

Borrowing Authority Act

that this commitment was fulfilled when Bill C-51 was introduced within 24 hours of the May 23 Budget. This Bill will give the Government the necessary authority to borrow \$18.2 billion for this current 1985-86 fiscal year. The first \$16 billion of this figure will be used to supplement the \$12 billion already borrowed earlier this year under the related borrowing Bill, C-11, thereby meeting the total of \$28 billion in the 1985-86 financial requirements as set forth in the Budget.

The remaining \$2.2 billion is needed to roll over the temporary borrowing authority that was obtained under Section 39 of the Financial Administration Act last February. It will be remembered that recourse to Section 39 was necessitated by the intransigence of the other place with respect to the timely passage of Bill C-11. This episode in the other place involving the deliberate delay by Liberal Senators of Bill C-11 is worth reiterating for the public record. Their irresponsible obstruction of a crucial piece of legislation cost Canadian taxpayers some \$15 million. The whole event constituted a microcosm of the kind of fiscal mismanagement with which this country has been plagued for the last 16 years.

This bitter fact leads inevitably to the larger questions which arise out of this borrowing Bill, and surely there can be nothing larger than this country's annual and cumulative deficits, now the major component in government financial requirements and consequently the major reason for the incomprehensible figures involved in borrowing Bills such as this.

Let me begin my brief remarks, Mr. Speaker, on the deficit with an analogy. The major financial transaction in the lives of most Canadians usually centres around the purchase of a home. It is a transaction that usually involves tens of thousands of dollars and leaves the purchasers with a substantial mortgage to repay over a given number of years. The vast majority of Canadians will work long and hard to repay this debt as quickly and as diligently as they are able. Why? It does not take a financial genius to know that a state of perpetual indebtedness is not a preferred option. The home owner knows that his mortgage is simply a necessary means to a desirable end and the sooner this indebtedness is erased, the better off he will be. Moneys once channelled into principal and interest owed, and all too often more interest than principal, can then be used more profitably elsewhere. If, however, a home owner's annual expenses begin to exceed his income, then meeting his monthly mortgage payments becomes an increasingly difficult problem. If this unfortunate state of affairs continues for an appreciable length of time, the home will be lost.

It may be something of a quantum leap, Mr. Speaker, from the typical Canadian home owner with an average annual income and monthly payments on a \$25,000, \$50,000 or \$75,000 mortgage to the monolithic Government of Canada with its multibillion dollars in yearly revenues and expenditures, but the same basic economic principles apply in each case. It is an indication of the severity of the financial situation facing this country that any Canadian home owner who had managed his personal finances in a manner in keeping with the

federal Government's requirements over the past decade and a half would have long since defaulted on his mortgage, declared personal bankruptcy and found both himself and his children indebted for life to his creditors.

Such is the situation which confronts this Government. This is simply because any Government, just like any individual, which has allowed annual expenditures to far exceed its annual revenues and which must borrow with interest every year to try to make up the difference, simply digs itself into a deeper and deeper hole. We are in a hole that is about 16 years deep. We have had successive budget deficits since the early 1970s and they have led to an annual budgetary projected deficit of approximately \$37 billion when we took office in September and a net public debt of approximately \$190 billion in the fiscal year 1985-86. Fortunately the actions in the November economic statement and the May Budget have reduced the projected deficit from \$37 billion to \$31.1 billion.

Permit me to look ahead just five and a half years to 1990. If we had not taken the actions in the November statement and in the May Budget by cutting expenditures and raising revenues, then the interest payments on the debt would be more than \$50 billion per year, not just the \$22.1 billion that we have now. In other words, just the interest payments on the debt would be 226 per cent higher than they are today, and that is just in five and a half year's time.

If we fail to act now to correct 16 years of Liberal mismanagement, annual interest payments could approach \$50 billion. The impact of the November statement and the May Budget taken together is to reduce our annual deficit by 1990 by some \$20.1 billion and 80 per cent of that \$20.1 billion reduction will be on the expenditures side and only 20 per cent in new revenues.

The net public debt now comprises 45 per cent of Canada's annual Gross National Product and the annual interest payments of this debt now exceed total federal spending on Old Age Security, Guaranteed Income Supplement and the federal share of health care, combined. I think that is an amazing figure and I would just like to repeat that. The annual servicing of the debt now exceeds the total federal spending on Old Age Security, Guaranteed Income Supplement and the federal share of health care, all combined.

This euphemistically termed "fiscal problem" has been detailed by the Minister of Finance (Mr. Wilson) in one of the budget documents entitled *The Fiscal Plan*. He notes that during the past three years the net federal debt has grown almost four times faster than the Gross National Product and interest charges on that debt have grown three times faster than revenues. What happens to the debt-to-GNP ratio during the remainder of the decade is inextricably related to three key economic variables: interest rates, real growth rates in the economy, and the size of the deficit. The Minister of Finance said:

● (1730)

In any given year, a budgetary deficit can provide support to economic activity. If, however, over an extended period of time real interest rates exceed