

the employment that I am sure all of us in the House seek without the resurgence of inflation that has hindered our economic growth in the past. Our objective has been pursued both through short-term demand side policies designed to provide immediate stimulus and jobs and through longer term supply side measures which have been designed to increase investment and productivity in the Canadian economy. A fundamental dual strategy has included the acceptance of higher deficits in the period from 1982 to 1984 while simultaneously putting in place specific policies to help ensure that the federal deficit declines with economic recovery and expansion.

In the most recent Budget, Mr. Speaker, there were only minor changes made in the economic and fiscal projections contained within last April's Budget. The stability in our fiscal forecast is an indication that we are fully committed to the fiscal strategy set out last April and confirmed in the most recent Budget. This continuity in fiscal policy will also help provide the public with greater assurance about the future, including our commitment to medium-term deficit reduction.

Interest rates, exchange rates, business investment plans and many other important economic variables obviously depend to a great extent upon the public's expectations about the short to medium-term future. I wish to say a word about that point before turning to the terms of the Bill itself. The Budget of last month gives Canadians every good reason to expect that economic recovery will be followed by solid expansion. We in the Government are not relying on "quick fixes". We have put policies in place that will contribute to the completion of recovery and the introduction of rapid expansion in our economy. Most of the jobs required over the next several years must come from the private sector and not from government. That was a key element in the Budget of last April and again in the Budget of last month.

A principal point in our strategy to facilitate a sustained expansion is policies to promote business investment. The recent Budget contains measures additional to those of last April's Budget designed to support business cash flow which will facilitate additional investment. The small business tax rate now applies to more businesses. This will increase after-tax earnings, and the tax simplification that was introduced in last month's Budget will reduce administrative costs faced by small business.

In the energy sector, and additional year of suspension of the incremental revenue tax will increase the after-tax earnings in the petroleum sector. Over the longer term, the imaginative and far-reaching pension reform proposals contained in last month's Budget will increase the savings rate, providing a larger pool from which to finance private investment.

The major policies designed to bolster business investment were announced in last April's Budget. The Budget of last month is a continuation of the proposals set forth in last April's Budget. Those included a liberalization of the investment tax credit, the share-purchase tax credit, the indexed share investment plan, extended loss carryforwards, research

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and development tax incentives, and the suspension of the incremental oil revenue tax. The legislation for those policy initiatives has now been passed. Also announced in last April's Budget were a number of spending initiatives designed to support private investment, such as the Special Recovery Investment Fund, technology policy initiatives, and an expanded mandate for the Federal Business Development Bank. These policy initiatives will have a significant effect on business cash flow and investment in the time immediately ahead.

● (1520)

In the current fiscal year, financial requirements, excluding foreign exchange transactions, are now expected to be \$27 billion, little different from the projection made in our Budget of last April. The economy has in fact been expanding in much the way the Government expected that it would in the projections offered a year ago. Indeed, in several respects the performance of the economy has exceeded those forecasts. Our fiscal plan is on track.

I should like to remind the House, however, that forecasting is an art, not a science. The precise estimate of financial requirements provided in last month's Budget should be interpreted as the most probable outcome, with some variations naturally occurring above or below the forecasted line. The difficulties in providing a highly accurate forecast are heightened when it is done before the close of the fiscal year. Given the arbitrary cut-off date for the fiscal year, relatively short delays in receiving revenues can have a significant impact in year to year movements in financial requirements. Similarly, expenditures may be deferred from one fiscal year to the next simply because of a month or two delay in letting contracts of a major character or in the delivery of material.

For the 1984-85 fiscal year, financial requirements, excluding foreign exchange transactions, are projected to be \$25.5 billion, or roughly \$1.5 billion less than the estimated requirements of the current fiscal year. This substantial decline in financial requirements reflects an acceleration in the growth of budgetary revenues, a slower growth in budgetary expenditures and a small decline in the net source of funds from non-budgetary transactions.

Having noted the reduction in the financial requirements for the 1984-85 fiscal year, I should like to turn now to the question of the borrowing authority itself.

Under the Financial Administration Act, statutory borrowing authority must be obtained from Parliament. Accordingly, the Bill currently before the House seeks new borrowing authority of \$29.5 billion. This is an amount equivalent to the \$25.5 billion financial requirements set out in the Budget, plus a non-lapsing contingency amount of \$4 billion to be carried forward for possible use in the fiscal year 1985-86.

As Hon. Members know, the request for a non-lapsing contingency amount is not new; there is nothing unexpected or radical in the provision. In the past, however, there has been some misunderstanding of the purpose of this important provision of the Bill. Perhaps that misunderstanding can be reduced