

Supplementary Borrowing Authority

despite the considerable drop in interest rates we have been experiencing for several months the fact remains that as a result of the present recession and our stagnating economy, these businesses have still been reluctant to consider expanding their facilities.

That being said, since our national economy is dependent on imports as well as exports, devaluing the Canadian dollar would have the immediate and obvious effect of increasing costs for business and for the economy in general, the rate of inflation depending on the extent of the devaluation. If our Canadian dollar is worth 3 or 4 or 5 per cent less than its American counterpart, our imports are going to cost 3 or 4 or 5 per cent more, and that 3 or 4 or 5 per cent will have to be absorbed by the economy, there are no two ways about it. We would thus be fanning inflation and the short-term advantage which our industries might have been able to sell their products abroad at lower prices would certainly vanish rapidly as a result of the additional costs they would have to pay for their raw materials since the higher value of imports after devaluation would have to be included in those costs. And, of course, I am not saying anything about consumers having to pay more for their oranges, their grapefruits, their citrus fruits, their vegetables and everything else, not to mention petroleum products and all the goods which Canada has to import. Devaluation therefore is not the obvious solution it appears to be and, although it might in the short run relieve some of the upward pressure on interest rates, I am not at all certain that in the long term—and even in the medium term for the economy as a whole—it would be the appropriate solution. Another possible solution, in a different sector this time since it has to do with the very acute unemployment problems we are now experiencing in Canada, would be to overstimulate the Canadian economy, on the one hand, and, on the other, to offer considerably more assistance to unemployed Canadians either through direct job creation programs or through more generous social benefits to help them survive the current economic crisis.

I will get back to the social issues in a moment, but to those who at the same time advocate overstimulation and a higher budget deficit—because that is what it amounts to set up huge job creation programs, I would ask how they could possibly justify an even higher budget deficit for the Canadian government; our deficit is huge enough as it is—and it has been the target of severe criticisms in quite a number of circles, first of all by members opposite—so much so that it inevitably undermines the capacity of money markets to finance investments. We all know why we have such a huge deficit today: first and foremost, the economic stabilizers have pushed it upwards as the recession has worsened. In fact, Mr. Speaker, it is a very good thing that we have these stabilizers since they allow the economy generally and Canadians individually to spread out the consequences of difficult times on the one hand, and the benefits of more prosperous times on the other, without being subject to the ups and downs of successive years depending on

the inevitable and normal cycles which effect all western economies because of the very nature of supply and demand.

• (1450)

I do not think therefore that these stabilizers are being questioned by anyone, and if not, I do not see how one can bitterly complain about the present deficit. By definition, as the Minister of Finance (Mr. Lalonde) pointed out, a very large part of this deficit is caused by the effect of the stabilizers, and if some want to talk about the deficit, I would tell them to speak mainly about the stabilizers. If they are against these stabilizers, let them say so and we can discuss them. On the other hand, we have to recognize that, according to conventional wisdom, in times of hardship, the government must inject money into the economy. That is the dilemma. How substantially can we increase the deficit if we are to inject money into the economy to overstimulate or stimulate it?

This could lead to a lengthy debate and I noted with interest that the New Democrats settled this question in their own way at their last convention. They believe that we have reached the point of no return. From now on, in order to stimulate the economy, we must no longer increase the deficit even more, but cut back on some programs. I congratulate them because this is what I also believe. However, others believe that the point of no return has not yet been reached and that we must spend even more. I was reading some of the comments made by those who have been complaining, and to show what I mean, Mr. Speaker, I shall disregard the comments of the Leader of the Official Opposition (Mr. Clark), who complained for instance that we were asking Canadians to increase their contributions to the Unemployment Insurance Fund, in view of the fact that we shall ourselves put up \$1 billion to make up part of the fund's deficit, and who complained that we were thrusting this real burden on Canadians in these hard times, but who did not offer any alternative, which leads me to believe that he would have wanted the Canadian government to finance the unemployment insurance fund next year. Where would he have taken the money? Would he be willing to make the deficit even larger—and then we could draw certain conclusions—or would he have taken the money somewhere else, and in that case, where? I am simply asking the question and explaining the dilemma. I say all this, Mr. Speaker, to point out that, in my opinion, there is now a virtual consensus to the effect that it would be difficult for the government to make the deficit much larger than the suggested figure of about \$23 billion. Of course, this is because of the effect of the economic stabilizers which come into play so that the Canadian people do not have to suffer from a rather serious recession.

Therefore, if the deficit is not to grow, the money has to be found somewhere else, and I shall not take up again the point made by the Minister of Finance to show that the government has very little room to manoeuvre. Of course, I am the first to admit it and I shall be the first to ask the Minister of Finance