

1960s. It has been beneficial to Atlantic Canada. I believe that as this government adopts a very callous attitude, the alienation of Atlantic Canadians, of the people in the north and in the west toward the central government will have nothing but an adverse effect on Confederation and on how we as a country see ourselves.

I know that my time is waning because we are going to hear of more cuts, more hardship, more havoc on all the citizens of Canada—not just Atlantic Canada—coming up in about a minute and a half. I will defer any further comments. I want to hear what the Conservative government is going to do for us. It has done so much to us so far that I cannot imagine that there can be anything left that it can take away from Atlantic Canada.

It is a continuing drama of cut-backs on the basis of bottom line. The government is suffering from that rare disease called “deficititis”. It plays the smoke and mirrors game of adding on here and changing the funding there. The net effect is that Atlantic Canadians lose. They have lost before, and they are losing now with this bill.

**Some hon. members:** Hear, hear!

[*Translation*]

**The Acting Speaker (Mrs. Champagne):** Pursuant to order made Monday, February 19, 1990, the debate is now adjourned.

**Mr. Speaker:** Order. It being 4.30 p.m., pursuant to order made Monday, February 19, 1990, the House will now proceed to the consideration of Ways and Means Motion No. 13.

\* \* \*

[*English*]

## THE BUDGET

### FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

**Hon. Michael Wilson (Minister of Finance)** moved:

That this House approves in general the budgetary policy of the government.

He said: Since 1984, this government has been following a consistent and comprehensive plan to ensure that Canadians can benefit from a rising standard of living and a quality of life second to none in the world.

## *The Budget*

As a vital part of that plan, we have been striving to gain greater control over our nation's finances.

We have attached a very high priority to this objective. Because as we achieve it, we will gain greater flexibility and independence of action to meet the priorities of this government and of Canadians.

Last year I set out a five-year deficit reduction plan to achieve this objective. It was, and is, the right course to follow.

The deficit for this year is on track at \$30.5 billion. But our future progress is endangered by deeply entrenched inflationary pressures.

Today I am asking Canadians to join in a broadly based program to reinforce our efforts to control government spending. This program will keep us on a track that will allow us to achieve the goals that I set out in my last budget: We will reduce the deficit to \$28.5 billion this next fiscal year; We will cut it in half to \$14 billion in three more years; and, We will reduce it further to \$10 billion in the year after that.

This will mean that within five years the government will begin to buy back its bonds and Treasury bills. The country will be on a clear path of substantially reducing the burden of debt.

Last year I said that for every dollar the government collects, the interest on our debt was 35 cents and rising. That is money we can not use now to get taxes down or to address priorities such as environmental protection, research and development and skills training. We must pay those interest costs. In this budget I will show how, over the next five years, we can reduce that 35 cents to 26 cents—and keep it going down.

[*Translation*]

Reducing the share of revenues we pay out in interest will increase our capacity to meet the aspirations of Canadians.

That is one important reason for reducing our deficit. There are other important reasons.

Every additional dollar of deficit we incur today means an increased burden of debt for future generations. We have a responsibility to our children and grandchildren. To build for them, not to borrow from them.

*The Budget**[English]*

Reducing the federal deficit will help ease inflationary pressures. That will help reduce interest rates.

Reducing the federal deficit will reduce Canada's reliance on foreign lenders. It will strengthen our sovereignty as a nation.

These are all powerful reasons for holding to the plan we started in 1984.

Much progress has been made since then. We have significantly reduced the burden of government. The growth of spending on all government programs and services has been well below the growth of the economy and even below the rate of inflation.

We have reduced the size of the public service by 12,000. The public service today is the same size as in 1973, despite the fact that Canada's population has increased by about one-fifth. Overall, spending on government operations is less now than it was in 1984.

When we first came to office, the federal government was spending \$16 billion more on programs—everything except our interest costs—than it collected in revenues. Today our program spending is \$9 billion less than revenues. We have turned an operating deficit into an operating surplus—a turnaround of \$25 billion in just five years. And 70 per cent of this progress results from expenditure restraint. To achieve that progress, we have reduced program spending as a share of the economy to the lowest level in almost 20 years.

Canadians know that this progress has been hard-earned. They have felt the impact of the tough but necessary decisions to protect and strengthen Canada's future. While our actions have meant difficult adjustments for many Canadians, the economic results have been good. The economy has expanded for seven consecutive years. Employment has grown strongly. After-tax incomes have risen. Economic opportunities have been increased. Poverty has been reduced by the best kind of social policy—more jobs.

*[Translation]*

The actions in this budget will ensure that we make continued progress in the years ahead by facing squarely the twin problems of high deficits and high inflation.

I am proposing a two-year expenditure control program that will affect all areas of government spending with the exception of income support programs for seniors, families and veterans, unemployment insurance, as well as the equalization program and Canada Assistance Plan payments to lower-income provinces.

*[English]*

A number of programs will be limited to 5-per-cent annual growth for the next two years. Others will be frozen at their current levels. Some will be cut or eliminated. Government operations will be tightened further.

There will be no new taxes in this budget.

• (1640)

The spending control program, together with the restraint measures announced in December, will save \$3 billion in the first year and close to \$4 billion in the following year. The savings will total well over \$19 billion over the next five years. Our operating surplus will grow from \$9 billion today to \$31 billion in 1994-95.

Implementing the expenditure control program this year will require the patience and understanding of Canadians.

In my budget last year, I spoke of the importance of easing the inflationary pressures that have been building in most parts of the country. Only by easing demand and cooling out these pressures can we re-establish a solid track of sustainable non-inflationary growth.

The economy is in a period of slower growth. This is not surprising. Nor should we try to avoid it.

This will not be an easy year. But as we move through it, let us not forget what we learned together in the early 1980s when inflation got out of control. Let us not relive the sense of despair, the sinking confidence and the personal hardship that resulted from the 20-per-cent-plus interest rates brought on by soaring inflation.

Let us instead remind ourselves of why we must solve our deficit and inflation problems now. To do so will allow us to build a secure and rewarding future on a solid foundation: a responsive government with the financial room to manoeuvre to maintain valued services and tackle new challenges; a dynamic economy that provides rising living standards and growing opportunities to build full, satisfying lives; a confident, economically sovereign















