

resource sectors, like agriculture and forestry, which might have got us out of the problem.

● (1630)

Instead, Mr. Speaker, we found a target under the past Liberal Government and we find the same target under the present Government. This target is to cut the deficit because somehow, almost by magic, that will rekindle the sense of dynamism and optimism in the business community, and the investment that those industries will undertake will be enough to give us recovery. That did not happen.

What we found, and we have found it with the present Government, is that this crisis in economics that we call a crisis of aggregate demand, a lack of demand within the country, has led to high unemployment and has led to serious currency problems.

Our currency began to drop. When that happens, ironically it gives us some advantages. In particular, it has given us, for the last year and a half, an advantage in the face of the American economic recovery. The U.S. economy has moved ahead quite dramatically. As a result, our exports, particularly because of the reduced dollar, have also moved up quite dramatically.

If we take, for instance, 1984, we get the incredible figure that in that one year our exports increased by 19.7 per cent, mainly in the form of exports to the U.S. Because of the massive deficit it was running, it had high levels of aggregate demand, low levels of unemployment and a consequent booming economy which sucked in all sorts of output from our economy.

It was great while it lasted. It lasted through 1984 and through 1985. That, rather than anything the Government here has done, has given us the 580,000 jobs about which the Conservatives like to boast. The point of this kind of more complicated understanding of our economic situation is that we still face a very high savings rate among consumers, a very low level of aggregate demand compared to what we need to get full employment in Canada. As a consequence, we face a situation in which a Government is doing nothing to deal with the domestic sources of our problems and is instead counting on the foreign answer of the United States economy's rapid growth.

Unfortunately for us as a country, that economic growth in the United States is not going to be sustained. There are two reasons we can be certain of that. The first is that we got within the Budget a projection which indicates a declining growth rate in the United States. The second, frankly, is that we have forces of protectionism at work in the United States that as our trade spokesman I have to say make me very, very frightened.

We have at this stage a surplus with the United States of almost \$20 billion. I am certain that this will not be allowed to continue. It is just starting, but the protectionist squeeze on us from the United States is bound to come. This squeeze will come first in the area of softwood lumber. It will probably hit us by May or June of this year. The United States is expected

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to cut back exports from our present level of about 35 per cent of the U.S. market to about 25 per cent. That will wreak havoc in the economy of British Columbia. Because of oil price decreases the revenue we receive from the United States will be much less. Cut-backs will occur in the automotive sector which has been such an engine of growth for us here.

I feel that particularly with respect to my constituency of Essex-Windsor which produces a great deal of automotive output. We see quite clearly a slowdown in the expansion of consumer demand in the United States for automotive parts and automobiles. That is already costing us some jobs and it will spread throughout this economy.

Faced with that, Mr. Speaker, it means we have to turn back to our domestic sources of potential growth. That is why this Budget is such a tragedy. Instead of doing that, it is making the domestic sources of growth much more difficult with its increase in taxes and its cut-back in Government expenditures.

We have suggested an alternative by which we would shift the tax breaks presently received by corporations, which we know are not generating employment expansion, to tax breaks to people. This would cut people's tax burden and increase aggregate demand in the economy. We would also shift our expenditures to help assist local initiatives and community drives to try to get not expenditure and make-work projects that are run out of Ottawa, but instead local efforts to bring an expansion at the local level and an improvement in the local possibilities and potential of our communities right across the country.

That kind of approach, combined with an imaginative and an aggressive industrial strategy led by Government would give us some chance in the future.

As I see it, and I say it with regret, the Government's strategy, which is being adopted, of relying on the foreign impetus from the United States, now faces such impediments over the next 6 to 12 months that the great pleasure which Conservatives have had in the reduction of unemployment is going to cease. We are going to see ourselves facing once again a crisis of economic growth which will damage all parts of the country, Atlantic, Pacific, western and central.

● (1640)

Mr. Attewell: Mr. Speaker, the Member for Essex—Windsor (Mr. Langdon) has made several points today. Most of them give absolutely no credit to this fine Budget. I think it is a fine one, and word is coming back from different areas of the country that people are indeed willing, in a number of cases, to make some sacrifices in order to restore financial stability to the country. I just checked and I found that the dollar closed at 71.25 this afternoon. That is up 45 basis points. There were some doom and gloomers speaking during the past several days of debate, but I think the merits of the Budget are starting to show through now.

As I have said on a number of occasions, I think it is a very finely balanced Budget, as was the one preceding it and the Economic Statement of November 1984. That balance exists