Supply

Canada. Today the deficit is double that. Last year it was almost triple that amount. Therefore, the warning given on March 20, 1980 is far outdone by what has happened since.

Just in passing, what happened once the Government was elected? I will give several brief quotations. On May 9, 1981, the then Minister of Finance, the present Deputy Prime Minister, had this advice:

—the Government would not bail out individuals facing mortgage renewals or first-time home buyers trapped by circumstances.

• (1120)

He said that it would be wrong for him to give advice to individuals as to how to manage their affairs. This was said after the interest rate had gone up to 18 per cent, Mr. Speaker. Of course, once that gentleman was in power, he could not give advice to mortgage holders and others as to what they should do in view of the higher interest rates.

What did that same Minister, now Secretary of State for External Affairs, say on November 21, 1980, not six months after the election and after the Liberal Party had said: "Vote Liberal and oil prices will come down"? As reported in the Montreal *Gazette,* he said:

Canadians will have to accept a lower standard of living to adjust to the higher energy prices—

That is the attitude of this Government once it has been elected and will be in power for five years. The advice it gave after oil prices went up is that Canadians would have to accept a lower standard of living to adjust to higher energy prices.

Finally, the same Minister, on December 12, 1980, just six or nine months after the Prime Minister had said we could be independent of U.S. interest rates, said as reported by *The Globe and Mail* of December 12, 1980:

Canada has little control over interest rates, which have jumped 39 per cent since the federal Budget was introduced on Oct. 28, but thanks to steps taken by the Governor of the Bank of Canada, Canadian rates are not locked to U.S. rates, he said.

He cannot have it both ways, Mr. Speaker. Either Canada has control over interest rates and it therefore can take some of the independent actions which he says were being taken, or it has not.

In that article the Minister is reported as saying that Canadian rates are not locked to U.S. rates. Today the Minister of State for Finance, following his master the Minister of Finance, says: "Yes, of course we are locked to U.S. interest rates". Yes, we are locked to U.S. interest rates, Mr. Speaker, because of the incompetence, lack of caring and imbecilic economic policies of the Government.

At the moment we are locked into U.S. interest rates. The question to be asked is whether or not we can unlock ourselves. Can we free ourselves? Can Samson break the chains? I say yes. We can break the chains of this dependency if we put into office a government that is going to change this tragic march toward ever and ever greater deficits. That is the only way it can be done, Mr. Speaker.

The situation cannot be changed through a refurbished Liberal Party, a Liberal Party that is like a boa constrictor changing its skin. Mr. Turner is now in charge of the skin-changing operation for the Liberal Party. He is in charge of making the Party look different. We are told that the Trudeau caterpillar must be turned into the Turner butterfly so that the Party will have a new look. It does not matter what new look it has because, as I have just shown, we cannot believe a word members of the Liberal Party in this country say.

The net debt of the country at the end of March, 1984 was $150.9 billion, 38 per cent of the GNP. It will be $181 billion at the end of this year. Every Liberal Minister of Finance for the last 12 years has promised to reduce the debt. On June 28, 1982 the present Secretary of State for External Affairs said it all in his Budget Speech. I shall read from that speech as reported on page 18883 of *Hansard*:

Some say the Government should print more money. Others say it should let the deficit rip.

But that would fail miserably. Inflation and unemployment would get worse. Interest rates would rise even more. Canada would price itself out of world markets. Recovery would be postponed.

That was a painting of the consequences of allowing the deficit to go up. What did the Minister do? He let the deficit go up. He let the deficit rip and what he said would happen did in fact happen.

What else should we look at with alarm, Mr. Speaker? The weakness of the Canadian dollar is caused not only by the Government's internal deficits but by our external borrowing and our capital outflow. Equity grade capital is leaving the country and is being replaced by high-cost hard currency debt market borrowing abroad. This has been accompanied by a tremendous increase in the debt service burden of the country.

Every year since 1977, large capital outflows have made imperative Canada's hard currency borrowing abroad. Do you know, Mr. Speaker, that in the period 1977 to 1983 our cumulative current account deficit was $16.3 billion but our capital outflow or money that left the country totalled $50.9 billion so that we needed foreign borrowings of over $65 billion?

That is what has placed the downward pressure on our exchange rate and caused us to have huge foreign borrowings and high interest rates. We are losing low-cost equity capital. It is being replaced by high-cost debt borrowing. Let me cite the figures. In 1973 Canada has an external debt of $16.4 billion, which was 13 per cent of the GNP and 53 per cent of our exports. Today we have an external debt of $127.4 billion, which amounts to 33 per cent of our GNP and 118 per cent of our exports in any one year. During that period we have had capital outflows of $2.6 billion in 1977, $5.3 billion in 1978, $4.4 billion in 1979, $3.8 billion in 1980, $20.3 billion in 1981, $5.6 billion in 1982 and $8.9 billion in 1983. That is because of the hostility the Government has toward the investor, private and domestic. That is why this capital has left Canada.

• (1125)

Our interest payments outside of Canada have gone from less than $2 billion in 1973, which was about 5 per cent of our export earnings, to over $14 billion last year, which was about