

*Borrowing Authority*

I understand the arguments of those people who probably would have liked the Government to reduce the deficit to \$28.9 billion this year and to \$27 billion next year.

To do so, Madam Speaker, would have meant cutting \$3 billion more than we are cutting now. Those are huge reductions. To avoid sending Canada into a recession, we could not risk go that far. And why, Madam Speaker, will the deficit amount to \$30.5 in 1989-90? Simply because of the rising interest rates and the \$39 billion interest we must pay on the debt this year.

As interest rates get lower and as the economy grows, the reduction of the deficit will be more significant. Moreover, Madam Speaker, our objective is to bring the deficit down by 1993, from \$30.5 billion to \$15 billion.

In conclusion, Madam Speaker, I want to point out that our revenues are now greater than our expenditures and that the economic signals we are sending are very important. Our message at the international level is that Canada is taking appropriate action to control its debt.

**The Acting Speaker (Mrs. Champagne):** Questions or comments. The Hon. Member for St. Boniface (Mr. Duhamel).

**Mr. Duhamel:** Madam Speaker, I have a few questions for the Hon. Member. The first one, because I want to be sure I understood what he said, is this: Does he think that massive increases in sales tax, income tax and excise tax are fair to those Canadians who are poor or who belong to the middle class?

My second question, which I think is just as important, is: Would he agree that the federal Government's decision to cut certain transfers to the poorer provinces will increase the burden on those provincial governments and the people of those provinces, thus creating an additional demand for tax revenues? Would the Hon. Member care to comment on those two points?

**Mr. Blackburn:** Madam Speaker, I think the Hon. Member did not quite understand what I said about the sales tax credit.

When the Government introduces a new sales tax in 1990-91, the tax will be imposed on a range of goods. Some goods will not be taxed, but to help people on lower incomes cope with this sales tax, we will give them a so-called tax credit, a sales tax credit that will be refundable. As I said before, this tax credit will be

increased from \$70 to \$100 per adult in 1989, and to \$140 in 1990. We intend to start paying the credit before the sales tax is introduced, to be quite sure that Canadians on low incomes will be able to cope when the sales tax becomes effective.

Madam Speaker, if I may comment on the transfer question, there again, our Government, as part of its national policy to reduce the deficit, is asking the provinces to share part of the burden. That is why these transfers will be reduced by 1 per cent.

I think we want to make Canadians realize that this Government really wants to control the debt. We cannot afford to go on with a debt that is now \$320 billion and will cost us \$39 billion in interest payments this year or \$600 million every week. Can you imagine how many payroll deductions it takes to pay \$600 million in interest every week? That is a lot of money, Madam Speaker!

In my riding, \$600 million would build two highways from the Saguenay to Québec City. Canada must control this debt, and that is what we are doing. When this Government came to power in 1984, expenditures exceeded revenues. Today, our revenues outweigh our expenditures, and three or four years from now, when Canada's economic growth is greater than the growth of our debt, the amount of money and the interest we have to pay on the debt will go down gradually, and we will be able to afford a more prosperous economy.

**Mr. Duhamel:** Madam Speaker, I thought that I had asked different questions; I apologize if I misunderstood the answer.

The second question that I was going to ask is: Does my colleague agree that when a fiscal transfer is less than the previous year, the provincial governments require additional revenues? Does this put a heavier burden on each citizen, especially in poorer regions and provinces? That was the second question.

The first was: Does he agree that this massive tax increase will hit the poor and middle class much harder, proportionally? I did not hear the answers to these two questions.

**Mr. Blackburn (Jonquière):** Madam Speaker, first I would like to remind my colleague that the provinces will continue to get more in dollar terms than before. However, the rate of growth will decline. The provinces will continue to receive more money, but the rate of increase will go down.