

Government Orders

pered about for months, once the election campaign was over. That was the national debt.

So, it presented this report. It was available to the government. My recollection is that it was available before the Budget was handed down—I do not know the date it was tabled in the House, but my recollection is that it was available. It contained information that would have helped the Minister of Finance balance his budget had he really wanted to do so.

We know, of course, that this is all a lot of frilly talk and nonsense. The Minister of Finance has no more interest in balancing the budget than he had in 1984 when he made the promise to Canadians that he would do it. In the 1985 budget, he told us that the deficit this year would be less than \$15 billion. We all know that, in fact, it is double that. He was just dead wrong. He was wrong in 1985, he was wrong in 1986, 1987, 1988, 1989, and, I suggest, he is wrong in 1990.

Let us look at what the Economic Council of Canada suggested. In great detail, the council gave arguments that the Minister of Finance has used, stating that the national debt was a serious problem for Canada. Then it said:

Within the realm of what is controllable, we consider the following possibility.

The Minister of State for Finance might want to listen to this because he may need this kind of advice. He may soon be replacing the Minister of Finance who has not been very successful.

Suppose a two-year freeze (in nominal terms) were implemented in five areas of government spending, effective from 1 January 1990 to 31 December 1991. Normal expenditure growth would resume on 1 January 1992 in the affected spending categories. There would be no "catch-up"—i.e., the reduction in spending attributed to the freeze would not be recouped. Thus the level of government spending in the categories affected would shift downward. For the purpose of our analysis, we chose the following areas as those being affected by the freeze: capital assistance to business; subsidies to business; transfer payments to the provinces; the indexing factor for family allowances; and the hiring of federal public servants. (We assumed that the provinces would respond to the cut in revenues by raising provincial personal income taxes.)

Now, I note that the Minister of Finance took this advice in part and, of course, you can guess which part he took. He took the part that put the freeze on the payments to the provinces. He decided to put the squeeze on them instead of putting any squeeze on his

caucus colleagues who are the big time spenders in the big time league here. Later, I will provide some examples of their profligacy, but I will leave that for a few moments to finish this point.

The Economic Council also said:

If such a freeze were implemented, the reduction in government spending from the base-case level would be \$4.6 billion in 1992. A revenue loss of \$1.6 billion would also occur, however, as the immediate effect of the freeze would be to lower the level of economic activity.

By the end of 1992, therefore, the improvement in the government deficit would be about \$3 billion. By itself, the freeze would advance the "crossover" date by two years—

—that is the cross over from a deficit to a surplus—

—from 1998 in the base case to late 1996.

Suppose that, in addition to the freeze, an easier credit policy were to be instituted, so that by the end of 1991 nominal rates of interest would be lower by about 2.5 percentage points (250 bases points). Under those circumstances, borrowing costs to the federal government would be reduced by about \$7 billion in 1992. In addition, easier credit would stimulate the economy, thus replacing some of the demand lost as a result of the spending cuts. This would turn a revenue loss into a revenue gain. By 1992, the budget would be in balance, and by 1995 a strong surplus would be recorded. If such a policy were pursued for the duration of the decade, a substantial portion of the existing debt stock could be paid down.

There you have it, in black and white, from the Economic Council of Canada. The Economic Council was paid \$10 million to provide this advice, among other things, and the Minister of Finance ignored the advice. He took it in part, but he took it in very selective bits. I submit that he chose the part that he felt he could sell, because he could force the costs onto other people and onto other governments, and he ignored the part that applied to his own misspending. I submit it shows a complete lack of concern for Canadians. What he did was to say: "We are not willing to bite the bullet on anything. All we are willing to do is pass on our debt problems to the provinces and let them muddle through as best they can."

Not only is it unfair because it hurts the smaller provinces and the ones that are least able to pay, but it helps to divide the opportunity within Canada for a national government to assist in ensuring that Canadians in all parts of the country have equal opportunities. If Ontario is able to pick up these cuts in federal transfer payments easily because of its very significant and substantial tax base, how can it be fair for a smaller province to be expected to do the same and administer