

Borrowing Authority

This Bill should be viewed in the context of the Government's continuing efforts to deal with the problem of Canada's huge public debt. First, let us look at the problem.

The grim truth is that the interest on the public debt is far greater than the entire projected annual deficit this year. The interest on the debt is estimated at more than \$39 billion. The deficit will be \$30.5 billion.

Except for the interest that we pay each year on the public debt, Canada would have a substantial surplus this year instead of a deficit. We have a serious problem because year after year, Government after Government, annual deficits have been piled on top of each other to create this mountain of debt.

Four years ago when the Government first took office, the debt had already reached \$200 billion and was rising at an alarming rate of almost 24 per cent a year.

During the past four years, under the guidance of the Minister of Finance (Mr. Wilson), the Government faced up to the debt challenge. We took action to cut the growth in program expenditures and also introduced measures to raise the revenue yield. We put forward economic policies to revitalize the private sector and encourage economic growth.

As a result of these actions, the annual deficit was reduced from more than \$38 billion in 1984-85 to less than \$29 billion in 1988-89. Our financial requirements were down from \$30 billion to \$22 billion in the same period. We reduced the growth of the debt to 9.9 per cent. That was the first time in 15 years that the debt growth was less than 10 per cent.

Mr. Milliken: That's ridiculous, and you know it.

Mr. McDermid: That is not ridiculous at all. The Hon. Member is a little testy for a Monday morning. The Hon. Member from Kingston must still be feeling the effects of the press gallery dinner from Friday night.

• (1130)

An Hon. Member: Saturday.

Mr. McDermid: Or Saturday night. You can see I am really feeling the effects.

Some Hon. Members: Oh, oh!

An Hon. Member: Have you got a sunburn?

Mr. McDermid: Yes, sunburn and it is hurting like the dickens if you want to know the truth.

Some Hon. Members: Oh, oh!

Mr. McDermid: Despite our progress, Madam Speaker, the sheer momentum of the debt means that it continues to grow. The debt is now more than \$320 billion. That is more than 20 times greater than it was in the mid-70s when it began to grow faster than our national income.

Interest payments increased by almost 50 per cent from \$22 billion in 1984-85 to \$39 billion this year. We have a chicken and egg challenge here. On the one hand, the only way to control the debt is to reduce deficits, but the continuous increase in the stock of debt and higher public debt charges limit the amount of deficit reduction that can be achieved. High and rising levels of debt make the Government's financial situation vulnerable to interest rates which have been driven up in the past year as a result of inflationary pressures. The rise in interest rates has substantially increased interest payments on the public debt, this year by an expected \$6.4 billion above the estimate made in February, 1988.

The Budget faces this challenge firmly with actions to reduce program expenditures further and to strengthen revenues. Through the Budget the Government is building for the future instead of borrowing from it.

Debt control reduces the burden of debt imposed on future generations. It provides Government with increased fiscal flexibility to respond to priority needs. It enables a better balance of fiscal and monetary policy, setting the stage for sustained economic growth, reduced inflationary pressures, lower interest rates, lower debt servicing costs and even lower deficits. It helps ensure a better future and higher living standards for all Canadians.

As a result of the measures of this Budget, the public debt as a percentage of our national income will stabilize next year and decline over the immediate term, the first such decline since 1974-75. By 1993-94, our financial requirements are projected to be only \$3 billion.

The Government has demonstrated its commitment, Madam Speaker, to bringing the debt under control. It is a major long-term challenge that will require the efforts of all Canadians for many years to come.