Interest Rate Policy

The other part of the amendment moved by my colleague has to do with the concept of mortgage interest and property tax credit. This is an interesting concept with which I would agree. It really relates to a principle which I think is valid. It simply means that once a tax is paid, it should not be paid again. If we are in fact paying a tax, that tax should be allowed as a deduction on a person's income tax return. That is something that would be very useful to people who are renewing their mortgages and will meet all kinds of problems, as pointed out by the NDP hon. member for Vancouver East.

I would urge the government to consider the suggestions made by the three speakers from my party in order that we can do something about the very serious situation of our economy as a result of extremely high interest rates. Thank you very much.

Mr. Roy MacLaren (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, I am pleased to participate in the discussion this evening of the specific question of inflation and broader economic problems. Today we have heard the government attacked because inflation has recurred as a persistent and pernicious problem. Clearly the prime cause of inflation in Canada, as in all industrialized nations, has been the two major oil price increases triggered by the OPEC petroleum cartel.

During the 1973 oil price hike, for example, the average rate of inflation in industrialized nations jumped by six percentage points. The effect of the 1979 oil price increase, the second of the major OPEC increases, was to add a further five percentage points to the average rate of inflation in industrialized countries.

Today we have been hearing from one faction of the Conservative Party which favours a lower rate of inflation. Yet there is another faction of the Conservative Party which presses for a rapid escalation of oil prices in Canada. There is obviously a contradiction in those two positions.

For example, the hon. member for St. John's West (Mr. Crosbie) somehow manages to be a member of both those factions. He advised the Alberta government not long ago to hang tough in its negotiations with the federal government and to press for higher and higher oil prices. Yet last week in this House he piously expressed concern for Canadian consumers who must cope with oil-fuelled inflation. I do not see how he can have it both ways.

If this government were to follow in Canada the Conservative policy of a "made-in-Saudi Arabia" oil price, who would win and who would lose? Where would the impact of inflation fall? The winners would obviously be the large foreign-controlled petroleum companies, petroleum companies which reported a profit of almost $30 billion in 1979. Our Conservative friends evidently think that they need more. Who loses if we permit OPEC to set oil prices in Canada, or if we tie Canadian oil prices to those set by an international cartel? Certainly rapid increases would cause yet more inflation in Canada. Rapid increases would have an especially severe effect upon those in our society who live in rural or isolated areas and those who depend upon petroleum for travelling long distances, and certainly consumers in the poorer regions of Canada would suffer more. Certainly the poor people in our country would become poorer because energy costs play such a large role in the household budgets of the poorer segments of our society. An important American study, for example, recently concluded that for families with incomes in the lowest 10 per cent bracket, energy took fully one third of their expenditures. For families, however, in the top 10 per cent bracket, energy took only one twentieth of their total expenditures. The Economic Council of Canada has estimated that for every one dollar increase in the price of a barrel of oil in Canada, the consumer price index—in other words, inflation—will jump by 0.5 per cent.

● (2020)

For that and for many other reasons we do not have in Canada an OPEC-made oil price policy. We have a made-in-Canada oil price policy, but that is not to say an unrealistically cheap oil price policy. Certainly prices will rise. They will rise gradually, but substantially, over this decade, and they will rise in a manner which is controlled, predictable and known to consumers and producers alike. We are actively working toward an agreement with the principal producing province on that basis.

We recognize that oil prices in Canada must increase. However, unlike the previous government, we have moved to ensure that the beneficiaries of those increases are not the "seven sisters" of the international petroleum industry but, rather, Canadians. In terms of revenues received, foreign-owned petroleum companies in Canada in 1979 still represented 72 per cent of the total industry. Moreover, the involvement of foreign corporations is greatest among the integrated companies—the large, foreign-controlled companies—and lowest amongst our junior producers which are, typically, Canadian-controlled.

In those terms it was evident to all of us on this side of the House that we had to allow Canadian oil and gas prices to rise, but we also had to continue a program of attractive incentives for exploration and development of new supplies from within our own borders. However, if we had done just that, we would inevitably have increased the revenues and the assets of largely foreign-controlled firms, thereby making it yet more expensive for Canadians to purchase a greater share of the ownership of our own petroleum industry. We would also have seen the largely foreign-controlled industry reap substantial windfall gains. In addition, higher prices would have meant either increased dividends to the foreign parents or greater foreign ownership through the reinvestment of profits in the petroleum industry and diversification into other sectors of our economy.

We have been concerned in this discussion and, indeed, earlier in this session of Parliament about capital outflows from the petroleum industry. Let me underline that since