

or theological view of the economy which bears no relationship to the hard realities of the economic world. The fact of the matter is that the question is not: Is borrowing good or evil?

The question is: What is the purpose of the borrowing? There is a distinction between borrowing in order to invest for the future and borrowing simply in order to spend. Everybody understands that. The average Canadian understands the difference between borrowing in order to buy his house and borrowing in order to pay debts. There are very few Canadians who can afford to buy a house without having to borrow. That is what a mortgage is. Nearly \$14 billion worth of mortgages were arranged last year. I do not think all those Canadians are evil. They did that because they were borrowing to invest. For most Canadians the only investment they will ever make is in their own home. The average Canadian understands the difference between borrowing in order to do that and borrowing from the bank in order to pay off Chargex or being forced to use credit in order to buy groceries.

Businesses account for this in the same way. Look at the annual reports of any business. They are all in the business of borrowing. Look at the debt offerings of public companies. They were up over \$20 billion last year. That was borrowing; that was debt; that was people paying interest. But the point of it is that there is a difference between borrowing in order to invest and borrowing in order simply to spend.

To launch a broadside attack on all borrowing or on all deficits, as if all of it was evil, is quite simply ignorant. It is ignorant of the difference between borrowing in order to invest and borrowing in order to spend. It is an ignorance that is generated in our own public accounts. Our public accounts do not make the distinction between investment and current spending. We have no way of telling in our public accounts, because of the way the expenditure is expressed, whether this expenditure will eventually reduce either a budgetary deficit or a deficit on current account. We have no way of telling whether it is an expenditure that is simply a current expenditure which will go up over time and will not generate any return to the government.

We must appreciate that there is a critical difference. It is a tragedy for our country that we now have governments which are so terrified of the concept of borrowing itself that they are unable to make a distinction between the concept of investment and the concept of current spending in the way in which they handle their own accounts.

To say simply that it is deficit spending alone which is responsible for inflation, and that it is the federal deficit which really provides the picture, ignores another reality, and that is that when one looks at the economy of Canada, one must look at what is the deficit picture of all levels of government and not simply at what is happening to the federal government.

The fact of the matter is that in 1979 the deficit at all levels of government was some \$3.6 billion less than the deficit of the federal government. Most observers expect that by 1984 the over-all budgetary situation of all provinces, the federal government and local governments will be in balance. There are

those who would say that is because the provinces being run by Tory governments are really keeping their expenditures way down.

● (1620)

**An hon. Member:** Right on.

**Mr. Rae:** That is completely false. The level of Tory spending is just as high and just as far above inflation as that of the federal government. The reason is related to another cause altogether, and that is the fact that some of our provinces have access to a source of revenue which is growing like Topsy. There is no source of revenue in Canada which has grown with the speed, and which will grow with increased speed, as the revenue we derive from our resources, and those royalty revenues go to the provinces. They increased at the rate of 30 per cent a year in the last decade and we can anticipate that, with the inevitable increases in price for oil and natural gas, they will grow even faster.

The thinking of the Liberal-Tory group fails to recognize that inflationary interest rates also inflate the federal deficit. Finally, Mr. Speaker, the thinking of the Liberal-Tory group fails to appreciate that prices are not coming down, even with dramatic fall-offs in demand. Can we honestly say that because of the collapse in the demand for automobiles the price of automobiles has dropped? Have people not noticed that General Motors announced just ten days ago it was increasing its prices? Does this not run contrary to every principle we would expect to see working in a free market economy? Where there has been such a collapse in demand, there would also be a significant fall-off in price.

Something else is going on in our economy. We are moving away from a market economy where there is a direct relationship between supply and demand, where we can see these effects right away, to an economy that is increasingly controlled by fewer and larger actors. The problem of corporate concentration and restriction on the supply side is what is really responsible for the current round of inflation, be it in the oil products field, the food field, or wherever it is that we are suffering.

The thinking of the Liberal-Tory group fails to recognize a simple fact, and that is that when you analyse a budget you cannot simply look at what is being directly expended or invested; you have to look at what is being spent or invested on the tax side as well. In other words, we have to look at our system of tax expenditures in order to understand why our deficits are as large as they are.

The hard fact of the matter is that our tax system has become more aggressive in the 1970s than it was at the beginning of this decade. We have now moved further away from the notion that "a buck is a buck" than in 1964 when we appointed the Carter commission. We have to recognize the fact that the runaway growth in tax spending, particularly on the corporate side, has contributed not only to our deficit but has also financed corporate concentration and foreign domination.