

*Borrowing Authority Act*

real economic growth, as has been the case in recent years and is the case today, the deficit will tend to grow rather than decline since the economy is unable to generate sufficient additional revenue to pay the ever-increasing debt service charges on its growing debt. The Government must then continue to borrow from future growth simply to pay the carrying costs of past deficits. Such borrowing itself increases future interest charges and sets in motion a vicious circle where, without policy action, the debt continues to grow faster than the economy.

If that happens, we can expect to have increased interest rates, higher inflation and a drastic decline in business and consumer confidence. In other words, the writing is on the wall. We can no longer postpone the inevitable. It is absolutely essential that we reduce both the deficit and the debt-to-GNP ratio. To do otherwise is to mortgage into oblivion the socio-economic future of our children.

The Chinese use two symbols to write the word "crisis". One symbol speaks of opportunity. The other symbol speaks of danger. In the situation in which we are in today, there is no question that the danger with respect to the financial crisis is to do nothing. The opportunity is to seriously and honestly attack the problem. I am proud to be a member of the Government and the Party which, in the November statement and in the May Budget, has begun to attack that problem.

The previous administration sacrificed economic sanity for political expediency. It engaged in an escalating pattern of deficit financing. However, on September 4, 1984, the Canadian people put an end to that suicidal nonsense. They elected this Government with a mandate to fashion a socio-economic strategy that would put the country back on its feet. To that end, the Minister of Finance introduced the economic statement on November 8 and the Budget on May 23. Both initiatives are designed with a two-fold focus: to begin the mammoth but essential task of controlling the growth of the public debt, and to engender employment through the creation of a healthier economic climate.

Every Canadian knows that to reduce a deficit—for example, to reduce the amount of money owed on a mortgage or on a car loan—one must either increase their income, decrease their expenses, or preferably do both at the same time. Therefore, it should come as no surprise that the Government's reduction of the national debt is going to entail both an increase in taxes and a reduction in program expenditures. As I previously mentioned, virtually 80 per cent will be the reduction in program expenditures, and 20 per cent will be in increased taxes.

Admittedly, that is not an ideal scenario, but, let us not fool ourselves. Let us not play pathetic little political games with the Canadian public. They can read the bottom line. They know what has to be done. All they ask is that the necessary action be bold and just. Consequently, the Government is committed to ensuring that the control of the public debt will not be attained through drastic, disruptive or short-term measures. That is why the second variable in the national debt-to-GNP ratio must also play a vital role in the economic recovery and growth of the country. We must carefully facilitate a strong economy through policies which will remove obstacles to growth and encourage the entrepreneurial spirit, thereby

allowing the private sector to do what it does best—create jobs.

Of course, a welcome by-product of the latter scenario will be greater taxation revenues to reduce further the public debt and to strengthen federal government expenditures. This much needed constructive cycle of economic activity is directly antithetical to the vicious circle of debt outpacing the economy which we have now known for some 20 years.

It must be admitted, for the moment, that the Canadian economy is hanging in the balance between those two scenarios and that it is difficult to predict with certitude which of the two directions it will take in the years to come. One thing is clear. The past two decades of economic mismanagement, deficit financing and a Government continually spending beyond its means has not worked. The direction of the past is not an option.

Indeed, the recent Budget is an intentional break from the past. It is an integrated package of fiscal policies which are designed to encourage private initiative as the key to economic growth and job creation, to improve the efficiency and effectiveness of the Government, and to take control of the national debt.

Economic growth and job creation are encouraged through such measures as the personal lifetime capital gains exemption of \$500,000. That is particularly important to the farming community and to small business. Another measure is the additional \$900 million which will be allocated to a series of training and employment programs. Another measure is the strengthening of research and development by allowing businesses a full refund on the tax credits earned on the first \$2 million of research and development expenditures each year. The extension of the small business bond program until the end of 1987 is another measure. The creative use of pension funds for investment in small business is a further important aspect of job creation. Proposals such as these redirect much-needed financial support into small and medium-sized businesses, and reflect the Government's faith in the ability of Canadians to make investment decisions which will be of lasting benefit to the country.

The commitment to improving the federal Government's efficiency and effectiveness is indicated by such initiatives as the reduction of the federal Public Service by 15,000 positions over the next six years. Another initiative is the ending of the guarantee of full indexation of Members' of Parliament and Senators' pensions as of January 1, 1986. The privatization of those Crown corporations with commercial value but no public policy purpose is another initiative. A very important measure is the ministerial task force on program review. That is a vital initiative which has never before been witnessed in the history of Canadian public administration. These concrete examples signal a change in government policy, calling for greater fiscal responsibility in the management of its affairs.

Control of the debt is directly related to both economic growth and government fiscal management. That will be further assisted by the various actions which were announced in the Budget. First, spending increases by all Departments have