

I am also proposing to end the tax advantages of splitting income through interest-free or low-interest loans among family members. Transitional rules will ensure that the new rules are introduced fairly.

Building on the significant initiatives introduced by the Minister of National Revenue (Mr. Beatty), I am proposing a number of further measures to achieve fairer tax administration consistent with the Charter of Rights and Freedoms. Additional protection will be provided for taxpayers in the area of search and seizure, audits and examinations, and demands for tax information.

We will continue to move forward with necessary and effective change in the tax system in a responsible, moderate way. This approach is reflected in our commitment to a minimum tax for Canada and in the discussion paper on the corporate income tax. But I have deliberately not launched a process of massive tax reform as a solution to the problem of tax fairness or any other problem. We must not and we will not risk creating the kind of uncertainty and instability that could undermine the effort to get Canadians investing strongly in opportunities that will lead to growth and jobs.

IMPROVING THE BUDGET PROCESS

Finally, I am tabling a discussion paper that proposes significant reforms to the budget-making process, including a fixed period each year for presentation of the annual budget. This would provide greater certainty for planning and decision-making for Parliament, for the federal government, for provincial governments and for the private sector. It would provide the opportunity for more complementary economic and fiscal policy-making by both levels of government.

CONTROLLING THE NATIONAL DEBT

The actions I have taken will revitalize the private sector and make the federal government a more effective partner in pursuing economic renewal. For this partnership to truly flourish, however, we must restore order to our financial position.

In November, I estimated that the deficit for 1984-85 would be \$34.6 billion. Final figures for 1984-85 are not yet available, but my current estimate is that the deficit will be just under \$36 billion. I expect that government expenditures will be lower than projected. But revenue projections have not been met.

● (1730)

When I began to plan the budget for this year, I was looking at estimated deficits that would have continued to rise, even with continued growth in the economy and even after the actions I took in November. This was quite clearly unacceptable.

It is important that Canadians understand the magnitude of the deficit and debt problem and why it poses serious risks to our ability to achieve sustained economic growth.

The Budget—Hon. Michael Wilson

The public debt is simply the sum of all past deficits. It took 100 years to accumulate a debt of \$18 billion. Now, less than two decades later, the debt is approaching \$200 billion.

Like any borrower, the Canadian government pays interest on this debt. And like any borrower, the government has been affected by high interest rates. Interest charges have risen from about \$8 billion per year in the late 1970s to \$22 billion last year. They have become the fastest growing component of government expenditures.

The government has been borrowing additional funds to pay these interest charges. That is why our debt is spiralling out of sight. If we do not show the resolve to deal with this problem, the result will be paralysis of the Government of Canada.

This is the vicious circle we are now in. At some point we must begin to pay the bills for current services and not pass them on to our children.

[*Translation*]

If we fail to act now and maintain our present borrowing pattern, annual interest charges at the end of the decade could approach \$50 billion.

[*English*]

Where would we find the money?

We might try to borrow it. But that just continues to build up future problems. At some point, the bills come due.

We could simply print it. But to do so would guarantee an outbreak of inflation and rising interest rates that would damage confidence, investment and growth in the same way it did in the 1970s and early 1980s. This would be an abdication of responsibility. I will not do that.

Ultimately, we would be forced to find the money through drastic cuts in government services and major tax increases. Many government programs would be in jeopardy. This is also unacceptable.

[*Translation*]

Some say that faster economic growth will solve our fiscal dilemma. It is an important part of the solution. And the measures I have introduced will boost economic growth. But growth alone will not solve our problem. If we are to get off this deficit treadmill, we must also slow down the debt spiral through lower deficits and lower interest rates.

[*English*]

We all know that lowering interest rates is easier said than done.

It is true that interest rates in Canada are heavily influenced by interest rates in the United States. And as we deal with our fiscal problem we must be mindful of how quickly and how deeply the United States is prepared to cut its own deficit. But Canadian interest rates also depend on our own fiscal actions.

A key action to control interest rates is to maintain our vigilance against inflation. And that means acting to reduce our annual deficits, so that Canadian and foreign investors can be assured that future governments will not resort to the printing press to inflate our debt away.