

method by which the government funds the services it provides. Continuance or expansion of government services simply results in increased taxation in one form or another.

Included in my previous remarks on Bill C-59 was a reference to the current high interest rates which contribute to the burden imposed by extensive government borrowing. I mentioned the plight of the home owner who faces a new mortgage or a mortgage renewal in 1981. I pointed out the difference on a \$40,000 twenty-five year mortgage at 15.5 per cent or 16.5 per cent as opposed to 9 per cent or 10 per cent. This difference amounts to about \$200 in monthly payments. A similar problem faces Canadians who must replace an aging motor car, furnish a house or an apartment or buy household equipment. They would welcome a chance to borrow at 15.5 per cent because they face bank rates of 18 per cent, 19 per cent or more. At the same time, income may not have kept pace with inflation. At a 10 per cent inflation rate, a person earning \$15,000 in 1976 would have to earn something in the area of \$24,000 today. In short, you do not have to tell Canadians about high interest rates, but you may have to remind them that their government is continually entering the money market to borrow funds at similar high interest rates to finance government services and spending deficits. The catch is Canadians are paying for past overspending. In the budget documents which were introduced in this House on October 28, 1980, here is what the government says to the people:

● (2010)

To the extent that Canadian wage-earners demand high wage and salary increases, or businesses attempt to increase prices at more rapid rates than have been projected here, a wage-price spiral of equal or even greater destructiveness than that of the mid-1970s could develop. For the variety of reasons reviewed in this paper, such a spiral would almost inevitably lead to lower real growth, higher unemployment, and lower investment and productivity growth.

What the Minister of Finance (Mr. MacEachen) was saying in his budget of October, 1980, was that even though Canadians face high interest rates and a high level of inflation, they must not take steps to increase their incomes because that would result in even further difficulty. One can see that today the Canadian citizen is in a trap.

I have said affluence and continued growth of the gross national product in the late 1960s and early 1970s resulted in expansion of existing government programs, new projects and programs and financial assistance to the provinces for public works and services under provincial jurisdiction. After establishing the standard of services and after committing the provinces to these programs and projects, the federal government seeks to bury many of its commitments because the economy has soured. Real economic growth has stopped, and the gross national product has declined. The money-well has dried up and the federal government must fold its financial tent.

The proposed cut of \$1.5 billion in the established programs budget, the cancellation of the \$250 million community services program and the change in the contributions required for the Royal Canadian Mounted Police services, which will cost a province like Nova Scotia \$10 million, are all examples of government withdrawal from these areas of service.

### *Borrowing Authority*

But what is the government doing after a decade of record spending? It refuses to come clean and raise taxes in a direct way so that Canadians will know what is happening. Instead, the federal government is transferring back to the provinces the cost burden of established programs and services. For example, take the community services program. It involves the provision of sewer and water services and similar municipal services in communities across this land. Clearly that has been a municipal responsibility in the past. It is normally financed with the assistance of various provincial governments. But the federal government has involved itself in that field. It has sparked and generated more activity. Communities, cities and towns became committed to the installation of these community services. Secondly, with very little warning—although the minister said he did warn those involved—the program gets cancelled. This is simply a way in which the federal government transfers that expenditure item back to the provinces.

The established programs fund is another example of the federal government transferring financial responsibility back to the provinces after the federal government has involved the provincial government in the kind of expenditures involved in these established programs. A particular item is university education, which is clearly a provincial matter under the control of the provincial government. Nonetheless, the federal government became involved in it, sparked and generated activity which otherwise might not have occurred. Now the provinces are stuck with the result. Again, the federal government is simply transferring expenditures back to the provinces. For those provinces which employ the Royal Canadian Mounted Police as a provincial police force, they now have to renegotiate their contracts. This will again result in a transfer of millions of dollars in expenditures to the provinces which seek to maintain those police services.

This is a gutless way to cut expenditures. It is unfair to the provinces and it puts the burden back onto the people whom the government does not have the internal intestinal fortitude to tax in the first place.

Yet the government will raise taxes. It has introduced a tax on resources which will yield \$4 billion. It is taking over offshore resources on the Atlantic coast and denying the legitimate rights of provinces such as Nova Scotia and Newfoundland. What we are fighting over in Canada in this area is the control of resources and the revenues from those resources. The federal government is simply seeking to increase its resource revenue so that it can avoid applying direct taxes which would normally be necessitated because of the kind of spending the government has been carrying on over the past number of years.

Everybody knows that income taxes, sales taxes and all the normal forms of taxes have reached their limit. In my view, the federal government is seeking to impose taxes in other forms.

Having said that, Mr. Speaker, and having issued these warnings against the dangers of continued borrowing, in the light of high inflation and interest rates, let me say this: at this same time we must carefully consider cutbacks in government