taxes and to provide other authority for the raising of funds, be read the second time and referred to Committee of the Whole.

He said: Madam Speaker, this bill implements a number of commitments which had been made to the energy producing provinces. The bill also provides for several technical changes in the federal excise tax system and, as you just said, its purpose is also to obtain new borrowing powers for the fiscal year 1982-83.

Hon. members will recall that last fall, the Government of Canada entered into agreements with Alberta, Saskatchewan and British Columbia on the pricing of oil and natural gas and the sharing of revenue from those resources. The five-year agreements established a price scale for oil and natural gas and provided a sound basis for achieving Canada's energy goals. The bill before the House today consists of three parts. In the first part, the government is seeking borrowing authority for the fiscal year 1982-83. Part II amends the Excise Tax Act by implementing several changes resulting from the energy agreements, as well as technical changes in the federal sales tax system. Part III of the bill amends the Petroleum and Gas Revenue Tax Act according to the agreement concluded by the Government of Canada and the oil producing provinces.

Thus, in the first part, the government is seeking borrowing authority for $6.6 billion. Mr. Speaker, the House will recall that all unused borrowing authority, granted under the Borrowing Authority Act, 1981-82 and in excess of $3 billion, will lapse on March 31, 1982. Without new borrowing powers, the government will be unable to obtain the necessary funds to meet its financial requirements for 1982-83. The new borrowing authority for $6.6 billion will cover budgetary and non-budgetary financial requirements for 1982-83 as estimated in the budget tabled in the House last November. We are seeking borrowing powers now so as to have the authority when the new fiscal year starts on April 1, 1982.

● (1520)

Since this borrowing authority bill is directly connected with the budget, I think it would be useful to review the budget's main objectives in light of the economic situation and thus provide a background for evaluating the merits of the bill. The budget's main theme, as hon. members will recall, was that rapidly rising inflation was the main problem in our economy. Inflation tends to push up interest rates, destroy investor confidence and generally slow down economic activity. This in turn leads to a number of problems: rising unemployment, erosion of real income and borrowers saddled with the burden of ever-increasing interest rates. This has indeed been confirmed by the phenomena we have been seeing in Canada; during the past years inflation has accelerated while labour market conditions have failed to improve. To cope with these problems, the government decided to adopt its present policy of waging a persistent battle against inflation. We must reduce inflation if we want our country to realize its growth potential.

The budget has stressed the need for gradually and substantially reducing the government's deficit. With a lower deficit, the government will be able to cut back its demands on the capital markets and leave more room for other borrowers, while relieving pressure on interest rates. The next tax and expenditure control measures set forth in the budget will prevent the deficit from rising to intolerable levels, thus reflecting the government's commitment to fiscal restraint. I recall, Mr. Speaker, that the government has been able to reduce its cash requirements while at the same time providing tax cuts for the vast majority of Canadian citizens. A substantial drop in marginal income tax rates, changes in the federal tax rebate system and continued indexation of individual income tax—all these measures have resulted in lower taxes for most Canadians. Of course, Canadians who have benefited from various tax exemptions, especially those in the higher income bracket, and also some of the large corporations will be paying more taxes as a result of the budget. However, some tax increases were necessary, and they are mostly affecting those Canadians who are best able to absorb them.

The government has also made an effort to restrict growth of government expenditures. It is always difficult to apply such restrictions, especially at a time when the economy is flagging, since government programs tend to meet a wide range of both social and economic needs which are all equally important. Thus, while keeping its expenditures within reasonable limits, the government did not want to make indiscriminate cuts in its budget. The need for a firm but fair policy to fight against inflation, like the one adopted by the government, has become even more apparent in the light of the events that have taken place since the budget was tabled in this House. Inflation rates similar to those experienced last year are keeping interest rates at high levels and causing a pronounced slump in economic activity. Other countries are having to cope with the same problems, and the recession has also affected the United States, Great Britain, Germany, France and Japan. Like Canada, and almost without exception, these countries have admitted that inflation was at the root of their problems, and they have maintained anti-inflationary tax and monetary policies.

In the United States, where the impact of energy prices has been cushioned more quickly than in Canada, inflation has already started to slow down. Of course, this means that with a higher rate of inflation in Canada, our industry is beginning to be less competitive than American companies. We must therefore make every effort to check inflation, otherwise the Canadian industry will lose some of its export markets for good, all the more as further energy price increases are expected in Canada.

Because of higher unemployment in recent months, certain critics have asked the government to provide massive economic incentives. However, they take no heed of the lessons of the recent past which show that there is no quick answer to such