

Borrowing Authority Act

Mr. Parent: There is no question. This has not been the case in Canada—

Mr. Blenkarn: It has in the past. It has not been in recent years.

Mr. Parent: Federal deficits have not been financed through excessive money creation. The Hon. Member for Mississauga South can give us his views on it, but I believe he agrees with my last statement. I would invite him, of course, into the debate as soon as I am finished. Do deficits not drive up interest rates and crowd out private borrowers from financial markets? Surely, this is a legitimate question which we all must look at, Mr. Speaker.

Again, recent developments demonstrate, in my opinion, that there is no clear connection between the deficit and interest rates. Interest rates are considerably below their pre-recession peak despite a rise in the federal deficit. During a cyclical downturn, private demands for credit generally decline—indeed, this is in large part what caused the recession—so there need not be any conflict between private and public borrowing, in my opinion. As economic conditions improve—and they will and are improving—government borrowing requirements should automatically diminish when private credit demands are rising. If it becomes clear that the federal deficit is not falling fast enough, then I believe that the Government should stand ready to adjust its fiscal plan in order to prevent a clash of credit demand. I believe this is one of the things we should be doing.

The federal deficit in Canada is similar to its United States counterpart when expressed as a percentage of Gross National Product. Given the degree of concern expressed over the United States deficit, should Canada not also be concerned?

● (1230)

I want to close with some personal thoughts, Mr. Speaker. I started out by saying that we should not become too emotional, which I confess I am probably as guilty of as anyone else. However, I suggest to you, Mr. Speaker, and to all Hon. Members in this House, that if we were to look at these problems as Canadians instead of as Parties in opposition to one another, if we could do as the Hon. Member for Capilano said and turn off the television cameras and get away from the so-called press galleries, if we could talk to each other in the spirit of sharing ideas, we could solve in a more equitable manner some of the problems facing us right now.

Mr. Blenkarn: Mr. Speaker, I say to the Hon. Member that it is this Party's proposal that a parliamentary committee be struck to prioritize the budgetary requirements of the country and keep the deficit down so borrowing will not be too great. That would mean looking at all expenditures from a zero base and determining what is necessary in view of the financial demands placed on the economy, and what is not necessary and perhaps could be eliminated. I suspect the Hon. Member would be in favour of that.

Early this morning Treasury bills were being sold at interest rates in excess of 10.7 per cent, and the debts are that the auction at two o'clock this afternoon will be in excess of 10.85 per cent. This means that trust companies and banks who finance homes and make loans to business will obviously have to pay more interest than the Government of Canada to compete in the marketplace.

In light of that, does the Hon. Member not agree with me that the borrowing demands of the Government are perhaps now crowding out private demands for money, and that the danger of a recession instigated by high interest rates is now upon us? May I remind him that this borrowing Bill represents 91 per cent of the estimated personal savings in this country and it is far greater than the country can really absorb. This Bill will have to be cut back and some prioritizing of expenses will have to take place in order that we can cut back on our borrowing; otherwise we are going to borrow ourselves right back into another recession.

Mr. Parent: There are three questions there, Mr. Speaker, and I will address myself to the first one concerning a committee being set up. It is my understanding that a committee such as that exists. I know it is not a special committee, but when we look at the estimates we have the right and responsibility to ask questions as to what these expenditures are.

Regarding the bills that are going to be auctioned today, it would seem, according to the information the Hon. Member has, and I have no reason to doubt it, that we are going to be auctioning these bills at 10.85 per cent, I believe he said. This is, in my view, a dramatic increase, but one thing I do question is that the Member says we have borrowed up to 91 per cent of the total savings of the Canadian people. I would have to verify that. The information I was able to get through my researchers is that it is not that high, that we were talking in the neighbourhood of 75 per cent to 80 per cent. That was the best estimate. But even that is high.

The Hon. Member asks if this borrowing will drive up interest rates. If that were the case, Mr. Speaker, we are trying to look ahead, at least in the field of home ownership. Hon. Members will be aware that in the last Budget we brought forward a proposal which would protect the home owner—and I believe everyone should have the right to own a home—from rising mortgage interest rates if they take out what we call mortgage insurance.

As far as the business community is concerned, I suggest that in the last year or so they have had the best borrowing rates they could possibly have had and we hope this trend will continue.

Mr. Blenkarn: Mr. Speaker, I want to assure the Hon. Member that the Department of Finance estimates gross personal savings this year at \$32.3 billion. This Bill is for \$29.5 billion. While it is true borrowing last year reached 70 per cent to 80 per cent of available money, this Bill is the largest Bill ever before any Parliament and it represents 91 per cent of the personal savings in this country this year.