rushing to fill the breaches, led so ably by Mr. Pitfield, the Clerk of the Privy Council. About the only thing the public knows is that whenever Mr. Pitfield is in the middle of the crowd something is up, something is amiss.

● (2142)

It will be remembered that Mr. Pitfield headed up DM-10 a year ago, which was a meeting of ten deputy ministers to chart a way out for the post control economy. At that time it was announced that it would "initiate a formal process of discussion, dialogue, and consultation with all elements of Canadian society; provincial governments, representatives of business, labour and consumer organizations, other special interest groups and individual Canadians." Ten months later it has not amounted to anything. Will half as many bureaucrats as the name DM-5 implies produce twice as much? What about the government's own 2,000 economists which it employs? Can it not find some gleam of talent to offset this high-powered DM-5?

There are a few things in the budget which will bear closer scrutiny as we progress through the committee stage. I think the Minister of Finance was too optimistic, when we look at what seems to be ahead. Almost certainly in 1978 unemployment will remain high and inflation will exceed the revised target of 6 per cent. Our trade deficits are scheduled to grow as we borrow more abroad, and particularly as the vast borrowings of the federal government in the domestic scene force provincial governments to borrow abroad.

What about this money that we are borrowing abroad? The OECD has suggested that in the group of the 24 richest countries of the world something like $31 billion was loaned outside their borders. Of that total last year, Canadian governments and companies borrowed $8.9 billion, or almost a third. This year, according to the OECD, borrowing by Canada has been running at an annual rate of $5.2 billion, a relatively low figure when compared with 1976. But even with these relatively low Canadian borrowings, they are bigger than those of any other country. In the first nine months of this year, Canadian bond sales came to $4 billion. Britain, Norway and Japan borrowed about $1.5 billion in the world markets. France borrowed about $1.3 billion, and the United States about $1 billion. These borrowings were generally company borrowings and not by governments.

Canada's federal government might consider borrowing abroad if it wanted to stop the descent of the Canadian dollar; but no other country in the world has come to the state where it borrows so much abroad as Canada. Canada is particularly unusual in its pattern of borrowing. Private corporations are the dominant foreign borrowers, but in Canada it is borrowing by our junior governments. Provincial and municipal governments sold 63 per cent of all the bonds put on the international market by Canadian borrowers. The rest was chiefly by companies.

Why do we borrow so much abroad? It seems as though our credit rating abroad is better than our economic management. The recent fall of the Canadian dollar indicates that as well as a political uncertainty facing Canada, people are now starting to question our economic stability. Because of our location and our wealth, Canada should be one of the most stable countries around. Commitments of Canadian governments have outrun their revenues by billions of dollars. The biggest deficits are in the federal fields, but the provincial ones are substantial. If the federal government is going to raise money locally then there is that much less for the junior governments.

All of this points to the problem that governments are now in a bind. To maintain the same level of services would mean extra borrowing is necessary. I think it is a vicious cycle. It is estimated that last year we had a deficit of something like $4.4 billion. It is estimated that in 1978 this will amount to $5 billion, and in 1979 it will amount to $6.3 billion. These estimates are according to Wood Gundy. There are many reasons for this. The Department of Finance has indicated that part of the over-all deterioration is cyclical; but the most recent period of rapid wage and price inflation in Canada has made it more difficult for Canadian manufacturers to compete.

Even if we have a surplus of merchandise trade, we must recognize that the huge borrowing abroad brings with it increased costs which must be met. While the Canadian dollar has only fallen 14 per cent as against the United States dollar, there is some indication of its real value when we compare it to 33 per cent as against the yen in the past year, 28 per cent as against the British pound, and 21 per cent as against the West German mark.

What can we do to increase the possibility of meeting our foreign obligations? Obviously the first area to tackle would be travel, but that would be difficult unless currency controls are instituted and travellers going abroad are prevented from carrying as much money as they would like, which politically would be a very discouraging thing. Increased borrowing for a while would meet these interest obligations, but eventually they would overpower us.

Obviously the best way to encourage meeting the foreign deficit is through exports. Perhaps we forget that we have been hewers of wood and drawers of water. If we do it well, and that is all we can do, we must look at it. We might consider increasing food exports, which seems possible and probable, if we do not have a stifling degree of boards to prevent production and to keep prices up in the interests of stability. We should consider the export of energy, particularly since recent finds have indicated that substantial amounts of natural gas are available and will likely be so for some time in the future. We have to remember that we are interdependent in energy and that we cannot sit on energy, because even when exporting manufactured goods, in a sense you are exporting energy.

It might be wise to consider that the whole thrust of the Foreign Investment Review Board has been wrong. One of the advantages of inviting a partner into a business is that when he does not make any money and the firm does not make any money, you do not pay dividends. But if you borrow from that person, you also incur interest and capital payments, even when the business is falling behind or going broke. In many