

There's the rub, because in 1974 the interest payments of the Government of Canada were a little less than \$3 billion. In 1985, the interest was \$25 billion or \$26 billion, up nearly 871 per cent in 11 years. But that is not the worst feature. The mere sum of money is not the worst feature. The worst feature is something quite different. The worst feature is this. In 1974 interest costs, interest payments, interest charges, took up 11 per cent of the cash tax payment made by the people of this country to their government in Ottawa. Eleven per cent. Eleven years later, in 1985, paying the interest cost and charges in this country amounted to 34 per cent of the cash take given by the people of Canada to this government in office in Ottawa. Think about that for a minute, will you? From 11 per cent to 34 per cent in 11 years.

I suggest to you, honourable senators, that if Brian Mulroney were to remain the Prime Minister of this Canada of ours as long as Pierre Trudeau did—which some think may be possible—and as long as there was no change in the fiscal policy, the debt policy and the interest policy of the Government of Canada, if the debt were not checked and brought to a halt and interest costs were not checked and brought to a halt, then the cost of paying the interest on the debt of this country would not be 34 per cent, it would be a little higher.

If you follow my line of reasoning to its logical conclusion, the interest charges will amount to 100 per cent. I say to citizens of this country and to this chamber that if we allow this to go unchecked, and if the ratio of interest payments to our tax intake continues to go up the way it is going, what then becomes of old age pensions? What then becomes of medicare? What then becomes of our transfers to the provinces? What becomes of the social policy of Canada? Obviously, it is in ruins. Other measures which none of us would like to consider or to face may very well be those that we will be compelled to take.

● (1640)

We have a budget now that is a budget of sacrifice, to be sure. I minimize it in no way. There is a budget of increased taxes, and I minimize it in no way. There is a budget of decreased services in some respects because of harsh necessity, and if we do not get control of our fiscal position now, then all the good things that government does may be beyond our reach.

So much for interest rates; so much for the central theme of this budget that in order to get jobs, in order to preserve our social system and in order to get our people back to productive endeavour, we have a budget of this character. I am going to deal with the question of indexing, Senator Hastings, because that interests you, because that is one of the proximate causes of our problem. It is far from the only one, but it certainly is one of the problems that we face.

What we have done in this country, and at the time it seemed good, is we decided to index the government's payments to deal with the problem of inflation. The payments to the old age pensioners that are on the table in the debating arena right now, and a lot of others, we decided to index them to meet inflation. What is the consequence of that? The

consequence is that the government's expenditures automatically rise because of the indexing for inflation. Some may say, "so do the problems of the people," and I do not overlook that fact.

On the other side, indexing of the tax system means that we index it down so that the take from the tax system automatically is less than it would be if we were not indulging in this policy of indexing. As it involves simple mathematics it is easy to see expenses going up because of indexing and income tax revenues going down because of indexing. The nature of the problem is obvious to anyone who wants to look at it for a minute or two.

No matter how difficult it is for us to consider, we have to consider that if we neglect the question of indexing, which is a proximate cause of our central question of deficits and interest rates, the danger to fiscal control is obvious. I put it to you that indexing in 1985 in some respects is counterproductive. No matter how cogent you may find this argument, no matter how desirable the goals may appear to be, yet, the policy must be tempered with prudence and understanding because the welfare of too many people depends on prudence and understanding in dealing with public affairs. In the case of pensioners, in my opinion, the case for special consideration was a very strong one, indeed.

I regret that there has been, in my opinion, a failure on the part of some who ought to give leadership or, at least, who ought to tell the facts as they really are to present that picture of the old age pensioners and the partial indexing question in what I think to be its correct and proper perspective. It is true to say that the old age pension is partially de-indexed to the extent of 3 per cent for all old age security pensioners. Pensioners in need, as identified by those who get the GIS, have a full GIS indexing that remains undisturbed. No pension to anyone will be less in 1985. Every pensioner whether under GIS or not will get more, and even after April 1986 no pensioner in need will be deprived of the escalation on the GIS. To talk, as this resolution does, about an adverse effect on the standard of living of all old age pensioners that should be dealt with immediately, seems to me, to put it mildly, a little premature.

I should like to give you some figures for 1985. For the first quarter of this year every old age pensioner in the nation will get—I will leave the cents off—\$273. In the second quarter of this year of 1985, every old age pensioner will get more—\$276. In the third quarter of this year it will go to \$279, and in the fourth quarter of 1985 it will go to \$282 for every old age pensioner in the land. That stays in the second quarter of 1986, under the present plan, because that is when the partial de-indexing of old age pensions comes into effect. I want to tell you what it is for the year 1986 for which this budget has been prepared. For the entire year of 1986, because of the impact of the partial de-indexing of pensions, pensioners will get an amount of \$64 less than they otherwise would. That works out to 17 cents a day.

I want you to understand clearly that I am not saying that that \$64 is not important. Anyone who has ever tried to live on those reduced standards knows that it is important. I am not