

Supply

spent. The reviews will involve consultation with Canadians, thereby making them a responsible and essential part of decisions which will affect their future. In a comparable fashion we will involve the provinces and the private sector in a continuing dialogue to build a better Canada.

Our strategy for economic renewal implicitly provides the framework for meaningful discussions while building a lasting partnership. This partnership cannot but lead to the realization of our objective to provide sustained growth and productive jobs.

The Acting Speaker (Mr. Paproski): Questions or comments? Since there are no questions or comments, I would like to call upon the next speaker.

● (1650)

Mr. Murray Dorin (Edmonton West): Mr. Speaker, I am pleased to rise today to speak to this motion put forward by the Liberal Party. I believe that the motion demonstrates the absolute moral bankruptcy of that Party. I knew that before the election but now I am convinced of it today.

The Liberals have the audacity to criticize us about government spending and our relations with the provinces and the public. It is unimaginable how the Liberals can condemn us after 20 years of spending public money like drunken sailors and inflating the deficit to \$30 billion. We are attempting to deal with the problems which the Liberals have left with us.

How did today's problems come about and what can we do to solve them? The economic and fiscal mismanagement which has resulted in our record deficit began in the early and mid 1970s when the Minister of Finance at that time, the present Hon. Leader of the Opposition, talked about the need for restraint. During the five budgets that he introduced, federal government spending doubled, a \$600 million surplus was transformed into a \$4 billion deficit, and the net debt grew by 50 per cent. Public debt charges doubled, and the Public Service grew by 74,000, excluding cuts to the Armed Forces.

The Auditor General of Canada stated that Parliament had lost or was losing effective control of the public purse. According to a study by the C.D. Howe Institute at that time, three of the five budgets of the then Minister of Finance actually widened the gap between rich and poor. This is the legacy that we have inherited.

Following that auspicious beginning, the Liberal government continued another ten years of spending money, increasing the deficit and building a spirit of confrontation in this country, the likes of which we have never seen before. This is the legacy that we are now attempting to deal with as the Government.

The economic renewal strategy plan that was announced in the Throne Speech refers to removing impediments to growth, seeking national consensus for economic direction, re-energizing investment, and enhancing private sector risk-taking and innovation among entrepreneurs.

In immediately attempting to reduce the huge federal deficit, this administration has realized that the cost of servicing

the deficit limits the Government's ability to meet priority economic and social needs. The deficit hides the real cost of government and does not allow for society's response to the needs of its citizens. The deficit inhibits private sector growth and constrains the Government's ability to encourage growth.

I am convinced that the most constructive role that our Government can play is to concentrate its attention on creating a kind of environment in which the private sector can do what it does best—to create jobs and new prosperity. Increasing private sector confidence and investment in the Canadian economy will result in the security of employment and jobs.

I suggest it is fair to ask why the deficit needs to be addressed. NDP members, including the NDP spokesman on industrial regional development, who claims to be an economist by profession, seemed unable to analyse what has happened to our country in the last 15 years of continued deficits. The Government, just like any business or individual, faces the problem of financing a debt when it spends more than it takes in. When the Government runs a deficit, it has two sources of financing. The first is the printing of money. The second source is borrowing. Both sources have inherent problems that eventually result in a weaker economy and the loss of jobs.

Let me explain briefly how this happens for the benefit of some Members who seem unable to make that link. In the early years of deficits, the governments resorted to printing money. The basic result was an expanding money supply and an ever-increasing inflation, which essentially robs the workers and those on fixed incomes of their spending power. In fact, it is a hidden tax.

The second method of financing is deficit borrowing. There are two sources of borrowing—foreign and domestic. Since the government must pay the interest and possibly repay the principal on a foreign debt, the result is pressure on the Canadian dollar. That pressure must be balanced by the Bank of Canada through such measures as an inflated interest rate. Canadians have seen the result of inflated interest rates in the last few years. The majority of federal government borrowing is done domestically. That domestic borrowing has a drastic economic effect because essentially it removes the available capital in this country and crowds out private borrowing. It raises the cost of money, which is, in essence, the interest rate.

Money is just like any other commodity. When there is an increased demand for money by the government, interest rates are driven up and foreign borrowing is crowded out.

Furthermore, we are all familiar with the very negative effect of high interest rates. We have witnessed how high interest rates have resulted in a decline in consumer spending for those high ticket items such as cars and housing which produce many jobs in this country. High interest rates are also very detrimental to small businesses which require sources of capital at a cost that will not prevent a new business from realizing a profit.

The job of rebuilding the Government's finances and implementing policies that will support economic growth and job creation is just beginning. We asked Canadians for this oppor-