

Unfortunately, all the rhetoric about deficits and balanced budgets obscures the real danger that confronts us: the gradual disintegration of our free society. . . . This country is in desperate danger.

In reference to the consequences of deficits, he says at the bottom of page 11:

—we all know what they are. We all know that neither man nor business nor government can spend more than is taken in for very long. If it continues, the result must be bankruptcy. In the case of the federal government, we can print money to pay for our folly for a time. But we will just continue to debase our currency, and then we'll have financial collapse.

That applies to Canada as appropriately as it does to the United States. Unfortunately, this government has not learned the lesson. Its ministers have not faced the issue or brought into effect the policies they indicated were necessary to bring government spending under control. I believe that we are in for serious trouble unless something is done immediately. Fortunately, because of the opposition which was raised to the borrowing authority for \$17 billion, the government finally yielded and asked for borrowing authority for only one year.

As our debt increases we find that a greater percentage of our income is siphoned off to pay for the interest. Just ten years ago it was \$893 million, and today it is in the neighbourhood of \$4 billion—the cost of interest on our national debt. It is all right for this government to go ahead and spend money, borrow money, spend money and borrow money; but I shudder to think of the burden it will put upon my children, my children's children, and the generations beyond that who will have no way in which to extricate themselves from the morass in which they have been placed by the spending of this government today.

Mr. Paul E. McRae (Fort William): I find this debate, Mr. Speaker, on the borrowing bill sown with a good deal of confusion. Perhaps it is deliberate confusion, but if it is not it is certainly confusion based on a great deal of naivete. When one talks about debt it is meaningless to say, for example, that I owe \$10,000 and somebody owes \$20,000, and then to say that one person is twice as much in debt as the other. Anyone knows that they must consider the individual's assets, his earning power, and the percentage of the cost of that loan of his income. These are the questions we have to ask when talking about debt. We speak about the borrowing power of government, and about the debt going up and up, but we need some reference point to understand the magnitude of that debt.

● (1542)

In 1960, which was the last year that the Progressive Conservative party held power in this country, the national debt, which had been rising, was 33 per cent of the gross national product. By 1972 the debt was down to 19 per cent of the gross national product. That is a considerable reduction, Mr. Speaker, so we were better off in 1972 in view of the fact that our assets had not quite doubled in that period. The debt today, and this figure is perhaps several months old, is only 18.7 per cent of the gross national product. In 16 years, therefore, the debt has been reduced from 33 per cent of the earnings of all the products and services in our country, to

below 19 per cent. In the next year or so we can expect this to grow at a moderate pace. It will probably go up to about 21 or 22 per cent.

I think it is extremely important that we consider debt as a function of earnings, Mr. Speaker. We should also consider it in terms of the cost of maintaining that debt as a function of earnings. In 1967 interest on the national debt used up 1.9 per cent of the gross national product; in 1977, in spite of the fact that interest rates had nearly doubled, the interest costs used up 2.4 per cent of the gross national product. I want to put the thing in perspective. This government is very concerned, and as the opposition points out, it has a right to be, about the growing debt and the fact that we may be spending beyond our means. It is unfair, it is confusing, naive or both, to assume that debt is an absolute thing and not to relate it to the gross national product or our assets.

Another thing that concerns me about this borrowing bill is that it is made necessary by fluctuations in the Canadian dollar. Most of the need for authority to borrow \$7 billion—we are not actually spending it; through the bill we only have authority to borrow—comes about because of efforts by the government to sustain the dollar at a reasonable level, or at least sustain fluctuations in the dollar. This should be better understood.

We would not need to borrow this \$7 billion if we did not need money for this purpose, and if we do borrow it we are not going to spend—we have borrowed something in the order of \$5.4 billion—but we are not going to spend that money on current expenses. What it actually means is that when we borrow—as we have borrowed the \$5.4 billion—we pay interest for that, then put the money into an investment of some sort or another and receive an interest on that. The cost of this borrowing is the net difference between the cost of borrowing the money and the return we get from the investment of the funds.

I believe the Canadian dollar will rise to a higher level. The assets we have bought in terms of German deutschmarks, United States dollars, etc., will appreciate, and this will give us some advantage; it will reduce the actual net cost of servicing the whole loan.

We are not talking about going to Hades in a sidecar, or that the debt is going to destroy future generations and so forth; we are talking about stabilizing the dollar, investing money and the difference in interest between what we have to pay and what we accrue from our investments.

I want to deal with the Canadian dollar because I happen to believe that the depreciated dollar, at least no higher than 90 cents, has some great advantages for our economy, particularly at this time. I can see what it has accomplished in the community of Thunder Bay which is heavily involved in the pulp and paper industry, in the movement of grain, in building rail cars and other equipment for foreign markets, through the EDC. For the last year or year and a half, we have had the lowest unemployment rate of any city in Canada, and this can be attributed to the level of the Canadian dollar as much as anything. I think some other advantages have also accrued.