There are other questions that I want to address, Mr. Speaker. I have done a great deal of thinking about the federal deficit and no doubt most Members of the House have as well. We have all asked ourselves why the federal deficit is so high. Surely, this is a bad thing for the country. The federal deficit, Mr. Speaker, is projected to be approximately $27 billion this year, measured on a national accounts basis. The amount of $27 billion must boggle the mind. I do not believe any of us in private life would ever deal with such massive sums. They frighten me.

● (1220)

However, I am here and you, my colleagues, are here to make decisions in terms of these amounts of money because these are the terms we deal with on a national basis. This amount of $27 billion would be a rise of some $20 billion from its level in 1981. Again, Mr. Speaker, $20 billion is a staggering amount. The effects of recession on government revenues and expenditures, particularly with respect to unemployment insurance, account for about half of the rise in the deficit since 1981. We are taking care of those people who, through no fault of their own, find themselves out of work. We and the rest of the people in society have joined together to try to tide our co-citizens over through the tough times.

A substantial portion of the remaining rise in the deficit is due to the increasing public debt charges. Only a relatively small portion of the expected increase in the deficit is due to explicit policy initiatives of the Government. The Hon. Member for Capilano said as much, and agreed to as much in his speech. He said there was only about 15 per cent with which we really have to work. That is true, Mr. Speaker, and I would ask all Hon. Members to reflect on that point.

The Government has accepted the rise in the deficit in order to provide important support for economic activity. I believe that a continuation of the recovery will result in a narrowing of the deficit. I believe that. Rising employment will mean less money will be required for unemployment insurance benefits and personal income tax revenue will go higher. Corporation income taxes and revenue from sales taxes will also increase.

One can say I am just an optimist. I do not want to see the bad side of things. However, I tell you, Mr. Speaker, that a country without hope is a country without a future. We must continue to hope and to build and this is the way we are doing it as we go through these tough times. In addition, scheduled increases in tax rates in part implemented in order to finance the stimulative measures announced in the April Budget will reduce the deficit further. This, I believe, Mr. Speaker.

Does the high federal deficit not reflect the Government's inability to control its spending? Surely, these are questions we have all asked ourselves. Is spending really out of control? Is it not the responsibility, not only of Hon. Members of the Opposition, but also of Hon. Members of the current Government, to ask themselves those questions? Should we not be putting forth at least our own opinions which we can share with one another?

Again, Mr. Speaker, at the risk of being accused of using statistics "any way you want", I will use a few statistics to put this particular point into perspective. Since 1975, Mr. Speaker, the federal Government has been committed to restraining the trend growth in spending to no more than the trend growth of the Gross National Product. This commitment does not mean that the growth of expenditures must equal the growth of the Gross National Product every year. During a cyclical downturn, expenditures would generally be expected to grow faster than the Gross National Product, as is the case right now, since a deterioration in economic conditions would put upward pressure on expenditures and the Gross National Product growth would, of course, be slower. Similarly, the ratio of expenditures to Gross National Product would be expected to decline during the recovery phase of the cycle. The Government, in my view, has been successful in this sense; it has been successful in meeting the expenditure targets. In the 1975-76 fiscal year, total outlays, which are the expenditure control variable, were 22.9 per cent of the Gross National Product. By 1980-1981, they had fallen to 19.1 per cent of the Gross National Product.

Slow growth in the Gross National Product, the associated upward pressure on spending from low activity levels, rising public debt charges and limited discretionary measures, resulted in total outlays rising to an estimated 23.3 per cent of Gross National Product in the current fiscal year. And, yes, to the Hon. Member for Mississauga South (Mr. Blenkarn) I do admit this is an increase. However, I think that on balance if he would look at the situation which we have been going through, he will find that this follows logically and naturally in the tough times we have faced. I would invite the Hon. Member to question me on any one of these points so that at least he would know what my views are. If the trend, rather than actual Gross National Product, were used in the calculation, the total outlays to Gross National Product ratio would fall to 21.6 per cent, and that is significantly below the ratio in 1975-1976. I will leave the statistics now, Mr. Speaker, because all of us will become embroiled in them.

I would like to direct myself now to specific questions which were brought up, one of which caused me to do quite a bit of thinking and to make inquiries. It was the simple question: Are deficits inflationary? Developments since 1981 demonstrate, in my view, that there is no clear connection between deficits and inflation. Indeed, the recent rise in the federal deficit was accompanied by a decline in inflation. However, there are circumstances, and I admit them, in which deficits could be inflationary. For example, if the Government decided to finance too large a portion of the deficit by printing money—

Mr. Blenkarn: By monetizing money.

Mr. Parent: —by printing money, inflationary pressures could eventually build up. I admit to that. We both agree to that.

Mr. Blenkarn: You are right.