

*The Budget—Mr. MacLaren*

abroad as compared to the loans contracted by the Canadian Government here in Canada with Canadian banks or through Canada Savings Bonds.

[*English*]

**Mr. Blenkarn:** Mr. Speaker, I do not have that figure at hand for the Hon. Member. I believe I have it in the office. I will send it to him. It is my perception that the Government of Canada this year was generally able to borrow about 95 per cent of its money in Canadian funds. It did not have to rely on foreign fund borrowing.

I want to point to the Hon. Member that a good part of the Government's borrowing is in Treasury bills and bonds. Two things happen. These bonds are borrowed in Canadian-paid denominations. That does not mean they are held by Canadians living in Canada, or for that matter held by Canadians at all. A great many of those investments are held offshore. While the investments are denominated in Canadian dollars so that when the Government pays the debt off it pays it in Canadian dollars, it does not necessarily pay those Canadian dollars to Canadians in Canada. It pays them to holders of the bonds.

If the Hon. Member will recall the debate with respect to the Income Tax Act, we brought forward to the Minister of State for Finance (Mr. Cosgrove) evidence of companies incorporated in the Bahamas and in the Cayman Islands. The whole purpose is to buy Canadian securities offshore. The reason is that under our Income Tax Act those who hold our securities pay no income tax on the interest. They get the interest in their pocket tax-free because there is no withholding tax on Canadian Government securities held offshore.

The consequence is that it is very difficult to say how much of our debt is held offshore and how much is held domestically. It is quite true that Canada Savings Bonds are largely held domestically, but when you get into the traded bonds and Treasury bills, you find that a great deal of those are held offshore. Second, you find that a great deal of those Treasury bills are held by banks and others who in our Canadian banking system have been bringing offshore money into Canada as opposed to taking Canadian savings out of Canada. The consequence is that they are borrowing foreign savings to buy Canadian securities in Canada.

[*Translation*]

**Mr. Gimaiel:** Mr. Speaker, the Hon. Member has more or less confirmed what has always been my impression, and that is that most of the money borrowed by the Canadian Government is borrowed from Canadians. Although the banks may have assets offshore or bring offshore money into the country, the Bank Act regulates this area very well. In fact, this is what I was saying the other day, Mr. Speaker, that first of all, the debt being incurred and funded by the country is for long-term investment, in other words, when a house is built, it is not just for one generation but for two or three generations. Even if the Government gives \$3,000 to build a house, it is an investment. Even if it has to borrow to be able to give those \$3,000, the

investment is subsequently paid back. The same applies to all infrastructures. This is a young country and a vast one, and I would like to point out to the Hon. Member that by borrowing \$31 billion this year from the Canadian people, we are, as it were, taking the money out of the pockets of Canadians and investing it in long-term projects including construction of harbour or railway facilities and industrial development, all of which are assets that will last for generations and will also generate considerable social benefits, by keeping people employed who would normally have trouble working in our economic system and by preventing very serious social problems from developing. Through the principle of sharing and equalization, we, as a society, are able to acquire the facilities we need and that would cost even more if they were built later on. I am glad that the Hon. Member pointed this out, because it shows how well the monetary structure of this country was put together in years gone by, and how impregnable it is to any control from offshore by a handful of individuals, whether they are Canadians or not. Which proves that our banking and financial structure is such that the Canadian Government is able to meet the needs of Canadians from its own Canadian resources, and I would say that this is similar to what the Americans had in mind with the New Deal and what they themselves want to do today, and we are now busy reaching the same goal. We have some difficult years behind us, but we made sure that Canadians had a roof over their heads, medical care and enough to eat, and that they can get help from the Government if they are in need. My point is, Mr. Speaker, that we should stop being defeatist and stop scaring Canadians. I hope that in future speeches, the Hon. Member will stop making Canadians think Canada is getting into debt when it borrows from Canadians. That is not the case at all. When Canada borrows from Canadians it is using its borrowing authority to allocate the money to Canadian projects and Canadian construction and to the development of Canadian capital projects.

[*English*]

**Mr. Blenkarn:** Mr. Speaker, I have never believed that you can borrow yourself rich. I do not believe you can print yourself rich. If the Hon. Member would look at the total collections for personal income tax, he would find that the total is very close to the anticipated total borrowing. If he thinks that is just a redistribution, perhaps we should be redistributing by doubling income tax in this country. Perhaps that is how the redistribution should take place. If he somehow thinks you can borrow and borrow, have free lunch after free lunch, and that it does not matter because you owe it to yourself, he should think again about his own family savings and see whether he honestly believes that that is possible.

**Mr. Roy MacLaren (Etobicoke North):** Mr. Speaker, this budget debate is taking place against a background of increasingly promising elements in our economy, indeed against a background of gratifying economic recovery. One need only