designed to increase investment and improve productivity and competitiveness.

A rise in the deficit during a period of cyclical weakness provides an important cushion to the over-all level of activity. It helps ensure that individual hardship during a recession is not excessive. If the Government was to attempt to prevent the automatic increase in the deficit that is induced by the recession, this would result in a more severe recession, more unemployment and more hardship for the Canadian people. That would be the result of a policy which has been advocated by the Hon. Members opposite. In the medium-term, however, a deficit reduction is vital. This is to ensure that public sector deficits do not crowd our private investment as the latter is expected to grow more rapidly after 1984.

A continuation of the recovery will automatically result in a narrowing of the deficit. Rising employment will mean less money will be required for unemployment insurance benefits and personal income taxe revenue will be higher. Corporation income taxes and revenues from sales taxes will also increase. That is automatic. In addition, scheduled increases in tax rates, in part implemented in order to finance the Special Recovery Program announced in the April Budget, will reduce the deficit further.

Developments over the past year and a half or so demonstrate that there is no clear connection between deficits and interest rates; none. Interest rates are considerably below their pre-recession peak despite a rise in the federal deficit. This is not to suggest, however, that interest rate developments are not affected by events in the United States, as the former speaker suggested. Rather, during a cyclical downturn private demands for credit generally decline—indeed, this is in large part what causes the recession—so there need not be any conflict between private and public borrowing. As economic conditions improve, government borrowing requirements should automatically diminish when private credit demands are rising. If it becomes clear that the federal deficit is not falling fast enough, the Government stands ready to adjust its fiscal plan in order to prevent a clash of credit demands.

Since 1975 the federal Government has been committed to restraining the trend growth in spending to no more than the trend growth in GNP. This commitment does not mean that the growth of expenditures must equal the growth in GNP every year. During a cyclical downturn expenditures would generally be expected to grow faster than GNP, since a deterioration in economic conditions would put upward pressure on expenditures and GNP growth would, of course, be slower. Similarly, the ratio of expenditures to GNP would be expected to decline during the recovery phase of the cycle.

The Government has been successful in meeting its expenditure targets, although it has been suggested otherwise in this debate. In the 1975-1976 fiscal year, total outlays, which are the Government's expenditure control variable, were 22.9 per cent of GNP. By 1980-1981 they had fallen to 19.1 per cent of GNP. Slow growth in GNP, the associated upward pressure on spending from low activity levels, rising public debt charges and some discretionary measures resulted in total outlays rising to an estimated 23.3 per cent of GNP in the current fiscal year. However, if trend rather than actual GNP were used in the calculation, the total outlays-to-GNP ratio would fall to 21.6 per cent, significantly below the ratio in 1975-1976. In other words, the ratio of total outlays to GNP is projected to decline continuously from 1984-1985 forward, reaching 20.8 per cent by 1987-1988. Restraint in expenditures should contribue to maintaining the downward momentum on inflation.

The Budget also introduced measures to strengthen economic partnership and enhance economic security. The proposals for employee profit participation plans are aimed at encouraging business and labour to share in goals through profit sharing. Economic security will be most visible and most visibly enhanced by the increase in the guaranteed income supplement for single pensioners. The pension proposals, including the reduction of the vesting period of two years—

• (1240)

Mr. Nickerson: Mr. Speaker, I rise on a point of order. I have before me *Hansard* of March 5, a time when you were in the Chair. You repeatedly called to order the Hon. Member for Timiskaming (Mr. MacDougall), who at that time was reading his speech. You quite correctly brought him to order and told him not to read from a prepared speech but to address the House verbatim. I wonder if Members on that side could be brought to the same order.

The Acting Speaker (Mr. Guilbault): The Hon. Member who has the floor was reading. Would he start speaking as provided in our rules?

Mr. Baker: Mr. Speaker, I was merely reading from some notes I had prepared, after listening to the globbledegook originating from the other side. It is very important that you listen to what I was saying. What I was trying to do was capsulize the important points which Hon. Members opposite have been making. It is very difficult to do that when somebody is required to speak in this House verbatim, as the Hon. Member put it. The comments I would have to make would have to be very general, if I were not allowed to refer to my exact notes. If the Speaker will permit it, I will continue my address. If the Hon. Speaker will also permit me to make reference to some of my notes during my address—

The Acting Speaker (Mr. Guilbault): It would settle the problem for the Speaker to let it be known that the Hon. Member's time is up.

Mr. Baker: Mr. Speaker, I rise on a point of order. Did you say my time was up, my entire time?

The Acting Speaker (Mr. Guilbault): Order. Will the Hon. Member resume his seat. His time is up. I have to recognize another Member.

Mr. Jack Shields (Athabasca): Mr. Speaker, the basic point that seems to be missed in this debate is that this borrowing authority of $29.5 billion equals 96 per cent of total personal