full appreciation of the capital needs of the provinces and municipalities and also the needs of the private sector. Just as in the tax fields arrangements must be worked out with the provinces so, too, is it important that there be collaboration on capital needs. There is, after all, a limited supply of money.

Nor can Canada rely solely on domestic sources of capital. Indeed, in recent years Canadian borrowings abroad have averaged close to \$1 billion a year. Our ability to go to the United States market or to European markets will depend on the confidence we earn abroad, on confidence in our competitive position which must not be eroded by inflation at home, on their confidence that the risks of devaluation are negligible and that we are not always just about to change the rules.

Canada cannot insulate itself from world economic conditions and there is no use pretending that we can. This is all the more reason, therefore, to examine our vulnerability in areas which we ourselves do not control.

• (3:40 p.m.)

Within the last year there were three major international developments which seriously damaged confidence in the world's monetary system and in the Canadian dollar. I refer to the devaluation of sterling, to the United States guide lines and to French efforts to force devaluation of the United States dollar in terms of gold. Fortunately, after a rather uncertain period the value of the Canadian dollar has strengthened. This is not a time for complacency. There are many uncertainties facing the world monetary system today. Let us not forget that Canada is more vulnerable than most countries because of the large part, the enormous part, proportionately four times that of the United States, that foreign trade plays in our gross national product. Let us recognize that we rely at the present time on foreign capital flows to finance our balance of

payments. For these reasons we are vulnerable. For these reasons, too, I hope it will be possible to negotiate with United States authorities the removal of the upper limit of \$2.6 billion on our foreign exchange reserves. We need this flexibility.

These truths, the need to establish confidence in our capital markets, the need to recognize the dangers of inflation, are central to the whole question of the future development of Canada. Yet in this area the two main opposition parties seem to me to be peculiarly inconsistent, though consistently ambiguous. They appear to have turned their backs on both monetary and fiscal measures. They seem to have discarded completely the idea that interest rates are an effective tool of monetary policy. Equally, they appear to ignore fiscal measures. They have been curiously silent on the desirability of a balanced budget. They deplore the effects of inflation but deplore even more doing anything about it. They profess, but they do not inform. Is this Progressive Conservatism at its modern best?

The N.D.P., on the other hand, seem to regard deficit spending as a way of life. They remind me of a man who would write a cheque for his favourite charity on a bank account that did not exist. Yet they talk of the eroding effects of inflation like the convivial roustabout who, anticipating his own overindulgence, lectures others on the predictable after-effects. When, for instance, has a spokesman for the New Democratic party publicly taken a position against wage increases which exceed productivity increases? When has a spokesman of the New Democratic party stated publicly that wage increases which exceed productivity increases are inflationary and therefore have to be paid for by every other wage earner in Canada—indeed by all Canadians? The N.D.P. behave as if cost-push inflation never existed.

I should like, Mr. Speaker, to turn now to the question of entrepreneurial spirit, initiative and enterprise from the Canadian point of view. As Canadians we need to concentrate on doing what we are best equipped to do. We can stimulate entrepreneurship through leadership by government, by insisting on a more efficient use of our research and development efforts and by insisting on a more selective effort. We have too often tried to cover too broad a spectrum and we have not concentrated on certain unique opportunities. Somehow or other we seem to have got caught up in a share the wealth approach to