

Borrowing Authority

of offshore resources. They also announced they had given up lotteries.

There have been all kinds of leaks from this government which likes to leak things such as oil prices and large cuts they intend to make in social services. Last night I stated that I believe these leaks are deliberate. If the public is informed that gasoline prices will rise to \$1.45 and then the increase is only to \$1.20, the government believes that the Canadian people are a lot better off. Of course, the public is not fooled.

I asked the President of the Treasury Board (Mr. Stevens) about cuts that would be made. He said there is no truth in the story that there is going to be \$1.5 billion in cuts. I knew that without asking the question. I should have asked what about \$1.4 billion, \$1.3 billion or \$1.2 billion. I suspect there will be some severe cuts, but they will not total \$1.5 billion and the government will look like a kind benefactor of the Canadian people.

There is discussion in Parliament about oil price hikes. There are all kinds of rumours. These hikes can be massive transfers to the private sector or to one or two provinces, again weakening the fabric of this country.

There is a major debate going on in this country because of the actions of this government. As Richard Simeon, the director of the intergovernmental affairs study group at Queens University, Kingston, indicated, there are two factors here. One is a sort of provincial building group, that party across the aisle; and the other is the federal building group, the party here. That major debate began before this Parliament came into being. However, the first bill this Minister of Finance brings forward does not deal with any of these major matters. It is a borrowing authority.

That is the party which prided itself on its adherence to, belief in and love for Parliament, yet this is what ministers hand us, a borrowing bill which is really not needed for the next few months. We do not get a budget which will tell us where we are going. Perhaps the government has no idea where it is going. What they do is try something and, if it does not go well, they try something else. Perhaps they want to listen to the NDP, and the Liberals will tell them where to go. Maybe that will help.

I wish to look more seriously at the world economic scene. I wonder where we should be going and what concerns we should have before making some of these very large moves. I mentioned three factors many times in the Twenty-ninth and Thirtieth Parliaments. First, most industrialized countries are facing massive problems that they never faced before, massive in both size and quality. These are problems that never arose before.

There is, for example, a global inflation rate of 5 per cent plus. We do not talk about zero, but about 5 per cent plus, sustained over four or five years and possibly the next ten years. We have high unemployment at the same time, something that has not occurred before. There is a whole series of social problems related to this.

[Mr. McRae.]

Second, solutions that were traditional, such as the Keynesian solution, the use of fiscal and monetary policies, no longer apply. There is not sufficient strength to solve these problems, possibly because they are too large.

● (2050)

I think about the \$2 billion tax cut which the Tories promised during the election campaign. This \$2 billion tax cut was to stimulate the economy. In the fifties and early sixties—and I think the New Democratic Party should be criticized for this also—we used to think that \$2 billion or \$3 billion might really have some effect on the economy. It probably would have, when the gross national product was \$45 billion or \$50 billion, but when we have a gross national product of \$250 billion, we are talking about an increase of something in the order of 1 per cent, not a very stimulative increase.

When the Prime Minister (Mr. Clark) was leader of the opposition during the election campaign, when he talked about what John Kennedy had done and when he said that he would do the same thing, he was talking about a totally different period, and what really worries me is that I do not think this government senses the difference between 1960 and 1979 and 1980. The earlier techniques do not work today because they are either too small or they are counter-productive. How can we use a stimulative deficit to deal with inflation on the one hand and unemployment on the other? It would not work.

The third factor which I think should cause a very significant change in our thinking is one of the principal causes of many of the problems we are facing. The idea that we are all of a sudden going to run out of energy, or that energy is a scarce commodity, is unique. We functioned until the early seventies on the basis that energy was a very cheap commodity and that all we had to do was use more of it. Of course, that does not hold today, so some very significant shifts have occurred. This government, the government before it, and all the governments of the world have to face up to the fact that there is a new set of factors which they just have not come to realize and with which they have not come to grips.

I dealt with one of the government's solutions to the present situation. Hon. members opposite talk about a stimulative deficit with a \$2 billion to \$3 billion tax cut. I think the government was wise in forgetting about that one. With an annual deficit of \$11 billion or \$12 billion, the extra \$2 billion will not do much except add to the annual deficit.

Mr. Baker (Nepean-Carleton): Tell that to Herb Gray.

Mr. McRae: I tell that to everyone all the time. Hon. members have heard it three or four times in this House. This is the third or fourth time I have said it.

Hon. members opposite decided that maybe we could do something with a fancy scheme called mortgage interest deductibility. I do not want to use the evening to deal with that, but one of the things which really bothers me about the scheme is that the government has very little room to move. It chooses to put all its eggs in one basket for the next three