

*Government Orders*

A change of course is in order. For an example of the federal government's past spending habits, refer to the latest report of the Economic Council of Canada. Of course, the federal government's fiscal capacity is mortgaged for several more years, until 1994-95, but we are told that after 1995-96, there may be some room to manoeuvre. Room to do what? It is purely theoretical, because the expenses that are harder to control have been transferred to the provinces and we realize increasingly that they will be unable to assume them fully.

For the first time Ontario's deficit will reach \$10 billion. The Minister of Finance of course was prompt to blame the Ontario government for everything. It is a fact that it did increase its spending by \$800 million, but had they not injected these new funds in an effort to boost the economy, Ontario's deficit would still have been close to \$9 billion and would have gone on forever.

With the new distribution put in place as a result of Bill C-20, we can be sure that the provinces, all of them, will have increasing deficits and I would not be surprised that, within a few months, they saw their credit rating drop drastically in terms of their borrowing capacity.

As we know, in general the cost of borrowing is higher for the provinces than for the federal government. Analysts in growing numbers anticipate that the gap will widen even further. So, by transferring its deficit over to the provinces, of course the federal government pressures provinces and municipalities to cut their spending. By so doing, it is also creating inflation and as a result the cost of financing such deficits will skyrocket. The rate of borrowing for provinces and municipalities is always at least 75 percentage points higher than for the federal government and is likely to go up another full point or even to 1.25 points in the next few months, which means additional costs for no reason.

And that is not all. Let us keep in mind that, even if we could find a way out of this one and if somehow the federal government still had room to manoeuvre, there is no guarantee that these spending choices would suit the Canadian people. Let me give you some figures. We are told that provinces are still receiving payments and that is true, to a point, but the amounts are cut drastically and much more so than federal spending is curtailed.

Provincial transfers amount to 22 percent of the federal budget. Yet, they account for 34 percent of the cuts operated by the federal government. Obviously, we are cutting much more in areas considered essential by the Canadian people—health, post-secondary education—than in the defence budget, the financing of a variety of constitutional initiatives by the federal government, etc.

I think there is cause for alarm, because a system in which the federal government has the power to spend and then to unilaterally decide to transfer its debts to the provinces leaves us with basically no way out. Not only provincial governments, which control their expenditures fairly well, cannot be sure of their budgets because federal transfers are constantly being reduced, but they also know full well—Remember what happened in the 1988 election. This government, which must have been aware of its financial situation, promised \$2.5 billion for child care. Well, Mr. Speaker, the day after the election, we had to forget about that promise because the Minister of Finance suddenly discovered that the government was faced with a huge deficit and had to cut everywhere.

Will the 1993 election bring us the same kind of promises? Of course, Mr. Speaker. It would be even worse if those promises were kept, because we would likely see further cuts in transfer payments to provinces. It is absolutely unbearable. In Quebec, though, the situation leads us to believe that we may be able to solve our problem sooner. But in a Canadian perspective, it is imperative that provinces have some control over federal spending. The present situation does not make any sense.

Any initiative taken by a federal government with the slightest amount of leeway could make the situation a lot worse.

• (1120)

The traditional role of the federal government in the economic recovery, is presently limited to issuing, with a lot of publicity, documents as meaningless as the one on Canada's prosperity. No solution is proposed. Citizens are asked to call in and give their opinions, to offer solutions to the government. It is incredible. Of course, nobody talks about it any more; we do not know if many people called in. There must have been just a few since no new solution has been announced. More and more, we feel that action is being taken on a local level and that