

Government Orders

I want to emphasize that this is not a stand-alone measure. The spending control act will reinforce the government's expenditure control plan introduced in the 1990 budget and now being extended into the mid-1990s. It will work with the debt servicing and reduction account, which will receive all net revenues from the goods and services tax to ensure that our medium term deficit and debt reduction goals are achieved.

In my work in my riding and across this country I have heard from countless Canadians who have said that the debt servicing and reduction account is a very important thing, that the goods and services tax money must go into that fund, which it is by legislation, and be accounted for to the people of Canada. That is going to happen. Although people do not like the goods and services tax—no one likes taxes—they will feel somewhat better about it if they know that it is in fact going toward fighting the deficit.

All these measures will reinforce and be reinforced by another key initiative, that is the setting of low inflation targets that are helping to reduce inflation, and as a result bring interest rates down. This act will assure the fiscal restraint that is essential to keep our inflation targets in line. We are not only meeting our inflation targets but in fact doing much better than was projected. This in turn is the key to durably lower interest rates that will encourage investment, sustainable economic growth, and job creation.

• (1020)

I am pleased to note that the crucial importance of reducing the public debt as a share of our national income is supported by the Standing Committee on Finance.

In the 15 years before this government took office program spending had been increasing at an average annual rate of 13.8 per cent, or nearly 6 per cent after discounting for inflation. As a percentage of the economy, program spending rose from 14.8 per cent in 1968-69 to 19.6 per cent in 1984-85, a higher level than at any time since World War II.

We are now paying the price for these free-spending years. The increase in program spending during this period is the major factor behind the high annual deficits and the build up in the public debt that limits our room to manoeuvre today. That is why from the outset we have

given first and continuing priority to spending restraint in controlling the deficit.

Between 1984-85 and 1990-91 program spending increased by only 3.6 per cent per year, well below the rate of inflation for that period of time at 4.4 per cent. We have cut program spending in real terms. As a percentage of the economy, program spending is back down to 16 per cent, a level that we have not seen in 20 years.

This restraint in program spending has been the major factor that has allowed us to achieve a turn around in the government's operating balance from an operating deficit of \$16 billion in 1984-85. In other words, we borrowed \$16 billion just to pay for programs of that day in 1984-85. That has been turned around today so that we have a surplus of \$11.9 billion in 1990-91. In other words, we are collecting almost \$12 billion more than we are spending in program financing.

It is important to note that more than two-thirds of this improvement in the operating balance as a percentage of gross domestic product is due to restraint in program spending.

As a result of the turn around in the operating balance, every dollar of our current deficit simply goes to pay interest charges on the public debt. It is not lost on Canadians, I might say, that these are dollars that could otherwise be used to ease our recovery from the recession, to fund desirable programs or most important for Canadians, to reduce taxes.

Although some members of the finance committee seem to question the need for this legislation, the majority of witnesses supported the view that continuing firm control over expenditures is essential to ensure that the deficit is reduced and the public debt declines as a percentage of the economy.

The spending control act will give Canadians the assurance that Parliament shares this view and will demand continuing discipline from the government.

The act breaks new ground by providing an important new mechanism to reinforce and if necessary to enforce the kind of spending restraint that Canadians want.

The allowable limits will be the program spending projections in the February 1991 budget. With limited exceptions, overspending would have to be offset by a program of spending reductions. Neither increased bor-