

purchase of better players. But as for the arena, I would suggest to the owners not to rush, because if Mr. Mulroney continues destroying the country as he is, the Parliament buildings might be available, because there will be no Canadian Parliament. There may be no Canada. And the House of Commons is probably large enough to house a rink.

● (0930)

Prime Minister Mulroney, by the way, said that he would welcome a new set of senators to Ottawa. He said that the last bunch wasn't any good. He says he doesn't like the old fogies in the upper chamber.

Senator Stewart: That puts Senator Oliver in his place.

Senator Gigantès: Where is Senator Johnson or Senator Teed?

Senator Stewart: They should be up on a question of privilege.

Senator Gigantès: Brian Mulroney is calling them old fogies.

Senator Molgat: Qui a fait cette déclaration?

Senator Gigantès: Brian Mulroney.

At any rate, this is a digression from what I was about to say. There is absolutely no proof that shifting the tax mix towards a consumption tax, which will increase the share of government revenues through indirect taxation on consumption and lessen the amount of government revenues taken through income tax, will increase savings. If domestic demand for savings outstrips supply, and interest rates are pushed appreciably higher than international rates, foreign funds will flow into Canada in search of high returns.

The point made here is important. If there is an increase in savings in Canada, there will be an oversupply or a larger supply of money to lend. As I was saying when I was reading from my book, when supply increases in any commodity, its price falls. Therefore, our interest rates will fall below international rates and Canadian investors, like the power corporations faced with a low return on funds at home, will simply invest abroad. That is good corporate citizenship. It may not be good Canadian citizenship, but we are not talking about Canadian citizenship, we are talking about Tories. The only citizenship they recognize is corporate citizenship.

Conversely, if domestic demand for savings outstrips supply and interest rates are high, then foreign funds will come into Canada. I was making that point when I was reading my book on an earlier occasion. On the wonders of globalization and of the money market, if we have a globalized money market, then sticking labels on funds and saying that they are Canadian or foreign does not make sense. Savings in Canada, because we are such a small country, really have nothing to do with the amount of investment and capital formation, plants and equipment that will come to Canada. What will bring plants and equipment here is the natural resources we have that can be used.

If we did not have this fool's deal that we made in the form of the Free Trade Agreement, we would have better capital

formation in Canada than we now have. But we threw away our trump cards. We gave away our natural resources for a mess of pottage. Thus, notwithstanding the domestic savings rate, the increasing internationalization of financial markets effectively caps the domestic cost of capital.

To continue with this report, it states:

Finally, shifting the tax mix from savings to consumption can at best have only an indirect effect on savings. In contrast, reducing budget deficits directly increases net personal savings. Consequently, the main positive effect on savings and growth will come from successfully reducing budget deficits using either the income tax or a new consumption tax.

The point that Mr. Brooks is making is that consumption tax is not any better at reducing the deficit than income tax. A little later I will be discussing alternatives to the GST and I will make the point, as I have before—and I must keep making it until everyone understands it—that the only way to reduce deficits and the national debt is to reduce unemployment. Through repetition, I finally made the Economic Council of Canada understand that.

Senator Stewart: They are relatively receptive to new ideas at the Economic Council.

Senator Gigantès: Probably because there are not many rich people there. Judith Maxwell is a fine person and, as far as I know, she is not a corporate citizen. She is only a Canadian citizen.

Another argument that is being given for introducing the GST is to reduce opportunities for evading tax. As we saw earlier when I was presenting information on what happened in countries that have a sort of GST in Europe, tax evasion is not reduced. That is simply an illusion.

It is sometimes asserted that a tax mix change would reduce the amount of income that illegally escapes tax. A number of reasons are offered for this result: since marginal income tax rates can be lowered if more of the tax burden is shifted to consumption taxes, the incentive to evade income tax is reduced; a broad-based sales tax is easier to enforce than an income tax . . .

● (0940)

Senator Simard will probably get up and yell at me because he has misunderstood something I was saying, because he is not paying attention. He is wasting his time talking to Senator Lowell Murray. Everyone knows that it is a waste of time talking to Lowell Murray. He does not have anything to say that is in any way useful to this country. Look what he has done with his various statements, and in particular his insulting statements about provincial premiers during the Meech Lake Accord, which cornered them into having to react, and therefore sank the deal.

Senator Stewart: But he knew how to instruct the legislature of Manitoba to break its rules, and indeed the laws of the province.

Senator Stanbury: He has experience in breaking the rules.