

Who does Canada owe?

Garth Turner
MP

Halton-Peel
PROGRESSIVE
CONSERVATIVE



Jim Tramble lives in Caledon and he wrote me a letter last week. Part of my job, of course, is answering letters - trying to be a conduit for information between the feds and the people. I came to sit down and answer Jim, when the thought occurred to me that his questions might be shared by other people.

So here is what he had to say, and how I respond:

"Not surprisingly, I am concerned about the astronomical figures quoted by Finance Minister Wilson when he described the extent of Canada's debt during the recent budget debate," Tramble writes. "It would be helpful to me if you could provide in simple terms general answers to the following questions:

-To whom is Canada's debt owed? Has the government borrowed large sums from off-shore investors, like Japan or West Germany?

-Have any of those lenders indicated they plan to call in the loans?

-Should there be foreclosures, what collateral has been put up for those loans? Could these lenders take possession of Canadian assets, like crown corporations?

-What is the extent of Canada's line of credit?

-Who profits from the interest Canada pays on its debt? Is most of it paid to off-shore lenders or to Canadians who, for example, purchased Canada Savings Bonds?"

Good questions. Right now our country owes about \$350 billion (a billion is a thousand million), and this year will add another \$30 billion to it.

The goal is to stop having the debt grow, and this should be done by 1994. About 80 per cent of the increase in debt since 1984 is due to interest on existing debt - this year interest payments alone will be \$41 billion.

But, Jim asks, who do we owe that staggering amount to?

About a quarter is owed to off-shore investors, largely Japanese and Americans. The Japanese alone, for example, hold about \$40 billion worth of the debt.

That debt is largely in the form of long-term Government of Canada bonds, or short-term Treasury bills, which are issued by the Bank of Canada.

Why would the foreigners invest in our securities? Well, it's not because of the geography, or even Mitsou (although this would be understandable). It's because we pay competitive interest. In fact, one reason rates in Canada are so high is because we desperately need to attract new money to finance our debt.

Now, somebody with a bond or a T-bill can dump it at any time, or redeem that security when it matures. You can be sure that would happen if interest rates in Canada took a sudden nosedive.

And when bondholders redeem those bonds, the feds have to find the money to pay out. Obviously, we don't want \$40 billion worth of Japanese bonds cashed in just now.

The collateral behind those loans is simply faith in Canada - in the economy, the government and in political stability. Right now our credit rating is high, but last week it came under review by one of the big bond-holding services, because of the size of the debt. If our credit rating slips, it will cost us more to borrow money.

Could foreign lenders end up owning crown corps? No. Not, at least while we can still borrow money from other sources. And as for our national "line of credit", there is no limit. But if we borrow endlessly, and the debt rises, then investors - at home and abroad - will start thinking twice about how risky a Canadian investment might be.

Well, the rest of the national debt

- the bulk of it - is owed within Canada. But don't think that's good news.

This money is owed to people and institutions which purchased savings bonds and Treasury bills. Most of those investors are upper-income Canadians.

That means the \$40 billion in interest this year will come from taxpayers - most of whom do not have money market investments - and end up largely in the bank accounts of the rich.

This is lousy social policy. Running a deficit, and paying interest like that, ensures that the rich will get richer and the poor will not. It is wrong, and no caring society should allow this massive transfer of wealth to take place. That's why I can't understand how my Liberal or New Democrat opponents support running a deficit.

Not only does this endanger our ability to fund social programs, but it widens the gulf between haves and have-nots. I guess, in the end run, it's just more partisan politics. No wonder people are cynics.

Thanks, Jim, for the letter. I hope it stirs more questions in all of us.

Jim Dandy, new duds!

By BETTY SOJKA
Ballinafad Correspondent

The Ballinafad Ladies Jim Dandies baseball team got together this past Sunday to choose new uniforms. The current uniforms the ladies are using are starting to show their four year age of rough and tumble and sliding into bases. The ladies had to decide whether to change the team colors, from the present grey and maroon. The ladies talked about fundraising possibilities for the Ballinafad ball park, which included a mixed three pitch tournament in early June. The Jim Dandies have made a pet project of raising funds for the ball park.

The ball park recreation committee has held their first meeting. A budget was set up for the year, as well as a booking person was established. The hall board is currently revising a booking form being used for the community centre to include the ball park. The ball park committee will be investigating possibilities of maintenance, playground equipment, and scheduling park use. Jim Bailey is requesting that anyone interested in setting up a children's ball team call him at 877-6651. The baseball diamond is hoped to be used by many.

Donna Lorrinan attended the hall board meeting Thursday, March 1 to give board members an update on the fire aid. What is being looked at by both Erin Township, and Halton Hills is building an underground water reservoir. Water is the most important factor, as there is not a sufficient supply in the village. Another concern is that homes are not easily identifiable. In the new subdivisions, a number for each home will have to be established. A good tip given by Mrs. Lorrinan was to make something about your home distinctive from your

neighbors, e.g. pink mail box, ornamental well on your front lawn. She also mentioned that after calling the fire department to report the fire, park your car on the road out of your laneway and have the four way flashers going. Hall board members found her most informative. Jim Bailey also attended the meeting to give an update on the ball park committee, and provided members with a copy of the budget for 1990. The hall board is to review the budget before submitting it to Erin Township.

The 4-H program "Putting Your Best Foot Forward," saw the children learning telephone manners, as well as how to properly set the table. The group will be going to Georgetown hospital and the Bennett Centre for the next meeting.

The Women's Institute will meet next at Mrs. Grace McEnery's on Wednesday, March 7.

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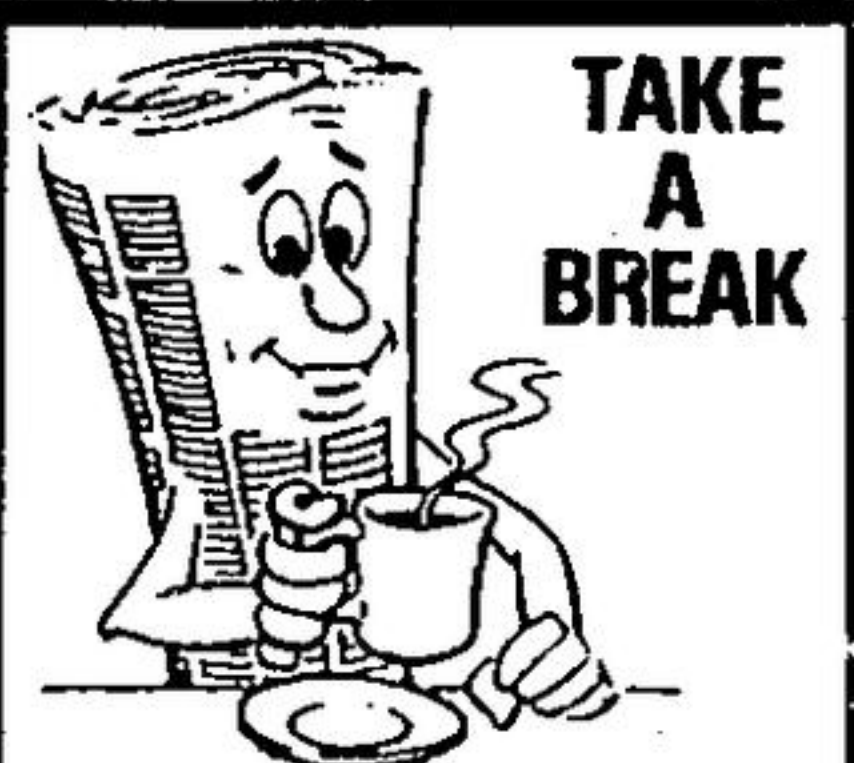


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