

*The Budget—Mr. Benjamin*

There are two kinds of deficits, Mr. Speaker. Right now we have a dead weight deficit. It is a continual vicious circle of borrowing money to pay interest on previous borrowings. There is also what is called a constructive deficit, which is self-liquidating. Such a deficit provides for public investment coupled with private and co-operative investment which creates employment. The Government forgets, as did the previous administration, that if you reduce unemployment to 6 per cent, which is not asking a lot, the increased taxes paid by the people who have been put to work and by the companies which hired them would pay off our present deficit within three years.

I would like to quote from a column written by Ruben Bellen, a professor of economics at St. John's College at the University of Manitoba. This article was in *The Toronto Star* on May 21 last year. He points out that in 1984 the federal Government paid \$21 billion in interest on the national debt. Financial experts emphasized the enormity of the amount by a number of additional measurements. It constituted 5 per cent of the Gross National Product. It required nearly one-third of the Government's revenue which amounted to \$2,500 per taxpayer.

That is a shocking figure at first blush, but, as he says, the people who so dramatically present that figure forget something. Ninety per cent of the \$21 billion which had to be borrowed by the Government of Canada to pay the interest charges on the current debt was paid out to Canadians, as that is the portion of federal Government bonds that are held in Canada by individuals, by corporate and institutional investors and, most important, by the Bank of Canada itself. The Canadian investor who took up borrowings by the Government of Canada got back nearly all of his \$2,500 share of the \$21 billion worth of borrowings in interest.

There is another slight oversight in the hysteria about the deficit. Our central bank, the Bank of Canada, which is responsible for regulating the national money supply, is the largest single buyer of federal Government bonds. In 1984, of the \$21 billion borrowed by the federal Government, \$17 billion, which is about 10 per cent of the total outstanding federal government debt, was held by the Bank of Canada.

The Bank of Canada is wholly owned by the federal Government and at the end of each calendar year turns over its net revenue to the Department of National Revenue. It received \$1.981 billion in interest payments from the Government of Canada on the bonds that it held. Its operating costs were \$129 million. Therefore, of the nearly \$2 billion which the Bank of Canada charged the federal Government, it got back \$1.852 billion. Therefore, the Government got back about 93 per cent of the money it paid out as bond interest to the Bank of Canada in 1984. That is like buying a \$100 suit, getting a \$90 rebate, and insisting that it cost you \$100. The deficit—baloney!

At the end of World War II the country overcame a deficit twice as high as the one we have now. We had low unemployment, high investment, and consumer spending. We probably had as many taxpayers in the late 1940s and early 1950s as we

have now, because many people have now dropped off the tax rolls since they have insufficient income even to pay taxes. This Government plans to do some things over the next four years as indicated in the economic statement of the Minister of Finance. In the five most important areas having to do with reducing unemployment, increasing food production, making agricultural producers and farmers more self-sufficient and making them all tax-paying members of our society again, in health and welfare and transportation, the Government plans to reduce investment in our economy through reduced Government spending by \$12 billion.

When the Member for Qu'Appelle-Moose Mountain wants to compliment the Minister of Finance (Mr. Wilson) he should remember that there is \$500 million less for the farmers of Canada. If he wants to applaud that, he is welcome to do so, but he should go to the folks in Saskatchewan and tell them that. There will be \$500 million less over the next four years. We are spending \$3.61 billion less on transportation when we are 20 years behind in the modernization of our transportation system, whether it be urban mass transit, railroads, airports, airlines, shipping or whatever. Spending that money is what I call contributing to a constructive deficit. You put people to work, they pay taxes, you reduce unemployment to 6 per cent and wipe out not only the current deficit but the national debt. We did it before. I am thinking of relatively recent history during World War II, or the Korean War when Mr. St. Laurent was Prime Minister.

• (1550)

In 1969-70, as the Hon. Member for Qu'Appelle-Moose Mountain well knows—

**The Acting Speaker (Mr. Charest):** Order, please. I am sorry to interrupt the Hon. Member but the period—

**Mr. Benjamin:** May I have one minute to conclude?

**Mr. Hamilton:** Yes.

**The Acting Speaker (Mr. Charest):** The Hon. Member for Qu'Appelle-Moose Mountain (Mr. Hamilton) says "yes", so I presume there will be unanimous consent for one more minute.

**Mr. Benjamin:** What we did on the three occasions I mentioned was to slap on foreign exchange controls. That way speculators could not run hundreds of millions of dollars back and forth across the border overnight in order to make one-tenth of 1 per cent more interest. If this country is good enough to make a profit in, it is damn well good enough to invest in. They should not be able to flee from here to tax havens in order to make a fast buck somewhere else when this country desperately needs more investment.

During World War II and the Korean War the Canadian dollar was pegged at 90 cents U.S. When Mr. Diefenbaker pegged it at 87.5 cents the Liberals ran around with what they called the Diefenbuck. He also pegged interest rates. On those three occasions I referred to we did not give a darn what the American dollar or Russian rouble or anything else was worth.