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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





## Standing Committee on Finance

Wednesday, May 22, 2024

• (1710)

[*English*]

**The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)):** I call the meeting to order.

Welcome to meeting number 143 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2), the committee is meeting to discuss the subject matter of Bill C-69, an act to implement certain provisions of the budget tabled in Parliament on April 16, 2024.

Today's meeting is taking place in a hybrid format, pursuant to Standing Order 15.1.

Before we begin, I'd like to remind all members and other meeting participants in the room of the following important preventive measures.

To prevent disruptive and potentially harmful audio feedback incidents that can cause injuries, all in-person participants are reminded to keep their earpieces away from all microphones at all times. As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents.

All earpieces have been replaced by a model that greatly reduces the probability of audio feedback. The new earpieces are black in colour, whereas the former earpieces were grey. Please only use the approved black earpiece. By default, all unused earpieces will be unplugged at the start of a meeting. When you are not using your earpiece, please place it face down on the middle of the sticker for this purpose, which you will find on the table as indicated.

Please consult the cards on the table for guidelines to prevent audio feedback incidents. The room layout has been adjusted to increase the distance between microphones and reduce the chance of feedback from any ambient earpiece.

These measures are in place so we can conduct our business without interruption and protect the health and safety of all participants, including the interpreters. Thank you all for your co-operation.

I'd like to make a few comments for the benefit of the members and witnesses.

Please wait until I recognize you by name before speaking. For members in the room, please raise your hand if you wish to speak. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can. We ap-

preciate your understanding in this regard. Remember that all comments should be addressed through the chair.

Now we will resume debate on the motion by Mr. Turnbull, the amendment by Mr. Hallan and the subamendment by Mr. Morantz.

The speaking order I have is from yesterday. Starting off is MP Lawrence, then MP Chambers, MP Genuis and MP Green, if they're around.

MP Lawrence, you have the floor.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Thank you—

[*Translation*]

**Ms. Marie-Hélène Gaudreau (Laurentides—Labelle, BQ):** I have a point of order, Mr. Chair.

I don't want to make you repeat yourself, but I have tried three earpieces. I'm sure the discussion will be quite interesting. However, before I listen to my colleague, I would like to have a piece of equipment that works.

• (1715)

[*English*]

**The Chair:** We're going to suspend to make sure everything is working with our sound system.

• (1715)

(Pause)

• (1715)

**The Chair:** We are back. The sound seems to be working now.

We are going back to MP Lawrence.

**Mr. Philip Lawrence:** Thank you very much, Mr. Chair. It's always a pleasure to be here.

I'll just set the stage for what I hope will be some productive dialogue, either in a formal or informal stance going forward.

Here's where we are right now: A programming motion was put forward by Mr. Turnbull that would substantially limit the amount of debate and discussion on the budget. The budget is a 600-plus-page document, and I don't find it unreasonable at all that it requires sufficient debate. As discussed earlier and suggested by the Liberals, the NDP and, of course, the Conservatives, it is one of the most important documents a government can put forward in a given year. Mr. Davies raised that issue as well when he said we need some more debate. That's one of the issues with this document.

Also, we are well behind the eight ball with respect to money laundering, which has been highlighted by the recent discussion of TD Bank's anti-money laundering protection issues. We definitely need to accomplish some work on studying money laundering. It is completely four-square within the finance committee's mandate to study the anti-money laundering act, as we were asked to do by the Deputy Prime Minister more than a year ago, I believe, so we need to get on with that work.

Finally, the Conservatives have called for Mark Carney to appear as a witness. Mr. Carney, of course, was governor of the Bank of Canada and governor of the Bank of England and is organizing to be the next leader of the Liberal Party. All of that, I believe, is in the public domain and has been reported.

Those are some of the issues that the Conservatives need to get resolved.

The final issue is that, as said, the amount of debate and discussion is being severely limited and curtailed so that clause-by-clause consideration will end at the beginning of June. We all know that things can change and that information could come up with regard to the 600-page budget document. Putting that cap on the study of a 600-page document when significant issues have come up before—such as the SNC-Lavalin affair, in which a deferred prosecution agreement was placed in a large omnibus budget bill and unfortunately wasn't caught until well after the fact—means that due diligence is required there as well.

However, in the spirit of collaboration, Conservatives would like to see us moving forward, and although this proposal doesn't represent the entire solution, hopefully it does move us in the direction of a much-needed study of this budget.

I'll be seeking unanimous consent to, one, withdraw the subamendment moved by Marty Morantz and, two, invite Mark Carney to testify on Bill C-69 by himself for no less than two hours. I think we can make substantial progress if we get unanimous consent on that.

**Mr. Yvan Baker (Etobicoke Centre, Lib):** There's no unanimous consent.

**Mr. Philip Lawrence:** That is unfortunate. As members are aware, witness invitations are up to the individual parties. This is not actually putting in anything new that we are not allowed to do otherwise. This is a little bit surprising. I would like to continue the process of studying this budget, and with some depth, hopefully, as the budget will affect millions of Canadians. In fact, nearly all Canadians will have some exposure to it.

• (1720)

With that, I would like to talk a bit about the economy this budget will come into. I've noted before, at some length, that our economy is suffering. I'm glad to see that there is considerable conversation about it now. Certainly I wasn't the first to talk about productivity and our economy.

The reality is that our GDP per capita is the worst in the G7, and we continue to struggle with a productivity crisis here in Canada. I'm surprised we don't have more coverage or more discussion about the fact that we are experiencing in Canada a lost decade. For

the last 10 years, GDP per capita has basically been flat, and that's extremely challenging. GDP per capita is basically the measure of economic output or the wealth or the prosperity of the average Canadian, and 10 years of zero growth is nearly unprecedented. It's the worst 10 years Canada has experienced since the Great Depression, actually.

We are actually in one of the longest recessions in Canadian history right now, if we measure GDP per capita per quarter. Canada's extensive population growth has masked that fact. Because its population is growing, the country is producing more, but on a per-person basis, a per capita basis, Canadians are actually getting poorer as every year goes by.

I would like to bring to the committee's attention several commentators' thoughts on the economy.

I'll start with Vivek Dehejia. This is from an article he wrote on March 24, 2022. Although some time has elapsed, not much has changed. He wrote the following:

During last fall's election campaign, while the Bank of Canada's mandate was under review, the prime minister made the perplexing claim that he "doesn't think about monetary policy." Even so, his re-elected government renewed the central bank's inflation target at the two per cent midpoint of a one to three per cent band. But the latest data tell us inflation is now running at 5.7 per cent. That's the highest we've seen it since the early 1990s, and it's rising. The problem it poses is real, pressing and getting worse.

What Vivek is talking about there is the fact that we were facing high inflation. Although inflation is now at 2.7%, it's often said by economists that the last mile of inflation is the hardest to get down. It gets very sticky when you get to or around the target range. The potentially very serious issue is that if the Bank of Canada brings down interest rates prematurely and gets the economy fired up again and the housing prices start to increase and other factors start to increase, it could create a false start. Inflation could really dig in, and the Bank of Canada would have to raise interest rates again, which would obviously be a rough outcome.

The last time a Trudeau was Prime Minister, this is exactly what happened. There was an initial false start, with inflation starting to come down and interest rates starting to come down, and then they had to be brought up again. This is what we want to avoid.

It's particularly dangerous because of the precarious nature of the Canadian mortgage market. There are a series of mortgages issued by some of our major banks that have variable interest rates but level payments. What that means is if you're paying \$1,000 every two weeks or \$2,000 a month, that payment stays the same. However, the interest rate that underpins the mortgage contracts continues to vary.

• (1725)

This means you can actually get into a position where, because interest rates went up so quickly, you are paying less than the actual interest payment on your mortgage, which creates the effect of the principal actually increasing over time.

Many mortgages in Canada are for five-year renewable terms. If we look back five years ago, we see some very low interest rates. When they renew at these higher rates, it could cause a tremendous shock. That would definitely be exacerbated by a further increase in interest rates. That's why Mr. Macklem is in a difficult position as to when and how quickly he lowers interest rates. If in fact inflation starts again, it could have very serious consequences for Canadians, particularly those in the mortgage industry. He's being very circumspect, and rightly so, about whether he will reduce interest rates.

The odd comment isn't... I'm quite frankly surprised that we haven't heard more from the media or otherwise from the Liberal Party. In a seemingly flip comment, the Prime Minister did say that he was "sure" that interest rates would go down. Even if he's right with that prediction, it's troubling that he would make it in such a guaranteed, confident way, because there's no way he could know that unless he was inappropriately directing the Bank of Canada. I'm certainly not making that allegation today, but it is very strange that he would make that commitment, that guarantee, that interest rates would go down when he would have no way of doing that except through ways that would be inappropriate.

I actually asked the Governor of the Bank of Canada, Tiff Macklem, about that, and he seemed bemused or confused by it as well. There's certainly no way, through appropriate channels, that a Prime Minister could in any way guarantee that interest rates would go down.

To go on, one of the things that Liberals have said is.... I'll continue with Vivek's article here. He wrote:

The government says inflation is a "global problem" and it's true that most advanced economies are also experiencing rising prices. But that's because they're following the same hyper-expansionary policies. Our own inflation is the creation of the Bank of Canada. The chart shows CPI inflation, as well as the growth of two definitions of the money supply (M1+ and M2++) over the last decade. Money growth was steady for much of the period but began creeping up in the middle of 2019 and has since grown explosively as the bank and the government have worked to prevent a severe economic downturn. Although their growth has tapered off, these aggregates are still growing at extraordinary rates. For example, M1+, which is currency held by the public and all chequeable deposits at financial institutions, is still growing at a jaw-dropping 14 per cent.

The reality is that if we perform an objective study with intellectual integrity and vigour, we'll find that the same policies yield more or less the same results. They are socialist policies.

We could, of course, point to obvious examples of these policies in the extreme, such as the Soviet Union and its horrendous record of death and destruction. Millions of Russians, Ukrainians and Poles, among many other ethnic groups, were sent to their deaths and to gulags under these socialist Soviet Union programs. We could point to that. We could point to Cuba or Venezuela, where the people have suffered tremendously. Those are the extremes.

I'd like to use three examples that are not quite as extreme in nature, although they certainly had devastating outcomes on their people.

• (1730)

One would be Israel. We'll start with Israel. Shortly after World War II, they embraced many socialist collectivist policies and, of course, most notably, are known for the kibbutzim, the collective farms that Israel utilized, whereby produce would be gathered and

utilized among the collective. It actually didn't have terrible results initially, but a series of economic crises hit, including hyperinflation. You'll see that this is the usual outcome of expansionary socialist money policies. You see economic growth slow down and inflation increase. That's exactly what happened in Israel.

Eventually, it was turned around—in fact, through some of the interventions of Ronald Reagan in pushing Israel to a free market system. The result was that Israel, since the year 2000, has actually had one of the strongest economic records of all countries across the world. It's an amazing story of the difference between socialism and free market capitalism.

The second example I'd like to use is that of the United Kingdom. The United Kingdom similarly, but in a different variation, adopted many socialist policies shortly after World War II, including the nationalization of nearly every major industry. That led to, once again, extremely slow and painful economic growth and high rates of inflation. In fact, by the late seventies, it was referred to as the "sick man of Europe". Then Margaret Thatcher came to power. Margaret Thatcher, of course, sold off many of the industries and embraced free market policies, and Great Britain tamed inflation and brought economic growth back to the United Kingdom.

The third example I'd like to give you is actually that of the world's largest democracy: India. Even before World War II, India embraced the idea of self-reliance after being put through some very difficult times through colonialism. India was determined to be self-reliant, which is a virtuous goal in itself, I think, but unfortunately that led to isolationism and a scorning of capitalism and free trade, which led India to very poor levels of economic performance and very high rates of inflation. Then India also switched to a more free market and free trade economy, which turned around their economy. We can all see that India's economy is currently taking off. Its record of growth is huge, which is tremendous, because it's that economic growth that will bring a country to prosperity.

We've seen the same playbook here in Canada. We saw some of the socialist policies of Prime Minister Trudeau. Initially, the results weren't that bad because they were living off the legacy of former prime minister Stephen Harper and his fiscal restraint and common-sense approach to taxation, regulation and natural resource exploration, but then you get to the point where these policies.... It's like death by a thousand cuts. Your lack of focus on productivity and economic growth and your over-regulation and overtaxation slowly suffocate economic growth, and where are we?

Well, we are now in the period of a lost decade. Our GDP per capita is among the very slowest and lowest in the G7. Our inflation continues to be painfully high. It has gone down, but the reality of how inflation works, of course, is that it measures the rate of growth. Not only are we dealing with a 2.7% increase; we're still dealing with a legacy of having inflation at 6%, 7% and 8%. Those rates are still built into the prices. Those prices have not come down; they're simply not growing as fast. That pain is still being inflicted on Canada.

● (1735)

Of course, we saw three major reports out today that were calling the Canadian economy further into question.

This happens nearly every time with any type of socialist government. You get to a certain point, and even the most ardent of ideologues and believers struggle with rationalizing the poor results. The only way that they can rationalize it to themselves and to others is to find a bogeyman, a straw man argument—it's someone else's fault.

The Liberal government has tried many different culprits or villains. They've said the economy was a global problem. They've said—this is more the NDP—that the high costs are the result of corporate greed.

The challenge with those narratives is they don't fit the timing of what has happened. It isn't as if grocery stores were all the best citizens, were not self-interested and were benevolent in nature prior to three years ago, and then they all suddenly got greedy. The timing just doesn't work. There's no correlation or causation.

There's no doubt grocery stores, like many other companies, are self-interested. They are profit-seeking organizations. However, that hasn't changed. It was the same five, 10 and 20 years ago. Now there are reforms that we can put in place, such as allowing additional competition, which will push prices down. It doesn't make sense.

Do you know what does fit? It almost jumps off the page, actually. It is the election of the Liberal government in 2015 and a slew of terrible economic data from productivity and GDP per capita. The graphs almost walk in lockstep with the election. If you're not a believer at that point, if you watch a line graph, then you should compare inflation, GDP per capita, and now unemployment numbers, which are now starting to pop up to over 6.1%.

That is with the expansion of the money supply. Milton Friedman, a Nobel Prize-winning economist, said many years ago that inflation is and always will be a monetary policy creation. If you print more money, you get inflation. It's really that simple.

What exacerbates that in Canada—and also in many other failed socialist experiments—is that if you have more dollars chasing fewer goods, then they're going to get more expensive even quicker. What you want is an economy that has a firm monetary policy that allows a dollar to be worth a dollar, but that's also producing a surplus—hopefully a surplus—of goods and services. The more services and goods an economy can provide, by definition, the more the price will go down.

I've only made it to the second paragraph here of this article. I should probably continue. I'll just read the last line so we have some flow here. It says:

For example, M1+, which is currency held by the public in...chequable deposits at financial institutions, is still growing at a jaw-dropping [rate of] 14 per cent.

To put that in perspective: to maintain an inflation rate around two per cent and allow a bit of a margin to prevent deflation, the money supply should grow at [between] five to six per cent... We are currently [well] above that. Meanwhile, the current policy interest rate is at...0.5 per cent, well below...the most conservative estimates of the "neutral" rate—the rate consistent with full employment and stable inflation, which the bank estimates [at between] 1.75 and 2.75 per cent. Conclusion? Monetary policy is highly inflationary right now.

● (1740)

[Translation]

**Ms. Marie-Hélène Gaudreau:** I have a point of order, Mr. Chair.

The interpreters do an excellent job. However, I think that they're having trouble keeping up with my colleague. He's reading his text too quickly.

I had to interrupt my colleague, since I don't want to miss anything. I would like him to repeat the last two or three sentences. This would provide a break for the interpreters, who again are doing an excellent job.

**The Chair:** Thank you, Ms. Gaudreau.

[English]

For the interpreters, please slow it down and speak clearly.

**Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC):** On the same point of order, Chair—

**The Chair:** You don't have the ability to speak, because I don't see implied consent here from the members. The member is not at the table—

**Mr. Garnett Genuis:** Chair, I'm raising a point of order regarding interpretation.

**The Chair:** We are on MP Lawrence.

Continue, please.

**Mr. Garnett Genuis:** It's a point of order, Chair.

**The Chair:** MP Lawrence, continue.

**Mr. Garnett Genuis:** I have a point of order.

**The Chair:** MP Lawrence, continue.

**Mr. Philip Lawrence:** I'm sorry. I'll speak more slowly and try to be a little clearer.

To put that in perspective: to maintain an inflation rate around two per cent and allow a bit of a margin to prevent deflation, the money supply should grow at five to six per cent per year. We are currently...above that. Meanwhile, the current policy interest rate is at just 0.5 per cent, well below even the most conservative estimates of the "neutral" rate—the rate consistent with full employment and stable inflation, which the bank estimates to be 1.75 to 2.75 per cent. Conclusion? Monetary policy is highly inflationary right now.

South of the border, after hedging its bets for the last year, the U.S. Federal Reserve has begun an aggressive raising of rates. Last week, the Federal Open Market Committee, the Fed's policymaking body, raised the policy rate to 0.5 per cent, and it has promised seven more rate hikes, with the goal of getting to 2.8 per cent by...next year. Fed Chairman Jerome Powell has said he is "acutely aware of the need to return the economy to price stability and determined to use...tools to do exactly that."

That U.S. inflation is running hotter than ours, at 7.9 per cent, is no reason for complacency. Unfortunately, Bank of Canada Governor Tiff Macklem was vague in his comments March 3 before the House of Commons Standing Committee on Finance. Commenting on the previous day's...hike, he made no specific commitment regarding future hikes; nor did he commit to...ending quantitative easing by reducing the bank's holding of government bonds.

Now, that's interesting. The bank has actually begun some of its swaps to provide additional liquidity to banks with respect to overnight moving of money that the banks need to carry on their business.

To put this in context, the challenge here is that during or around COVID, the Governor of the Bank of Canada said that interest rates would be "low for a long time." Millions of Canadians agreed with that and took action and based their financial lives on that.

The largest bill that most middle-class Canadians will face every month is their mortgage. When someone as esteemed as the Governor of the Bank of Canada says that interest rates will be low for a long time, it seems a reasonable conclusion or action to not lock in your interest rate but instead to have a variable rate, thereby reducing your costs. They believed that the Governor of the Bank of Canada was correct when he said that interest rates would be low for a long time, and that cost Canadians billions of dollars. Those dollars went to bondholders and bankers, at the cost of Main Street in great towns like Port Hope, Cobourg, Orono, Newcastle, Brighton and Campbellford, among many others.

This was a really serious error in judgment and a mistake. If the governor didn't know, he should not have said anything, and I think that's quite clear.

What happened was that interest rates quickly went up to levels not seen in 40 years. Governor Macklem, at the time, did say that the bank is determined to control inflation, but it is hard to understand how a policy stance that is clearly inflationary will allow him to hit his target. The danger of moving too slowly is that inflation gets baked into people's expectations, thereby setting a wage-price spiral reminiscent of the stagflation that bedeviled the 1970s. Stagflation is still something that is possible. As I said, on a GDP per capita basis, over seven quarters Canada has experienced one of the longest recessions since the Great Depression.

• (1745)

While Canada may not be in a recession on a national basis, on an individual basis, as I said, Canadians most definitely are. We would have two successive quarters of negative economic growth on a per capita basis. At least with half a check mark, we would achieve that component of stagflation.

The other elements, which are high inflation and high unemployment, are just hovering below those thresholds. Of course, inflation is at 2.7%—and we'll see how that goes forward, as of course inflation is a month-over-month metric—and a spike in gas or fuel

prices or a spike in housing prices could certainly drive up inflation going forward, giving that a full check mark.

The other area is unemployment, and that has started to tick up recently, to 6.1%. The most recent unemployment report says that we were flat, but it's been on a generally upward trend for the last year. We are certainly not out of the woods with respect to stagflation.

I'll move forward from there. As interest rates crested, we saw even worse economic growth going forward, and that then caused our governor, Tiff Macklem, to actually pause interest rate increases. We'll read from this article from Bloomberg on the Bank of Canada decision. It says:

The Bank of Canada today held its...overnight rate at 5%, with the Bank Rate of 5¼% and a deposit rate of 5%. The Bank is continuing its policy of quantitative tightening.

The global economy is slowing, and growth is forecast to moderate further as...increases in policy rates and the recent surge in global bond yields continue to weigh on demand. The Bank projects global GDP growth of 2.9% this year, 2.3% in 2024 and 2.6% in 2025. While this global growth outlook is little changed from the July Monetary Policy Report...the composition has shifted, with the U.S. economy proving stronger and economic activity in China weaker than expected. Growth in the euro area has slowed further. Inflation has been easing in most economies, as supply bottlenecks resolve and weaker demand...

In Canada, there is growing evidence that past interest rate increases are dampening economic activity and [reducing] price pressures. Consumption has been subdued, with softer demand for housing, durable goods, and many services. Weaker demand and higher borrowing costs are weighing on business investment. The surge in Canada's population is easing labour market pressures in some sectors while adding to housing demand and consumption. In the labour market, recent job gains have been below labour force growth and job vacancies have continued to ease. However, the labour market remains on the tight side in wage pressures....

That has now started to go the other way. We have seen, as I said, unemployment go to 6.1%.

The next article is written by Mr. Philip Cross. Of course, he is no stranger to this finance committee. He's appeared several times and has written about some of the economic pain that Canadians are experiencing. I think he's the first one to write that in the last 10 years we are experiencing the worst GDP per capita that we've seen since the Great Depression.

I'll read from his article, published on July 14, 2023, entitled, "No, you won't tame inflation with more government spending". It says:

• (1750)

A recent research report from the Bank of Canada makes the improbable claim (based on analysis of U.S. data) that more government spending could reduce inflation, so long as the spending boosts aggregate supply in the economy. Though the relationship between government spending and inflation is complex, the idea that more spending could actually lower inflation does seem far-fetched.

In an economy in which the Bank of Canada has identified aggregate demand exceeding aggregate supply as the main driver of inflation, any additional government spending will fuel inflationary pressures—unless its stimulus to supply exceeds its boost to demand.

Let's unpack that a little bit, because I do believe that this is a misconception that many on the left have. While the relationship is complex, the basics of inflation are fairly simple. If you're producing more money, if you're printing more money than you're increasing your economic output, you have an increase in inflation. If you are printing less new money than you are creating goods, you will see a lowering of inflation.

Unfortunately in Canada, as Carolyn Rogers talked about, our productivity is in a “break the glass” moment. What Ms. Rogers is talking about is the fact that Canadian productivity relative to our peers, most notably the United States of America, is reducing, and reducing quite materially. When that happens, we have a Bank of Canada that has the printing presses in overdrive, flooding the economy with cash. At the same time, our ability to produce goods and services was stagnant if not declining. The reality is that now we have more money and fewer goods to buy with it. What the reality is, in this lap and a hundred out of a hundred times, is that you get more inflation.

We'll continue on. It reads:

But somebody has to explain how exactly such a neat trick can be executed. It won't be easy. The inflation that erupted during the pandemic surprised central banks, whose models of the economy's supply side do not extend much beyond using the unemployment rate as a proxy. The supply potential of the economy clearly changed more during the pandemic than policy-makers anticipated. According to the IMF, however, this was not from disruptions in global supply chains but because governments in North America paid millions of workers to stay home, even as Russia's invasion of Ukraine raised energy prices.

For years, we've heard repeated claims that more government spending would pay for itself. Outlays for infrastructure projects were supposed to improve our capital stock, while expanding child care would boost the labour supply. But instead of government spending paying for itself, we've seen persistent government deficits and a steady erosion of per capita GDP growth. The OECD secretariat is pessimistic about Canada's long-term growth potential, projecting we will trail all OECD countries through 2050.

• (1755)

Just to break from the text for a moment to clarify that, the OECD is predicting Canada to have the worst economic growth through to 2050. That has a real impact on Canadians. At that level of growth, we would cease to have an advanced economy. Our economy would fall well out of the G7, which would lower the prosperity for all Canadians.

That is consistent with, as I said, the failed socialist experiments in the past. You nearly always get high inflation, low growth and poverty. The folks who suffer the most aren't the individuals who are at the top of the society. They aren't the folks like Justin Trudeau and other very wealthy individuals who have a trust fund to fall back on. They are Canada's most vulnerable. They're the ones who ultimately pay the price for these socialist policies that reduce growth and reduce economic opportunity.

I'll continue. Mr. Cross uses some colourful language later on, but we'll just power through that.

He wrote:

This latest claim that more government spending can lower inflation looks only at government spending on goods and services, however, not transfers. But while most transfers do reach their intended target (usually households), government spending on goods and services is administered by the civil service, whose sticky fingers latch on to sizeable amounts of money for programs intended to serve the public.

These are his words, not mine. He continues:

For example, the huge increase in health-care spending that followed the recommendations of the 2002 Romanow Report did not improve the supply of health care in Canada. Instead, most of the money was diverted to higher pay for government workers.

If more government spending really did help lower inflation, the veritable orgy of spending during the pandemic should now have us mired in a 1930s-style deflation.

**Mr. Adam Chambers (Simcoe North, CPC):** I have point of order, Mr. Chair.

I'm wondering if that's parliamentary language that Mr. Lawrence just used. Would he like to withdraw that?

**Mr. Philip Lawrence:** I would withdraw it.

Sorry, I was just reading the text there.

**The Chair:** MP Lawrence, it's been withdrawn.

**Mr. Philip Lawrence:** Thank you.

I would like to thank the honourable member for that. I was a little worried about that language, so I appreciate the chance to withdraw it here.

Instead, inflation soared to its highest rate in over three decades in 2022 and remains so stubbornly entrenched that the Bank of Canada has had to continue raising interest rates.

Rates have had to rise sharply in large part because governments have relied on monetary policy alone to fight inflation. Even Paul Volcker, legendary head of the Federal Reserve Board credited with single-handedly slaying the inflation dragon in the 1980s, acknowledged that monetary policy by itself was not enough. Back then, lowering inflation required a co-ordinated effort to reduce regulations, which helped unleash potential growth, as well as a commitment from president Ronald Reagan to shrink government's footprint in the economy—two examples of how less government [not more] helped lower inflation.

Today's high inflation, and consequently higher interest rates, will persist until monetary and fiscal policy together rein them in.



I will clarify some of Mr. Cross's comments there. What we have to think about is that inflation actually has two sides to the ledger. On one side you have monetary policy, which is the amount of money that is printed and put into the economy. There are fancy ways of doing that through quantitative easing, which is basically the government buying back its own bonds. The result is that you're injecting more and more cash into the system. It's a fancy, sophisticated way of doing it, but in many ways the effect is the same as just pressing turbo on the printing press.

The other part of the ledger is supply, which is the amount of goods and services that are produced in an economy. If these were to hold equal, you'd get minimal inflation, likely within the target range. If, in fact, the money supply goes up, then likely you're going to get inflation. If, at the same time your money supply goes up, your real economy declines—in other words, your ability to produce goods and services—then you have a good chance of getting very high rates of inflation.

In a nutshell, what happened was actually eminently predictable. The leader of the official opposition, Pierre Poilievre, called it. He called that we were going to get inflation.

• (1800)

**Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC):** It was me.

**Mr. Philip Lawrence:** Marty Morantz did it first, and then Pierre Poilievre.

My apologies, Marty.

Marty knew it because he was a student of Milton Friedman, and he figured out that if you print more money and produce fewer goods, you're going to have higher rates of inflation.

Thank you, Marty, for your service to Canada. My apologies for the omission.

I'd like to read another article by Mr. Cross.

Philip Cross wrote this on July 12, 2023. It's entitled "Hey, Canadians! Does anyone remember what economic growth can do?" His subtitle is "What we desperately need is a cultural environment in which entrepreneurship and innovation thrive".

Here's what he writes:

Anaemic economic growth has become so routine in Canada since 2014 that it is worth recapitulating the benefits of sustained high growth. Over the centuries, economic growth has powered vast improvements in measures of well-being, such as life expectancy, health, housing quality, leisure time, food intake, energy security, political freedom and democracy. Today faster economic growth would help Canada meet the challenges of the huge debt incurred during the COVID pandemic, a growing population and an aging society. Even the leader of Britain's Labour Party, Keir Starmer, acknowledges that "economic growth is the absolute foundational stone for everything."

The British Labour Party is, I guess, the equivalent of our Liberal Party, more or less. It says that "economic growth is the absolute foundational stone for everything." Actually, many Liberals have said the same thing, including Bill Morneau, who has been, since he left the Liberal government, outspoken about the government's failure to focus on economic growth and, certainly, to produce any economic growth. John Manley, a former Liberal finance minister, has said the same. David Dodge has made similar comments about

the critical importance of economic growth. Working Canadians are facing a perfect storm of high interest rates, inflation and a rising cost of living, creating mass amounts of financial stress.

It goes on:

Russia's invasion of Ukraine is a reminder that money is needed to finance a nation's defence and survival in war. Napoleon famously said that three things were needed to fight a war: "The first is money. The second is money. And the third is money." The history of central banking reflects the importance of finance to waging war. The Bank of England was founded to assist Britain's government to finance war with Napoleon's predecessor, Louis XIV, while the first two attempts at creating a central bank in the United States were made to help deal with the country's war debts.

Almost two and a half centuries after Adam Smith kicked things off, the question of what drives economic growth continues to preoccupy the best minds in economics. The benefits of sustained economic growth are so enormous that, in the words of macroeconomist Robert Lucas, who died recently, "the consequences for human welfare involved in questions like these are simply staggering. Once one starts to think about them, it is hard to think of anything else." It has become the norm for winners of the Nobel prize for economics (as Lucas was) to then write a book about the sources of long-term economic growth. Most emphasize the role of innovation in a competitive marketplace.

The importance of economic growth is underscored by what happens in its absence. In the words of the British economist Paul Collier, "growth is not a cure-all, but lack of growth is a kill-all." The Great Depression of the 1930s helped spawn the dictators who provoked the Second World War. Slow growth after 2008 fuelled the growth of populist movements in several countries, leading to Brexit and the election of Donald Trump. As former Bank of England governor Mervyn King concluded, "put simply, our societies are not geared for a world of very low growth."

• (1805)

Even so, it's easy to forget that sustained economic growth is a new phenomenon. The libertarian economist Steven Landsburg concisely summarized the long arc of economic development: "Modern humans first emerged about 100,000 years ago. For the next 99,800 years or so, nothing happened.... Then—just a couple of hundred years ago—people started getting richer. And richer and richer still."

Because it is so new to human experience economists at first struggled to adapt to the emergence of sustained economic growth. As recently as the early 19th century, they focused, as Smith had, on explaining the different levels of national wealth, rather than income growth, because they assumed the level would not change much. Until recently, there was not even a word for productivity growth; the Concise Oxford Dictionary did not have an entry for productivity until 1951.

Economic growth needs to be sustained over decades, not just a few years. Growth over long periods means relatively small changes in growth rates compound to produce radically different results—which is why Albert Einstein correctly called compound growth "the eighth wonder of the world." It follows that a nation's growth is best examined over long periods, not the quarters or even years that dominate economic commentary and political debate.

The scary part for the Canadian economy is not the last seven quarters of negative GDP per capita growth; the scary part is the trajectory we are on. Our GDP per capita has basically been flat. It's grown by about 4% over the last 10 years. While the snapshot—and, certainly, the pain Canadians are feeling right now at food banks—is extremely difficult and merits discussion, the part that keeps me up at night, candidly, is the trajectory we're on.

Those 10 years of flat economic growth will have devastating consequences. The damage, in some respects, has already been done, because as Mr. Cross writes, and as Mr. Einstein commented years ago, compound interest is one of the most powerful forces in the universe. This stalling of the economy for a decade will have significant consequences for decades to continue.

If you're in a hole, the first thing you need to do is stop digging. Sometimes, the question will be.... Liberals will say we have all these great initiatives that are going to help Canadians, and that might be believable in a vacuum, but we now have a hundred years of measuring the economic results of socialist policies, and every single time—and I do mean every single time—they have failed. They produce low economic growth, reducing the prosperity of Canadians and reducing the prosperity of citizens around the world—most notably the most vulnerable in our society. They produce high rates of inflation, which is another thief of wealth and, once again, affects the most vulnerable the most.

We then have the fact that this government has been in power for nine years. We have seen its economic growth rate and we've seen the performance of a lost decade. This isn't just me as a Conservative, or conservative economists, talking about this; this is people across the political spectrum. Former Liberal finance minister Bill Morneau, I believe, has written a book on this, talking about the importance of economic growth and the impact it is going to have on our economy. John Manley, a former Liberal finance minister, has also come out and said the economy is unfortunately not producing economic growth. We're even hearing that from David Dodge, a former governor of the Bank of Canada.

• (1810)

What would be interesting would be to ask Mark Carney, a former governor of both the Bank of Canada and the Bank of England, who is organizing to be the next Liberal leader. It would be interesting to hear his comments with respect to this budget, particularly with respect to growth and productivity. He certainly will be weighing in at press conferences and in other forums. They talked about that a little bit in the Senate. I would have some, I think, very legitimate and sincere questions for Mr. Carney, given his pedigree and what he's organizing to do, which is to become the next leader of the Liberal Party and, presumably, Prime Minister of Canada. I would like to ask him about his feelings on economic growth. Unfortunately, it's an absolute no go for the Liberals to have Mr. Carney here and ask him some of these very important questions.

I'll continue reading:

Some concrete examples demonstrate the importance of even seemingly small changes in growth over long periods. If U.S. growth had been one percentage point less per year after 1870, today U.S. GDP would be lower than Mexico's. Even over shorter periods, different growth rates result in much different outcomes. If U.S. growth between 1952 and 2000 had been two per cent instead of

the 3.5 per cent it was, per capita U.S. income in 2000 would have been \$23,000 at the turn of the millennium instead of \$50,000.

That's amazing. Business investments and exports have been declining in Canada since 2015, with the former down 17.6% in volume.

The article goes on:

Canada's recent growth slump has accompanied a shift in policy focus to relentless short-term stimulus and an emphasis on the distribution, not creation, of income. The reality is that redistribution is not an effective way to help low-income people. It subtracts from the growth that benefits poorer people most. As Robert Lucas put it: "of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is the focus on questions of distribution.... The potential for improving the lives of poor people by finding different ways of distributing current production is nothing compared to the apparently limitless potential of increasing production."

Policies aimed at redistributing incomes or stabilizing the economy in the short term do not sustain growth, they lower it. What we desperately need is a cultural environment in which entrepreneurship and innovation thrive. Unfortunately, our culture has deteriorated to the point where, as Paul Wells recently pointed out, "in Canada, if you run a successful business, you are made to feel you have done something wrong."

When Mr. Cross was at committee, I asked him specifically what was the number one issue plaguing the Canadian economy. Mr. Cross is a former head statistician and a highly technical guy, so I was expecting a technical response, but his number one issue was actually the environment in which we are bringing up our new entrepreneurs.

He finishes off with this:

Sustained economic growth will not resume in this country so long as such sentiments prevail.

That's certainly a damning article by Mr. Cross with respect to productivity and the future of the economy.

• (1815)

That's the part that really worries me. We can talk about the way in which this government has in the past gone after business owners, whether that be the changes to passive income within small business corporations or various other tax changes along the way. Of course, the technical and monetary aspects of that have a punitive financial impact, but I'm more concerned, to be honest, about the sentiment that creates. We hear this "eat the rich" rhetoric. It is not a bad thing to be successful. It is not a bad thing to be prosperous. It is not a bad thing to start a business and be successful and create jobs and increase prosperity.

Unfortunately, we hear from all corners of the House of Commons, except for the Conservative Party, that somehow it's the people who go out there and work their tails off and create a successful business who are our problems in society. Nothing could be further from the truth. Our entrepreneurs out there are really the heroes of our economy. As young women go out there, they create new businesses. As newcomers come to our country, often coming with nothing but the shirt on their back, they pull themselves up by their own bootstraps and create new businesses. Those people are heroes, and yet, unfortunately, too much out there by this government, and maybe even just in general, is demoralizing these folks once they achieve some level of success.

There are some folks who get lucky—there's no doubt about that—but most of the business owners I've ever talked to who've been successful have worked their tails off. They've given up years, if not decades, of their lives to completely focus on their businesses. Some do it at the cost of spending time with their families. Some do it at the cost of any type of recreation or pleasure or fun. They just work, and they work hard. I hear individuals demonize these folks simply for having made it, for being that “one in 10” business that is actually successful in our country and has overcome the barriers in their own lived experience to be successful. I think we should be there with a helping hand and not demonize these individuals for achieving some level of success.

I'll continue on and talk a little bit about another article by Mr. Cross, entitled “Statcan focuses on inflation trees and misses the forest”. The subtitle is “Real causes of inflation are crazy-high government deficits and too-low interest rates”. Here he's talking a little bit about inflation:

Statistics Canada recently published three short papers that provide a mishmash of data and analysis about the inflation we have experienced since 2020. They claim to pinpoint the impact on prices of imports, wages, profit margins and other non-labour costs. But the results depend on highly questionable assumptions, sometimes are contradictory, and in the end add little to our understanding of inflation's origins.

Start with “Import prices and inflation in Canada.” This paper suggests import prices rose steadily to contribute about half the increase in GDP prices in 2022. So the government is partly right: some inflation was imported. But not all imports are created equal and their prices move in different rhythms. Imports used in exports are mostly parts needed to manufacture autos, machinery and equipment. They are distinct from imports for domestic consumption, which include a wide array of consumer goods, such as clothing and electronics. After 2019, prices for consumer goods rose 14.4 per cent. But auto prices rose only 5.7 per cent and the prices of electrical equipment actually fell slightly. So inflation pressures from the foreign sector didn't have a uniform impact.

● (1820)

The study also assumes a full pass-through from import prices to output prices. But businesses' ability to pass price increases along depends on the state of the economy and how competitive markets are. There was no pass-through from the plunging loonie to higher import prices in the first half of 2020 because demand cratered as the pandemic began. Even assuming full pass-through when the recovery was still fragile in 2021 is questionable, but by 2022 demand was so robust one of the companion studies found output prices actually rose more than import prices. With pass-through varying in this way, it's just not possible to have great confidence about import prices' impact on inflation.

The broad thrust of this Statcan paper is that import prices rose after 2020 due to a combination of robust domestic spending and a lower exchange rate, as if these were international factors beyond government's control. But government policies contributed heavily to both the surge in spending and the lower dollar. Though Russia's invasion of Ukraine sent energy prices soaring the loonie fell because investors knew Canada's oil and gas industry would not be allowed to expand into Europe—which was confirmed when the prime minister personally and publicly rejected German Chancellor Scholz's request for more natural gas.

Next up is a study of “Inflationary pressures, wages and profits.” It compares labour costs, which are mostly wages and salaries, to total “non-labour costs”—a hodgepodge of profits, interest, depreciation, and indirect taxes. Unfortunately, lumping all non-labour costs together encourages readers to interpret the results as part of the simplistic “wages versus profits” narrative that dominates public debate. As a result, the study's conclusion that labour and non-labour costs contributed about equally to the rise of GDP prices is not very informative and potentially quite misleading. In fact, the third Statcan paper suggests profits played only a minor role in non-labour cost increases.

That third paper, “Markups and inflation: Evidence from firm-level data,” looks at firms' marking up of prices over costs as a contributor to inflation—in other words, “greedflation.” Statcan's conclusion is that rising markups account for only one-fifth of the increase in consumer prices during the pandemic and are therefore not a “main driver of inflation.” The contribution of markups to GDP

price inflation was even smaller at 13.4 per cent. This result suggests that most of the outsized contribution in non-labour costs noted in the second study came from interest rates and indirect taxes, which are largely controlled by governments.

The problem with these three studies is that slicing and dicing particular sources of inflation obscures what's really going on. The underlying impulse for higher inflation after 2020 was the injection of massive fiscal and monetary stimulus into aggregate demand, including paying millions of Canadians to stay home, just as breakdowns in supply chains sharply reduced overall supply. Although a mechanical approach to prices in specific sectors such as food, shelter and transportation is useful for short-run analysis, inflation's underlying trend is determined by the gap between potential output and the aggregate demand for it, as the Bank of Canada repeatedly reminds us (even if its actions aren't always consistent with the reminder).

It is hardly surprising that both workers and firms took advantage of shortages... But Statcan contributes little to the public's understanding of inflation by encouraging finger-pointing about whether wages or profits rose more than prices, when it was governments that mismanaged demand and supply and aggravated the disequilibrium between the two in so many markets, thus empowering businesses and workers to raise markups and wages. Worse, Statcan leaves itself open to charges it is helping absolve the government, including the Bank of Canada, of its responsibility to control inflation.

● (1825)

That is a pretty fair discussion regarding the causes of inflation.

I might take a little break at this point. I do want to get back to it, so if you would put me back on the speakers list, Mr. Chair, that would be fantastic. I'll take a little break here, because I know my other colleagues want to talk a little bit.

**The Chair:** Thank you, MP Lawrence.

I do have MP Chambers next, and then MP Genuis, MP Green, if they're here and at the table, MP Morantz and MP Lawrence again.

Go ahead, MP Chambers.

**Mr. Adam Chambers:** Mr. Chair, I seek unanimous consent to withdraw Mr. Morantz's subamendment.

**Some hon. members:** Agreed.

(Subamendment withdrawn)

**Mr. Adam Chambers:** Excellent. We have a little bit of progress. This is great.

We have a vote in three minutes, which may allow some time for discussions amongst the parties. Would the chair be willing to suspend? This would give us some time before the bells start, and perhaps we'll have something sorted out by the time we get back.

Would that be fine?

● (1830)

**The Chair:** We'll suspend.

• (1830) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (2140)

**The Chair:** We are back.

We are going to MP Chambers.

**Mr. Adam Chambers:** Welcome back, everyone, from a wonderful hiatus, a good suspension.

I'm pleased to report that there has been some progress on our motion. We're moving back and forth between parties, but I don't believe we'll have a consensus tonight. We will be hearing from multiple other witnesses. I believe that where we were, Mr. Chair, was an agreement to withdraw Mr. Morantz's subamendment. I have sent to the clerk a new subamendment that I would like to put forward. I don't know if that's been distributed.

I'll read it into the record for the benefit of those watching at home.

The new subamendment would replace the subamendment that was withdrawn such that, in item ii, it would read, "That the week of the 28th and future meetings be dedicated to hearing from witnesses for no fewer than 12 hours and the clerk invite Mr. Mark Carney as a witness to testify with respect to the budget 2024, the economy and the environment for no fewer than two hours".

That's the subamendment I'd like to move, if it's ruled in order by the chair.

Is that acceptable to the chair?

• (2145)

It's a new subamendment. We withdrew Mr. Morantz's subamendment.

**The Chair:** It's a subamendment. Okay.

**Mr. Adam Chambers:** If that's ruled in order by the chair, I would like to move that, and I'll motivate it to some degree, if for no other reason than to give people a bit of a break before they hear my colleague Mr. Genuis.

We obviously know that this subamendment is not the only thing that will have us cross the impasse. We still have to agree on the date for clause-by-clause, but at least this is put on the table so that we may continue discussions while those of us who have to report back to our bosses—and we all have a boss—on the date of clause-by-clause.

My understanding is that the government would continue to prefer a date next week to end clause-by-clause, but I suspect that won't be acceptable to us. I won't make a final pronouncement on that. We are unable to agree to that date tonight. I'm hopeful that by noon tomorrow we might be able to agree to a reasonable clause-by-clause end date such that the bill may find its way out of the committee the following week.

Maybe that's a bit of hopeful foreshadowing of things to come. We could start clause-by-clause at the end of next week, and we could plan to finish it, potentially, on June 3, 4 or 5. That's up for discussion, and I wouldn't make any commitments from my side on

that, although I hope that we would find an opportunity to come to an agreement so we can hear from witnesses.

I think it would not be advisable or a good precedent to set to have budget bills that are House instructed or programmed out of the committee without witness testimony or at least the only witness testimony occurring in the Senate. Although they do some wonderful work in the Senate, I think it's good to have witnesses appear in the House committee.

I'll just note as a matter of process that we gave unanimous consent as a committee to prestudy the bill. The bill's not even at committee yet. The notion that we were going to agree at some point to have the bill, which hasn't even been sent to committee yet, be out of committee by next week I think was a bit aggressive to begin with. Our position would be, if we can all move on our hardline positions, which I think both the government and the opposition have done at least as an initial point, we might be able to make sure we can get the bill out of committee with a couple weeks left for debate in the House, which I think is about normal for the budget bill.

Separately, as a matter of House procedure or the government's legislative agenda, this is the challenge with having late budgets. If the budget had been tabled when it was originally intended for in March and not been delayed, we would have had the bill much earlier. I think it would be wise for governments in the future to target tabling budgets certainly no later than March 31 but preferably before departmental spending reports come out and before provinces do their budgets. It also puts less pressure on the finance committee to review a 600-page bill and have witness testimony.

By the way, we've only had one round of witness testimony, one round from one party of witness testimony from officials. That's only been on the first three or four parts of the bill.

• (2150)

My colleagues in the Bloc and the NDP have not had an opportunity to ask any questions of officials, at least on the first parts of the bill, because we were into the programming motion right away. We are where we are, but I'm hoping that because the budget was later the government recognizes that we can't have only one week with the bill in committee.

We did agree in good faith to prestudy the bill. In previous years, we did not agree to prestudy the bill. That was a good-faith gesture on our part, because we did not need to agree to prestudy the bill. That is not a requirement, but with a 600-page bill, we thought: "Hey, you know what? That's a pretty good idea."

That's the subamendment. We don't expect it is going to be acceptable to all parties this evening, but as I said, I hope we can get to an agreement by noon tomorrow—I understand that the NDP also has some desire to see this move forward so that we could get to witness testimony—such that we can hear from witnesses beginning next week. We'll probably have a few days where we'll have four to six hours of witness testimony.

For the moment, on the subamendment, as we're talking about witness testimony and Mr. Carney's appearance—or potential appearance, I should say, because it's an invitation, not a summons—we also have not heard from officials, which we'll have to finish. I'm not intent on over-complicating things, but there is also on notice a motion that we hear from the deputy minister of the Treasury Board and the deputy minister of finance.

Why? Well, I appreciate that we have subject matter experts showing up to talk about very specific provisions of the bill, but it is unclear to me that there's a lot of oversight of a bill of this size and of its impact on the operations of government. What do I mean by that? For every single budget bill that has been sent to this committee—I think this is the sixth in this Parliament—a member of the committee has asked how many people will be hired in the government to implement the policies in the budget. Every single response so far has been that it's more of a Treasury Board question. Then when you ask the people in Treasury Board, they say that it's really a finance question.

It's relevant because the government is projecting that it will reduce the size of the civil service by 5,000 people over the next few years. That represents about 20% of the government's own spending objective, yet in fact, every single year, the government starts the year by saying that by the end of the year there will be fewer civil servants working for the government than there were at the beginning of the year. Yet when the numbers come in and the departmental spending plans come in, what ends up happening is that it's not the case. They say, “Oh no, we grew the number of people that were working for the government, but next year we will reduce them.”

Since that represents 20% of the government's savings objectives, we should actually have some accountability from the departments—plural—that are responsible for delivering on that, including the Treasury Board and the finance department. Every time there's a measure in the budget.... For example, last year there was \$400 million for CRA, the government said, which I applauded, at least from a transparency perspective. This represented 4,000 employees. Whenever there's a measure in the budget that allocates money, there is money for operations to deliver the program, and then there's money for the program itself. Maybe it's giving cheques. Maybe it's giving grants. Maybe it's increasing the child care benefit. Maybe it's increasing the GST credit.

● (2155)

The government should have an idea, when it says a program is going to cost  $x$  million, they should know how many people are going to be hired. How are they keeping track of all this? It's unclear to me, and we have not received satisfactory answers, either in the budget lock-up or in any hearing we've had so far, about how many people are required to be hired to carry out the measures in the bill, especially since the government's planning on reducing the head count over the next couple of years.

CRA is getting \$180 million just to write cheques and send cheques to small businesses. That requires hiring a significant number of people. By the way, CRA is getting another \$350 million, approximately, to improve call centre performance. That obviously requires a number of people.

If the government is hiring another few thousand people in CRA, and they've said they're going to reduce the overall head count by 5,000, that means they actually have to reduce the overall head count by 5,000 plus however many people they have to hire to carry out or implement the bill.

It's unclear to me that there's actually anybody paying attention on the government side to this, because every single year the same thing happens at the end, when we get the departmental spending reports. Even the Parliamentary Budget Officer thinks the full-time equivalent projections that the government has are not credible, because every year they're wrong, and they're wrong by a lot. Instead of dropping, they actually go up by 5,000 or 10,000.

I don't think that those at Treasury Board or the finance department are actually managing this as best as they could. Since it represents 20% of the government's savings objectives, I think they should be accountable for the people plan, and every department should have a people plan.

However, we'll go back to the timing. Because the budget comes out after the departmental spending reports, departments are making their people plan without actually knowing what's in the budget they have to implement, so there's a disconnect.

I don't really like a fixed budget date, but I would support a fixed budget window. It certainly would give our very hard-working civil servants a little bit more predictability in their lives. It would give the committee more time to review this budget bill or any budget bill. Also, we would have a better handle on what people are required to implement, the various proposals, programs or ideas in the budget which the government would like to implement and execute on. We also would give provinces more opportunity to understand what they might be getting if there are changes to the transfer payments or what have you.

Since we did want to talk about, and the motion talks about, what's in budget 2024, and we did not have an opportunity to talk to witnesses, here are some of the questions I have.

I'll start first by saying I actually applaud Mr. Leblanc, who I think is a very capable individual in the Department of Finance. I asked him some questions about the child care benefit being clawed back for parents who have lost a child, a very unfortunate circumstance, but it happens. It must be absolutely devastating for a family to receive a letter from the CRA six to 12 months after they have lost a child asking for child care benefit overpayments to be paid back.

There was an Order Paper question asking the government in January how much money was clawed back from overpayments in child care benefits from families who have suffered a loss of a child. The answer received to the Order Paper question was that it was impossible for the government to provide that information.

• (2200)

However, Mr. Leblanc, when he was at committee, quite clearly said that they know exactly how many families it affects. I think he said it affects 1,500. That's how they came up with how much it would cost the government to provide a six-month grace period for families who lose a child.

I fully support this measure, by the way. I think it's important to support families in their time of need. That is why I originally asked for that figure in the Order Paper question to begin with. The CRA decided they didn't have that information when a member of Parliament asked for it, but when the government asked for it, they quite freely gave it to them. I raised a point of privilege on this in the House. As I like to say, I kept the receipts. I had the question I asked and I had the answer I received from the CRA.

I would also recommend this to the government: Instead of requiring a family to notify the CRA of the death of an individual, why don't they just allow Service Canada, who receives a copy of the death notice for other programs, to give that over to the CRA so that there is no additional burden placed on the family? That would just be a reasonable common-sense thing to do.

Right now they're told, "You still have to fill out all this paperwork. You still have to provide us notice. But we won't force you to do it right away. We'll let you do it later." I'm wondering why we just don't tell them, "Look, you have a six-month grace period. We'll let you continue to collect for six months the child care benefit." By the way, six months of the child care benefit wouldn't even cover two-thirds of the cost of an average funeral. Why don't we tell them that they don't have to do anything, because we will just get a notice from Service Canada and take care of the rest? That would be absolutely reasonable and compassionate.

I applaud Mr. Leblanc for providing me with the answer I needed to make a point of privilege in the House. It's not the only time CRA has frustrated a member of Parliament from getting the answers to a question they should have.

Then there's the Canada carbon rebate for small businesses. The CRA, as I mentioned earlier, is getting \$180 million to administer the program and write cheques to small businesses in order to return to them proceeds from the carbon tax. Businesses have been waiting for five years for a rebate that they've been promised. They still have to wait until next year to receive the cheques. The government is going to spend \$180 million on administering this program. It seems to me that it's a bit of a big number to write some cheques.

Additionally, it looks like they're just making an assumption in that the cheques will be based on the number of employees a small business has. This is all data that the CRA already has. They have the number of employees that receive a T4. They may also have the number of contract workers that a business has. It can't be that hard to take the pool of money, divide it by the number of employees who work at small businesses, multiply the number of employees that each small business has and either write a cheque or, maybe even better yet, let them hold it against their taxes payable so that we can avoid this administrative cost.

Conservatives have another idea. You can save the \$180 million altogether if you just get rid of the carbon tax to begin with. You

don't even have to spend money on administration. That would be by far the easier approach. Recognizing, however, that we do not have a majority of the votes in the House of Commons to enact that common-sense plan, certainly the CRA could do it a little bit more efficiently with \$180 million. They do not need \$180 million to write cheques.

• (2205)

We did get to ask the officials about the homebuyers' plan limit increase. I'm still a bit puzzled as to why Conservatives are asking questions about this homebuyers' plan limit increase. The only people who have money in their RRSPs are generally people who are in the upper income brackets, and certainly the people who have enough money that they can afford to take double the amount out of their homebuyers' plan are in, likely, the highest income bracket.

The government, by its own figures, suggests that only 13,000 people will benefit from this change over the next five years, which is not that many people per year. The government is making it seem like this change is one of the biggest, most monumental changes that's happened to make housing more affordable for people, but all the government's doing is giving a massive tax preference to people at the highest income levels. For some reason I'm surprised that Conservatives are the only ones asking questions about who those people are. I look forward to the answers we get back from the department on what the median income is of these 13,000 people over five years, but I can tell you that data from StatsCan suggests that the only people who are able to max out their RRSP contributions on an annual basis for any consistent period of time such that they could build up \$60,000 in that plan are people who are taxed in the highest tax bracket. It's the highest income earners who are going to benefit from this, so I'm surprised that other parties are not also focusing in on this, but I guess that's just the way it is.

I'd like to ask Mr. Carney as well about the underused housing tax. The government initially said that the underused housing tax will bring in \$200 million in year one and then \$175 million in every year thereafter. We learned that the government already spent \$59 million in administering the tax, including hiring 300 people, but has only assessed—not collected, just assessed—\$49 million in penalties. The government is literally spending more money on administering the tax than the tax is bringing in. That's a net negative, and the government believed it originally was going to bring in \$175 million a year. In the budget, the government does not adjust its revenue expectations for the underused housing tax. I don't understand how that's not being restated because there is no way, based on the current construct, that the government is going to be collecting anywhere close to what it believed.

The Parliamentary Budget Officer said that it might collect \$130 million, but even then it only assessed 49 million dollars' worth of penalties, so that doesn't even include any objections or second thoughts or people who will challenge the assessment to begin with. By the way, the underused housing tax is already layered on top of local municipal or provincial vacant housing taxes, so the government's not actually changing any behaviour with their tax; they're just getting in on the tax game. It's not making housing more affordable or bringing more supply into market because, in these areas where there's already a second tax or an initial tax by a municipal or provincial government, that behavioural impact has already been felt.

• (2210)

When we get the officials back, as part of our 12 hours of witness testimony....

We also find it interesting that OSFI is going to require that pension plans report their assets by jurisdiction. It's very interesting.

Today, we saw the Canada pension plan release its annual statement. It showed, I think, about an 8% overall blended return. This is interesting in the context that the government believes pension plans should invest more in Canada. That's an interesting discussion, but when you look at the CPP's results and the 8% blended return, the assets it held in Canada delivered only a 4.2% return.

In theory, if the government were to require pension plans to hold 100% of their assets in Canada, they would have almost half the investment returns they currently do. It is only going to hurt pensioners if we require these pension funds, by regulation, to hold more Canadian assets.

They may choose to do so if they find the right investment opportunity. I think the government should be more focused on creating an investment opportunity whereby pension funds want to invest in Canada and want to stay here because we've created a climate that will provide appropriate returns. If you're looking just at the CPP results, its Canadian assets returned only 4.2%. Its U.S. assets, I think, returned 8%. Its Latin American assets returned 7%. Europe gave a 4% return.

We also need to be careful about market distortions of pension plans, because what will end up happening is.... Canada, basically, is very highly leveraged to financial services, commodities and utilities, as an example. What will happen is that if pension funds are forced to hold more Canadian assets, first, it will drive up the prices of Canadian assets to potentially distorting levels. Second, because we're not diversified as an economy, the pension plans will be less diversified than they were previously.

I suppose I'm glad the government has not done regulation and is just doing a consultation, but these are some things we should talk about certainly with Mr. Carney, who may have a view on this, given his very extensive experience as a central bank governor in two G7 countries, here obviously and in the U.K.

The budget also talks about the Financial Consumer Agency of Canada and consumer-driven banking. I would question whether the FCAC is the most appropriate organization to be providing more resources to. Why do I say that?

It was shown that during the pandemic, the FCAC received over 2,000 customer complaints about people's interactions with their banks, and it didn't follow up on a single one. I'm not sure that giving an agency that is already struggling with fulfilling parts of its mandate more to do is going to lead to positive outcomes, but it would be great to hear from some witnesses about open banking and the benefits it may provide to Canadians.

One thing we still have not.... Open finance is not payments modernization, which is a whole separate thing. It would enable more competition in the payment space to drastically reduce transaction fees, which would have ongoing benefits for the economy.

• (2215)

In part 4, division 18, page 123 of that large package, this is a section about providing the Office of the Superintendent of Financial Institutions a maximum amount of money that it can be advanced from the consolidated revenue fund. Currently, it looks like the OSFI, as it's often called, can draw or be advanced up to \$40 million. The government would like to make that a \$100-million draw. The theory is that this \$40 million was enacted and has been in place since 1987, and so \$100 million is just normalizing that to today's dollars.

I would have a lot of questions about this for OSFI, but as I mentioned in the last meeting, we have not heard from OSFI at this committee in over a year. We have a mortgage crisis in terms of costs and affordability, but there are increasing delinquency rates, although not at crisis levels yet, and OSFI still seems to be ducking the committee. We have lots of questions for OSFI. Hopefully we'll have it back here someday.

I would like to know why OSFI requires an extra \$60 million to draw upon from the consolidated revenue fund. OSFI has been, I'll just say it, a rogue agency. It has been growing and growing and growing and growing. It has been doing things well beyond its mandate. It has taken some very hard-line positions. Its positions also run counter to the government's own positions. It's been growing its head count substantially. For example, a few years ago, as I think I mentioned the other day, it had three or four people working in its climate change division, and now it has 30. Climate change does not appear anywhere in OSFI's mandate. It spent time working with the Bank of Canada.

In fairness to OSFI, it has to be aware of climate risks, no doubt, as that poses some threat to financial institutions or more importantly, insurance companies. Of course they should be aware of it. However, the fact is that they have 30 people now working on that file when you have Canadians who've been addicted and fed significant amounts of debt from financial institutions. There's rampant mortgage fraud—I give OSFI credit for actually calling out mortgage fraud—but they haven't, other than asking the government to do something about it, done anything about it themselves. Presumably mortgage fraud represents at least in the short term a much more imminent risk to the financial system, especially as people are renewing mortgages or are maybe unable to renew mortgages.

I mentioned that their decisions are running counter to the government. You can have two kinds of mortgages in this country, at least with respect to insurance: uninsured mortgages and insured mortgages. Uninsured mortgages mean that the borrower puts down more than 20% of the total value of the home. They are not required to have insurance when they take out that mortgage. Uninsured mortgage holders are required to have mortgage insurance, default insurance, such that if the borrower defaults, CMHC or one of the other insurance companies will provide insurance to the lender.

- (2220)

The government actually agrees with what it has done. It said that if you have an insured mortgage, when you come up for renewal, you can shop your mortgage around to get the lowest mortgage rate without having to redo the stress test. That makes sense. It promotes competition. It might help somebody get 20 or 30 basis points off a mortgage if they're able to shop it. OSFI has not agreed to implement that same rule for uninsured mortgages. For the life of me, I can't understand why, for two reasons.

First, primarily by definition, an uninsured mortgage holder is less likely to default because they have significantly more equity in their house than the insured mortgage holder. There's no additional risk of default. In fact, there's much less risk of default. This is something I would like Mr. Carney's view on. He would have a very specific view, because he sat on the SAC, the senior advisory committee, as governor of the Bank of Canada and as Finance's representative, I understand, when he was in the Department of Finance. He would have talked about financial stability. He was the chair of the Financial Stability Board.

I would like to understand why OSFI is limiting Canadians' ability to shop a mortgage around when there's no real risk to the system in allowing this to happen. It means banks will then have to compete for the business. By doing so, consumers will have more options to get a lower interest rate. What we are seeing right now are bank retention rates for customers being the highest they have ever been. That means people are not shopping around. They're unable to shop around, because they have to go through the stress test. The stress test is not just signing one piece of paper and you go through the stress test. It's getting a significant number of documents together and submitting them for follow-up questions, such as T4s and notices of assessment from the CRA. By the way, that's another point in time where mortgage fraud and the doctoring of documents can happen. OSFI is ignoring the government's own policy decision.

It is also ignoring the Competition Bureau's recommendation to allow uninsured mortgage holders to shop a mortgage without having to do a stress test. The Competition Bureau wrote that recommendation, and OSFI even wrote about why it's been declined. It didn't really make much sense. You could put some guardrails around it, especially if a borrower—or borrowers, I should say, if there are multiple individuals—has been making payments on time and is still on the same amortization schedule. After five years, they have that much more equity built up in the home. By definition, as we just talked about, uninsured mortgage holders have at least 20% equity in the house because they put at least 20% equity down.

It absolutely blows my mind that OSFI is forcing less competition in the banking sector and forcing people to pay higher rates when they've been asked specifically by the Competition Bureau. The government has taken a policy decision for insured mortgage holders that gives them that relief. The government has allowed, frankly, the creation of two classes of mortgage holders. What's going to end up happening is that the uninsured mortgage holders, because they cannot leave their bank, will end up subsidizing the competition that happens for the insured mortgage holders.

- (2225)

It's a complete perverse result when the clients with lower risk end up paying higher rates for these mortgages.

We asked the Competition Bureau and, actually, we also asked FCAC whether they have the ability to check the mortgage rates of insureds and uninsureds because they should be monitoring it.

As an aside about the Competition Bureau, I'm curious—I'm going to write a letter to them—as to whether the Competition Bureau has powers to do market studies where the government has implemented subsidy programs. For example, with the green energy retrofit program, I wonder what's happened to the price of heat pumps since the government decided to subsidize them. The government in its infinite wisdom thinks it's a great idea for everyone to have a heat pump. Okay, sure, let's agree. How will we accomplish that?

The government's choice has been to allow the customer to pay. The customer has to fill out a bunch of paperwork. By the way, it takes a significant amount of time to do this. Then the government will approve or disapprove your installation and then send you a rebate for a certain amount of the price of the heat pump.

Not only does it create a lot of bureaucracy to implement this program—for which there are tons of administrative costs—the government is spending way more on heat pumps than it probably could.



What if, in an alternate universe, the government said that it was going to buy 300,000 heat pumps? It went to the manufacturers of the heat pumps and said, "Great news. We're in the market to buy 300,000 heat pumps. We're going to make you compete to sell the heat pumps to us for a discount."

Instead, we subsidize the total amount. We see this all the time. We've seen this in the U.S. with the subsidies for electric vehicles. Guess what happened to the price of electric vehicles when the subsidies came in. Yes, they increased.

What's the government doing? The government's actually just paying more to corporations, which, by the way, are price gouging.

I would think my NDP colleagues would be interested in trying to figure out—we talk about price gouging in other circumstances—why we are not talking about, when the government decides to subsidize a product or a program and subsidizes the purchase of something, what actually happens to the price of that thing once the government implements the subsidy.

I can tell you there is example after example of the price of the thing, whether that's an electric vehicle or the heat pump, going up. Now, some of that might be related to supply chain issues, no doubt, but I'm wondering whether the Competition Bureau has the powers to conduct market studies. If the government is making all these monumental changes to Competition Act, maybe we should consider putting that on the table as a power that the Competition Bureau should have, if it doesn't have it today.

Now I'll turn to the measures related to public debt and the borrowing of money, which is division 40 of the bill. The Financial Administration Act provides the Minister of Finance's authorities related to public debt and the borrowing of money. The FAA provides authority for the minister to enter into any contract or agreement for the purpose of carrying out this role. There's a risk the minister's authority to enter into public debt-related goods and services contracts could be viewed as subject to procurement restrictions.

In division 40, proposed section 4 amends the Borrowing Authority Act to increase the maximum borrowing authority permitted under the act. It would amend the FAA to clarify the exemption of public debt-related contracts from the procurement regulations.

• (2230)

The maximum borrowing amount was set at \$1.8 billion in May 2021, and the 2024-25 debt management strategy released as part of budget 2024 estimates a debt stock of \$1.789 billion by the end of the fiscal year. The current maximum is \$1.8 billion, and the government's own numbers are putting the total debt stock at \$1.78 billion, which is very, very close.

We've reached \$1.8 billion far faster than we ever expected to for multiple reasons. Obviously, the big one is that the government is continuing to spend at a much higher level. It spent much more during COVID, frankly, than it needed to. What did the Parliamentary Budget Officer say? Wasn't it that 40% of the spending during COVID wasn't actually on COVID? Even Mr. Carney suggested that pandemic supports went on longer than they needed to. That would also be another wonderful question to ask the governor.

The other issue is that the government negligently borrowed money at the short end of the curve during COVID such that 60% of the borrowing of the government happened in notes that had maturities of three years or less. When the governor of the Bank of Canada at the time said that interest rates would remain "low for a long time" but weren't going any lower, the government did not lock in low rates.

This cost the government money by not locking in low rates. There's no question about it. However, to be fair, because the Bank of Canada was purchasing most of the debt, if the government had issued longer-term notes and the Bank of Canada was the only purchaser of that debt, then the Bank of Canada losses we're seeing today would be much higher, which is also a reason why QE, quantitative easing, was a really bad idea.

Now, I'm not an absolutist, in the sense that we should have some flexibility. In the very early days of COVID, when the Province of Newfoundland, I think it was, did a bond issuance and it went no bid, the Bank of Canada had to step in to keep a functioning bond market happening. However, when it was clear that the government's fiscal plan was incredibly stimulative, the bank enabled that government spending by not requiring the private sector to absorb most of that debt. What would have happened is that the private sector would have said, "You're borrowing too much money. We're going to demand a little bit more of an interest rate for that." That might have curtailed the government's spending decisions. That's how markets work.

For all these individuals out here—and I see the Twitterverse is full of experts, obviously—this notion that there was no market for long-term notes is complete baloney. Mexico issued long-term notes. The government of Austria issued a 100-year note, and other countries didn't engage in QE, Switzerland being a notable example.

• (2235)

By the way, what's the inflation rate in Switzerland? It barely ticked above 2.5% for the entire last three years.

The government is claiming some kind of victory, because inflation has been below 3% for four months. We've had 44 months of inflation over 3%, and we've had four months of... Maybe it was not quite 44 months, but probably at least 42 or 43 months. Four of those months had inflation below 3%, and the rest of them had inflation well above 3%. The governor of the Bank of Canada said in his own words that high interest rates hurt vulnerable Canadians the most.

Even if inflation were to drop to 2% today, even if inflation were to drop to 1% tomorrow, that would not mean prices would go down. All that means is prices stop going up. All of the pain that we see in the economy with affordability today will remain. Things won't be getting more affordable. The prices will just stop going up, which means people won't be getting relief.

**Mr. Philip Lawrence:** I seek a point of clarification, Chair.

**The Chair:** Is it for MP Chambers?

**Mr. Philip Lawrence:** Yes. Mr. Chambers talked about the increase in the cost of debt. I was unclear whether he was referring to the fact that one-third of Canada's debt will be refinanced at higher interest rates in 2024, or that the current average maturity is 6.9 years.

Which of those factors were you referring to, or were you referring to both of them?

**Mr. Adam Chambers:** Mr. Chair, I appreciate your allowing the intervention by my colleague.

I was indeed referring to both. If you compare Canada's average term to maturity, which is 6.9 years—now the government's been issuing more long-term notes over the years, which I suppose is good—we're way below our peers. I think Mexico's average term to maturity is around 18. The Province of Ontario has been issuing mostly long-term notes, as it did during COVID. The majority of the issuances of the Province of Ontario were long term. This notion there's no market for long term is bunk, to borrow a phrase. Of course, with an individual like Mr. Carney, I would love to explore some discussion about the government's borrowing during COVID and the central bank's participation in QE. As I recall, in 2013, then finance minister Jim Flaherty said that Canada would not do QE. Those were very wise words.

The countries that didn't engage in quantitative easing have far less inflation, far less asset price inflation. The people who benefit from inflation are those with assets. In a bizarre world where the government at one point was applauding itself for all of the work it had done to take people and families out of poverty, over the last three years has done more to put more families in poverty than all of the work they've done over the last nine years to help bring them out, because those individuals in the lowest income sectors are hurt the most. Bank of Canada Governor Tiff Macklem couldn't have been clearer, both at committee and in a speech he gave in May 2021, that the most vulnerable are the most affected by inflation.

Stats Canada is going to come out with the household balance sheet survey this week or next week, which will redraw the poverty line. That will be the first time that data will be available that will include the first full year of inflation, because I think the current data goes to the end of 2021. In this data, the poverty line will be drawn based on numbers until the end of 2022, if I'm not mistaken. What that will show is that, indeed, the lowest income individuals are hurt significantly by inflation.

Finally, along the same lines, the government's policies, mostly its spending policies, and its unwillingness to admit any role in inflation at all have contributed to inflation, or they haven't taken steps that would reduce inflation. By doing so, they have inflated the assets of wealthy Canadians, most notably in housing.

For a generation, Canada prided itself and had a pretty good Gini coefficient—low income inequality, very low wealth inequality—and we are now going in the opposite direction under a Liberal government that claimed that they really cared about income inequality. This data will show that we're losing ground. We're having more wealth inequality, and we're having more income inequality be-

cause the government has been unwilling to take any responsibility for causing inflation and are therefore not taking any steps to reduce inflation.

• (2240)

It's a bit bizarre to me that we're here, and it's this government.... Even the Prime Minister, just the other day, said that income inequality is not good. Yes, but with respect, Mr. Prime Minister, while your policies may not have been the sole cause, they have certainly contributed to inflation, and you're not taking any steps to reduce inflation, which is hurting income inequality and, certainly, wealth inequality.

On that basis alone, it doesn't really make sense. The government's fiscal plan certainly doesn't make sense. They want you to believe that all of the inflation happened outside of our borders. Inflation was already at 5% before Russia invaded Ukraine. It was going in the wrong direction. Multiple economists, including Larry Summers and Jason Furman, notably, in the U.S. at least, said that the fiscal expansion and the fiscal supports for COVID were going on too long and were going to create inflation. Very few people listened to them except for the leader of the official opposition, who said on the record multiple times that the government's loose fiscal and monetary policy ran the risk of creating significant inflation and, in fact, even asked questions of the finance minister about what would happen to the debt interest costs if the interest rate doubled.

Little did the official opposition leader know that, in just a few short years, the interest rate wouldn't double; it would quadruple. We went from debt interest costs of \$24 billion a year to, now, \$55 billion a year. In a few years from now they are projected to hit \$60-some billion per year, but that assumes interest rates will go down. If interest rates just stay where they are, that \$60-billion debt interest payment is going to get higher. That is even if they just stay where they are for six months, because the government is rolling over hundreds of billions of dollars of debt per year, but they're rolling it over at higher rates, including debt interest payments.

Then you have the Bank of Canada losses. I'm hoping we get a follow-up from the bank. I think they're supposed to provide us with a projection. This might be at OGGO, but the finance department is supposed to provide a projection of Bank of Canada losses for the next five years. The reason that's important is the assumption—the losses of the Bank of Canada—is interest rates are going to start falling over the next five years, but if that is delayed even by six months, the Bank of Canada losses will be higher because the Bank of Canada has basically underwritten, or is covering, the difference between the interest rate at which it initially purchased the bonds and the interest rate today. That's how we get Bank of Canada losses.

Never before in history has the Bank of Canada returned losses to the shareholders—the taxpayer and the government—but we have them now because the bank purchased all of that debt and now has to make up for the losses as interest rates have risen and the price of those bonds has fallen.

What's also interesting is I had the opportunity to talk to the senior deputy governor, Carolyn Rogers, who has been quite excellent as of late. This is why we have another voice at the table with experience in monetary and fiscal policy, as Mr. Carney has.

• (2245)

M2, which is the measure of money in the system, is still growing. The amount of M2 in the Canadian economy is still growing, which is bizarre, because the Bank of Canada is in a mode of what they call quantitative tightening, which is taking money out of the system. How is it possible that M2 is growing while the Bank of Canada is shrinking its balance sheet and taking money out of the economy?

Some of that could be related to M2 including the measure of money market funds, but to foreshadow a future answer from either Mr. Mark Carney or Ms. Carolyn Rogers when we get this information back from the bank, maybe the government's bond issuances, the new bond issuances, have the effect of creating money in the economy, that is, that fiscal policy is overriding monetary policy.

When that happens, the central bank has less control over the creation of money, because when the government decides it's going to issue another 70 billion dollars' worth of debt, it goes to the market, issues bonds and takes cash from those who buy the bonds, but then those financial institutions go to the Bank of Canada and they get the balance.... Basically, in not so many words, they get credited for it. They can borrow against the collateral of that bond, which creates more money.

The government's own fiscal policy is creating more money in the system.

The Bank of Canada, even just a year ago, released a paper. The title of the research paper is "The Central Bank Strikes Back!" It looked at how fiscal and monetary policy interact together, and where fiscal policy starts to dwarf out a central bank's monetary policy tools, notably, the ability to create money and the ability to set interest rates.

With the Government of Canada's fiscal plan from the time of COVID until now, the doubling of the national debt and the debt management strategy that sees every year between \$60 billion and \$80 billion of new borrowing required to meet the government's financing plans, its fiscal plans, has the effect, or may have the effect—I hope the bank will clarify this for us—of increasing the money supply, which—guess what, Mr. Chair—increases inflation. It is a contributory factor to creating inflation when you have money creation, and the central bank is now cut out of the decision on whether to create money, because it's the fiscal plan that's doing it.

Now, I did want to turn back to the podcast. I'm just kidding for the interpreters, because I know they don't have it. It's okay. I'll save you that. I would like to apologize for my performance the

other day. It's a very good lesson for those people who go on podcasts to think about what the transcript will look like when you're done, because, oh my gosh, was that garbled. All I did was just read it like it was provided.

I feel that Mr. Carney's book, *Value(s)*, would be.... It has obviously been edited, so it's probably written in a way that's more consumable. If I thought that Mr. Carney would give me royalties on narrating that book, I think I would do the audio version. I don't think it is available on Audible.com in an audio version, but I think I would make my services available to Mr. Carney, only in one official language, of course, because I'm not well skilled in the other. I could maybe read it, but it would be very bad.

• (2250)

If Mr. Carney's book is not translated, I could read the book. Then, we could take the transcript, and it would be translated.

I wonder if he would enjoy that. We could make it available in multiple languages.

I've gone on almost as long as it seems. I don't know if that joke translates well in French. I'm not sure. I'll have to check the transcript.

There is a good joke, actually, that minister Flaherty used to use. You're giving a speech in an auditorium, and people start leaving the auditorium one by one until there's one person left. The speaker says, "Sir, I really appreciate the fact that you stayed to hear my speech." He says, "Don't thank me. I'm the next speaker."

With that, I've held off my friend Mr. Genuis for as long as I can.

**Mr. Philip Lawrence:** He's not very happy.

**Mr. Adam Chambers:** He's like a horse in a stable. He's ready to go. He's champing at the bit here. He really wants to get out there. I think he's next on the list, so I'll wrap up.

I hope we have an agreement tomorrow. I appreciate the fact that government has seemingly moved on some of its positions, and I hope that we can come to some conclusion with input from our colleagues in the Bloc and the NDP about what's a reasonable timeline in terms of getting the bill out of committee, or when we think we could get it out of committee or start our final clause-by-clause.

I suspect we might be able to agree if it were June 3, but I'll just put that out there as a marker. Perhaps we could pick that up tomorrow morning, and then we may be able to hear from witnesses next week as best we can, understanding that we will put in some additional witness testimony or additional meeting hours next week so that we can hear from witnesses. I'm hoping that the 12 hours of witness study will satisfy the NDP, which was hoping for more witnesses from the beginning.

I'm hopeful that we can actually get to a witness study. I don't think it's a great practice if we have House instruction for budget bills, or certainly any bill that's 600 pages—really any bill at all but at least a budget bill that's 600 pages.

Mr. Chair, I appreciate your indulgence, the wide latitude that you've provided me here this evening. I expect that Mr. Genuis will not have the same latitude and will be held very rigidly to the relevance of the sub-amendment, but thank you very much for your indulgence. I appreciate it.

Good night and Godspeed.

● (2255)

**The Chair:** Thank you, MP Chambers.

**Mr. Ryan Turnbull (Whitby, Lib.):** I have a point of clarification.

**The Chair:** Just before we go to our next speaker, which is MP Genuis, I want to say that I don't agree with everything that MP Chambers had to say, but I do appreciate his approach. He's been calm. He's been considerate. He's been very respectful here in this room.

Thank you for respecting our interpreters and reaching out to them and allowing them to follow in a paced manner so that they can do the job that they do. I thought that was great. I would hope that other members would do that.

Unfortunately, we do have some members, or those who come as guests at times, who do not demonstrate that type of professional behaviour. The professionalism that I just saw from MP Chambers, I would hope would hold through the room.

We're going to move on to MP Genuis.

**Mr. Ryan Turnbull:** Can I make a point of order?

**Mr. Garnett Genuis:** I believe Mr. Turnbull has a point of order.

**Mr. Ryan Turnbull:** It's more a point of clarification.

My apologies to Mr. Genuis, who I know is anxious to get started on his speech tonight.

Could we check what resources we have for this evening, and whether there's been any change to the resources that we might have available to go beyond midnight if we need to?

**The Chair:** I can look into that.

Thank you, PS Turnbull.

MP Genuis.

**Mr. Garnett Genuis:** Thank you very much, Mr. Chair.

First of all, I'll say that it's an honour to follow my friend Mr. Chambers. He and I have the honour of co-chairing an organization called the Parliamentary Friends of a Democratic Burma, where we work together to promote justice and human rights for the people of Burma. I will briefly plug the work of that group. It's open to all parties. It's been a pleasure to work with him on that, as well as to hear more tonight about his work and experience with economic issues.

I have a lot to say on the substance of the issue before us, but I want to begin by making some comments about the workings of this committee and respond to your disparaging personal remarks about me.

I'll begin by noting that I didn't read the Standing Orders yesterday. The Standing Orders of the House of Commons, which establish rules for the operation of this committee, include Standing Order 119, which states:

Any member of the House who is not a member of a standing, special or legislative committee, may, unless the House or the committee concerned otherwise orders, take part in the public proceedings of the committee, but may not vote or move any motion, nor be part of any quorum.

I think that section is extremely clear. That's not in some Speaker's ruling, commentary or supplementary—

**Mr. Ryan Turnbull:** I have a point of order, Mr. Chair.

**The Chair:** I'm going to interject.

**Mr. Garnett Genuis:** That is one of the Standing Orders.

**The Chair:** There's a point of order.

PS Turnbull.

**Mr. Ryan Turnbull:** I'm sorry. I believe we're still debating a subamendment.

Actually, the subamendment was withdrawn, so there's an amendment on the floor. I'm not sure—

● (2300)

**The Chair:** We are on the subamendment.

**Mr. Ryan Turnbull:** Yes, it's the new subamendment. I apologize. I misspoke there for a second.

However, I'm not sure what the relevancy of Mr. Genuis's argument is here.

**Mr. Garnett Genuis:** I'll bring it back.

**Mr. Ryan Turnbull:** It sounds like he's going back to something that happened yesterday, which doesn't seem relevant to the debate at hand.

Maybe you could bump him gently back into the lane.

**The Chair:** Thank you, PS Turnbull.

What I will do is clarify for MP Genuis that the Standing Orders state that, if not subbed in, the committee may not authorize the member to speak. It is a committee decision to do so.

There was no implied consent from this committee for you to do so, MP Genuis. I think you understood that. That is the standing order.

You can get on now with the debate.

**Mr. Garnett Genuis:** Chair, just on that point of order—I am keen to avoid crosstalk, so I let you finish and now I'll make my comments—you said, “the Standing Orders state”. Then you read some text off your phone, or appeared to behave as if you were reading some text. The text you were reading is not actually text in the Standing Orders. If it is, I wonder if you could cite the specific standing order.

What I just did was say that I was about to read Standing Order 119, and then I proceeded to read Standing Order 119. You asserted an idea, a concept, a doctrine. I mean, it might be what you think the Standing Orders should be, but it's not actually what the Standing Orders are.

Standing Order 119 explicitly says the following:

Any member of the House who is not a member of a standing, special or legislative committee, may, unless the House or the committee concerned otherwise orders, take part in the public proceedings of the committee

What that means is that if there is an order of the committee, one that the committee has adopted and that the committee has voted on, to say that notwithstanding the usual practice, it will not allow associate members to raise points of order or to speak—and the committee may adopt such an order—then that order applies. However, in the absence of an order, the rules established under Standing Order 119 apply. This is what every single other chair in this place knows and has applied.

Now, I think we have a general problem in terms of understanding how rules should apply and what constitutes decorum, because you got very angry at me yesterday and proceeded to make all kinds of disparaging personal comments. I don't take that personally, but I'm concerned about adherence to the rules. You got very angry when I repeatedly tried to raise points of order that simply involved stating the rule that every other chair knows. You don't know that rule, or maybe you don't want to know that rule, but Standing Order 119 doesn't give you the discretion to ignore it.

I hope we don't have this problem going forward. I would like to spend as much of my time as I can on the balance of my remarks. I just think it's important for you to understand that your authority as chair does not come from your arbitrary will. Your authority as chair emanates from the rules. The rules establish that you, as chair, do have certain authority over certain matters. You also don't have authority over other matters. You can't order a member to change their tie colour or to get a haircut or something. That's outside your jurisdiction as chair. You can order a member to take certain action in the context of a committee meeting. When a member moves a certain motion, you can proceed to call it. There are actions that you can take as chair. Those are prescribed by the rules.

What was happening yesterday was that you were kind of demanding adherence to your arbitrary will, even though your arbitrary will was explicitly at odds with what was in Standing Order 119. You characterized my actions in the committee in curious ways. You said that a member can't just barge into a committee, sit down at the table and raise points of order.

Well, actually, a member is welcome to enter a committee meeting. That's what Standing Order 119 says. There are special cases where a special order has been adopted, but a member is welcome to enter a committee room. Any one of my colleagues can go into any committee room.

In fact, it may have just occurred. A member who may not be a regular member of this committee has just walked through the door of the committee room. I would affirm his right to do so. I wouldn't characterize him as having barged in. I would say he has a right to come into the room. He's providing, in fact, an object lesson in precisely the point I'm making. Some would deem his action of bringing donuts as disruptive. I do not. I affirm his right, his privilege, to proceed as he has. If this gentleman were to sit at the table and raise a point of order, again, he would be protected by Standing Order 119 in his ability to do so.

I hope that can be received, Chair, in a spirit of fraternal correction, because I have sensed the hostility you feel. I do just want to challenge all chairs to know the rules.

• (2305)

The rules are what protect your credibility in your position, and you don't have problems of order if you exercise the authority you're given by the rules.

I hope we will be able to operate going forward on the basis of adherence to the rules, and Chair, that you and I will have a more constructive and warm relationship going forward.

I will continue to enter committee rooms and to assert my right as a member on behalf of my constituents to do their work. I am not a regular member of the finance committee, but, nonetheless, my constituents do have an interest in finance issues, and they want me to speak—

**Mr. Ryan Turnbull:** On a point of order, no doubt, based on Mr. Genuis's comments, I'm able to make a point of order at any time.

I just want to ask for relevance again. Mr. Genuis has gone on for a good length of time about something that happened yesterday, on which, quite frankly, I think you ruled fairly.

I know that Mr. Genuis did not contest the chair's ruling on that; if he had, we could have voted on that. In any case, my main point is, could he get back to the matter at hand, and could you encourage him to stay relevant? There is a standing order on that, which I can cite if you would like.

**The Chair:** You want him to stay relevant—

**Mr. Ryan Turnbull:** I can find that if you need it.

**The Chair:** MP Genuis, could you get back to the debate on the subamendment, please.

**Mr. Garnett Genuis:** Well, thank you, Chair. It is gratifying to know that my soothing manner has put the committee in a good mood. If only the chair had allowed me to speak yesterday, I might have been able to calm the storm. But here I am now, and Mr. Turnbull won't have to wait any longer, because although I do think my earlier comments were relevant, I do want to speak now specifically about the programming motion.

**Mr. Ryan Turnbull:** On a point of order, Standing Order 11(2) under Order and Decorum speaks to relevance. Thanks.

**The Chair:** Thank you, PS Turnbull.

MP Genuis, go ahead.

**Mr. Garnett Genuis:** Thank you.

I want to thank Mr. Turnbull for that as well as the people elsewhere in the room, who no doubt played some role in furnishing him with that so quickly.

I never disputed that such a standing order existed. I was just curious as to whether he knew it. But I will say, of course, that the interpretations of relevance have some latitude, especially when you're responding to previous comments that were made. If a member, say a chair, made a comment and I was responding to comments that were made in a debate, it would be hard to say that responses to previous comments made in a debate were not relevant if those previous comments were deemed relevant.

**Mr. Ryan Turnbull:** Can I use the Simms protocol and maybe ask Mr. Genuis whether latitude and discretion for chairs on other standing orders also apply?

**Mr. Garnett Genuis:** I do love that the Simms protocol is being cited, because I recall that from the days of our great discussion back at PROC in the 2017 period, when Mr. Turnbull wasn't even a member.

**The Chair:** Mr. Genuis, let's take a page out of MP Chambers' book and the way he acted, and let's get on with your debate.

• (2310)

**Mr. Garnett Genuis:** I think we're furnishing Mr. Chambers with some great material for his householders, so let me go further and say that every day I wake up and think about how I can be more like Adam Chambers in how I comport myself.

Mr. Turnbull had a clever retort, which I missed. I wonder if we could use the Simms protocol to allow him to say it on the record. It would be a tragedy if that weren't captured by Hansard.

**The Chair:** MP Genuis, PS Turnbull and everybody else, please, for those who are not speaking, enjoy your apple fritter, which came through thanks to Minister Beech.

Now, MP Genuis, please return to the debate.

**Mr. Philip Lawrence:** Just on a brief point of order, clearly Mr. Turnbull was making an insult against his colleague Mr. Weiler, who was indeed attempting to be Mr. Adam Chambers.

**The Chair:** MP Genuis.

**Mr. Garnett Genuis:** Thank you. The Leader of the Opposition has certainly done wonders for the promotion of apples in this country, and I'm glad to see that apple fritters have even been embraced by our colleagues across the way.

I want to speak about the programming motion that is before this committee. Sadly, I will have to condense my remarks because Mr. Chambers had a great deal to say. It was very good, though. Maybe if I don't finish, I'll continue at a subsequent session.

What is before this committee is a programming motion in relation to the budget, and we are debating an amendment and a sub-amendment on that programming motion. This programming motion prescribes or seeks to prescribe a series of very specific things about how the study of this budget bill will unfold. The first observation I wanted to make is that it strikes me as curious that the finance committee has seemed to have this persistent practice of thinking that it needs to have a very prescriptive, specific programming motion before it begins the study of a budget bill. This has not been, in my experience, the way most committees have proceeded with the study of legislation.

Inevitably, the process of studying legislation may take you in a variety of different directions. It may be an inquiry that you think at points is going to be simple and it ends up being complex. At other points, you think it's complex and it ends up being simple. Or you hear from one witness who says we really must hear such and such a person, and there is a certain natural ebb and flow. But then there's also maybe a time when members say, okay, we've heard enough. A committee doesn't have infinite time to study a matter. We may decide we really need additional meetings, so we're going to schedule extra meetings, or we don't need the time prescribed, so we can schedule fewer meetings. The normal thing, it would seem to me, when you're undertaking any kind of inquiry, would be that you have some flexibility in the context of the inquiry.

I can't imagine a person, for instance, starting a Ph.D. thesis and saying that it will take  $x$  number of years, months, days and hours, and once time has elapsed, I will stop there, regardless of whether or not I'm finished or something. That wouldn't make much sense. We are bound by timelines to some extent, but inquiries should have some degree of flexibility to them. Yet, a number of times that I have subbed in at this committee, it has been because in advance of consideration of the subject matter at all we have this NDP-Liberal coalition wanting to prescribe the parameters of study, including in that prescription very specific draconian measures about what would happen if a timeline is not met.

I will say that I think this would be actually quite surprising to many of my constituents, that the proposed programming motion says that if after a certain point in time certain aspects of the bill have not been considered or disposed of:

all remaining amendments submitted to the Committee shall be deemed moved, the Chair shall put the question, forthwith and successively, without further debate on all remaining clauses and proposed amendments, as well as each and every question necessary to dispose of clause-by-clause consideration of the Bill, as well as all questions necessary to report the Bill to the House and to order the Chair to report the Bill to the House as soon as possible;

What that means is that at a certain point in time—and we have seen this happen at certain committees—after that time has elapsed, the chair simply reads out amendment number 13, clause 42, and members vote yea or nay. The clause isn't read; the amendment isn't read. If members of the public or stakeholders are trying to follow what's going on, they receive no information whatsoever about what's happening. It is in my judgment, one of the most, if not the most, outrageously undemocratic things that we allow to happen in our democratic legislature, to have committees vote successively and without debate on amendments and clauses.

There may be cases where committees decide to adopt time limits for members or for amendments or for clauses.

• (2315)

Although those things don't exist automatically, it is within the rules to allow the adoption of such provisions by the committee. The putting of questions successively without debate or amendment, and without those questions even being read, I would say, presents a profound challenge to the way our democratic institutions should function.

By the way, how we've seen that interpreted.... For instance, in the case of the natural resources committee, which is, I think, the last place and time this occurred, the putting of those questions successively and without debate was done in a way that did not allow the movement of any subamendments. The decision not to move subamendments provided greater latitude for the moving of subamendments in the House. This led to 48 hours, or maybe 36 hours, of successive votes on motions in the House that could have been properly disposed of at the committee stage.

Even if the government's objective is to ram things through as quickly as possible, it's actually counterproductive to what seems to be its own objectives. I'm not generally in the business of giving the government advice, but that point, at least, is notable.

It's important for Canadians to understand what's happening here. We're at the finance committee, which is charged with studying the budget bill. The committee has not yet received the budget bill from the House, yet the government is putting forward—

**The Chair:** I'm going to interject. I'm sorry, MP Genuis.

We have received the budget bill. We have.

**Mr. Garnett Genuis:** Was that just now?

**The Chair:** We received it today. Yes.

**Mr. Garnett Genuis:** Okay. The committee has just received the budget bill—just today.

To Mr. Turnbull's point, the government proposed, even before the budget bill had been at this committee, that the committee would, if the preferred timelines were not met, dispose of every aspect of the bill without debate or amendment.

My preference would be, in terms of the operations of this, that the committee not try to adopt a programming motion, that it would just proceed in the usual fashion that committees operate: it invites witnesses, ministers come and present on the bill, witness lists are submitted, and the work of the committee is able to unfold. Yet, this government does persist in wanting to proceed, I think, in a way that undermines the effective functioning of our democratic institutions.

There was a lot of discussion today about trust in institutions and about potential threats to democracy. In that context, I think it's important to just reflect on the responsibility of democratic institutions to try to be trustworthy, to earn the trust of the public by being transparent, by operating in ways that allow proper public scrutiny, questioning and proper democratic debate. I would think that Canadians, who are just reflecting on how much trust they should or should not have in our democratic institutions, if they were to turn on CPAC to watch a committee, and they were to see that questions were being called and voted on not only without debate, but without those questions even being read, I think they would see that as a problem.

I hate to prevail on Mr. Chambers again after how well he's done tonight, but I do wonder if he would put some water in my glass at this point.

**Mr. Adam Chambers:** I'll put some water in that wine.

**Mr. Garnet Genuis:** Thank you. No, there's no wine there, unfortunately.

The subamendment we're debating deals with the proposed invitation of Mr. Mark Carney to appear before the committee. It reads as follows:

That the week of the 28th and future meetings be dedicated to hearing from witnesses for no fewer than 12 hours and the clerk invite Mr. Mark Carney as a witness to testify with respect to Budget 2024, the economy and the environment for no fewer than two hours.

This has been something we've put forward. Conservatives are interested in hearing from Mr. Mark Carney for a number of different reasons. I will just point out that although committees do not have the power to order the appearance of a minister or a party leader or a member of Parliament or a prime minister, these are positions that Mr. Carney, according to repeated news reports, aspires to, but he doesn't currently hold, which means that the committee actually does have the power to order the appearance of Mr. Mark Carney. Yes, the committee could decide to compel his appearance.

Conservatives have taken, I think, a very measured, moderate and respectful approach in this case, and we have not put an order to appear in the subamendment. We haven't suggested consequences for non-appearance. We haven't proposed, for instance, the matter could be referred to the House as a matter of privilege if Mr. Carney did not appear. This is merely an invitation—I should say a genteel courtesy—provided to somebody who no doubt has an evident interest in participating in public debate around the matters that have been described in the motion—the budget, as well as the economy and the environment more generally.

Mr. Carney seems to actively seek platforms on which to speak about his perspectives on these issues. It can hardly be thought of as hostile or unkind for the gracious and genteel members of the Conservative caucus in this committee to offer this invitation to Mr. Carney.

● (2320)

This subamendment could be adopted, and Mr. Carney might write back to the committee and say, “No, thank you. I prefer softball questions to the challenging, thoughtful and probing questions that members like Mr. Chambers might ask.” That might be his response. The motion as written does not prescribe any negative consequences if he were to provide that response.

I wonder why the Liberals have been so triggered by an invitation that might be offered to Mr. Carney. I will just note that a similar invitation has been extended by various Liberal conventions. If Liberal conventions could invite Mr. Carney to speak without objection, then why would these same members object to him appearing before this committee? We might ask him somewhat more substantial questions than the current Minister Ien did. Nonetheless, he is a public person seeking public platforms to comment on public issues, and we are providing him with an invitation to participate in that public debate.

It's not clear to me why the government in general, and I believe the NDP as well, have not warmed to this recommendation, although maybe the NDP are in favour of it. I guess we'll see.

The key point here is that it's an invitation. It may be that government members don't want Mr. Carney to appear because the Prime Minister is uncomfortable with our willingness to help Mr. Carney raise his profile. It may be that Mr. Carney does not want to receive the invitation, although surely if he didn't want to receive the invitation, he could simply decline it and that would be that. The implication of the unwillingness of government members to allow Mr. Carney to be invited suggests that maybe he would be willing to appear.

There are others who do not want him to appear. Perhaps the Liberal whip is considering a Liberal leadership run herself and would rather not provide Mr. Carney the profile and has provided corresponding instructions to committee members. They're curious, the steps that have been taken by the Liberals; therefore, it does invite these kinds of speculations about the curious machinations going on in the Liberal caucus these days.

Why do we want to hear from Mark Carney?

One thing I should mention before that is that Mr. Carney recently appeared before the Senate finance committee, I believe. It is also curious that he was happy to make himself available to that committee.

We have two chambers, the House and the Senate. A third chamber is here, Adam Chambers. We have the House, the Senate and Adam Chambers. We have three chambers in our system. Mr. Carney has appeared before one of them. We would propose that he have a chance to appear before the other two at the same time. Why is there a willingness to appear before the Senate and not the House?

There were very talented Conservative senators who did appear and did ask questions of Mr. Carney. Surely elected members of the House speaking on behalf of their constituents should have the opportunity to do the same.

Why is it that we have an interest in hearing from Mr. Carney? I think that there are a number of different reasons. The perspectives that Mr. Mark Carney has on the budget and on other topics related to the economy and the environment are an important matter of speculation, because Mr. Carney is very clearly positioning and organizing himself to contest the Liberal leadership when it becomes available.

• (2325)

Nobody knows the day or the hour when that will occur. It will of course occur at some point. Such is the nature of things. The expectation is, based on the positioning, on the campaigning that's happening by Mr. Carney and his team, that he will contest the leadership of the Liberal Party.

I will say as well that the Liberal Party has a history of having somewhat undemocratic leadership races. They have a history of trying to engineer coronations for chosen candidates. I think, for instance, that a previous chosen one was Michael Ignatieff, much favoured by the Liberal executive, showing their political insight in the course of engineering that leadership race at that time.

If Mr. Carney contests this and if he is the chosen one of the Liberal elites, he may even briefly serve as prime minister prior to the

next election. We don't know, of course, but it is in the context of his leadership positioning that there is a great deal of speculation about what his views are on various subjects and how those views could inform the direction of our country. It is in that spirit of trying on behalf of our constituents to get clarity on the approach he would take on certain issues that members are seeking his attendance at committee.

There's another particular reason why I'm interested in hearing from Mr. Mark Carney. Before I get to that, though, Chair, I do want to make sure we have quorum because I want to make sure members hear what I have to say.

Do we have a quorum?

• (2330)

**The Chair:** Yes, we do have quorum.

**Mr. Garnett Genuis:** Excellent. I'm glad that's been clarified, Chair, and I welcome back the members who have returned to us for the purposes of quorum.

A few years ago, I read Mr. Carney's book, *Value(s)*, because I was curious to know what he had to say. It was interesting. It probably reflects themes that the current Prime Minister would associate with himself as well, but it was expressed in a somewhat more sophisticated tone than maybe we hear from the current occupant of that position.

I do think it's an interesting read. I disagree with a lot of it, aside from the speculation about current politics and leadership positioning and specific issues that are raised by the specific measures in the budget. I would be interested in having the opportunity to engage Mr. Carney in a discussion about his thesis more broadly.

I do notice that generally, in the aftermath of the publication of that book, he gravitated towards softball-type interviews where people said, "Oh, you've written this long book. Isn't this phenomenal? Not everyone can put that many words in a row. Tell us how it felt. Where can people buy the book?" and so forth. This is the quality of journalism that you get when you subsidize it with the public purse.

However, I think there are interesting ideas in the book that should be substantially debated because they perhaps entail unseen or at least less obvious problems. He has seemed to shy away from hard-hitting debate or challenge in relation to his ideas. I think this committee, frankly, would provide that opportunity. I'm not going to promise that we will assume the same softball tone that he has experienced in certain other fora, but it will be an opportunity to have substantive debate around those ideas.



I pulled up a Guardian article here that summarizes the book. I'm not sure if the proper way to say it is "value" or "values" because, in the title of the book, he has the "s" inside brackets, which is, I think, intended to demonstrate the question of what is a value and what are values at the same time. It is a legitimate sort of literary device, although it makes it somewhat ambiguous to know how the title should be read out. Anyway, there's a review I found in The Guardian when I was just reflecting on what I was going to say about his ideas that is a bit fawning, sadly, but I will nonetheless read it because it does at least give you that perspective. I'll read parts of it anyway. If it's too fawning, I may just have to stop.

The Guardian editorial describing the book says the following—

**Mr. Philip Lawrence:** I have a point of order.

I think that's on the Internet. Is it possible for Mr. Genuis to give a link to the clerk to give to the interpreters to help them interpret that?

**Mr. Garnett Genuis:** All things are possible, but not all things are profitable. I think that is the—

• (2335)

**The Chair:** Can you provide as much information as possible to the interpreters to help them do their job?

**Mr. Garnett Genuis:** I was about to send it to FMO by accident. The appropriate email is FINA. That's not to suggest that I email FMO so regularly that it comes up automatically, Chair. I wouldn't want that.

**Ms. Rachel Blaney (North Island—Powell River, NDP):** Do you want us to spell it for you?

**Mr. Garnett Genuis:** It's a good thing this isn't the spelling committee, Chair.

**Ms. Rachel Blaney:** I'm just trying to help—solidarity.

**Mr. Garnett Genuis:** Thank you. I appreciate the solidarity shown by colleagues.

I am now sending the link to FINA@parl.gc.ca. I hope I spelled that correctly.

I'm not sure if I'll read the entire thing, but I will at least reference it, as a kind of preface, and then I want to present some of my counter-arguments.

The Guardian says:

If 25 years ago anyone had suggested that one of the world's most prominent ex-central bankers would launch an intellectual broadside at free market fundamentalism for shredding the values on which good societies and functioning markets are based, I would have been amazed. If, in addition, it was suggested [that] he would go on to argue that stakeholder capitalism, socially motivated investing and business putting purpose before profits were the best ways to put matters right, I would have considered it a fairy story. Although writing in this vein in the mid-1990s made my book, *The State We're In*,—

It's sort of fawning over self as well, which is typical of certain writing. Anyway:

—one of the past century's political bestsellers, the newly elected Labour government was terrified of going near most of it for fear of being cast as anti-business and interventionist. Now Mark Carney, governor of the Bank of England until this time last year, has turned his hand to driving ideas once considered eccentric into the mainstream.

This continues, sadly:

In a mix of rich analysis mixed with pages that read like a dry Bank of England minute—

It's not too fawning at that point. Anyway:

—he blames the three great crises of our times—the financial crash, the pandemic and the climate emergency (he is the UN's special envoy on climate action and finance)—on twisted economics, an accompanying amoral culture, and degraded institutions whose lack of accountability and integrity accelerate the system's disfunction. Thus banks lost control of reality in a fantasy world in which balance sheets could grow exponentially without risk—another market would handle that—indulged by governments and regulators who believed that markets were always right.

Then came the Covid pandemic, for which western governments were singularly unready, relying on dubious cost-benefit analysis rather than valuing what we as humans tend to—our lives and looking out for one another. The same mistake is being made with climate change.

Maybe I'll pause there, because I can only take so much of this at once.

To make one sort of general observation about this kind of critique of markets, I always find it curious when people critique markets or say that markets have failed because they don't do the things that they were actually never intended to do.

The private market has a specific purpose. It's designed to allow free people to acquire goods in exchange for other goods, for things they own. It is designed to facilitate the creation of wealth. The market has certain defined objectives. Markets are not and should not be thought of as the source of ultimate meaning and purpose, as the furnisher of all material and non-material goods for human beings. That's not the purpose of markets. Nobody thinks that's what markets do or should do.

When you have some of these arguments that present themselves as critiques of the market system because the market doesn't furnish us with perfect happiness, that's like saying I hired an economist to paint my fence and he didn't do a very good job. That doesn't mean he's a bad economist. It just means that you're trying to apply one skill set to an activity that is unrelated to that skill set.

Of course markets don't guarantee social cohesion or happiness or perfect harmony: There are other activities and institutions that have as their objective the realization of those ends. It is curious to hold markets accountable for failing to do the thing that they were never supposed to do.

• (2340)

This is part of Mark Carney's critique in his book. He says isn't it terrible that a market-oriented capitalist system hasn't done all of the things that it was actually never supposed to do. What free markets have done is that they have lifted people out of poverty. They've furnished societies that have used them with significantly more prosperity and flowing from that prosperity choice than would have been possible without the use of the tools associated with a free market. Well-functioning market systems lend themselves to innovation, to the development of new technology, to flexibility, to a more empowered citizenry, to a situation in which opportunity is more accessible to more people, where social relations aren't calcified based on the class people are born into, or at least not to the same extent, and a less well-off person can come up with ideas that allow them to advance their material condition.

These are all good things and are reasons why conservatives are generally supportive of market systems. The conservative tradition, though, has always emphasized the primacy of non-material values. It recognizes non-material values like a recognition of the role and importance of faith, of family and freedom, of subsidiarity and solidarity. There's a recognition of universal human dignity, responsibility and creativity, and that these non-material values are the foundation of a good society. A society that only focuses on the material and not on the realization and advancement of non-material values is not going to succeed.

It has been certain forms of left-wing thinking that actually have tended towards the extremes of materialism, and that has generally not been characteristic of the conservative tradition. In fact, if we go back several hundred years, there were times when what was called conservatism did not include the same sort of positive orientation towards the free market that we associate with conservatism today. Yet, this sense of the primacy of certain kinds of non-material values has always characterized the conservative tradition through, I would say, the entirety of its existence.

As for the critique that at first blush is advanced by this book, that markets don't solve every problem, of course they don't. That's on one level trivially obvious, but the trajectory of his sort of developing argument goes in a dangerous direction.

**The Chair:** I'm suspending for five minutes just for a health break for myself.

• (2340)

(Pause)

• (2345)

**The Chair:** We're back.

MP Genuis, go ahead, please.

**Mr. Garnett Genuis:** Thank you, Chair.

I did say off-mic that since I offered some criticisms of your chairing approach, I want to balance that criticism with some affirmation. I think it was a legitimate use of the chair's discretion to call a suspension when you did, so I do want to commend you for using your powers in ways that accord with the parameters established by the history of this institution and the Standing Orders.

We are discussing a subamendment to a programming motion. The programming motion is about a 600-page budget bill that will be coming before the committee, the budget implementation act, which implements the budget and makes various changes to a substantial number of other statutes. I recall how the current Prime Minister, before he was in office, promised that there would be no more omnibus bills and that he would do away with the practice of omnibus bills. I'm not sure, and my colleagues can correct me if I'm wrong, but it seems like this may be one of the longest budget implementation acts that has ever existed in the history of this great nation. It is the biggest budget bill for the biggest debt for the biggest government that we have ever seen.

Of course, Conservatives prefer a small government and big citizenship, a big society characterized by the kinds of non-material values I was speaking about before, but also by the freedom for individuals to engage in productive commerce, to make good ideas go and to test their ideas against the choice of their fellow citizens.

We have this large budget bill that has just been delivered to this committee, but prior to the presentation of that budget bill, our dear friends across the way put forward a programming motion. The nature of that programming motion is to prescribe specific time parameters around when, how and for how long this committee will hear from various people over the course of its study and to provide a kind of cliff cut-off that, after a certain point in time, not only will there be no more discussion but even no more reading out of amendments and the rapid disposal of the aspects of this legislation will occur.

As I said earlier, it's doubtful that such a programming motion is necessary at all. I think that if we were to adjourn this meeting and the chair were to proceed to invite witnesses to appear on the budget bill, the committee could quite easily proceed with its work.

In that context, by making proposals and raising objections to various aspects of this programming motion, the Conservatives are not in any way whatsoever impacting on or impeding what could be the work of the committee. It would be a simple matter for the committee to say, "Okay, we're ready to adjourn." We're ready to then have the chair put out notices of meetings for subsequent meetings that involve witnesses appearing.

The usual manner of witnesses appearing is that we start with ministers, ideally for two hours, providing testimony on the bill that is before the committee. Subsequently, various witnesses will be called, and those witnesses will be identified through the submission of witness lists from parties. Those witnesses will be scheduled in accordance with their availability in a manner that is fair to all parties. That is the normal way committees undertake their work. The committee has the flexibility as that work proceeds to understand the appropriate timelines that should be associated with that work and, as that unfolds, to then decide that they've heard enough and are ready to proceed to clause-by-clause or that perhaps they haven't heard enough and maybe they want to hear from additional witnesses. These are normal ways that committees operate.

• (2350)

We're seeing this government continue to operate in a draconian and, I think, dangerously undemocratic fashion by putting forward very long budget bills that are designed in a way to minimize the public scrutiny that they're subject to. Also, in the process of putting these long budget bills, they put them forward relatively late in the budget cycle, as my colleague Mr. Chambers spoke about, and then try to prescribe a narrow and rapid timeline for these processes to unfold. I think the committee could do its work well if it simply did its work in the normal fashion.

That is the kind of general context of the debate we're having.

Conservatives have made a number of proposals that relate to at least cleaning up aspects of this programming motion to take out the worst and most draconian parts of it.

Our original amendment still involves establishing a date on which clause-by-clause consideration would begin, but it allows that clause-by-clause consideration to unfold without a kind of cliff provision, such that after a point in time had passed there would be no more reading of the questions and no more debate whatsoever.

Following that, we have also put forward a subamendment that establishes the following:

That the week of the 28th and future meetings be dedicated to hearing from witnesses for no fewer than 12 hours and the clerk invite Mr. Mark Carney as a witness to testify with respect to the Budget 2024, the economy and the environment for no fewer than two hours.

I was talking a little bit about Mr. Carney's philosophy that he's been advancing recently and what he's been talking about in the context of his recent book. I was quoting from various places that describe it.

It may be logical for me to identify his core argument in a more summative way and then talk about it.

Before I do, I want to observe that the other element of this subamendment is to state that we will hear from witnesses for "no fewer than 12 hours". I'm not sure the exact page number, but with a budget bill of at least 600 pages—perhaps more than that—12 hours of witness testimony is 50 pages of the budget bill per hour. That doesn't seem like a lot of witness testimony in proportion to the number of hours for the content and the detail of a budget bill.

In context, that means roughly one minute of witness testimony would correspond to one page of the budget. That is a very limited amount of time, given the way each page of this budget bill goes through specific legislative changes that repeal or add certain legislative provisions. That is just overwhelmingly minimal, actually, in terms of what's been put forward. I think it's hard to argue that we're not being reasonable in terms of prescribing the amount of time.

• (2355)

I've been at other committees where you might have a relatively short private member's bill that's one line or a few pages, that is the subject of multiple hours of witness testimony, of very detailed negotiations among parties. We're in a minority Parliament, so you would hope aspects of this legislation could be the subject of debate around what amendments might be considered and supported. It is

the normal thing. It should be the normal thing for those aspects of the legislation to be subject to consideration and negotiation in a reasonable process and over a reasonable amount of time. Also, the committee might be able to hear in the course of its witness testimony from different witnesses with expertise on different aspects of the proposed changes.

I know the budget bill contains some specific provisions that relate to my portfolio, international development, that make some technical changes with regard to how changes are made.

As I said, the failure to provide the appropriate rural top-up to the people of York—Simcoe is a primary grievance of members of our caucus. We have been fighting persistently, at the prompting of the member for York—Simcoe, for that rural top-up to be provided.

By sheer coincidence, just as I was raising that issue, the member for York—Simcoe has joined us today. I think members will affirm that I have spoken of nothing else but the top-up for the residents of York—Simcoe—

**An hon. member:** It's the soup and salad bowl of Canada.

**Mr. Garnet Genuis:** —the soup and salad bowl of Canada, as it's known in the mind of the member and perhaps other places as well.

Chair, I see there are bells going. Is that relevant to us or not? That's just signalling, I suppose, not the end of anything other than the proceedings of the chamber. Normally it signals a vote, but nobody has called a vote at this time, so I'll continue.

I do welcome a number of members who've joined us. I want to assure the new members who are entering the room that we have successfully established that Standing Order 119 applies in this committee, so you are welcome to be here and exercise your rights as members of Parliament.

We have before us an amendment and a subamendment that no doubt have some relationship to the rural top-up, but also deal with the broader aspects of the budgetary policy of the government. It proposes, as I was discussing, that no fewer than 12 hours be allotted for hearing from witnesses. I've emphasized, given the length of the budget, that that works out to roughly one page of the budget per one minute of testimony, which, I would say, is the floor, not the ceiling, in terms of the amount of testimony this committee would want to hear.

That's the aspect of the subamendment that deals with the amount of time the committee would spend hearing from witnesses. One other aspect—and the motion continues—is an invitation to Mr. Mark Carney to appear "as a witness to testify with respect to the Budget 2024, the economy and the environment for no fewer than two hours". As members know, that is an invitation which Mr. Carney could decline. This subamendment does not propose a summons for Mr. Carney, it proposes a gracious invitation, and we shall see how he will respond to that invitation.

• (2400)

It may be that Mr. Mark Carney is interested and wants to appear. If he does, he might wish to send a note to his supporters in the Liberal caucus saying that he would like to have that opportunity to appear before the committee. I did make the observation that he has seemed to prefer the gentle halls of softball interviews to the substantive opportunities for discourse of a potentially sharper nature that one might find in the hallowed halls of this great institution.

Mr. Carney's core thesis in his—at least by Liberals—much-discussed book, *Value(s)*, is what might be described as stakeholder capitalism. It's the idea of stakeholder capitalism. In that sense, his thesis is fairly similar to a book written by Klaus Schwab called *Stakeholder Capitalism*, which also provides that argument. Mr. Carney's book is longer, and it contains more specific and detailed discussions of certain points of history, but his thesis is essentially the same.

The defenders of stakeholder capitalism are providing, in my judgment, what is essentially a defence of plutocracy. Plutocracy is defined as a country or society governed by the wealthy. I am strongly opposed to plutocracy. I think it should be one person, one vote, not one dollar, one vote or one shareholder, one vote. It should be one person, one vote.

Defenders of stakeholder capitalism don't announce themselves as defenders of plutocracy. Substantively, that is the nature of the system that is being proposed. The idea of stakeholder capitalism is advanced as an alternative—

• (2405)

**The Chair:** Thank you, MP Genuis.

We're suspended until later today.

[*The meeting was suspended at 12:06 a.m., Thursday, May 23*]

[*The meeting resumed at 11:04 a.m., Thursday, May 23*]

• (3500)

**The Chair:** I call this meeting to order. It's good to see everybody.

Welcome to meeting number 143 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2), the committee is meeting to discuss the subject matter of Bill C-69, an act to implement certain provisions of the budget tabled in Parliament on April 16, 2024. Today's meeting is taking place in a hybrid format pursuant to Standing Order 15.1.

Before we begin, I'd like to remind members and other meeting participants in the room of the following important preventative measures to prevent disruptive and potentially harmful audio feedback incidents that can cause injuries.

All in-person participants are reminded to keep their earpieces away from all microphones at all times. As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents.

All earpieces have been replaced by a model that greatly reduces the probability of audio feedback. The new earpieces are black in

colour, whereas the former earpieces were grey. Please use only the approved black earpiece. By default, all unused earpieces will be unplugged at the start of a meeting.

When you're not using your earpiece, please place it face down on the middle of the sticker for this purpose, which you will find on the table, as indicated. Please consult the cards on the table for guidelines to prevent audio feedback incidents. The room layout has been adjusted to increase the distance between microphones and reduce the chance of feedback from an ambient earpiece.

These measures are in place so that we can conduct our business without interruption and to protect the health and safety of all participants, including the interpreters. Thank you for your co-operation.

I'd like to make a few comments for the benefit of members. Please wait until I recognize you by name before speaking. For members in the room, please raise your hand if you wish to speak. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can. We appreciate your understanding in this regard. This is a reminder that all comments should be addressed through the chair.

We will now resume debate on the motion by Mr. Turnbull and the amendment by Mr. Hallan. We also have a subamendment from Mr. Chambers.

The list, as I have it here, has changed a few times. I have MP Morantz—I have MP Green, but I don't see MP Green here in the room—and then MP Lawrence and MP Hallan. They are on the list that I have at this time.

MP Morantz.

• (3505)

**Mr. Marty Morantz:** I will pass my place to Mr. Davidson.

**The Chair:** Okay. It will go from MP Morantz to MP Davidson.

I have MP Lawrence.

**Mr. Philip Lawrence:** Just before Mr. Davidson, I have a brief point of order.

**The Chair:** Go ahead on your point of order.

**Mr. Philip Lawrence:** Mr. Chair, today, of course, is Thursday, May 23. Earlier today—granted, much earlier, at 12:06 a.m.—you said that we would be meeting "tomorrow", which would be Friday, so I was somewhat surprised that we had a meeting scheduled today.

I certainly won't be raising a question of privilege, out of courtesy to the chair, but perhaps you could clarify your remarks there.

**The Chair:** We're meeting today, on May 23.

**Voices:** Oh, oh!

**The Chair:** Thank you, MP Lawrence. You struck yourself from the list, so now we'll go to MP Hallan.

**Mr. Philip Lawrence:** We're going to move it along—

**The Chair:** Well, I have to just strike people off until I get to....

**Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC):** While I have the floor, maybe I'll just point out that we got an email from the translation bureau public service today. They were apologizing for not being able to accommodate until 11:30 p.m.

I just wanted to say that they have nothing to apologize for. We appreciate all the incredible work the interpreters do in this place in putting up with many of us. On behalf of all of us, I just want to say thank you and to keep up the great work.

**Some hon. members:** Hear, hear!

**Mr. Jasraj Singh Hallan:** I'll pass the floor over.

**The Chair:** Thank you, MP Hallan.

I think that does deserve applause. We can all get behind our interpreters and do the best we can to make their job easier and protect their health and safety.

With that, we're going to MP Davidson.

Welcome to our committee.

**Mr. Scot Davidson (York—Simcoe, CPC):** Well, thank you, Mr. Chair.

Good morning, colleagues. I'm happy to be here at finance.

I think members of this committee will find the story that I have to tell quite shocking. It is a shocking story about the rural top-up for my residents. I represent the riding of York—Simcoe, which is known as the soup and salad bowl of Canada and the ice fishing capital of Canada. It is home to the Chippewas of Georgina Island, out in the middle of Lake Simcoe. We classify ourselves and always have as rural. Believe it or not, I was travelling to Georgina Island and breaking through the ice. Because we're so rural, we actually have to take a ferry over to Georgina Island. I stood atop that ferry and took powerful binoculars—it was almost like having a telescope, believe it or not—and I could not see the CN Tower.

Why does that matter?

● (3510)

**Mr. Ryan Turnbull:** I have a point of order, Chair.

I'm riveted by this intervention. Mr. Davidson is someone I have a great deal of respect for. I love the soup and salad bowl of Canada. The Holland Marsh is something I love to see on my way up to Wasaga Beach. With a great deal of respect, I would just say perhaps the member should take note of a new feature on most automobiles, which is called lane assist. It kind of bumps you back into your lane. Maybe the chair could bump Mr. Davidson back into his lane, and based on relevance, maybe he could stick to the sub-amendment that's under discussion.

**Mr. Jasraj Singh Hallan:** Mr. Chair, on that point of order, I know you're very gracious with how much latitude you give to everybody. I believe this is Mr. Davidson's first time, and of course, everyone starts off with a preamble. Let's give him a bit of time and accommodate him with just a bit more latitude. I know he'll get to his point.

**The Chair:** Thank you, MP Hallan, PS Turnbull.

MP Davidson, we're on the sub-amendment. Just try to stick to that.

**Mr. Scot Davidson:** I appreciate the points, and I appreciate lane assist technology. The greatest thing about that is that we have Google. You should google going from Georgina Island to our closest hospital. If you walked—you can google it, much like lane assist—it would take you 23 hours.

I'm trying to set the stage for how rural we are. If you can imagine it, to walk to the closest hospital would take 23 hours. This is all relevant because York—Simcoe has been classified as Toronto. Let's think about this for a second. It is why it's important that we set the stage for members here and especially for people who are watching. We have a first nation that's currently still on a boil water advisory in the middle of Lake Simcoe, and anytime—

**Mr. Philip Lawrence:** On a point of order, the Liberals promised in 2015 that all boil water advisories would be finished in five years, so clearly that boil water advisory must be finished.

**The Chair:** MP Lawrence, that is not a point of order.

MP Davidson, go ahead, please.

**Mr. Scot Davidson:** Thank you, Mr. Chair.

Why is this important? Think about this: Anytime the Chippewas of Georgina Island have any interaction with the federal government, they are classified as rural and remote. Now we have first nations being classified as Toronto, and they do not receive the 20% rural top-up.

I'll go back to my colleague's comment about how impressed he is with the Holland Marsh and the soup and salad bowl of Canada. This is a farming community in Bradford West Gwillimbury. I currently have a private member's bill, Bill C-280, on financial protection for fresh fruit and vegetable growers across Canada. I brought fresh fruits and vegetables to the agriculture committee to showcase my riding. The mascot of Bradford West Gwillimbury is a carrot called Gwilly. That's how rural York—Simcoe is, but this Liberal government has classified York—Simcoe as Toronto.

Again, it's so important to set the stage. Going back to the CN Tower, I drove down to Toronto. With my powerful binoculars, which I would almost classify as a telescope, I was up in the CN Tower with perfect visibility and I could still not see the Chippewas of Georgina Island, the town of Pefferlaw or the town of Sutton. How does this make sense?

In the northern part of the riding, in the town of Pefferlaw, we don't receive the rural top-up. Let's have a look at that. I'll go back to my colleague for Whitby on technology. If you were to pull your phone out and try to order an Uber, you'll see we have no Uber.

**Mr. Philip Lawrence:** Wow. That doesn't sound very urban.

**Mr. Scot Davidson:** No, it's not at all.

We don't have a streetcar. We don't have a subway. People have limited alternatives. This is so important for people to understand. The people in the riding I represent sit down, watch TV and see the Deputy Prime Minister say, "I live in Toronto. I don't even need a car. My dad says I don't need a car. I can just walk out of my condo and get on the subway." We do not have those options in York—Simcoe.

I'm trying to make this committee understand the disconnect the Liberal government has between rural and urban. People want to do the right thing with the environment. People want to do the right thing in my riding. We talk about choices people can make. One thing about the Holland Marsh... I know my colleague from Vaughan—Woodbridge knows this. He gets so excited about the Holland Marsh that I'm sure he wants to speak about it. If you think about it, half the northern part of the riding is on propane.

• (3515)

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** I have a point of order.

**The Chair:** Go ahead on the point of order.

**Mr. Francesco Sorbara:** This may or may not be a point of order, Chair. You can cut me off and I'll yield the floor back to the honourable colleague from York—Simcoe, but I couldn't help noticing that he said we all care about the environment. It would be great if the honourable member from the official opposition put forth a credible plan on the environment. That would be wonderful to see.

**Mr. Philip Lawrence:** Chair, I have tremendous respect for Mr. Sorbara, but that is not a point of order.

**The Chair:** Thank you, Mr. Sorbara.

We'll go back to MP Davidson.

**Mr. Scot Davidson:** Thank you.

That leads to the disconnect. We're talking about how this Liberal government, after nine years, is not listening to rural residents. It's like you've checked out. We know the shopping cart is now the most expensive vehicle in Canada to operate. I think all members on this committee know that.

Going back to doing the right thing on the environment, the northern part of my riding is on propane. Think about Canada. Think about the money we send to the Asian Infrastructure Investment Bank. My residents in York—Simcoe come to me and say, "Scot, I can't even get natural gas to my barn because I'm stuck on propane. I want to lower my costs and hire more people, but I can't even get natural gas lines."

To my honourable colleague from Vaughan—Woodbridge, we talk about solutions. This is one solution. I think we can all agree in the room—I hope we can—that natural gas can be a bridge fuel, an

alternative, in the short term so that people aren't spending double the money and creating double the emissions with propane. In York—Simcoe, though, we can't even get our natural gas lines.

The other part of that is hydro. I have farmers who want to start small businesses and small canning operations. We are stuck with old, phase-one infrastructure.

These are the things affecting my residents of York—Simcoe, who I'm here to stand up for.

Coming back to the budget, I have to speak about my hometown of Georgina. Walking through this, we're talking about the rural top-up that we're being denied. We're talking about old infrastructure. That's not happening. I haven't even gotten to the Lake Simcoe cleanup fund. That's a whole other apple cart, so to speak. That's a promise the Deputy Prime Minister made in the 2019 election. She stood on the shores of Lake Simcoe and promised \$40 million in the budget. Think about that. After nine years, we are still waiting.

We're talking about action on the environment, but let's talk about another thing: the housing accelerator fund.

I think my colleague from Vaughan—Woodbridge knows I am a York Region MP. I'm one of two Conservative MPs in the York Region. It was interesting to me, as I was on the infrastructure committee after I was first elected, that the riding of York—Simcoe received less money than any Liberal riding in all of the York Region. We'll get to that.

I'm going to read this letter of March 5 from one of my mayors. I told her I would read it. She wrote:

To Scot Davidson,

On Feb. 28, 2024, the Town of Georgina was notified that our application to the Housing Accelerator Fund was declined. Town staff, including senior leadership, spent considerable time on the application over the summer of 2023, received guidance from CMHC on the merits of our application, and scored highly based on the application guidelines. Like many other municipalities, the Town of Georgina is a lean organization facing many priorities and challenges.

From a recent announcement, we learned that there were 544 applications to the federal Housing Accelerator Fund and only 179...were selected for funding. Asking municipalities to dedicate significant resources to prepare this complex application [littered with red tape] with a low chance of success would seem not to be in the best public interest.

• (3520)

We have seen recent announcements about municipalities of comparable size to Georgina receiving funding, and noticed many similarities between the actions they propose and the ones we proposed in our application. Based on the publicly available data, we believe our application was exceptionally competitive and deserving of funding.

At the same time, CMHC has let us know that they are not allowed to discuss the individual scores or assessment details of our application, preventing us from understanding where our application fell short. Without this information, we are unable to conclude whether the funding decision was entirely merit-based. Without this funding, our municipality will have to find other sources of funding to enable the provision of this critical housing supply, placing a further financial burden on our local government.

I would like to ask the federal government to respond as to how they will be supporting municipalities that submitted competitive applications but did not receive funding. I am also requesting a meeting with the Minister of Housing, Infrastructure and Communities to discuss our concerns.

Thank you,

Margaret Quirk

Mayor of the Town of Georgina

When I received that letter, was I surprised? Unfortunately, no, but I think what would be surprising to the members of this committee and to me, being a York Region MP... I'd ask you this, Mr. Chair, and I'm sure you can't answer, not because you don't want to, but because it's probably not permitted, as I'm a first-timer on this committee. Do you know, as per Stats Canada, the fastest-growing area in all of Canada? My colleague from Vaughan—Woodbridge, I'm sure, would want to suggest that it is Vaughan, but shockingly—and probably shockingly to everyone in this committee—it is East Gwillimbury in my riding.

I received this letter from the Town of Georgina on the housing accelerator fund. I think it's important for people at this committee to understand where we are in Canada with infrastructure and waste water.

I have a nursing home in York—Simcoe that is tired and aged. The province has stepped up with operators to build a new nursing home. They have to transfer the water and sewer allocations from the existing nursing home to the new nursing home, and that old nursing home is going to sit vacant. There's nothing we can do because there are no more water and sewer allocations. Why does that trouble people in my community? When they see the federal government paying exorbitant amounts of interest because of their failure to secure low interest rates, there is a day of reckoning that comes. People in my community know that the budget doesn't balance itself.

• (3525)

To recap where we are right now on the rule top-up, propane and aged hydro infrastructure, we can look at the housing accelerator fund. I think members of this committee are starting to get the picture that the people in York—Simcoe are on the outside looking in. Shockingly enough—and I'm sure it will be shocking to my colleague, the member for Vaughan—Woodbridge, because it was shocking to me—the mayor of East Gwillimbury, following the mayor of Georgina, applied for the housing accelerator fund.

**Mr. Philip Lawrence:** I'm sure they got it, right?

**Mr. Scot Davidson:** No.

I have three big areas in York—Simcoe, those being Georgina, East Gwillimbury and Bradford West Gwillimbury, which, again, make up the fastest-growing area in Canada. After I received a phone call, I pre-emptively said that I had to call the mayor of Bradford West Gwillimbury, because surely we couldn't go oh for three. There's no possible way. In my small towns, given the wastewater situation, there was no way Bradford West Gwillimbury could be denied the housing accelerator fund as well. Unbelievably, they were denied.

**An hon. member:** Wow.

**An hon. member:** That's brutal.

**Mr. Scot Davidson:** Three strikes and you're out.

I was in shock that the fastest-growing communities in Canada were all turned down for the housing accelerator fund. Again, when I look back at York—Simcoe in 2019 and the amount of money this federal government has spent, York—Simcoe is at the bottom of the list.

More concerning to me when I spoke to the mayors was how many third party resources there were and how much money these towns had to spend on these applications. Why is that shocking now? They explained the red tape and, going back to the letter, how involved the applications were and the dedication people put into them. At the time, I reflected on the money I spent doing a bare trust when this government all of a sudden said they were not going to do that anymore. I'm still not sure who to send the \$400 bill for the accountant. Other people have written to me about who's going to reimburse that, but that's another story.

What's concerning about this is that the Liberal government increased the federal public service by 40%, and honestly, Mr. Chair, you have to ask yourself whether Canadians are getting 40% better service. Are my municipalities involved in this housing accelerator fund getting better services? Do we want to see our municipalities spending enormous amounts of money on applications?

**An hon. member:** It doesn't make sense.

**Mr. Scot Davidson:** It makes absolutely no sense, and again, it's shocking.

I take the tack of looking at my community and the rural top-up. I'm sure the members of the Liberal Party are thinking, "Scot, you're talking about the rural top-up, so that means you agree with the carbon tax." No, I don't agree with the carbon tax. We will axe the tax, and I can tell you this: While I'm the member of Parliament for York—Simcoe, I will fight for every nickel that my community deserves. After all, it's their money.

I represent the soup and salad bowl of Canada, so we can talk about Bill C-234. If we look at the—

• (3530)

**Mr. Ryan Turnbull:** I have a point of order.

**The Chair:** On a point of order, PS Turnbull, please go ahead.

**Mr. Ryan Turnbull:** With all due respect, Chair, based on relevance, I would ask you, if you wouldn't mind, to encourage the member to get back to the topic at hand, which is a debate on a sub-amendment that was proposed by the Conservatives. I don't hear any relevance. I'm stretching and listening intently, and I really want to hear the relevance.

**Mr. Jasraj Singh Hallan:** I would like to speak to that point of order.

**Mr. Ryan Turnbull:** Maybe Mr. Davidson could bring it back around and relate it to the subamendment at some point.

**The Chair:** Thank you, PS Turnbull.

MP Hallan.

**Mr. Jasraj Singh Hallan:** On that point of order, I don't want to put words in my great colleague Scot Davidson's mouth, but I understand that so far everyone's interventions have had discussions on what the budget does and doesn't have in it. We're talking about the carbon tax scam, and it is mentioned in the budget. It's just something that Mr. Davidson didn't see.

I will remind everyone that Bill C-234 was one of our demands for the budget, which is very relevant. The topic at hand, which Mr. Davidson is talking about, was a demand from the Conservatives for us to maybe look into it and help pass it, but it was not included. I think Mr. Davidson was just making that point.

**Mr. Philip Lawrence:** I want to speak to that point of order as well.

**The Chair:** Go ahead on the point of order, Mr. Lawrence.

**Mr. Philip Lawrence:** I will just quickly read the subamendment we are debating:

That the week of the 28th and future meetings be dedicated to hearing from witnesses for no fewer than 12 hours and the clerk invite Mr. Mark Carney as a witness to testify with respect to the Budget 2024, the economy and the environment for no fewer than two hours.

I will grant Mr. Turnbull that the carbon tax has very little to do with the environment, but it certainly is hurting our economy so it's completely within scope.

**The Chair:** Thank you, MP Lawrence.

MP Davidson, just try to stay focused on the subamendment and be relevant, please.

You may continue.

• (3535)

**Mr. Scot Davidson:** Thank you, Mr. Chair.

I thank my colleague from Whitby for the intervention. I think that is part of the problem, and that's what I'm trying to explain to the room so that he understands the carbon tax. The PBO has said that eight out of 10 Canadians don't receive back more. The Prime Minister and my Liberal colleagues here love to say otherwise, but do you know what, Mr. Chair? Even if we stretched that—I hate to use the word “untruthful”, but we'll stretch it—what about the two out of 10? They always say the eight out of 10, and I reflect on what our Canadian Forces say: We leave no one behind. There should never be an eight out of 10. There should always be a 10 out of 10.

I'm trying to explain to my colleagues the rural top-up. Again, talking about affordability now for my residents and standing up for my residents, the carbon tax is basically just a pool of money. It's like an Amway scam almost. We'll look at it like that. It is a single pool of money, and York—Simcoe, I feel, technically could send a bill to the federal government for the rural top-up that we haven't

received. It is probably north of \$40 million that my residents should have received.

Why does the government not want to recognize the rural top-up for York—Simcoe? It's because it would mean everyone else will get less. I'm in a Conservative riding—this big blue dot in the middle of York—Simcoe—and if they were to give me the rural top-up, everyone else in this room would get less.

If we look at Bill C-234, speaking of the economy and the environment, the carbon tax pool, I believe, is heavily subsidized by farmers. I've seen the bills in my community. In the northern end of the riding, we bring in a lot of grain for drying by propane, and there are other farmers coming into York—Simcoe to dry their grain. In the soup and salad bowl of Canada, drying onions has to be done, but I want my colleagues to understand that we are starting to see more onions coming in from Morocco, from Egypt, from different parts of the world. Why does that matter to Canadians? It's about food security.

For things grown here, we are starting to see less and less. Because of affordability and because of inflation, margins for farmers have shrunk so much, and Canada is losing the competitive edge. Now there are onions coming in, being imported. Because of those margins, we can't compete internationally now. We can't do it, and that is so unfortunate to see.

Again, the people of York—Simcoe are not getting the rural top-up. On the housing accelerator fund, not one town in the northern six got any money. On aged infrastructure, we see taxpayer money going to the Asian Infrastructure Investment Bank and not being spent on our infrastructure. We can't get natural gas lines. It's aged infrastructure again with hydro. I have farmers who want to create businesses and start small canning operations, but they can't even get three-phase power.

• (3540)

When my colleagues sit in the House and wonder why people in York—Simcoe say this government is not listening and why people are frustrated, this is why they're frustrated, just to start with those things. The government says it's doing this; it's doing that, and it has free dental care and pharmacare for everyone. I would challenge any member of this committee to come with me to York—Simcoe for a day. This is about standing up for residents. Do you know what people in my riding are saying? They're saying, “I'd love a family doctor, Scot.” Think about the government programs that have come from this government. They can't even manage immigration, and there's another program and another program and another program.



Things are getting worse. People in my riding can't even get a family doctor. As shocking as it is, I know my colleagues here like to blame everybody else for the situation that everyone is in. First they'll tell you that Canadians have never had it so good and that we have a AAA credit rating, even though you can't put a AAA credit rating on a hot dog. I think we all know that. Tell that to the millions of people who are going to food banks. However, they'll say we've never had it so good. I think that's why it's important to understand this. We don't even have a hospital.

On technology, my colleague from Whitby should google how long it takes to walk from Georgina Island to the hospital to visit a loved one. The only hospital, Southlake, is outside of the riding of York—Simcoe. It takes 23 hours to walk there. This Liberal government will try to square the circle and say, “Scot, you're part of Toronto.” This is where my residents of York—Simcoe get very upset. They are being classified as Toronto and are quite frankly being ripped off on something they're entitled to. After all, we know that this is a big bait and switch with the carbon tax. It's their money that they're owed. It's not the government giving them money. It actually took money from them, which it owes them.

To recap, we're here today talking about why things are not working for the people of York—Simcoe. The recap is important so that people understand that the circle has never been squared. I think the most frustrating part about being an MP is not being able to help people when you know there's a solution to the problem.

Believe me, I will never put words in anyone's mouth, but I have to walk through this. I did speak with the Minister of Natural Resources about the rural top-up. He agreed that there is a problem with the CMAs, but he said, “Scot, you'll have to see the minister of rural affairs. That was done out east.” I then went back to the announcement, and I think what was even more shocking for me was the Liberal government dividing and gaslighting Canadians based on geography. I looked at their announcement out east on the heat pumps and I was shocked. All of a sudden, for the Minister of Housing's riding and the riding of the member for Avalon, which was supposed to become urban under the CMA, they announced a doubling of the rural top-up. As I always say in life, read the fine print. They actually rolled the CMA data back to 2015 so those Liberal ridings would receive the rural top-up.

**Mr. Philip Lawrence:** Oh, that's not good.

● (3545)

**Mr. Scot Davidson:** Again, talk about being on the outside looking in.

I want my colleagues to understand this: When I see people in Pefferlaw—Pefferlaw is a great little town—how would you like me to explain to them how the whole of Prince Edward Island all of a sudden became rural? Downtown Charlottetown now gets the rural top-up. Think about that. Ridings in Halifax and Nova Scotia get the rural top-up because this government has rolled the CMA data back for them. I have to stand in Pefferlaw or take a ferry over to the Georgina Island first nations and explain to people why they don't get the rural top-up. I reflect on downtown Charlottetown and the amenities and transit they have. We have none of that.

Again, I've asked my colleagues to circle the square. I saw the minister of rural affairs, and she said, “Scot, I know there's a problem with that, but I really don't know what to do. You should see the Minister of Industry”, because the CMAs are apparently controlled by Industry. I saw the minister, and he said, “I know there's a problem, but you're going to have to see the Minister of Finance.” Think about this. I've had three discussions with three different ministers. They realize there's a problem. I spoke to the Minister of the Environment too, who said, “I know, Scot. How do we fix it?”

Shockingly enough, I have written two letters to the Minister of Finance on this issue. Do you think I received a response? Think about it. I represent over 120,000 people, which I'm honoured to do. One individual has written the Minister of Finance twice on this issue. There's not even an acknowledgement—nothing. It's crickets. We have three ministers who know there's an issue. I know that among my colleagues across the way—again, I'll never put words in anyone's mouth—there are MPs representing ridings in Ontario in the same situation as me.

This is what frustrates me and Canadians. We're here to deliver results for our communities and help our colleagues understand the issues our communities are facing, but this government is not listening. I know I have colleagues across from me who do listen and understand, but the powers that be are not changing things, and it's making life more and more unaffordable for people in my community.

It's important for me to recap the budgetary items, to go back to the economy. I know we're asking for carbon tax Carney to come. As I talked about, we were looking in the budget for the Lake Simcoe cleanup fund, but we didn't see it. We haven't seen it. Quite frankly, after nine years.... That's why we say this Prime Minister is not worth the cost. He's not worth the cost to the residents of York—Simcoe.

• (3550)

Just so that my colleagues have a recap of where we're at in York—Simcoe, I'll note there's no rural top-up. There's no Lake Simcoe cleanup fund nine years after the promise was made by the Deputy Prime Minister, who has not acknowledged any letters that I've sent to her about the rural top-up. There is aging infrastructure. There are absolutely zero housing accelerator funds. I get concerned about York Region—being represented by Liberal MPs and the northern six as part of York Region—getting zero funds. I'm not sure how the member for Newmarket—Aurora is going to square this circle with the mayor of Aurora. There are no housing funds. There is aging infrastructure. There are a number of residents on propane who would love to go to natural gas. There is aged hydro infrastructure.

There are also no family doctors, but let's get four other government programs going and tell Canadians how they've never had it so good. This is just not the reality facing the people of York—Simcoe. I hope that my colleagues across from me understand that. I'd love to have a sidebar, but I'm sure the member for Whitby or the member for Vaughan—Woodbridge is going to explain to me how Pefferlaw really is Toronto. As I said, we're too Toronto to get the rural top-up, but we're not Toronto enough for any housing accelerator funds.

I'm not a mayor. I would never tell a mayor what to do. However, I believe Toronto got \$560 million in housing accelerator funds. I know the member for Vaughan—Woodbridge crunches numbers and may know the number, because I don't know the exact number, but I think that's what the City of Toronto got. If I was the mayor of the town of Georgina, I would definitely pick up the phone and ask Mayor Chow where Georgina's cut of that is, because we got absolutely nothing—zero. It wouldn't take the scum off rice pudding.

I think everyone here now understands what my residents are facing on just those few topics. We have no federal buildings and no federal lands in York—Simcoe. We have no federal offices, and it's getting more and more frustrating for the people of York—Simcoe. At the end of the day, I've gotten this issue out. Again, I think it's important for all members here to understand the disconnect between rural and urban and how frustrating it is.

I will yield my time to the member for Northumberland—Peterborough South. I was going to say Peterborough only. It's a great town. They used to build great motors there by OMC. It was unbelievable when Canada built things and invested in things. I know members going to tell us about the battery plants. I'd still like to know where our seat on the board is—I haven't seen that—and how many shares we have. Did we get a seat on the board and shares in those companies with the \$60 billion in investments? We could have bought the whole Ford Motor Company cheaper, but we'll let them go on about that.

• (3555)

It was great to be here, Mr. Chair. You're smiling, as usual. It's all good.

**The Chair:** Thank you, MP Davidson.

I have MP Lawrence, MP Morantz and then MP Hallan on the list.

MP Sorbara, did you want on the list? I can't remember.

**Mr. Francesco Sorbara:** No.

**Mr. Philip Lawrence:** I'd love to hear you, Francesco. Come on. If you want to interrupt me at any time, it's all good. We'll give you a liberal interpretation and have—

**The Chair:** Go ahead, MP Lawrence.

**Mr. Philip Lawrence:** Yes, I'm going to start.

I apologize, Mr. Chair and Mr. Clerk. You can probably get to it quicker than I can, so could you get to the subamendment we're on today?

**The Chair:** We're on the subamendment, yes.

**Mr. Philip Lawrence:** Could you read it into the record for me?

**The Chair:** Well, you've had the subamendment. You got it last night.

**Mr. Philip Lawrence:** I just want to head off any potential calls for relevance. I wouldn't mind if you read it into the record.

**The Chair:** Well, you could look to it.

**Mr. Philip Lawrence:** I'm sorry?

**The Chair:** You could look to the subamendment, yes, MP Lawrence.

**Mr. Philip Lawrence:** So you won't read it for me, Mr. Chair?

**The Chair:** I believe you can read, MP Lawrence.

**Mr. Philip Lawrence:** We've reached this level, have we? This is not very friendly, Mr. Chair.

**The Chair:** Clerk, if MP Lawrence doesn't have it, you can send it to him so that he has it.

MP Lawrence, I think the clerk has forwarded that subamendment to you.

**Mr. Philip Lawrence:** Okay. Perfect. I will grab it and read it. I'm just trying to be a bit more efficient.

Thank you very much, Mr. Clerk. I see that we have it here. It says:

That the week of the 28th and future meetings be dedicated to hearing from witnesses for no fewer than 12 hours and the clerk invite Mr. Mark Carney as a witness to testify with respect to the Budget 2024, the economy and the environment for no fewer than two hours.

Just to head off any points of order on relevance, I will be discussing the economy at some length. Of course, that has direct relevance to budget 2024. Before we do points of order, maybe the members or the chair could read that over. From that, they'll quickly see that I am within relevance.

I will say to the interpreters that I will be reading from C.D. Howe. I believe they've been given a copy of it, at least electronically. If not, my staff will be happy to provide it to the clerk again. It's commentary number 625, "Decapitalization: Weak Business Investment Threatens Canadian Prosperity". I hold it up not as a prop but just to show it to the interpreters, if they have any struggles.

I see a waving of hands. Perhaps my staff will kindly make sure they have it. You'll have it shortly. I will give a little preamble before so that—

[Translation]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** I have a point of order, Mr. Chair.

[English]

**The Chair:** Go ahead, MP Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie:** To follow up on what my honourable colleague said, the interpreters haven't received the document with its preamble. I imagine that the interpreters will have time to receive the document for reading.

[English]

**The Chair:** Thank you.

We'll suspend for a minute.

• (3555) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (3600)

**The Chair:** We're back.

MP Lawrence, go ahead, and thank you for assisting the interpreters so that they have that information.

**Mr. Philip Lawrence:** Thank you very much.

I will start shortly into the text, and I'll give you the exact place that I will start. I also want to read the subamendment that we're currently on in French, once again just to avoid any *rappel au Règlement*.

[Translation]

Here it is:

That the week of the 28th and future meetings be dedicated to hearing from witnesses for no fewer than 12 hours and the clerk invite Mr. Mark Carney as a witness to testify with respect to the Budget 2024, the economy and the environment for no fewer than two hours.

[English]

**Some hon. members:** Hear, hear!

**Mr. Philip Lawrence:** Thank you very much.

[Translation]

I'm trying hard.

[English]

I'm going to start at page two. I'll skip the bold text here, and the first word will be "Current-dollar".

For the benefit of the folks at home, I'm reading from a report from the C.D. Howe Institute, "Decapitalization: Weak Business Investment Threatens Canadian Prosperity". I'm reading excerpts of it as they pertain to the economy. These are things that, of course, we asked Mr. Carney to appear on and to potentially discuss with our committee.

Here we go:

Current-dollar GDP is approaching its historic growth rate in expansions. But real output has responded far less.

There's a figure in the report, which I won't go into, but it shows two-year growth rates of four-quarter averages and highlights the contrast.

Nominal spending, the blue line, has been growing at a rate similar to past periods of expansion since the early 1990s. By contrast, real activity, the orange line, is still in negative territory.

Prices are rising rapidly. Real incomes are not. Among the likely reasons for this disappointing performance, one highlighted by the Bank of Canada itself, is weak business investment and a consequent slow growth in Canada's productive capacity.

That's really the nub of the issue when we talk about the Canadian economy. One challenge we face is poor productivity and, as I've talked about before—and John Manley, Bill Morneau, David Dodge, Tiff Macklem and Carolyn Rogers, among other experts, have talked about the same—Canada's slow growth and productivity continue to hurt our economy significantly.

As I said, and I go back to the text now:

Prices are rising rapidly. Real incomes are not. Among the likely reasons for this disappointing performance, one highlighted by the Bank of Canada itself, is weak business investment and a consequent slow growth in Canada's productive capacity.

Weak business investment is not just a short-term concern. A country's stock of non-residential buildings, engineering infrastructure, machinery and equipment (M&E), and intellectual-property products (IPP) is critical to...generate output and incomes.... But Canada's capital stock is barely growing, and not keeping pace with its workforce.

New business investment per worker is declining.

I pause there again. In the best analogy I have heard on that, we use an example, as is often useful, that pushes the bounds of reasonableness to the extremes: Imagine a world in which a Canadian worker, even if they're the best worker in the world, would be challenged if he were competing against a worker from somewhere else in the world.

To make it really simple, if there were a competition to dig a hole, and the Canadian worker was given a shovel and the foreign worker was given a backhoe, no matter how diligent that individual is in digging a foundation or a hole in Canada—how capable, how well-trained and how hard they are working—they simply will not be able to compete against the individual who has a backhoe.

That, of course, is at the extreme, but I think it pretty well exemplifies the problem of a lack of investment in capital stock, in Canadian machinery and equipment.

- (3605)

We'll continue on:

Not only have areas of traditional strength in Canadian business investment—non-residential and engineering structures—fallen in recent years, but the categories most associated with innovation and future productivity—[machinery and equipment and intellectual property]—are weaker yet.

We've heard some very compelling evidence and comments from important institutions like the Council of Canadian Innovators, among others, about the critical importance of investing in intellectual property. I tend to agree with a lot of the commentary and experts who say that those who own the intellectual property will own the future. As the 20th century was about owning machinery, equipment and factories, the 21st century will be about owning the rights to designs, to software, to microchips and to innovation in intellectual property as the pace of change continues to grow exponentially.

It's really challenging. The issue is not just the current day impact; the issue will be what we will see in 10, 15, 20, 40, 50 or even 100 years from now. Our inability to capture what I believe are the greatest ideas in the world, produced by the greatest workers and the greatest minds in the world, here in Canada, and turn those ideas from just that—ideas or dreams—into a marketable product or service....

The Canadian economy has struggled and, quite frankly, there is very little in the budget, if anything, that will be there to resolve this significant, glaring problem. This is something that folks from the left, right and centre have all commented on. They're all in near-unanimous agreement that this government has not done enough to protect our intellectual property, which, as I said, is being generated by the greatest minds in Canada.

We need to do two things. One, we need to allow the individuals and the companies to feel at home, feel comfortable here in Canada, to build their business. Second, we need to capture the IP right here in Canada and make sure it stays here in Canada, because although we are producing some of the greatest ideas in the world here, unfortunately those ideas—before Canadians are able to benefit from them—are exported around the world, most notably to Silicon Valley in California and the United States, where those ideas are then turned into marketable products and services and sold back to Canadians at a premium.

We'll continue reading on from the paragraph on the second half of the same page:

High or low levels of capital and productivity tend to go together. Businesses invest more when productivity grows, because rising productivity creates opportunities for profit as well as competitive threats. More business investment boosts productivity, because it gives workers newer, better tools with which to work. The links between investment and capital on the one side and productivity on the other make recent figures on Canada's stock of capital and new investment worrying.

Just to clarify—once again, I'm breaking from the text—what the author is pointing to here is that you can have a positive spiral or a negative spiral. If you are investing in equipment, what will happen is your profit will increase, which will then embolden the business owner to make more investments into their equipment, and that virtuous circle continues. As more profit is generated, more investment happens, and so on and so forth. It becomes very productive.

It's relatively small changes at the beginning that get what *Good to Great* refers to as “the flywheel”. Particularly when you're starting a business or you're starting to get to scale in a business, it's tiny little pushes over and over again. That means even a small rub—for example, the carbon tax, which I've referred to in the past as the sand in the gears of the Canadian economy— even if its impact isn't huge, can be enough to stop a business from being successful or expanding to that scope.

- (3610)

Even the most profitable businesses, like Metro grocery store, which of course is lobbied for by the leader of the NDP, has a profit range of 4.6%, which is more than Loblaw's but is still a relatively small amount. When you push on the carbon tax, there are some industries, such as Metro, that have an oligopoly that can push that over, but many businesses, especially small businesses, can't do that. They don't have the benefit of having a lobbyist who's the brother of the leader of the NDP.

What happens to them is that they never get to that expansion. They never get to that level. What happens, on the other hand, is that you actually get the opposite. You get a negative spiral or a death spiral, as one might refer to it, for a business. If in fact the business is obstructed by red tape, by taxation, by the carbon tax—this is the critical part here—even a relatively small markup... Most small businesses are not overly profitable. A successful business may have a profit margin of 10% or 15%.

If we have a carbon tax that's adding a third of inflation, or a carbon tax that's adding tens of thousands of dollars to a farmer's operation, that can be more than enough to stop a business from being able to invest in productivity, to generate the profits they need, to invest more capital stock into their business.

What happens is that businesses we'll never know about have been killed by this carbon tax, and that is impacting our productivity every day. The carbon tax is the sand in the gears of the economy that is driving us to lower and lower productivity.

As I've said numerous times, who gets hurt the most? It's not the Trudeaus of the world, who have trust funds, who can move their monies offshore. They'll find a way to avoid paying taxes. It's the small business owner struggling to get by, the one who's working 20 hours a day, 100 hours a week, just trying to get their business off the ground. They just need that little bit of lift, and when you put that sand that is the carbon tax into the gears, you cause people to give up, lose hope and go to food banks, which we've seen.

We'll continue on reading there for the interpreters. I'm going to go down to the next paragraph.

Whatever is depressing business investment in Canada seems unusually severe. The United States and other countries in the Organisation for Economic Co-operation and Development (OECD) are investing at higher rates. Business investment per available Canadian worker was approaching comparable US and OECD measures from the early 2000s to the mid-2010s.

I'm now switching pages to page three.

But it sagged after mid-decade and plummeted during the pandemic.

To the extent that Canada's weak performance reflects perceptions of limited opportunities or little need for higher investment by business leaders, public policy can and should help. First and foremost it can do so by addressing policies that are hurting investment. Government consumption and transfers are crowding out private saving and non-residential investment. Concerns about unsustainable debt and rising taxes undermine confidence.

I'm just going to reread that line because I think it's important.

Concerns about unsustainable debt and rising taxes undermine confidence.

Regulations currently in place, and expansive but uncertain plans for more—notably affecting energy production and use—are making Canada appear hostile to private investment. Canada's workers need changes of direction, particularly at the federal level, to get more of the tools they need to thrive and compete.

What the author refers to there are the two different levels of that—the actual policy and the technical impact on the economy.

• (3615)

Every day, there are rational calculations and decisions made by business owners and workers alike. “If I do this, this will be the consequence. Should I do that or not?” When we put in more costs, whether in the form of taxes, regulations or otherwise—or even just uncertainty in the market—there's a calculation that goes on. They'll say, “You know what? If I'm only going to make 1% or I'm going to make a negative return on this investment, I'm not going to do it.”

That's what rational actors do, and that's how Adam Smith's "invisible hand" works. The fact is that we have millions of Canadian consumers and business owners making these innumerable calculations every day, which aid in the efficiency of the market.

We've seen over the last nine years that everything has become more expensive and less efficient. The result is that business owners don't see the return that they did nine years ago, so they are less likely to make that investment.

As I said, it's not just that short-term investment. These things have momentum. They spiral one way or the other. You can have a positive spiral or a negative spiral. One negative decision multiplies across the economy. One positive decision multiplies across the economy.

On top of that, though—and this is what Philip Cross talked about at some length at this committee and other places—there's also an attitudinal direction. When the government is openly critical of business owners and calling small business owners tax cheats, for example, it has an attitudinal impact on Canadians and Canadian business owners.

When you are looking at embarking in business, especially if you're starting a new venture, you're not just looking at today's dollars and cents; you're looking at whether this is something you want to do. Anyone who's ever operated or owned a business knows it can be absolutely all-consuming. It pushes people beyond their very limits. They're working 20 hours a day sometimes, just to get the venture moving. They keep pushing on that flywheel to eventually get it to its own momentum so that it can start running on its own.

In addition to all the dollars and cents and those calculations that will take place, there's also the question, “Is this something I want to do? Is this something that society says, culturally, people appre-

ciate?” A business owner is really an individual. They're a woman, a man or a newcomer who has something. They have an incredible gift they want to bring into the world. They want to know that this incredible gift will be recognized, celebrated and supported. When you hear our leaders demonizing business owners and those who dare to be successful and prosperous, it has an impact on folks. It can't not have an impact on people.

Certainly whenever I have the opportunity to talk to business owners, the first thing I say is “thank you”, because it's their actions and their gifts.... Sometimes, they've given up decades of their lives in order to bring this gift to the world and to make sure that it is successful and improves the world.

It doesn't stop with whatever their service is. In my little town of Orono, all our hockey teams, our soccer teams and our charitable services would not exist without the incredible efforts of our business owners, who, in addition to working their 10, 15 or more hours a day, then give back to the community on weekends through fundraisers and efforts like that.

This is just a quick shout-out to one of those industries. Cameco has a facility in Port Hope and is headquartered out of Saskatchewan. It is producing clean nuclear energy through its production of uranium pucks and other products related to the nuclear industry. It donated \$500,000—wrote a cheque for half a million dollars—for youth hubs in coordination with the provincial government and our MPP, David Piccini.

• (3620)

That's half a million dollars in addition to providing clean carbon-free energy for all Canadians and around the world. This is an example of great business owners providing jobs and opportunity and then going above and beyond and donating \$500,000 to make sure the youth in Port Hope have a place to go, and in addition, if they're having any type of mental health issues. This is just a private initiative of a great citizen, Cameco.

I'll return to our text.

For the interpreters' benefit, we're once again on page 3. I'm going to continue under the subtitle, “The Numbers”, and will read from there:

The capital they use on the job is critical to workers' ability to produce goods and services, earn incomes and compete internationally. Human capital and natural capital like land and water are intuitively important, but we do not yet have good measures of either and very little that we can compare internationally. Capital created and owned by governments also matters, but the services it yields are harder to relate to production and income, and also hard to compare internationally.

We do have...robust measures of built capital in the business sector: non-residential buildings and engineering structures, M&E, and IPP [or intellectual property]. These complement human and natural capital, and government infrastructure, in producing goods and services and generating incomes. For a snapshot of the correlations between capital stock on one hand and incomes and output on the other, consider figure 2—

It then talks about figure 2. I apologize that you guys can't see this, but I believe all these reports are publicly available.

—which compares 2022 OECD estimates for both, divided by the labour force in each country.

Figure 2 shows the link between per-worker measures of productive capital stock and output for Canada and other OECD countries with comparable data. The stock of productive capital consists of physical assets like structures and machinery to be used as an input in production. To get this measure, the cumulative sum of past investment volumes are adjusted for the age and efficiency loss—that is [the] older [the ] asset is [it is] likely less productive than a newer one due to wear and tear. A high stock of productive capital means that the capital stock is more efficient—a better complement to labour inputs—and embodies more recent technology. It is not a surprise that Figure 2 shows that countries with high productive capital stocks also have high levels of output.

This is otherwise known as productivity.

It continues:

Figure 2 highlights per-worker measures—labour productivity rather than total, or multifactor, productivity—and capital stock rather than output per unit...and labor [are] considered together. Ideally, we would attribute output quantities and qualities of labor and capital, as well as other factors, such as organization of firms, and be able to explain changes in output with reference to changes in various inputs. Such definitive attributions are not possible at present, however, especially for international comparisons. What is clear is that countries with high labor productivity also have high total productivity. That makes sense: capital stock and incomes are correlated for complementary reasons.

The next page is page 5.

- (3625)

Higher productivity creates opportunities and competitive threats for businesses. Those incentive investment, which increases the quantity and quality of the capital stock. A larger, newer capital stock raises productivity, a virtuous circle for workers who enjoy higher incomes as a result.

When we talk about productivity, I think it's incredibly important that we connect it back to how it affects real people. When we enhance productivity per worker, we increase real wages per worker. The correlation is almost perfect.

Certainly, there are debates that can be had in the House of Commons, in boardrooms, in living rooms and on Main Street as to how we divide up the spoils of ever-increasing productivity. Those are virtuous arguments to have. However, the reality is that if we are in a death spiral as opposed to a virtuous circle, there are simply no spoils to divide. Those who will end up taking the worst of the brunt of this are, of course, our most vulnerable—workers and individuals who don't have the control the ultra-wealthy have. When we don't invest in productivity, give freedom to the market to work or allow for an efficient marketplace, it is the most vulnerable who hurt.

This is what happens, time after time, when socialist policies are put in place. I mentioned yesterday the examples of India, Israel and the U.K. Of course, there are always a myriad of factors. It's very difficult to get a perfect correlation in anything in the economy, because there are so many variables. However, what jumps off the page is the connection between socialist policies and a decline in productivity and competitiveness, which all relates to a decline in workers. The irony can't be lost on how often socialist parties like the NDP-Liberal government swing into power, saying they are going to help the middle class and those aspiring to join the middle class. They have done nothing through their poor economic mismanagement but crush those very people.

The inequality in Canada has been growing considerably over the last nine years. We have record food bank usage. Our workers have never, in the last 50 years, been in a worse economic position, facing GDP per capita and living standards that continue to decline relative to many of our peer nations, including, most notably, the United States of America.

I'll continue on. I'll start with this:

Figure 3 which shows real stocks of each type of capital per member of Canada's labour force. The fact that capital formation is both the result of productivity growth and a driver of it makes recent trends in those stocks troubling.

The stock of non-residential capital relative to the labour force peaked in the last quarter of 2015. By the first quarter of 2022, every type of capital was below that peak.

Wow.

Only engineering construction did not begin to decline shortly after 2015. It continued to grow through 2021, and its stock per available worker was down a comparatively small 1 percent by the first quarter of 2022.

That speaks to a couple of things. I earnestly try to be an advocate for the truth. It's not as if in 2015 Liberal policies could have immediately kicked in. These things take a while to get into place. While some policies are quicker than others, tax policies may, as is potentially happening with this budget.... You make it a fire sale because of some of the policies. However, generally, the economic policies of a government are big-ship economies, so they take a little while to turn.

- (3630)

It's not as if immediately after Prime Minister Trudeau and this NDP-Liberal government came to power, their policies had this impact of slowing the economy, but what they did do is signal to business that Canada was no longer a place where people wanted to do business. That would be my thesis.

It's rare that you see a dramatic reduction or improvement almost immediately upon a government becoming elected, but that's really what we see. Whether we look at GDP per capita, productivity, investment—you name the economic measure—in any line graph, you can see it. We were going smoothly along under Stephen Harper. We were on a trend line, I might say, even with Chrétien and Martin, that was not that far off, but Harper really gears it up, and then, unfortunately, in 2015, it drops.

Rarely do you see that. I know Mr. Sorbara is well schooled with respect to economics, so he would understand that you don't really see that tight a correlation, because there are so many variables in the economy, so when you see that, it really jumps off the page.

It would be my supposition that it's not only the economic policies of this government that have been woefully negligent and devastating for the economy, but it's also the attitudinal direction, particularly with respect to Canadian energy. To give you an idea, GDP per hour is how we measure the productivity, how most economists measure the economy. In Canada, we're floating somewhere around \$50 per hour contributed to GDP. In Canadian energy, it's about \$500.

I've actually asked this question of a number of witnesses, mostly of either environmentalists or left-wing NDP-Liberal witnesses. As the chair knows, I make it a policy to ask questions not just of Conservative witnesses, but of all witnesses. What I've asked them for is—and if anyone out there is watching this and they know the number, please forward it on to the finance committee or to my email at philip.lawrence@parl.gc.ca—what the GDP per capita in the green industry is. I have a sincere interest in knowing what that number is, and no one's been able to find that number for me.

There's certainly lots of talk that green energy and green business will be able to replace other sectors of the economy, but I have not seen that. I'm open to the argument that government should start a new industry and subsidize it. I don't think that those are necessarily bad things, but I'd love for someone to show me the actual economic case behind some of these investments.

• (3635)

[*Translation*]

**Mr. Gabriel Ste-Marie:** I have a point of order, Mr. Chair.

**The Chair:** I'm listening, Mr. Ste-Marie.

**Mr. Gabriel Ste-Marie:** I would like to share some information with my honourable colleague.

Obviously, if the people tuning in to the committee meeting have this information, they can pass it on to him, since he provided his email address.

However, I would like to remind him that the research service of the Library of Parliament provides outstanding service to all members of Parliament. I'm sure that, if he makes the request, he'll have the answer to his question within a few weeks.

Thank you.

**The Chair:** Thank you, Mr. Ste-Marie.

[*English*]

**Mr. Philip Lawrence:** I believe I have actually asked them, but I will ask again.

[*Translation*]

That's a great point.

[*English*]

I have not been able to find it, and so I will ask the library. I will keep everyone updated too. Who knows how long I'll have the floor? Maybe in a couple of weeks I'll still have the floor, and we can give an update going forward.

Thank you very much for that point.

I'll continue reading. We'll start at "The stock". I know I'm repeating, but it's just to make sure we don't miss anything.

It says:

The stock of non-residential capital [investment]...to the labour force peaked in the last quarter of 2015. By the first quarter of 2022, every type of capital was below that peak. Only engineering construction did not begin to decline shortly after 2015. It continued to grow through 2021, and its stock per available worker was down a comparatively small 1 percent by the first quarter of 2022. The stock of non-residential buildings per available worker fell between 2015 and 2020 before growing in 2021. The stocks of [intellectual property] and [machinery and equipment] per worker have been falling quite steadily since 2014.

I'll just pause there for a second.

There is an interaction between government spending and capital stocks as well, although, as the authors point out, it's far less clear than private investment. As any Keynesian would tell you, generally if there's expansionary fiscal and monetary policy, which there certainly has been over the last nine years—we've seen record deficits, record debt—you would actually expect productivity to increase, simply because the government is making substantial investments. They're in effect mortgaging the future for these. Because they're spending these dollars, you would expect at least a small uptick in productivity and in capital investment. The government is taking resources from the private sector and from future generations through borrowing, and employing them in the economy. In fact, it's absolutely essential that this happens; otherwise, you are shortchanging future generations, because we're spending this money but not getting any return back.

In fact, I was at Port Hope High School, and I told them, "Here's the reality, guys. We have a debt of \$1.4 trillion. The reality is, given my likely lifespan, I will not be paying back a large portion of this debt in my life. However, you guys will, and eventually this will come to a head. Any time you talk to any politicians, I would highly recommend you ask about climate change, because I think it's important to have an environment, but the second question I would ask of nearly every politician would be how they are going to pay down this debt so that we don't get stuck with it", because that's exactly what's going on right now.

It continues:

The declines in the stock of [manufacturing and equipment] and [intellectual property] per member of the workforce are particularly worrisome. Past research has identified [machinery and equipment] investment as particularly important for productivity growth—

The author cites several articles there.

—[Intellectual property] investment is a plausible indicator of Canada's likely future performance in a world where intangible capital is increasingly important.... Whatever special messages the recent [machinery and equipment] and [intellectual property] numbers may convey, the message from stocks of business capital overall is clear: the average member of Canada's labour force began 2022 with less capital to work with than she or he had in 2015.

• (3640)

The interesting part is that while it's certainly not apparent to me that our Liberal Party elites get that, and even some of the folks on Bay Street don't seem to have figured that out, do you know who gets that? They are the workers on the factory floor.

Go to a factory nearly anywhere in your community and bring up Pierre Poilievre. I guarantee that you will get an incredible amount of support. You could do the same and mention Justin Trudeau, but you might want to have some earmuffs on or something, because some of the language you'll hear will likely not be appropriate.

They get it. They get it, whether intuitively or they've done the research and reading themselves. They are not being invested for. They are not being taken care of. They are not being dealt with fairly by this government, and the result is lower levels of investment and productivity. Oligopolies are getting wealthy. Some businesses are doing all right, but workers are getting the short end of the stick, and they realize it.

I would be embarrassed if I were a New Democratic Party member, because they're supposed to stand up for the workers. It's not just a fluke. It's not just because the leader of the official opposition is a great communicator, which he is; it's because there's a truth that's being revealed that the NDP and the Liberals don't care about Canadian workers, because if they did, they would immediately start putting in policies and procedures and tax policies that ramp up capital investment so that our workers are given a fair deal, because they can't earn the wages that they should earn without proper amounts of capital investment.

Our federal government is failing. These Liberals are failing to put in place the policies, and the NDP sign on to this. It's embarrassing to their legacy. It truly is.

I try not to speak that strongly, especially about my colleagues. I know that their hearts are all in the right place, but the reality is that the most vulnerable are going to food banks, and Canadian workers are getting the short end of the stick.

I'll just use unparliamentary language. If they want to do a point of order, they can. Canadian workers are being screwed.

I'll continue reading:

We would like to compare Canada's capital-stock numbers over longer periods and against comparable numbers abroad—

• (3645)

**Mr. Francesco Sorbara:** I have a point of order, Chair.

If the honourable colleague would love to yield the floor to me, I would gladly take over. I could explain to him and the folks on the opposition side how Canadian workers are way ahead under our plan and how we are moving the economy forward here, not only in Ontario but across Canada.

If you'd love to yield the floor, I'd love to take over.

**Mr. Philip Lawrence:** I would—

**Mr. Ryan Turnbull:** I have a point of order, Chair.

**The Chair:** Thank you, MP Sorbara.

MP Lawrence, you may continue. After that, I have MP Morantz and then MP Hallan.

**Mr. Ryan Turnbull:** Chair, I have a point of order, though.

Standing Order 18 is about order and decorum. I note that the member used offensive words and language. I would just ask him to retract that statement.

Thanks.

**The Chair:** Thank you, PS Turnbull. I apologize; I did not hear you.

Are you willing to withdraw those remarks?

**Mr. Philip Lawrence:** I'll just withdraw them.

**The Chair:** Okay. They've been withdrawn.

Thank you, MP Lawrence.

**Mr. Philip Lawrence:**

We would like to compare Canada's capital-stock numbers over longer periods and against comparable numbers abroad. These particular numbers, however, exist in Canada only since 2009, and are not available for many other countries. Comparisons over longer periods and with other countries are easier using a related flow measure: gross business investment. Figure 4 shows the Canadian numbers for the three types of this investment tracked by Statistics Canada and most other national statistical agencies: non-residential structures (both buildings and engineering), M&E and IP products since 1990.

Absent any changes in estimated depreciation and write-offs for existing capital, changes in gross investment should line up with inflections in net capital stock. As the net stock figures would lead us to expect, the gross investment figures show relative strength in non-residential structures before mid-decade along with weaker performance in M&E and IPP.

During the second part of the 2010s—

I assume the author refers to 2015; it's interesting language, but okay.

—investment in structures and M&E per member of the workforce declined, and investment in IPP flatlined.

I'll read that again; that's incredibly compelling.

During the second part of the 2010s, investment in structures and M&E per member of the workforce declined, and investment in IPP flatlined. In 2021, notwithstanding a modest rise in non-residential structures and M&E investment from quarter to quarter — a rise sadly not evident in IPP — the starting point for the year was so low that per-available-worker investment in 2021 dollars in Canada was only about \$11,900. That is down one quarter from its peak of \$16,000 in 2014—

That's amazing, eh?

—and barely above the 2009 trough of \$11,300....

Basically, our investment per worker has flatlined in intellectual property since 2009. Pretty soon we'll have members in the House of Commons who were born in 2009.



We're going to move to the next section here: "Canada's Performance Against Competitors Abroad".

The growing importance of intangible assets, and the declining materials intensity of economic activity generally, might mean that the warning signals from weak standard measures of capital formation are less alarming than they would have been in the past. These trends affect many countries, so we look now to see how Canada's experience compares with that of the United States and other OECD countries with comparable data (those shown in Figure 2). Is capital investment trending similarly elsewhere, or does Canada appear to be on a path toward relatively higher capital intensity, implying relatively higher productivity and wages, or toward relatively lower capital intensity, implying relatively lower productivity and wages?

There's a subheading: "Canada versus the United States".

Because Canada and the United States collect similar capital investment data, and because Statistics Canada takes particular care to compare Canadian to US prices, we can measure investment per available worker in the two countries with some confidence that we are getting meaningful numbers.

- (3650)

We convert the different types of capital investment into Canadian dollars, using Statistics Canada's measures of relative capital-equipment price levels to adjust for different purchasing power differences in the two countries. Investment goods tend to be less expensive in the United States than in Canada, so using the exchange rate alone in converting US to Canadian dollars would understate the relative bang US companies get per investment buck. Our adjustment provides a better idea of bang per buck spent on structures, M&E and IP products on either side of the border. The results of these calculations are seen in Figure 5, panels A through D.

Canada has an edge in investment in structures (panel A). Canadian businesses, with their relatively greater focus on natural resources tend to invest in more—

See, this is one of the things that's really hurting the productivity, and that's sort of one of the untold stories.

Canada has traditionally invested heavily in natural resources. In fact, it was one of the areas where we are most efficient and effective. Both this government's technical and attitudinal changes from the Harper government gravely impacted that. In many ways, Canadian energy is the golden goose that keeps the Canadian economy rolling. That's the truth. People will deny that up and down, but that is the reality. If you look at the numbers, the Canadian economy would have a significant challenge without Canadian energy and Canadian natural resources.

The report continues:

The gap narrowed sharply after 2014, with lower oil prices and a policy environment in Canada more hostile to natural resource industries—

That's true.

—However, it widened somewhat in 2021, with the rebound of Canadian's non-residential structures in 2021 coinciding with a slackening of pace in the United States.

The comparison in [manufacturing and equipment] investment (panel B), is much less favourable to Canada. While the measure is at an all-time high in the US, investment has been flat in Canada since 2009.

I will pause the text there. I'll get back to the text soon.

I had an individual come to our constituency office on a matter unrelated to his business. He'd been brought over from Europe to head up a manufacturing business in our riding. He was very surprised, I think it's clear to say, at the lack of investment, I guess you would say, in newer equipment.

His similar business in Europe—the business he came from to take over the plant here in Canada—was using equipment that was

20 years or 30 years newer. He was fortunate because, like me, he wasn't the youngest man in the world, so he had actually used some of this equipment very early in his career, but he was really surprised.

Unfortunately, I think it is the case too often that Canadian workers are being undermined by not being given the appropriate tools. Of course, there's the old adage of sharpening your saw. If you spend the time to invest in your tools, if you spend the time to maintain your tools, you'll be able to be more efficient and more effective.

We'll continue on:

The comparison in [manufacturing and equipment]...is much less favourable to Canada. While the measure is at an all-time high in the US, investment has been flat in Canada since 2009. US businesses typically spend more per worker on such investment, and the gap has widened over the past decade. The gap in 2021 was \$6,300.

- (3655)

The IP gap (panel C) is worse yet. Since the mid-2000s, Canadian businesses' spending on these products has been in a narrow range around \$2,000 per available worker, while the US figure has risen from around \$3,000 to more than \$8,000. Some of this difference reflects slumping exploration expenditures by Canada's struggling resource sector. To the extent this growing gap reflects greater use by Canadian businesses of information technology owned abroad, its implications for productivity are ambiguous. Reliance on foreign-owned technology might be simply a smart business decision, or it might reflect Canada's lack of competitiveness in commercializing its own IP, leading to lower accumulation of IPP by Canadian firms.

Looking at the three types of investment together (panel D), we see that business investment per available US worker has exceeded that in Canada since the 1990s. The gap narrowed in the 2000s but widened markedly after the mid-2010s and has widened further during the pandemic. The US recovery from the pandemic has been better than the Canadian recovery: in 2021, business investment per available worker rose 9 percent in the United States versus only 3 percent in Canada.

The gap between gross investment per available worker in the United States and in Canada was almost \$11,000 in 2021. Such a large amount represents a significant shortening of the replacement and upgrade cycle for a piece of capital equipment such as a truck or an excavator, a major upgrade of health and safety in a workplace, or a complete replacement of many [offices'] entire information and communications technology.

Asking how many cents of new investment per available Canadian worker occurs for every dollar of new investment per available US worker yields a summary comparative measure. In Figure 6, we show our measure of investment in Canada per dollar of its US equivalent in total and in each investment category.

Canada's relatively robust rate of structures investment stands out in Figure 6. The surge to the 2013 peak—when each available Canadian worker was getting more than \$1.60 for every dollar of new structures enjoyed by her or his US counterpart—is striking. So is the subsequent decline to less than \$1.25 in 2019. In this category, at least, the 2020 and 2021 comparisons are positive for Canada, with the average member of the Canadian workforce receiving \$1.35 of new capital for every dollar received by the average member of the US workforce in 2021.

Not so in M&E. After improving from fewer than 60 cents around the turn of the century to close to 70 cents around the time of the 2008–2009 financial crisis and slump, the amount of [manufacturing and equipment] investment per member of the Canadian workforce per dollar per member of the US workforce dropped to a dismal 37 cents in 2021.

Wow. That's a shocking number. I'll read that again, because I think it's critical:

the amount of [manufacturing and equipment] investment per member of the Canadian workforce per dollar per member of the US workforce dropped to a dismal 37 cents in 2021.

• (3700)

The situation with IP products is even worse. A steadily declining trend since the mid-2000s has taken us to the point where the average member of the Canadian workforce in 2021—

**The Chair:** Thank you, MP Lawrence.

It's past 1:00. We're suspending. I'll see everybody next week.

*[The meeting was suspended at 1:01 p.m., Thursday, May 23]*

*[The meeting resumed at 11:43 a.m., Tuesday, May 28]*

**The Chair:** I call this meeting to order.

Welcome to the continuation of meeting 143 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2), the committee is meeting to discuss Bill C-69, an act to implement certain provisions of the budget tabled in Parliament on April 16, 2024.

Before we begin, I ask all members and other participants to consult the cards on the table for guidelines to prevent audio feedback incidents.

Please take note that the following preventive measures are in place to protect the health and safety of all participants, including the interpreters: Use only an approved black earpiece. The former grey earpieces must not be used. Keep your earpiece away from the microphones at all times. When you're not using your earpiece, please place it face down on a sticker placed on the table for this purpose. Thank you all for your co-operation.

Today's meeting is taking place in a hybrid format, pursuant to Standing Order 15.1.

I will make a few comments for the benefit of the members. Please wait until I recognize you by name before speaking. For those on Zoom, please use the “raise hand” function. For those in the room, just raise your hand. The clerk and I will manage the speaking order as best we can, and we appreciate your understanding in this regard. I remind you that all comments should be addressed through the chair.

As we get back to where we were the last time, members, we have a new permanent member at our committee. Francesco Sorbara, the fine member from Vaughan, has joined us—

**Some hon. members:** Hear, hear!

**The Chair:** Welcome back, I should say, Francesco, because you were a long-time member of this committee.

I see a hand up. Go ahead, MP Hallan.

**Mr. Jasraj Singh Hallan:** Chair, I ask for unanimous consent to suspend for probably 20 or 30 minutes so that we can finalize discussions on the motion.

**The Chair:** I believe we have unanimous consent. That's great. We're suspended.

• (15545)

(Pause)

• (15635)

**The Chair:** Members, we're back.

PS Turnbull, I see your hand up.

**Mr. Ryan Turnbull:** Thank you, Chair. Thanks for your indulgence and giving us a short suspension to work out an agreement together. It is very good to see that we've been able to reach, I think, consensus—what I hope is consensus.

I would first ask, Chair, for unanimous consent of the committee members to withdraw the motion on the floor and then move a motion afterwards.

**The Chair:** You do have unanimous consent for that.

(Motion withdrawn)

**Mr. Ryan Turnbull:** Thank you. I would like to move the following motion:

As it relates to the committee's future business, including the study of Bill C-69, it be agreed:

I. That meetings in the week of the May 28 and future meetings be dedicated to hearing from witnesses regarding the bill for no fewer than 12 hours and that the clerk invite Mr. Mark Carney as a witness to testify with respect to the 2024 budget, the economy and the environment for two hours;

II. That any amendments to the bill be submitted to the clerk no later than 11:59 p.m. on Friday, May 31;

III. That clause-by-clause consideration of the bill start no later than 9:00 a.m. on Tuesday, June 4, and that during clause-by-clause consideration, all clauses which are subject to no amendment be considered and voted on first, followed by all clauses with amendments for consideration; and that if the committee hasn't completed clause-by-clause consideration by 5:00 p.m. on June 4, all remaining amendments submitted to the committee shall be deemed moved, the chair shall put the question forthwith and successively, without further debate, on all remaining clauses and proposed amendments, as well as each and every question necessary to dispose of clause-by-clause consideration of the bill, as well as all questions necessary to report the bill to the House;

IV. That following the completion of the study of the bill, the committee dedicate future meetings as follows:

Two meetings on money laundering;

Two meetings on its study on the Policy Decisions and Market Forces that have led to Increases in the Cost of Buying or Renting a Home in Canada; and

Two meetings on its study on Inflation in the Current Canadian Economy.

That has been sent around to the clerk in both official languages so that it can be circulated.

I understand that all parties were involved in the discussions that led to this, so I want to thank everybody for their efforts to reach an agreement and to move past a bit of an impasse that we had for a while. It's really great to see the committee working collaboratively.

There are a couple of other things I want to put on the record in terms of the impacts of this, Chair. One is that the committee members agreed that it would be great to hear four hours of witness testimony on Thursday, Friday and Monday, with preferred times being 10:00 to 2:00 on each one of those days. That was the preference.

I would also like to say that the witness list would be submitted today. We would try to complete that so that invitations could potentially go out today, and witness testimony would then start on Thursday. We realized as we discussed this that the timelines are pretty condensed and that we need to get those invitations out as soon as possible to hear from witnesses.

I think that's all I was going to say, and I just want to say thank you again for everyone's collaboration on this.

**The Chair:** Well, thank you, PS Turnbull.

On the witnesses, the clerk will do their best. Of course, it's a very short time to be able to bring in witnesses, but we'll do the best we can.

Are there any others?

Go ahead, MP Chambers.

**Mr. Adam Chambers:** I'm in favour of what's agreed to because it's been agreed, but I'll just note that when we are voting on clauses, we are giving preference to those without amendments, such that we could be in the situation that we won't be debating clauses that do have amendments, because we're going to start to run out of time.

In a roundabout way, we've given preference to first reviewing clauses that have no amendments. I'm not proposing any changes; I'm just highlighting a potential downside of the agreement, such that when five o'clock comes on Tuesday, we may still have clauses with amendments that we have not discussed.

**The Chair:** Thank you, MP Chambers.

Is that it for members?

Go ahead, MP Davies.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Are you saying that it might make sense, then, to start on Monday with clauses that have amendments?

**Mr. Adam Chambers:** I don't want to open it back up. I'm just pointing out the situation.

**Mr. Don Davies:** I'm sorry. It's on Tuesday. I'll just leave that open.

Did you mention—and I'm sorry if I missed this—that parties should get their witnesses in by 5 p.m. today and prioritize them?

**The Chair:** Yes.

**Mr. Don Davies:** We also talked about having four witnesses per panel. I think that was something that wasn't mentioned, which we should try to accommodate.

**The Chair:** Is that one hour per panel?

**Mr. Don Davies:** It's one-hour panels, but four witnesses per panel, so they'd each have five minutes to talk.

**The Chair:** Okay.

Go ahead, PS Turnbull.

**Mr. Ryan Turnbull:** I'll just make a short comment in relation to Mr. Chambers' very good point.

In conversation with other committee members, we discussed the possibility of having a Monday night meeting in order to deal with all clauses that did not have amendments. The preference was to deal with those clauses swiftly, recognizing that there may still be some that members want to vote against. We would try to ensure that those could be identified so that we could group clauses with no amendments and dispense with them fairly quickly. It would be possible to pull out any that we need to have a short discussion on. Dispensing with those first would be helpful for dealing with the bulk of the bill. Then we'd move on to any amendments that have been submitted.

That was the intention expressed. To me, it made sense. That's why we changed and avoided that Monday evening meeting.

**The Chair:** Before I go to MP Garon, I want to say that on part 4, we didn't hear from officials. We didn't finish with officials for parts 1 to 3.

Would members be interested in having those officials in the first couple of hours? We would bring in the officials again for the first hour. Also, in the second hour, we'd have the part 4 officials.

Can we hear from MP Davies on this?

**Mr. Don Davies:** I'm okay with that.

I'm wondering if my colleagues might prefer hearing from the officials on part 4. We did hear from officials on the other parts, although it wasn't totally complete.

I suggest we take one hour and have the officials on the other parts so that we have maximum time to hear from stakeholders. I'm in my colleagues' hands on that, if people feel differently.

**The Chair:** We could have officials for the first hour on part 4.

MP Garon, did you...?

You're good. Thanks.

Is everybody good with this?

**Mr. Jasraj Singh Hallan:** I want to confirm.

Are we still doing the four, four and four hours on Thursday, Friday and Monday?

**The Chair:** Yes, it's 12 hours.

Do we have unanimous consent?

**Some hon. members:** Agreed.

**The Chair:** The motion goes forward.

I think we are done for the day.

Are you ready to adjourn, members?

**Some hon. members:** Agreed.

**The Chair:** We're adjourned.

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