

### *Borrowing Authority*

deficit is directly or indirectly financed through foreign borrowing that is not used for productive investment but for immediate consumption, then future generations will be burdened.

And the section goes on. There is no question that it is fundamentally immoral for the government to run up deficits which will burden the next generation of Canadians with the obligation of paying off those deficits. It is especially disturbing when we burden those generations not for capital investments or investments in research and development, the results of which would be of benefit, but burden them with the costs of paying for the gasoline which we are using today.

The Liberal party has made a decision that we shall subsidize crude oil which is imported from offshore. By running a deficit we are asking the next generation to pay for the gasoline which we are using in our cars today, and that generation would like to have money left over to buy some gasoline for themselves. Is that moral? Is that the proper behaviour for responsible governments or Parliament to countenance and accept? I submit that it is not.

Another argument against deficit financing is that it pushes out other forms of financing. When the government borrows money from the market, then clearly it makes that money unavailable for other purposes such as investment in new plant or equipment which would generate jobs and so on. By taking this money out, the government drives up interest rates and reduces the savings which are available for investment in capital equipment.

Granted there is the view, which some members of the New Democratic Party support, that deficits are stimulative, that if the government increases its deficit by borrowing it will spend more, thereby increasing demand in the economy and causing growth in the economy which results in more people working, which generates more money and therefore more savings, and the savings provide the money which the government uses to finance that extra deficit. So the net effect of increasing the deficit is to the benefit of the economy, and we are merely using our money over and over again.

The problem with that reasoning can be illustrated through the pyramid schemes which people dream up from time to time. For example, one receives a letter in the mail which says, "Here is the address of the person who sent the letter and if you send that person a dollar and send this letter to ten other people each one will send you a dollar." Of course, those people will extend the letter on to another ten people. It is a marvellous scheme because one only pays a dollar and receives dollars from ten other people, thereby making a very good profit.

The person who starts the scheme makes money, but common sense indicates that at some point in time the pyramid must collapse because an infinite number of people is required to make the system work, and they must have a dollar in their pocket and 17 cents for a stamp. That is what the government is promoting. It is saying that it must increase the deficit which will enable it to spend more, which will put more people to work, which will cause the economy and savings to grow and this will create money to finance the increased deficit,

since it is our money anyway. And as a result of the whole ball of wax, we are better off.

This is the theory which we have been following for the last six or seven years. It is a pyramid scheme. And each new finance minister who comes along says that we must cure our current unemployment situation so we must spend more money. And there is a raft of ministers, 33 of them, each with hundreds of civil servants who are dreaming up beautiful schemes to generate employment, schemes such as LIP, LEAP, LAP, community services and so on. There are tons of these schemes which are all marvellous in terms of their impact.

These proposals come from civil servants who say, "If only we would spend another \$350 million here and \$400 million there, and another \$600 million there, we will generate so many jobs and these jobs will generate taxes and save money which brings in more financing. For seven years we have been running this pyramid scheme. Unfortunately, countries are no more immune to the realities of that kind of scheme than are our families, businesses or individuals. It cannot be done. *The Canada Gazette* is full of individuals who try to work their financing in this manner.

People obtain a Chargex from the Royal Bank and spend to the limit. When the bank asks for the money, these people merely go to the Bank of Nova Scotia and get another card and use the proceeds of that card to pay off the card of the Royal Bank, and then they go over to the Bank of Montreal and obtain a Master Charge and then back to the Bank of Nova Scotia. They keep going and thinking that it is a marvellous deal because they merely have to ask for more money. Eventually these people who are asked for the money say, "Whoops! No more, sorry". Then the collapse comes and they are off to the debtor's court.

This scenario also applies to countries. There is a limit. I am not suggesting that we are at the limit, but I am suggesting that by carrying on in this manner of borrowing more and more each year, and increasing the deficit year after year, we will reach that stage. There are countries in the world which are at that stage right now. On the face of it these countries should be as prosperous as we are, but they are not, simply because of the feeling of their governments that they could spend their way to prosperity. The reality is that there is no way one can spend oneself into prosperity. One must earn one's way to prosperity, and this applies to individuals, families, businesses or countries.

The Keynesian theories which are quoted and utilized by the apologists to justify these deficits simply do not work. Most responsible economists recognize this fact. Perhaps the theories were never given a chance to work because while governments have to increase the deficit or spend more to put the economy on the rise, they hate to run surpluses or, in other words, spend less to slow things down. Thus the government is always working on one side of the equation and never on the other side. In defence of Lord Keynes, he said that we must work both sides of the fence and that we must be prepared to