

rowing nor tax increases would be allowed to make up for any excess spending.

If spending limits are exceeded, the Minister of Finance must announce before or in the next budget how the excess would be recovered. A budget that is not consistent with the spending control act could not be presented unless at the same time legislation is presented to amend the act.

**Mr. Milliken:** Exactly.

**Mr. McDermid:** I'm glad my friend from Kingston and the Islands agrees with that.

These provisions provide for considerably tighter control of spending than comparable legislation in the United States, either the 1990 Budget Enforcement Act or its predecessor, the Gramm-Rudman-Hollings act. I would like to now discuss our responses to the finance committee's recommendations. I think this is very important.

The committee recommended, for example, that the spending control act should be subject to suspension by a vote of Parliament during a period of economic downturn or recession, or on presentation by the Minister of Finance of a projection of a downturn or recession.

However, the government does not believe that such an amendment is necessary. Under our parliamentary system the proposed act does not and cannot override the supremacy of Parliament.

The spending control act may be amended at any time in whatever circumstances Parliament deems appropriate. I would add that history has taught us that governments cannot spend their way out of recessions. This certainly was the lesson of the early 1980s.

I must say once this act does take force and becomes legislation that any government that would come in and amend this act would have to have some pretty good reasons to do so in presenting it to the Canadian public. It would have to be able to explain very clearly why it would be amending this act.

The way to stimulate economic activity is to maintain tight spending controls. There is no question about that.

### *Government Orders*

The message we got from groups and individuals across this country was: "For heaven's sake maintain your spending up there. Maintain that tight control on spending". It will return the fiscal position to a better balance, allow interest rates to decline, and keep present and future tax burdens down.

In any event, the spending control act does not constrain the main economic stabilizer in our economy, the unemployment insurance account.

The committee also recommended that the government establish very strict criteria to define the concept of eligible self-financing programs under the act. We believe the definition of self-financing is well established and full accounting is already provided in the public accounts.

Nonetheless, to provide greater assurance we have decided to specifically limit the number of self-financing programs that will be exempt from the act to the four proposed in the draft legislation. They are the unemployment insurance account; our farm insurance programs; the agriculture commodity stabilization account and the crop reinsurance fund; and the Gross Revenue Insurance Program.

On the other hand, we cannot accept the committee's recommendation that the major transfer of programs to the provinces should similarly be exempt.

Taken together the three major transfer programs, Established Programs Financing, equalization, and the Canada Assistance Plan represent 20 per cent of program spending or \$23.1 billion in 1991-92.

To exclude these transfers from the spending control limits would seriously undermine the credibility of the act itself and this we propose not to do.

It might be interesting to know that if we exempted the transfers to the provinces the bill would only cover 65 per cent of program spending when in fact with the provinces it covers 85 per cent of program spending.

In another area the draft bill provided that any overspending in one year could be made up in future years covered by the act.

The committee, however, felt that this was too open-ended and recommended that overspending in any one year be required to be made up in the following year.