

*Borrowing Authority Act*

the economy going again instead of having people totally mesmerized by the problems that face us all today.

I repeat what I said a minute ago about the need for restraint on the part of this government. The minister says that we must limit our demands, but to keep saying that again and again in face of the huge increases in government spending is throwing untruths at the people of Canada. They understand. It is hurting the government and it is hurting the credibility of the government when people continually hear there must be restraint. The government has to act. Its members cannot sit and talk. Rhetoric is cheap. The government must act and it must act soon.

During 1979, when we were in power, we showed that government spending can be cut below the rate of growth in the national income. My recollection is that it was down about 2.5 per cent below the rate of growth in the national income. Last year government spending was 50 per cent higher than the rate of growth in the national income. That cannot continue. There is good reason why that cannot continue.

• (1610)

A moment ago I discussed the compounding factor of deficits that increase with the high rates of interest which we have today. Right now we have a dead weight deficit because the deficit itself represents approximately the same amount that the government is spending on interest on the funded debt. We are spending one dollar in five in interest on the funded debt of the Government of Canada. That is dead weight because the money cannot be spent on any social program, on stimulating industry or on stimulating the economy. It is dead weight deficits which are causing the problems in the country today. We have been saying for almost five years that we must free ourselves of this dead weight. However, the government keeps coming back with the same statements. It does not understand the impact of what is happening.

Another policy which could be adopted involves the area of savings and investment. People must be encouraged to save their money in order to provide the funds that businesses and individuals can borrow to enable Canada to grow, allow businesses to expand and enable people to buy homes. If people cannot save their money, the pool of available funds to finance the economic recovery in Canada will not be there. This is one of the key elements for reducing the strain on the Canadian dollar as well as on interest rates.

Finally, incentives must be introduced in Canada. The budget of November, 1981, did as much to undermine and kill productive investment in Canada as any single act by the government in the past ten or 15 years. Small business people, who are at the heart of the economy in Canada and who provide 65 per cent or 70 per cent of employment in Canada, have been kicked in the stomach by that budget. Small business people have lost their confidence in the economy.

During the month of January the budget committee of the Progressive Conservative caucus travelled across Canada to hold meetings. I will never forget the discussions I had with a group of small-business men, and one from Dupont in particular. He said that he had left Dupont ten years earlier to start a

new business. After we talked about some of the problems that this budget presented to him, I said, "If you were in Dupont today and you saw the provision in this budget and the attitudes behind it toward you as a potential entrepreneur and small-business man, would you leave Dupont?" He said: "No, I would not leave Dupont today. The risk is too great and the government has removed too many of the rewards."

Just yesterday I spoke to another small-business man. He told me that one of the great benefits of owning a small business is that you can build a nest egg in order to have something upon which to retire. It is something you can work at and create yourself because it involves your future. However, he said that the budget of 1981 has largely taken away the ability of individual businessmen and small entrepreneurs to build that nest egg for their future. This is happening to a sector which is at the heart of our society as well as our economy. That is why the budget is such a damaging document.

Today we are discussing the size of the budget deficit and how we can get it under a greater degree of control. This control can be achieved in three ways. One is to reduce spending, another is to increase revenues, and a third—one that very few people talk about—is to reduce interest rates. Last year 22 per cent of government spending was on interest rates, which is an important factor to our budget deficit problem. This government has failed in all three of those methods of controlling the budget deficit.

Last year, government spending was up 22 per cent, as was set out in the last budget. Government spending is out of control.

With respect to the second method, raising revenues, the government has sought to increase revenues by increasing tax rates instead of increasing the incentives for Canadians to go out and work hard to build a business, increasing government revenues through an increase of the size of the Canadian economy. The government has gone about it in the wrong way. I believe that the minister's rating on that question is about three out of ten. He said that he would drop the marginal tax rate but only for very high income people. He has ignored the low-income earners who play a very important role in increased economic activity. He has also increased other tax rates and put a greater load on the economy which is showing up in the poor economic growth figures today.

Let me use the United Kingdom as an illustration. It is said that the experiments in the United Kingdom are failing, and I would like to expand on that for the record since the results are fascinating. In 1979 the government in the United Kingdom dropped the marginal tax rate for upper-income people believing that it would result in a significant drop in tax revenues. The government therefore increased the value-added tax by approximately 70 per cent or 80 per cent. As I indicated, the results of that experiment are fascinating. Revenues from income tax increased on a real basis for the first time in six years and the value-added tax that was increased by 70 per cent or 80 per cent only increased by approximately 45 per