

*The Economy*

then projected to be \$19.6 billion. I am now estimating it at \$23.6 billion. About 70 per cent of this slide is directly attributable to the impact of the recession on anticipated revenues.

Total outlays are now expected to be almost \$80 billion, about \$1.1 billion higher than projected in June. Interest charges are now forecast to be more than \$900 million lower than in June. This has been more than offset, however, by major increases in the costs of statutory programs, such as the government share of unemployment insurance, the Canada Assistance Program, Equalization, and Railway Act payments, which are related in substantial part to the depressed levels of economic activity. The net increases in statutory program costs total some \$1.5 billion. We have also faced increases in costs due to other government undertakings. These include the just announced decision to provide \$400 million to strengthen the equity bases of Canadair and de Havilland and an increase in payments to Via Rail. In many cases such increases also reflect the state of the economy and the desire to minimize further adjustments which are imposed on labour and other markets under current conditions. In planning its expenditures, the government does, of course, provide reserves which, in more normal times, should be adequate to cover such contingencies. However, they have been substantially exceeded this year. The new outlays projection does contain an allowance against further possible upward revisions in existing program costs.

Outlays as a share of GNP will rise this year, reflecting both the low rate of GNP growth and the pressures of the weak economy on government expenditures. This is primarily a cyclical phenomenon, however, and the government remains committed to containing spending growth to rates below the trend rate of GNP growth over the medium term.

While outlays have increased by slightly more than \$1 billion since June, revenue estimates have fallen by almost \$3 billion. This is almost entirely due to the weakness of the economy, and reflects the operation of "automatic stabilizers". Our tax and expenditure systems have been deliberately designed so that spending for major social programs rises more rapidly and government revenue more slowly when the economy falters. This is precisely what is now happening. Indeed, total budget revenues are expected this year to grow by less than 3 per cent. The net effect of these adjustments is to support economic activity in times of recession.

The government's financial requirements, which were estimated in June to be \$17.1 billion, are now expected to be closer to \$22.2 billion. Some \$4 billion of the increase is attributable to the increase in the budgetary deficit, the reasons for which I have just spelled out. Most of the remainder—about \$700 million—is due to increases in the deficit in the Unemployment Insurance Account, partly in response to much higher than anticipated unemployment rates, and partly as a result of the government's decision on unemployment insurance premiums for 1983 to which I will return in a few moments.

Personal savings are at an historically high level and private borrowings have been very weak through the first half of the fiscal year. Consequently I do not anticipate problems in meeting the government's borrowing requirements. Moreover the government is of the view that in current circumstances the federal deficit provides appropriate support to economic activity and individual Canadians suffering from the recession.

As you know, Mr. Speaker, the government is presently seeking a \$4 billion increase in its borrowing authority under the provisions of Standing Order 72A. I have outlined the factors leading to this request. I have also made it clear by the estimates I have presented that further borrowing authority will be required before the end of this fiscal year. In the budget I intend to present early in 1983, I will review again the fiscal situation for the current fiscal year, set out estimates for 1983-84 and future fiscal years, and then seek additional borrowing authority as required.

[English]

I have heard it said, Mr. Speaker, that statistics make good soporifics. I fully realize that the figures I have recited probably mean very little to the average Canadian. After all, numbers do not pay the rent or buy the groceries. The man in the street wants to know, quite rightly, what the Government will do for him, so I now turn to the additional actions the Government is proposing to protect Canadians from the worst effects of recession, enhance our prospect for recovery and position ourselves to take advantage of future growth opportunities.

The fiscal position I have just described clearly shows that the Government's room for manoeuvre is very limited. While I am prepared to accept the larger deficits resulting from our weak economic performance, the principle of fiscal responsibility prevents consideration of massive new spending programs.

• (1550)

Some have argued that the measures introduced to bring down inflation have extracted a heavy toll from Canadians. However, it is now recognized by virtually every responsible government in the world, whatever may be its political stripe or ideological bent, that failure to check inflation and the pernicious expectations to which it gives rise would leave national economics in an even more devastated state.

To change course now would be foolish and irresponsible. It would break the trust we have sought to build with Canadians. It would perpetuate the cynicism that inflation breeds. The people of Canada would feel betrayed because their Government, when it came to the crunch, lacked the resolve to persevere. I am confident that Canadians will continue to support and adhere to the Government's six and five program and that we will move into the 6 per cent world by the end of next year. I am determined to avoid any initiative that might compromise this achievement. The additional measures I am