

### *Borrowing Authority*

We also do not know how the forthcoming budget will affect government revenues and expenditures or what forecasts will be in it about the level of the economy. We do not know what the budget will say about the state of the economy, about the oil price agreement the government is seeking and the effect a rapid increase in oil prices will have on the new cash requirements that have to be met.

This is strange conduct by a new government professing a new standard of openness in dealings with the Canadian people and Parliament and professing a new standard of accountability to Parliament. They are asking for the authority to borrow \$7 billion in a way which may be giving them a cushion of borrowing room in the amount of several billion dollars without first presenting their own budget to show why all the borrowing authority sought in this Bill C-10 is actually required.

● (1550)

The minister's forecast at this point continues to be that the cash requirement for 1978-79 is \$10 billion, and if this cushion I mentioned exists, he should not be asking for the authority to borrow \$7 billion but instead a figure in the area of \$4 billion. If the new Conservative budget shows a higher deficit for 1979-80 because of Conservative neglect of the economy—a higher deficit than the Conservatives have been forecasting—or if the government wants to borrow to support the dollar, it should come back to Parliament after presenting the budget to get specific authorization for the borrowing required.

Let us not forget that the Minister of Finance in his economic statement of last July admitted that, contrary to what he and the Conservatives were saying before and during the election, the actual deficit for the last fiscal year turned out to be less than had been forecast even by the previous Liberal government.

The President of the Treasury Board admitted in the House yesterday that the higher interest rates the government was now paying on Canada Savings Bonds to meet the over-all increase in interest rates his government had allowed the Bank of Canada to bring into effect would cost the taxpayers \$215 million over the term of the new Canada Savings Bonds issue. He admitted that the extra cost to the taxpayer of these higher interest rates would be \$62 million in the first year of the term of the new Canada Savings Bonds. Yet last October 19, 1978, in tones of outrage and indignation, the present President of the Treasury Board said in this House:

The Canada Savings Bonds issue is now at over 9 per cent annually. Do you know that at a 9 per cent interest the cost of what we are now approving will double every eight years? That is the cumulative effect.

Where is that indignation today? Where is the President of the Treasury Board on this crucial issue?

While the President of the Treasury Board gave me the additional cost to the taxpayer of the higher interest rates on Canada Savings Bonds caused by the higher general level of interest rates approved by his government, he did not answer my second question of last Friday. In it I asked about the additional burden on the taxpayer of the extra cost to the

[Mr. Gray.]

government of all of its borrowing in addition to the Canada Savings Bonds loan in order to finance its cash requirements as a result of the three increases in interest rates by the Bank of Canada that it allowed to go into effect since it took office five months ago.

Last October 24, the present Minister of Finance when he was still only the hon. member for St. John's West said in this House:

Does anyone care what all this does to interest rates? . . . Last March 8 the central bank rate was 7.5 per cent. That was the bank rate just seven months ago. That is what the central Bank of Canada charged, and probably the banks charged one half, three quarters or 1 per cent more. . . . Now we have had five increases, and in seven months it is up to 10¼ per cent. How does this correspond with the Prime Minister's great program of industrial and economic expansion and growth which was brought back by him from Bonn via Morocco?

The Prime Minister cannot explain. He throws his hands up and says, "Look, we have to do whatever the United States Central Bank does. If they go to 8¼ per cent or 8½ per cent, we go to 10¼ per cent."

If the Americans increase their interest rates once again, which they may well do—and it is being forecast down there right now—the central bank rate in Canada will go up again, and the interest rate at banks will go up to 12, 13 or 14 per cent.

How right he was, Mr. Speaker, and how quiet he is about what he said then and how it still seems to suit present conditions. But he is singing a different tune today.

On that occasion, the hon. member went on to say:

Where will it end? Where will it stop? How can we have economic expansion in light of these interest rates? What will the small businessman do? . . . What will they do to meet these heavy, additional expenses?

Is it not correct that one of the factors which make us uncompetitive compared to the United States is the much higher interest rates in Canada? Who is considering all this? Who cares?

Obviously the hon. member, now that he is Minister of Finance, has not done anything to show that he cares. He has not explained why those words of last fall are not equally valid today, as they are. Today, the hon. member for York-Peel is the President of the Treasury Board and the hon. member for St. John's West is the Minister of Finance. In spite of what they said before the election, they and their Conservative government allowed the bank rate and interest rates generally since they took office to go up three times to record levels, to the range of 13 per cent. This has happened as a result of their decision, their action or inaction. No amount of talk by the present Minister of Finance about the policy of the governor of the Bank of Canada being the governor's personal policy changes the reality that in law and in fact the Minister of Finance and the President of the Treasury Board and all in this new Conservative government bear the responsibility for the damage these interest rate increases are doing and will do to the economy, particularly to small business, the farmer and the consumer. The minister and the government are accountable for what is happening and what will happen, and they will be held to account by the Canadian people.

I think there are many questions that remain to be answered about this bill but I think enough is already clear from what is in it and what is not in it, and from the manner in which it is being presented, that the new government is not living up to its promise of more openness, accountability and good management. It is operating, instead, on a basis of evasiveness,