

Unpegging of Canadian Dollar

(Mr. Stanfield) to move the adjournment of the House under Standing Order 26 to discuss a specific and important matter within the administrative responsibilities of the government that requires urgent consideration, namely, the impelling duty upon the government to give leadership by announcing forthwith a program of measures designed to complement and offset the disadvantages consequential upon the unpegging of the Canadian dollar from a fixed exchange rate, that is, a program that will counteract the increasing difficulties faced by Canadian exporters and primary producers, the increasing difficulties faced by our domestic producers in the Canadian market, the undoubted resulting increase in unemployment and, essentially, a program that by its immediate announcement will ease the confusion among Canadians as to the financial and economic direction of the Canadian government, the Leader of the Opposition moves:

That this House do now adjourn.

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, as we take this motion under consideration I think we should bear in mind the context in which this debate is taking place, the context in which the minister's announcement was made on Sunday evening. We should recall that we were then suffering in Canada from probably—indeed certainly, I think—the highest rate of unemployment of any developed country in the western world, a rate of unemployment that would not be tolerated in Australia or the western European countries, a context in which many of our primary producers were even then in very deep trouble.

This was the policy of the government that was announced by the Minister of Finance (Mr. Benson) on Sunday evening. It is not just his fault; it is the policy of the government. The policy has been to create slack in the economy far more than was necessary to fight inflation. Indeed, this whole business of creating slack in the economy to anything like this extent to fight inflation has been seriously questioned for some time.

One of the speakers at the recent Toronto conference on economic growth seriously questioned whether this was any longer an intelligent approach to an anti-inflationary fight. Certainly it is obvious in the case of housing that a shortage encouraged by government policies pushes up the price of housing and pushes up rents, which in turn is reflected in demands for higher wages.

[Mr. Deputy Speaker.]

It is clear that the government policy of tight money and restraint has discouraged housing starts. This fact is reflected in the number of starts for the first three months of the year, which is well below what anybody can consider satisfactory; and the occupancy rate is very high in a number of important centres. This is a clear example of how the government's restrictive measures, said to be designed to fight inflation, have in fact encouraged inflationary pressures. This whole approach to fighting inflation has been very seriously questioned. For example, the most recent issue of the *Economist* referring to the United States, says:

But all of America's enviable mass of statistics show that excess demand disappeared by mid-1969.

Well, there has been no excess demand in this country of ours, Mr. Speaker, for some time.

As changes in policy require at least six months to have an impact on the economy, there was a sound economic case for relaxing monetary policy during at least the second half of last year.

This is the United States.

Instead, a tight squeeze was kept on money supply until the beginning of 1970.

This is what I want to emphasize, Mr. Speaker.

The doctrine was that a deliberately lengthened period of running the economy below capacity would serve magically to check inflation.

This policy has not worked in other industrial countries in recent years, and now it has not worked in America either.

Some hon. Members: Hear, hear!

Mr. Stanfield: It has not worked in Canada. Of course, Mr. Speaker, the government's approach and its measures to combat inflation have been seriously questioned by the Economic Council of Canada. Be that as it may and despite worsening unemployment the government continues with its policies of restriction. The government continues these policies despite all the personal tragedies they have created including, of course, the great personal difficulties of students seeking employment.

Apparently, quite recently the government has found itself in a rapidly developing monetary crisis brought on by its own policies. The Minister of Finance said in the House yesterday that as of last Wednesday the government was not considering floating the Canadian dollar. I can only assume, therefore, that what was announced on Sunday evening was an improvised solution. I do not