Borrowing Authority Act

Mr. Gauthier: Mr. Speaker, I would like to ask the Hon. Member a short question. He just made the statement that growth is impeded by deficits. How does the Hon. Member reconcile that statement with the fact that last year we had a 4.4 per cent growth rate while we had a deficit, which was quite worrying, but nevertheless huge, of about $38 billion?

Mr. O'Neil: Mr. Speaker, the short answer is that I can only speculate about just how great that growth rate would have been if the deficit had been lower.

Some Hon. Members: Hear, hear!

Mr. Speaker: Resuming debate. The Hon. Member for Essex-Windsor (Mr. Langdon).

Mr. Steven W. Langdon (Essex-Windsor): Mr. Speaker, it is difficult to follow the mutual admiration society which preceded me.

This afternoon I would like to make a speech to the House which takes an historical perspective on the present difficulties which our country faces. I would like to try to pinpoint, perhaps more than some of our usual partisan exchanges do, some of the underlying difficulties which face us as a nation, and in doing so consider the challenges which lie ahead.

The problem which we face as a country has roots which go back to the 1970s and, in particular, back to the oil shock of 1974. I would like to consider what that shock did to growth rates in our country, what it did subsequently to business investment and, after that, to the savings rates of the ordinary family. In that period of time, we have to see the source of these quite complicated economic problems which we now confront.

● (1620)

As Hon. Members know, the oil shock brought a very, very rapid increase in prices to petroleum products throughout the world. Something not as clearly recognized is that it also brought a massive downturn in the growth rates of virtually every country in the world. Canada, because it was a producer of oil, was not hit immediately by the downturn in that growth rate but by 1975 and 1976, Canada began to experience that squeezing of growth rates that were being experienced throughout the rest of the world.

There are some statistics in the very valuable book which the Department of Finance puts out each year. The one I am referring to is the economic review from April 1985. It shows quite healthy growth rates in Canada up to the end of 1974 and then a plunge in 1975 to a growth rate of only 1.2 per cent. That was marked that same year by a decrease which was unprecedented for Canada of 6.4 per cent in exports and by a decrease in our imports to a slightly lesser extent. Clearly, what happened is that growth slowed down in the rest of the world, that squeezed our exports and since we are a country which exports a massive proportion of our output, the consequence was that our growth rate got cut very dramatically.

As a consequence of that, in 1976-77 and indeed in 1978, the business investment in Canada virtually collapsed. There was a 1.2 per cent increase in business investment in 1976, a 1 per cent increase in 1977 and a 1 per cent increase in 1978. Of course, as a consequence of that massive slowdown in both exports and private-sector investment, there was a tremendous upturn in unemployment. If we return to the figures for 1975, 1976, 1977 and 1978, we see a gradual increase from the level of 6.9 per cent up to 8.3 per cent of unemployed.

Typically, Governments in the post-war period have responded to that kind of situation with a counteracting increase in activities. For instance, they have cut taxes and increased expenditures to try to make up for the fact that business investment and exports were not playing the roles expected of them. What we got instead from the Government of the day was the start of this strategy of cut-backs and restrictionism which has been so damaging to the economic recovery of Canada.

This course of action in fact took a new cycle starting with the oil shock of 1979 which equally hit economies throughout the world very, very hard. The squeeze which had hit world economies in 1975 was repeated but accelerated and in 1980 and 1981, there were tremendous squeezes on the economies of Britain, the United States and France. That in turn hit back on the Canadian economy particularly through our export balance, which again in 1979, 1980 and 1981 failed dramatically compared to the rate of increase in the past. Of course, when those exports did not take place, business investment also get squeezed and did not take place.

We see that in 1981, business investment began to slow down a bit, but by 1982 and 1983, because there is always a lag with business investment, there was an actual massive decline in the business investment of 9.1 per cent in 1982 and an unprecedented 12.4 per cent in 1983. In short, these complex issues came together in a way that had the effect of, first, hitting our trade partners, second, hitting our export earnings, and third, hitting the business investment that normally takes place in Canada. The consequence of that was to increase unemployment rates massively. By 1983, there was an unprecedented unemployment rate of 11.9 per cent.

What is the normal response of Government to that kind of squeeze of economic activity? It is to try to expand Government expenditure. It is to try at the same time to cut back taxes so that people have some sense of confidence, some extra money to spend and some ability to get the economy moving again despite this collapse of exports and earnings from business investment. That did not happen. Under the Liberal Government, we had instead tax increases and cut-backs in expenditure which also reduced the amount of economic activity. In short, we had a self-induced, almost suicidal collapse in our economic strategy and activity. Along with this, we had a lack of thoughtful industrial strategies. We did not make the effort to build up a high-tech manufacturing sector which could export into the world in areas where price competition was not as great. We did not have the emphasis on some of our