

*Government Orders*

Canadians should expect that every fall the Standing Committee on Finance of the House of Commons will be travelling in the country and available in Ottawa to hear from individual Canadians and groups their views about the budget.

This year most of our consultations were held in the format of a round table, which provides an opportunity for many stakeholders to discuss together the issues we confront in making the tough decisions involved in budget making.

In the past individual groups have appeared before us, made their case and have been disappointed or not, depending on the reaction of the committee and ultimately the finance minister in the budget. Now representatives of various groups appear together and discuss with each other how to resolve problems facing us in a way that is equitable and fair.

It is clear from our consultations that there remains great consensus that the deficit is a problem which must be addressed. The government is doing just that. We are on target to reach our goal of reducing the deficit to 3 per cent of GDP for 1996-97. The minister has announced a further goal beyond that of reaching 2 per cent of GDP in 1997-98.

The direction is right. The goal is correct. We are meeting goals. We are doing something few governments in recent memory have done, setting deficit reduction targets and meeting them. Going in the right direction and meeting those targets go a long way toward restoring our credibility on the vital matters of managing Canada's fiscal challenges.

While there is much agreement about dealing with the deficit, about addressing the deficit, there remains much disagreement about how to meet those targets and how to get there. Regrettably there is a lot of wishful thinking. Many people are searching, not surprisingly, for magic solutions. They want an easy and painless way to deal with the deficit problem. There are no easy and painless ways.

We simply cannot run the deficit and the debt up in one way and pay them off in another. We cannot invent solutions that do not exist and do not work. Voodoo economics does not work. Deciding to separate to deal with the debt and deficit does not work either. We ran up this debt together. We create these deficits together and have been doing so for 20 years. We are responsible together for dealing with this problem.

Some suggest that the problem lies in interest rates. However, high interest rates did not create the debt and are not responsible for the deficit. They did not cause the problem. The problem was caused by spending. Clearly interest rates contribute to the extent that the money borrowed to fund deficits is related to interest rates, but high interest rates did not create the debt or the

deficit. They create only a small portion of it. It is spending that did it, spending with deficit financing.

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Some have suggested in this discussion about interest that we should just declare lower interest rates. Canada surely must have the power to simply create lower interest rates and that would cut our debt servicing costs. It does not work that way. We have limited control over interest rates and those who buy and hold Canadian debt abroad compare the opportunity presented in holding Canadian debt with opportunities presented abroad. They look very carefully at rates. In any event, we simply do not have the control over them beyond the very short term.

Others have suggested the problem could be solved if only the Bank of Canada would hold more debt. No one is quite sure how that would come about. I suppose one possibility is the bank might print more money and repatriate that debt, pay for it, but at what cost and with what impact on inflation and the value of the dollar? There are no magic solutions and no solutions without impact.

However solutions, nonetheless, are in our control. The question is quite simply which cuts or which revenue measures or what mix of spending cuts and revenue measures will help us attain these vital goals. We will be judged as a nation by how we deal with this challenge, not just whether we eliminate the deficit and go beyond that one day to attack the debt, but the way we do it, the manner in which we do it.

Some in the House have suggested we simply slash and burn; cut everything with deep, dramatic, urgent cuts. In my view that would have an awful impact on the country and perhaps have the opposite effect of what those who propose it would have.

The Reform Party proposed an alternate budget last year which called for just that. Among the few areas where they called for increases in spending would be police and prisons which might be what we would need if we engaged in that kind of slash and burn cutting.

Whatever we do in the nature of cuts has to be done in a measured fashion, having in mind the impact. Nothing can be done without impact and similarly we must bear in mind that cuts have an impact as well. We have seen it only too well as we have travelled the country as the cuts from last year's budgets start to take effect and have an impact. We are seeing in a very real way how this affects Canadians across the country.

We have to be very careful that in meeting the challenge of reducing the deficit we have in mind those in the country who need our help and our assistance and who are least able to deal with these cuts we often talk about in the abstract in the House.