

Borrowing Authority

House with respect to the \$154 million cut, said, as reported at page 340 of *Hansard* on November 19, 1984:

As a result of that decrease in the rate of inflation and of more realistic purchases by officials in the National Defence Department, a saving of \$154 million was effected without interfering in any way with present or future commitments which we have made.

I ask members of the House to reflect upon the seriousness of what the Minister said. He said "as a result of that decrease in the rate of inflation". In other words, a Treasury Board reference level adjustment has been put forward by this Government as an expenditure cut.

• (1530)

If that is true with respect to the \$154 million in the Department of National Defence, what is the situation with respect to all programs of government which are indexed through the relevant fiscal framework period with respect to anticipated inflation? We know that inflation has come down. We know that inflation is still falling. We know from the numbers that over the last several months it is something in the order of 1 per cent to 2 per cent annualized. The Minister of National Defence has told us that there is no cut here, that this is an inflationary adjustment. How many other cuts are inflationary adjustments? How many inflationary adjustments were not made in arriving at these outrageous numbers for the deficit in future years?

The Minister of State for Finance may not be able to answer that question today. I suspect we will have to get at the officials, and a great effort will be made to rationalize the numbers. One should look at the statement by Mr. Stockman when he refers to the exercise that was carried on in 1981, a similar exercise by the Reagan administration. I might say, Mr. Speaker, that this article should be compulsory reading for all members of the budget exercise, the hatchet exercise, formally carried on by the Deputy Prime Minister (Mr. Nielsen), for which the Minister of Finance surely has ultimate responsibility. As Stockman said:

None of us really understands what's going on with all these numbers. "You've got so many different budgets out and so many different baselines and such complexity now in the interactive parts of the budget between policy action and the economic environment and all the internal mysteries of the budget, and there are a lot of them. People are getting from A to B and it's not clear how they are getting there. It's not clear how we got there.

It sure is not clear how this Government and this Minister of Finance got from some \$27-odd billion to \$37-odd billion in terms of the deficit for 1985-86, never mind what happened during subsequent periods. And when I hear from the Minister of National Defence that some part—we do not know how much—of that \$154 million is simply a Treasury Board reference level adjustment, it makes us suspicious. With that kind of suspicion, how on earth can the Minister come into this House and ask us to authorize a \$16 billion borrowing for next year? It is a totally unreasonable request.

If that number is inflated there is a good precedent in Washington, and as I said, with a strong Washington connection the Tories may have learned something. Stockman is reviewed pursuant to having established a number of cuts and

it is reported that he was somewhat disappointed and perhaps not willing to take as much credit as many thought he deserved.

It is reported in this article:

Because he knew that much more traumatic budget decisions still confronted them. Because he knew that the budget-resolution numbers were an exaggeration. The total of \$35 billion was less than it seemed, because the "cuts" were from an imaginary number—hypothetical projections from the Congressional Budget Office on where spending would go if nothing changed in policy or economic activity. Stockman knew that the CBO base was a bit unreal. Therefore, the total of "cuts" was, too.

I suggest, Mr. Speaker, that we are confronted here with an analogous situation. We are presented with a hypothetical deficit for next year and for the following years against which we are now being asked to borrow real dollars. The analogy holds. I suggest that it is something which responsible parliamentarians, not only on this side of the House but I hope in the Conservative caucus itself, would raise. It goes right to the integrity of the role which this House has to play in terms of raising money from the public to finance public expenditures.

We all have to be suspicious of projections. Just to give some comfort to the Minister of State for Finance, when next year all her numbers and all her projections prove to be wrong, the only question is how wrong.

In the *New York Times* for Monday, November 14, we find 10 economists' forecasts for Reagan's second term. In 1985, believe it or not, Mr. Speaker, from these established economists we find that real GNP growth ranges from a low estimate of 0.6 of 1 per cent to a high of 4 per cent. That is in 1985. Of course, this deficit number we are looking at is also based upon projections, presumably projections of our own Department of Finance. When we get the Minister before the committee with his officials, perhaps we will find out what input data was put into the model. But the fact of the matter is that the Department of Finance has discredited itself completely in terms of projections simply by moving forward with a number which is \$9.1 billion higher than the number the same officials developed, presumably using the same methodology, only a few months ago.

We cannot put ourselves in a position of accepting that kind of smoke and mirrors upon which to accept a demand of this kind. David Stockman once referred to the numbers that appeared in these budgets as "political numbers". I suggest to you, Mr. Speaker, that that is what we have here. That is what we have seen in the economic statement. That is what we are going to continue to get from what I see, namely, political numbers. But the \$16 billion for next year which the Minister of State for Finance stood up and asked in a short five or six-minute part of her speech is not a political number. That amount is real dollars that have to be financed through borrowings on Canadian markets.

We want to know how the Minister of Finance got to that number. I suggest that we—and I come back to the point—as responsible parliamentarians cannot roll over and play dead. We have a role to play here notwithstanding our numbers. We have to impress upon this Government at the outset of its mandate that we expect more information, more data, more