Since 1984, Canadian taxpayers have been subjected to no less than 38 separate tax increases, including the GST, amounting to almost $1,900 per household. Having once enjoyed, along with such countries as the United States and Japan,, one of the lowest per caput tax rates of OECD members, Canadians now have the dubious distinction of being among the most overtaxed people in the industrialized world.

The government's repeated boast that excepting interest payments on the debt, as if you could leave that aside, it has finally achieved an operating surplus is technically true. But it is one which has been bought at the expense of a crushing tax burden on Canadians. In an era when international competitiveness depends so much upon raising the levels of domestic savings and investment, the central thrust of the Conservative economic policy has been to tax increasingly the earnings of Canadians rather than promoting investment.

We have in these past years reached the point where tax-based solutions are no longer a realistic policy option both economically and politically for any future Canadian government. As the deputy minister of finance said only yesterday, if personal income taxes are raised much higher, the government risks driving Canadians "offshore or out of the formal economy".

Although it is true that the government has refrained from new tax increases over the past year, largely because it has left itself without any real choice in this matter, total tax revenues will stay close to 18 per cent of our gross domestic product for the foreseeable future. That is nearly two percentage points above the levels prevailing during the economic boom of the mid-1980s.

• (1935)

Moreover, provinces such as Ontario, British Columbia, Saskatchewan and Newfoundland have taken advantage of the lull to boost aggressively their own tax demands.

In following this path of least resistance the government did not counter inflation at its root, the stated objective of its economic policy. Rather, it fuelled it by its own excessive spending and by its all too frequent tax increases.

It was left to the Bank of Canada to attempt to combat inflation with the single tool, or I should say sledge-hammer available to it: high interest rates. This in turn helped to place Canada in a vicious circle of higher debt service charges as interest rates went up, higher deficits, higher taxes, higher inflationary pressures and deeper recession.

Perhaps the most worrisome effect of this vicious circle that the government created for itself is the rapid escalation in Canada's foreign indebtedness which now stands at over $200 billion.

As Canada's foreign borrowing has ballooned, Canada's deficit on current transactions with the rest of the world exports, imports, cross-border flows of investment has grown to 4.2 per cent of our gross domestic product. This is a level which is unsustainably high.

To illustrate this point let me underline that from 1985 to 1992 net payments of interest and dividends on our foreign debt increased by 74 per cent compared to a 43 per cent increase in our nominal gross domestic product. It is obvious that sort of increase in our foreign indebtedness cannot continue indefinitely.

There is of course nothing right or wrong a priori with foreign borrowing. What matters is why we borrow and what we do with the money we borrow. For instance, we may want to borrow because we see profitable investment opportunities that can procure for us a return in excess of the interest to be paid on the borrowed money. In such a case, incurring a current account deficit is then simply sound economics.

That is precisely what frequently happened in Canada in the 19th and early 20th centuries. Arguably it also underpinned investment booms and natural resources in the 1950s and 1970s and to a lesser extent, the public investment boom of the 1960s.

Despite relatively high levels of debt during those periods Canada's economy still performed well when it came to job creation and growth. Largely that was because the debt was amassed for productive investment in building highways, mines and pipelines. We and the foreigners recognized the extraordinary investment opportunities of the times in physical and human capital. Foreign borrowing was probably the best decision to make in those circumstances.

Foreign deficits can also reflect shortages of domestic savings that send the country borrowing abroad even if domestic investment is not so buoyant by past standards. Borrowing then serves to maintain consumption at high