

Supplementary Borrowing Authority

that in our fight against recession our high interest rates have resulted in a growth in our deficit. That deficit must be covered by borrowing, hence the reason for this debate.

• (2120)

We would not need that \$4 billion if the policies dictated to us by our industrial partners and by ourselves, had not been so successful. That is according to the *Wall Street Journal*. Its success is reflected in the fact that we now have a recession almost world-wide. Because we have that recession, we have to borrow that \$4 billion.

There is a distinction between a recession and unemployment. One of the things that worries and upsets me a little is when I find myself becoming engrossed in statistics evaluating recession, depression and prosperity statistically. There are no statistics that can graphically depict the anger, the frustration and the sorrow of a Canadian who is out of work through no fault of his or her own. That is why I was pleased when the Minister of Finance (Mr. Lalonde) rose in his seat last week and in his statement of policy, his review of financial problems, clearly spelled out that he was not bowing to the temptation of freeing up more money by cutting back on certain social programs, which have been the cornerstone of Liberal policy. In his document he clearly stated that universality would continue to be the prevalent characteristic of the family allowance, of the old age pension and of UIC. Second, what went virtually unnoticed in the press, despite the clamour a month ago, was the mention or treatment, if you like, of the deficit.

You may recall, Mr. Speaker, the last time we were talking about the main borrowing bill many people, in good faith, expressed concern that the deficit somehow represented a catastrophe, a load that we could not bear, and that when it came time to borrowing money we would compete with private enterprise, driving up interest rates, making it impossible for free enterprise to expand. According to a columnist to whom I relate, Lester Thoreau, in the 25 years of research that he had done on that subject he had yet to find a single incident in the United States where that type of competition resulted either in government or private enterprise being denied the funds necessary. Despite the clamour in some quarters, the Minister has made it very clear that the deficit, increased as it is by approximately \$5 billion, and undesirable as that may be, presents no particular problem. There is something else here that is important and significant. The Minister says that the financing of that \$22 billion is less onerous now than the financing of the \$17 billion last June because the borrowing last June had to be financed at 19 per cent. The borrowing for Canadians, incidentally is now at 12 per cent or 12.5 per cent, or whatever the new bond rate is. That represents a saving from last June of \$900 million.

Mr. Friesen: Who saved?

Mr. Mackasey: That is almost \$1 billion that has been freed up by virtue of the fact that interest rates have come down substantially in this country. This indicates that we are on the right track, despite the impact it has on unemployment. The recession is coming to an end. It is turning around. Interest

rates are dropping rapidly in the United States and in the right direction in this country.

On page 7 of the Minister's statement, he said:

Total outlays are now expected to be almost \$80 billion, about \$1.1 billion higher than projected in June. Interest charges are now forecast to be more than \$900 million lower than in June.

This is despite the increased deficit. The Minister went on to say:

This has been more than offset, however, by major increases in the costs of statutory programs, such as the government share of unemployment insurance, the Canada Assistance Program, Equalization, and Railway Act payments, which are related in substantial part to the depressed levels of economic activity. The net increases in statutory program costs total some \$1.5 billion.

This is a complex subject and it is easy to go down the wrong paths.

I want to say a few words, if I may, about unemployment insurance. As Lester Thoreau points out to us, the applications of economics is limited, if you like, by political reality. Can you always do what is right if politically it is not necessarily right? If the recession is on the wane, and I like to think it is, I have here some headlines or notations from the *Wall Street Journal* and *The Globe and Mail*—not on page 1, of course, but buried away. I found an interesting article by the oil industry which recorded that the oil industry indicates an upturn in its profits. I think that is fair. The hon. gentleman over there agrees, and he is an honourable man. We read that bank presidents are cautiously indicating some increase in the GNP. That is a headline in one of our papers. Another one which is nice and terse reads, "Inflation is coming down." I found one from this morning's newspaper which reported that the food industry predicts single figure inflation for the next decade in its industry. The *New York Times* reported that the stock market reflects to a great degree confidence in the future. The *Wall Street Journal*, on the appropriate page reported, "Commodity prices are firming up." One analyst wrote that the hard pressed automobile industry is showing signs of recovery. Then we find this comment: "Interest rates continue the downward trend". Here is one I like. It reads, "Economists are revising their predictions upwards".

I think it is obvious to all of us that the recession is coming to an end. It would be wrong of me or of anyone else to leave the mistaken impression that we do not have some very difficult months ahead of us. All of us are aware of the fact that, for the initial stage of any recovery, although industry is slow in normal times, it is slower still in recession times to rehire, to start a second shift, to expand and to spend. Therefore, unemployment lingers long after recovery begins. If this Government like other governments around the world is doing some real, deep thinking on where to spend its input to help private industry along the road, it may be said that that money should be going into high technology. That is where it should go if we are looking down the road to an increased GNP, a strong economic base to support our universal programs, our medicare, family allowance, pension plans, transfer payments and our free education.