

Borrowing Authority Act

of the Government, including debt management as well as management of foreign exchange.

In some cases, the Government of Canada, in others, the Bank of Canada, must borrow abroad or pay back loans abroad, not only because the loan is due or because it makes sense from the point of view of debt management, but also because sometimes this is a way to control or manage the value of the Canadian dollar. Our policy is that the Canadian dollar should be allowed to float, in terms of its value, on international markets. But we also have a policy according to which any upward or downward movements of the dollar should be as orderly as possible. Now, the Government's policy of managing upward and downward movements of the Canadian dollar does not mean that we are setting the value of the Canadian dollar at a level determined by any fiscal policy, but just that we want to make sure that over a period of one or two weeks, there is no undue pressure on the Canadian dollar. On the other hand, when the value of the Canadian dollar depreciates on the market, it may be important to sell Canadian dollars on the market to ensure that there will not be too much pressure over too short a period. This is to prevent any imbalance.

So, the additional borrowing authority of about \$4 billion which the Government is seeking through this Bill is not for money that the Government might decide to spend on its own as it sees fit, because any public expenditure must be approved by the House of Commons. Therefore, Mr. Speaker, anyone who claims that the \$4 billion is a slush fund for the election or money to be spent as and when the Government sees fit is distorting the situation, misleading the public and twisting the debate. There is no way the \$4 billion can be spent unless it has been authorized by the House of Commons.

Now then, Mr. Speaker, why is the federal Government running a deficit? Well, Mr. Speaker, the federal Government is running a deficit mostly because, up until less than a year ago, we went through a recession. First of all, there was the impact of the federal Government's efforts to stimulate the economy during the second half of the seventies. At that time, a whole series of incentive measures were announced for the private sector, particularly the investment tax credit introduced in the budgets of 1975 and improved in the following budgets. Then the personal tax exemptions were indexed so that Canadian taxpayers would have more money to spend, with the result that, as parliamentarians, we had to ask Parliament to raise taxes. If we had decided to leave personal exemptions as they were instead of taking action, in 1973 or 1974 as I recall, then in fact the taxes levied by the Government would have risen automatically with inflation. Some people said that we were wrong to do that, the Government should not benefit from inflated dollars.

But the result was that the deficits grew heavier than expected. Even so, the federal Government cannot decide what the deficit will be only on the basis of expenditures and revenues. It is easy enough for a provincial Government to

claim that it will balance its budget if there is a strong economic recovery after a recession. But the federal Government cannot be satisfied with simply balancing its books, because it does have responsibilities with respect to the macroeconomy. It is up to the federal Government to see to it that the whole Canadian economy is either boosted or cooled down through tax policies, depending on the economic situation.

During a recession, the federal Government must get the economy moving through higher expenditures, so we end up with a deficit. In times of excessive growth rates, the Government may very well slow down the economic activities, therefore it will cut its expenditures or perhaps raise taxes. In other words, the role of the federal Government is more than a book-balancing act.

[English]

Hon. Members of the Conservative Opposition particularly—the New Democratic Party is a little more confused on this than it used to be—are trying to suggest that one could balance the books at the federal level as you do in a business or as is done in the provincial Government. Conservative Members ignore totally, Mr. Speaker, that the federal Government has a responsibility in the management of the macroeconomy and that the buck stops here. We are the ones who can use the federal Budget and federal expenditure to stimulate the economy and to make sure that we maintain the safety nets, the stabilizers we have in place in the economy, when we are in a period of recession.

The Conservatives have been so impotent as a federal Party over the years that they neglect to see the importance of the federal Government in the economy. It is difficult for them to come up with any federal policy on anything. They forget that the federal Government is an important institution in this country. It is important that the people look up to this Parliament and say, "Will you please make sure you manage the economy and your expenditures in a way which will protect people who depend on the safety nets in a period of recession".

Those Hon. Members are so confused, Mr. Speaker, and internally divided among themselves, that they lose sight of the fact that there is an important job to be done here. It is not only a question of balancing the books. The federal Parliament has the responsibility to use fiscal policy to affect the economy and, Mr. Speaker, the moneys which this Bill would authorize the Government to borrow are moneys which will be approved by Parliament. The reserve that they are talking about will have to be approved by Parliament if it is to be spent. This reserve is to ensure that there is no disruption in the money markets. It is to make sure that if the Bank of Canada felt that the Government should pay foreign debts it could borrow in Canada to pay for reasons of foreign exchange management. This is what the Government is looking for in Bill C-21. All the Opposition Members are trying to do is to confuse the public. They are so confused themselves that when they speak, they confuse the public. They want the public to think that we will be authorizing this kind of expenditure, and that is not the case at all.