This attack is balderdash. Our program is not slash and burn. No one in the House has a monopoly on compassion. We propose our program precisely because we care and want to preserve Canada's support for the neediest. We defer with Liberals on the merit of cutting today versus cutting tomorrow and a number of other mainly technical issues of economic management.

I will discuss these issues and hope that Liberal members will similarly stay away from denouncing moral standards of others and proclaiming the superiority of their own. All Canadians will benefit if they do.

With this preliminary out of the way, let me now turn to discussion of Reform's position in favour of the more rapid elimination of the deficit. In developing this position, I draw heavily on ideas which were advanced by the IMF, several Canadian think tanks and a large number of business leaders, economists and private individuals in their presentations to the finance committee.

We recommend the elimination of the deficit by the end of the government's mandate because it reduces the risk that some threatening event will once again increase the deficit to the point at which the debt grows more rapidly than national income. As more and more Canadians realize, when this happens we find ourselves in the unsustainable situation in which we need to borrow ever increasing amounts to pay the interest on the ever growing debt. To use analogies that have become so popular, we would not be on a treadmill standing still. The treadmill would keep speeding up making it more difficult to keep up with it.

One threatening event pointed to by witnesses is the downturn in economic activity certain to take place before very long. Another threat stems from the traditional reluctance of governments to enact spending cuts in an election year. Concerns were expressed about the consequences of another Quebec crisis which could result in large increases in the interest on the government's debt and thus aggravating the deficit position again.

The second reason we recommend presenting a target for a balanced budget is it signals to capital markets the government's political courage and determination. As many witnesses noted, if the government did so, capital markets would reward Canada by eliminating the risk premium on the interest rate they now demand.

In a speech a couple of days ago, the Governor of the Bank of Canada in his technical capacity noted that one of the big problems Canada faces is the risk premium that puts the Canadian interest rate above the U.S. rate due to the deficit and a lack of a signal by the government to come to firm grips with the deficit.

If we went ahead and the result was a lower interest rate it would then stimulate housing and other interest sensitive demand. The increased economic growth and tax revenues would move Canada into a virtuous cycle for a change of smaller deficits, even lower interest rates and more opportunity for tax cuts and debt reduction. This is not fantasy. This is an idea supported by many witnesses who appeared before the finance committee.

• (1220)

The government's rolling or shifting target of slow deficit reduction offers the worst of both worlds. The cuts create unemployment and uncertainty which make consumers reluctant to spend and slow economic growth. At the same time, capital markets are reluctant to reduce the risk premium on interest rates because the cuts are too small and there is no definite date for the elimination of the deficit. We heard that argument in the finance committee again and again.

The announced target of a $17 billion deficit in 1997–98 carries another risk. The careful analysis of the effects of economic growth, interest rates and spending cuts already announced suggest that with any luck and the proper treatment of the precautionary reserve this target is attainable with additional cuts of as little as $1 billion. It may be more, but it could conceivably be done by cutting an additional $1 billion. For the sake of all Canadians, I hope capital markets will not interpret this fact as evidence that the government has lost its nerve and more than two years before the election plans no more spending cuts to balance the budget. If they do, the risk premium on interest rates is sure to rise and the deficit will be even larger.

Third, we believe the complete elimination of the deficit by 1998–99 does not involve slash and burn. As the Minister of Finance found out during the referendum campaign with his reference to job losses of one million due to separation, hyperbole may be rhetorically satisfying but it has its risks. The IMF and numerous other analysts have noted that many billions of old age security and UI benefits go to Canadians who by all acceptable standards can do without them during this period of national emergency. This is a national emergency.

With a little political courage, reduced payments to high income earners would permit the complete elimination of the deficit without the need to cut into the support for Canadians with true needs and into other spending programs of the sort discussed by the finance minister in his report which yield high economic and social return.

We believe the Prime Minister's decision to rule out any and all cuts to these social programs, made on the eve of the referendum campaign for whatever political or ideological reason, very much harmed the broad interests of Canadians. I predict history will not be kind to him on this matter. It certainly has put the Minister of Finance in the position in which he will have to make some cuts in otherwise desirable government programs and all Canadians will suffer.