Currency Devaluation

you ask him a question for one minute, he answers for nine minutes with this claptrap about "le baggage". He cannot talk about the Canadian economy; he is too ashamed.

Mr. Bouey said in his statement:

A substantial decline in the value of the Canadian dollar relative to the United States dollar had become inevitable because of the higher rate of price and cost inflation in Canada than in the United States earlier in the 1970s.

What government was in power when that happened? It was the gentlemen opposite who were in power in the early 1970s. It was they who presided over the disastrous inflation we had from 1970 to 1975. Our troubles now with the low Canadian dollar were caused by their lack of courage, their lack of policy, their lack of gumption and their lack of guts, just as we are observing now. When those gentlemen have a chance, they will not tell the Canadian people what their policies are driving this country toward. There is an election coming up so they do not want to talk about the policies. They do not have a minute to get up in the House and tell us which of these alternatives the financial experts say they should adopt, because they hope to get to the election before the ass goes out of the Canadian dollar altogether and they have to act again.

Which of these alternatives will they take? Will they export additional energy to the United States? Will they put on temporary tariff surcharges and quotas on imports considered non-essential? Some analysts think this should be done. Will they reduce the duty free exemptions for tourists? Will they eliminate the 15 per cent holding tax on corporate securities issued for a term of under five years? Will they do any of those things, or do they hope to get to the election like a bunch of cowards before they have to face the Canadian people with the consequences of their sick treatment of the Canadian economy for the last ten years?

Some hon. Members: Hear, hear!

Mr. Crosbie: They know that the only way we can come out of this crisis in Canada is by asking the Canadian people to tighten their belts, to sacrifice, and they are afraid to do that before the election. The Chrétien notch is under way now, the increase in food prices. Everyone in Canada is struck now by the Chrétien belt tightening, the 15 per cent increase in food prices because of the devaluation of the dollar. Will these gentlemen declare a moratorium on any further purchases of foreign-controlled Canadian companies by such government owned Crown corporations as the Canada Development Corporation and Petro-Can? What effect on the dollar did Petro-Can's huge purchase of Pacific Petroleum have on our exchange rate? Why was that permitted? These are the questions they should be answering for the Canadian people. Because they are not and because the financial community as well as the investment community know they are not, we have this tremendous pressure on the Canadian dollar, because there is no confidence in the group opposite. The only thing that will change that is a change in government. When we get in, that will be changed.

We do not have enough time here tonight to expand on anything, but if we want to look at a neutral comment let us take a look at what is put out by McLeod Young Weir Limited, the economics department, which sums it all up in the document which they put out on November 17, in which they point out what our trouble is at pages 8 to 15. They say there is a longer-term structural problem—the very large deficit on end products which includes manufactured goods. The government opposite scoffs when we mention the $12 billion deficit in the manufactured end products; it pretends there is no problem at all. The Minister of Industry, Trade and Commerce tried to pretend we are much better off than we were 12 or 15 years ago.

McLeod Young Weir go on to say:

The conclusion then is that our trade balance is constantly engaging in a tug of war between the ongoing surplus for raw materials and the deficit for end products.

They say we have to have a huge surplus of raw and semi-fabricated materials to cover the larger and rising deficit on end products. But the gentlemen opposite will not even recognize the problem, or will not admit that there is a problem.

The document goes on to read:

This, in turn, continues to suggest that Canada has not yet been able to break its foreign trade dependence on its raw material base—a situation which does not bode well for Canada over the longer term.

You, gentlemen opposite, have been in office for the last 15 or 16 years. What have you done about the these long-term problems? You have done nothing. We have always had their short-term political excuses. There has always been the constant desire on their part to stay in power, to do the easy thing, but try to keep themselves in power. This has been illustrated by the parliamentary secretary in the ridiculous speech he made here today.

The document goes on to read:

Where Canada has developed its most visible problems is on the non-merchandise trade balance... over-all, Canada's service account deficit increased substantially... to $5.7 billion in 1976 and $7.4 billion last year. The erosion is evident in all areas of the service sector but is most pronounced in the interest and dividends section and the travel section.

We have a $4.5 billion deficit on our current account. That is why the Canadian dollar is down to 83 cents, that is why the pressure is on, because there is no confidence in this government which may drive it down further. It is also caused by the fact that we have a huge deficit on the tourist account and a huge deficit on the interest and divident account. The situation is summed up in the following way in this document:

—Canada has run a current account deficit of $3.8—$4.8 billion since 1975 compared to a current account which was in basic balance between 1971 and 1973. In 1977, these deficits were essentially the product of four specific problems.

This is still true, even more so. It goes on to read:

An $11 billion dollar deficit on end products in the trade account, a $3.5 billion interest service deficit, $2.2 billion "other service" deficit, a $1.6 billion foreign travel deficit.

All of these have worsened in 1978, not improved. Then they go on to deal with the outflow of investment from Canada, which is also extremely dangerous.

[Mr. Crosbie.]