Of course there is no magic formula. The hon. member came up with a single tax into which people have looked, and all we have to do is go back and take some inspiration from the Carter commission.

I met a professor from the University of Ottawa the other day who told me that we could be inspired because the principles are basic and can be used to transform and bring back a tax system which is fair and equitable.

I want hon. members to realize today that I do not blame them. The problem has increased over the last 20 years and no political party can be blamed. The fact of the matter is that we need a total reform.

Mr. Arnold Malone (Crowfoot): Madam Speaker, the government recognizes the seriousness of the large and growing public debt. Since 1984 it has taken action to bring the debt problem under control. The record shows that significant progress has been made. The government has been significantly restrained. Waste and inefficiency in government operations have been greatly reduced. The government has taken comprehensive action to close tax loopholes, reduce tax expenditures, reform the income tax system and, with the proposed sales tax reform, move to a secure and fair sales tax base.

As a result of these expenditure actions and revenue measures, the deficit in 1989–1990 has declined by almost $8 billion from its peak in 1984–85 of $38.3 billion. This represents a reduction of 45 per cent in the deficit to the Gross Domestic Product ratio. In other words, while the debt itself is increasing, the ratio of the Gross Domestic Product of this country to the deficit is shrinking. It has done so in the past five years by some 45 per cent.

The growth of the debt has slowed dramatically and is now roughly in line with the growth of the economy's output of goods and services. Behind these improvements in the government's deficit are even more significant changes in the ongoing structures of government spending and revenues.

The government now has a $9 billion operating surplus. The cost of government programs are more than completely financed by ongoing government revenues. This was not the case five years ago when program spending then exceeded some $16 billion. In other words, five years ago for the government to implement the programs it provided for Canadian people, it borrowed some $16 billion on an annual basis.

What we have today is an $8 billion surplus in that regard and that is money that can be used for diminishing the debt. As time goes on and that surplus grows—it has the potential to grow to some $30 to $33 billion over the next four years—the capacity of the government to shrink that debt will be ever increasing.

The government acted to convert the $16 billion operating deficit to a $9 billion operating surplus, a turnaround of some $25 billion in just five years. Relative to the Gross Domestic Product, 70 per cent of this improvement in the operating balance has been achieved by expenditure restraints brought about by the present government. Although substantial progress has been made, the task is certainly not yet complete.

The enormous build up of debt over the last 20 years means that we are on a treadmill dominated by growth in public debt and debt servicing. With an annual deficit of some $30 billion, interest costs increase by $3 billion each year just to service that debt. This means the operating surplus has improved by $3 billion each year just to keep the over-all deficit from rising. This problem is compounded by the vulnerability of the government's fiscal situation to increases in interest rates.

Exposure to interest rate developments was dramatically illustrated in late 1988 and through 1989. With the economy at capacity and inflation pressures mounting, higher than anticipated interest rates added about $6.5 billion to public debt charges in 1989–90, relative to the fiscal framework projected in the February 1988 budget.

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In response, the April 1989 budget introduced substantial expenditure reductions and revenue measures. With the action in that budget, the government was able to set out a fiscal framework designed to deal with Canada's fiscal problem.

Since April 1989 inflation pressures have proved to be more strongly entrenched than expected. This has resulted in interest rates remaining higher than expected. Further fiscal action has been necessary to hold the fiscal framework set out in the April 1989 budget.