

*Government Orders*

The debts held by governments at all levels in this country and the deficits that are fuelling them are a serious burden holding back economic growth and job creation.

As I said in the economic statement: "Excessive government deficits, both federal and provincial, have contributed to a level of net foreign debt far higher for Canada than for any other G-7 country. This large net foreign debt, public sector and private sector, means that Canadians paid out more than \$22 billion in interest last year to foreign lenders. That is money that Canadians cannot use to develop our economy".

Those words are as true today as they were in December and that is really what the C. D. Howe Institute was saying when it brought down its report earlier this week.

Since we have come into office we have worked to put this country's finances back in order. We have taken difficult steps and every one of those steps we have taken to curb and restrain government expenditure has been opposed by the Liberals and the New Democrats, every single, solitary one of them.

I think there are about 12 measures in all. We privatized Crown corporations and they opposed it. We passed a spending control act. We implemented the debt servicing reduction account making fiscal responsibility a part of federal law. We have cut the growth of program expenditures from 14 per cent to less than the rate of inflation, somewhere around 3.8 per cent. Government operations have been scaled back way below the rate of inflation. They have opposed every single solitary one of those initiatives.

Notwithstanding those measures which I think amount to about \$118 billion worth of cuts, given the impact of the recession on the government revenues we have to continue to do more to restrain the deficit and we have to do more on the government spending side. In other words we have to cut back further still. There are two clear reasons why we must take this action.

First, higher deficits will damage prospects for sustained recovery. Growing deficits compete with productive private sector initiatives for the limited investment funds that are available in the country. This puts upward pressure on domestic interest rates and forces domestic borrowers to seek funds abroad thus increasing the nation's indebtedness to foreigners. As a consequence the country is left more vulnerable to exchange rate and interest rate volatility.

Second, if we fail to act now we will have to deal with even greater deficits in years to come and bringing the fiscal situation back in balance will exact an even more painful price from Canadians at that time. This would

mean significantly higher taxes, reducing our competitiveness and our ability to create sustaining durable jobs.

The alternative to spending restraint is the imposition of higher taxes and that in my view is not a solution. A recent editorial in the *Halifax Chronicle-Herald* made a very good point in commenting on the economic recovery currently under way and I quote: "Recovery is not yet so strong that it cannot be taxed away". I certainly agree with that.

As I indicated earlier in my remarks, we are going through some very positive economic indicators that clearly identify the fact that we are coming out of this economic downturn but we should not be doing anything deliberate that would undermine the fragility of that recovery.

Clearly then the most responsible avenue of action is to further constrain government spending. The measures we have proposed including those implemented by this bill will reduce allocations by some \$8 billion over the next two years. Considering a portion of that is being allocated in the current fiscal year this will bring about a significant reduction in the structural component of the deficit.

The bill takes action in a number of specified areas. For example, it will impose a freeze on salaries for elected representatives and government personnel. It provides for changes to the Unemployment Insurance Act so that average benefits payable to claimants over the next two years remain at average 1992 levels. It also provides for claimants who leave their jobs voluntarily and without just cause or are fired as a result of misconduct to be ineligible for UI benefits. It provides for the reduction by 10 per cent of certain regional transportation subsidies where the decrease requires legislative amendment. Finally, it will implement a 10 per cent reduction in federal payments under the Public Utilities Income Tax Transfer Act.

Deficit control is a key foundation for Canadian investment, for Canadian competitiveness, for growth and for job creation. In the past when this government decided to put forward measures to restrain spending we knew that the government itself must set an example. Between 1984-85 and 1991-92 we limited the cost of government operations to an annual average increase of just 2.2 per cent. This was less than half the rate of inflation in that period and well under the 4.1 per cent annual growth rate in over-all federal program expenditure. Now, as part of this additional spending restraint, we are reining in further the cost of government operations, building on the efforts we have taken over the past number of years.