

reduction of the deficit if we are to tackle the inflationary problem more effectively. But I am sorry to say that today that commitment is lacking. I made that comment during the debate on the Speech from the Throne, and I will say it again.

In the Speech from the Throne there was practically no reference to fighting inflation. It was mentioned just twice in passing; inconsequential references. Whatever sense of commitment there is, and it is not apparent, has been redirected so that the government is only concerned with fighting the symptoms of inflation and not getting to the root cause. Again, they are buying our votes with our own money. This makes it all the more difficult for the House in conscience to approve this borrowing authority.

Let me return to a point which governor Bouey touched on but did not develop further, the link between the impact on domestic savings from high government deficits and the level of our current account balance of payments. Let me just trace it through. As I said, between 1975 and 1979 we borrowed \$30 billion just for the current account, just for the day to day expenditures. The government is borrowing for current spending and forcing a redirection of the savings of Canadians away from productive investment in plant and equipment. In the long run, this has a very damaging impact on the economy through the impact of inflation. It causes the crowding out of other borrowers to external markets. We are seeing this happening now. Just last week we had the largest amount Government of Canada financing ever, \$1.6 billion. I predict that figure will grow higher as this year goes on.

● (2020)

During the 1974-1976 period we had a classic example of what happens when this combination of policies takes place. That was one of the most damaging periods of economic mismanagement in this nation's history presided over, I might say, by the hon. blue eyes. I hope we do not have another one of those again.

I will only focus on fiscal policy at this time, but monetary policy and settlements by the federal government in collective bargaining were equally debilitating in their impact on government fiscal requirements. Recently we saw a settlement in the postal service that could have some of the same damaging effects, in that it may lead people in the public service to demand larger and larger settlements. When we compare what has been publicly stated by the union as to the levels of remuneration that have just been negotiated for January 1, 1980, we see that the settlement is between 23 per cent and 26 per cent higher. What the government has done here—and for the life of me I do not understand how the President of the Treasury Board could congratulate the Minister of Consumer and Corporate Affairs and Postmaster General (Mr. Ouellet) for this—is added a COLA clause which adds 79 cents an hour to a \$7.11 or \$6.84 basic hourly salary plus 8 per cent. The government calls that an 8 per cent settlement. I do not know any other business in the country that would call that an 8 per cent settlement. I do not know any other government in the country that would call that an 8 per cent settlement. That is

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why we are calling it a 23 per cent to 26 per cent settlement. I challenge either the President of the Treasury Board or the Postmaster General to deny that.

The heavy borrowing in the 1974 to 1976 period by the federal government to finance the deficit forced up interest rates in this country. It pushed other issuers into other markets in the world and the result was that the Canadian dollar was held at a far too high a level at \$1.03 and \$1.04 U.S. The necessary adjustment that was needed so badly by our manufacturing industry was delayed. Their loss of competitive position was deferred for two or three years. We are seeing the results of that today in the \$17 billion trade deficit on manufactured goods. Our balance of payments deficit therefore was affected in two ways; first, in the increase in interest payments that we have to continue to pay on an ongoing basis to service this foreign debt, and second, in the poor trade figures that I have just referred to. The increased deficit is going to require further financing year in and year out down the road. It is going to keep further downward pressure on the Canadian dollar, and in so doing continue to encourage higher levels on inflation than we need.

Let me point out that during a more recent period, 1977 to 1979, Canada was by far the largest international borrower in the world. We borrowed \$25 billion over the period 1977 to 1979. That compares with Mexico at \$16.9 billion. So one can see the amount of interest that we will be required to pay outside of the country. It is substantial and it will be with us for many years. That is why governor Bouey is concerned. That is why the Deputy Prime Minister and Minister of Finance (Mr. MacEachen) should be concerned. The Prime Minister (Mr. Trudeau) and the Minister of Justice (Mr. Chrétien) criticized us during the election for our doctrinaire commitment of reducing the deficit. There was no doctrinaire commitment. It was just a simple recognition of the dollars and cents facts of the impact of these high levels of deficits.

I watched and I listened to the Minister of Finance wringing his hands as the interest rates rose in this country, saying we are helpless to avoid the effect of increases because of what was happening in the United States. He is absolutely right, but we are in that position because of the foolhardy and shortsighted policies of the 1970s which his government followed. It will get worse unless he starts now to move in new directions, similar to those followed by the hon. member for St. John's West (Mr. Crosbie) in his budget of December 11. The short-term effects are not pleasant, a combination of higher taxes and lower spending. Cost pressures will increase in the economy and economic growth may well be slower in the short term. But the government has a majority. It has the power to make these adjustments without the political risk that we encountered. The longer-term results will clearly benefit this country through more sound, less inflationary economic growth. If this government fails to act, it deserves to be defeated at the earliest opportunity. The answer is to withhold at least one-half of this borrowing authority and request the government to return to this House after a budget has been brought down so that we can assess the policies and commit-