

*Government Orders*

This bill is part and parcel of that initiative, as is the proposed spending control legislation which is currently being studied by a committee of this House.

This government is committed to a policy of sustainable growth with price stability. We are committed to an economy that can support the social programs that have made Canada a good place to live. We are committed to ensuring that our tax system is fair and to deficit reduction and debt control. We are committed to this because we want to ensure that future generations will not be strangled by the huge overhanging burden of debt.

Fiscal responsibility is more than a matter of protecting the interests of the future generations of Canadians who are not here to speak for themselves. Greater fiscal responsibility is essential for improving the health of the Canadian economy in 1991 as we head into the next decade. Essentially it is important for a strong recovery, sustained growth, and renewed prosperity.

Since 1984 we have been taking a number of steps to reduce the federal deficit so that we can control and reduce the burden of national debt. We have done this by cutting waste and inefficiency, by controlling spending, and by imposing new taxes where necessary.

The recession that began in the spring of 1990 placed new upward pressure on the deficit. Government revenues have been lower than expected in the February 1990 budget and expenditures have been increased in order to meet the needs of the needy, particularly in the form of unemployment insurance payments to aid farmers who are plagued by low prices, particularly in the grains and oilseeds sector, resulting from the trade war.

In the plan for economic recovery that we introduced in the February 1991 budget the government renewed and reinforced its commitment to deficit reduction and debt control. The plan puts emphasis on controlling expenditures to reduce the deficit and help bring down inflation, which is obviously the key to lower interest rates.

We have already seen the effect of lower interest rates resulting from the reduction of inflationary pressures and inflationary expectations.

The plan severely controls the cost of government and extends the two-year expenditure control program which we introduced in the 1990 budget through to 1994-1995.

The debt servicing and reduction account is one of the important new weapons that we have introduced to help us in this continuing fiscal battle. To put it into context, we need to look at the origin of Canada's serious debt problem which began in the mid-1970s.

From 1950 through to 1973 Canadians enjoyed an outstanding record of economic growth and personal prosperity. Our standard of living virtually doubled in a single generation. Inflation at that time was less than 3 per cent. This kept interest rates down and governments generally lived within their means so that the annual federal deficits were small or non-existent.

Starting in the mid-1970s Canadians began to take prosperity for granted. Wages and prices began to climb dramatically. Each year the government began to spend more and more money than it collected. In fact, by 1984 for every dollar of tax the government collected, for every dollar it received in the form of revenue, it was spending \$1.33 on its programs and services. The government had to borrow the money to cover this difference.

From 1974 to 1984 the debt rose from \$27 billion to \$206 billion. That is an increase of 800 per cent.

The plain fact today is that the interest payments on the 1984 debt of \$206 billion which we inherited are the only reason we are in a deficit position today and the direct cause of the debt having nearly doubled in the last six years.

Since 1984 the government has turned a \$16 billion operating deficit into a \$13 billion operating surplus. That is a turnaround of about \$29 billion since the 1984-85 fiscal year.

During that same period the annual debt interest cost has increased by \$21 billion, leaving a net reduction of only \$8 billion on the deficit. There is a continuing increase in the cost of servicing the debt which is being compounded and that increase has been the only contributing factor to the growth of our national debt.

Throughout this period the government has had to carry the growing burden of compound interest charges