necessity we now face to surmount a period of permanent industrial restructuring that is taking place on a global scale.

The 1990-91 recession is an event from which we are emerging and from which we are recovering, albeit slowly. But the international challenge to our productivity and competitiveness, and therefore to our future prosperity, remains to be won. It is being fought, as we all know, at great cost in terms of disruption of working lives and painful dislocation of firms, industries and communities. The government is making every effort to assist with adjustment in training to better adapt our work force and our economy to new conditions.

On the successful outcome of this struggle depends our ability to maintain the quality of life Canadians have enjoyed for so many years. Here again, the verdict of Canadian and international organizations is clear. The federal government has the policy fundamentals right not just for short term recovery but for the long-term growth and prosperity of the economy.

[*Translation*]

Interest rates are at their lowest level in 19 years. They will be under 5 per cent this year and next year and will remain at that level each year, on average, until 1997. At 1.6 per cent, the inflation rate has never been so low since the 60's. We predict inflation rates of 3 per cent in 1992, 2.2 per cent in 1993 and an average of 1.9 per cent until 1997.

The foundations of our economy are solid. This is confirmed by the fact that the projected rates of economic growth are 2.7 per cent in 1992, increasing to 4.5 per cent in 1993, with an average annual rate of 4.4 per cent until 1997. The Canadian economy will create 500,000 new jobs by the end of 1993 and 1,500,000 by 1997. It is a very high growth rate. Honourable senators will note that our short-term growth projections are conservative compared to those made by most national and international agencies.

Honourable senators will remember that the OECD and the IMF both predict that Canada will have the highest growth rate of all industrialized countries and the highest rate of job creation. The deficit is reduced by $4 billion for the fiscal year beginning April 1 and by another $5 billion in 1993-94.

It is even more significant to note that, since 1984-85, the deficit as a percentage of the Gross National Product has gone down from 6.75 per cent in 1984-85 to 3.8 per cent in 1992-93. During the same period, in the United States, that percentage went from 5.3 per cent to 6.8 per cent.

[*English*]

Honourable senators, the decisions taken in our previous seven budgets, the management of the government's affairs since 1984 and the significant spending cuts in this week's budget, have given us room to begin to cut taxes and to bolster economic recovery. The reductions in the personal income surtax will put $500 million back into taxpayers' pockets this year, rising to $1.2 billion in subsequent years. The provisions to permit use of RRSP funds to buy or build a home will stimulate housing activity when combined with the recent announcement of 5 per cent downpayments. Honourable senators will also have noted that Mr. Mazankowski's budget lowers taxes on manufacturing and processing, increases support for research and development spending, for equity financing and small business.

• (1050)

The measures to stimulate investment tackle the core issue of the Prosperity Initiative launched some months ago by Mr. Wilson, Minister of International Trade and Minister of Industry, Science and Technology, and Mr. Valcourt, Minister of Employment and Immigration. Investment in new machinery, new technology and R&D is the key to creating real and durable jobs. It will determine the success or survival of companies that are adapting to the fast-moving global economy.

The budget measures to stimulate the economy and support adjustment to the longer term economic challenges should be seen against the background of other significant recent decisions. I will mention just a few of recent months: The decision in November 1991 to provide $800 million in support for agriculture, the tax changes benefiting the transportation sector announced in December 1991 and the measures announced earlier this month to ensure that Canadian retailers compete on a more equitable basis against foreign competition.

I want to draw the attention of honourable senators to the measures in the budget dealing with social policy and programs, measures affecting students, the disabled and families, for example. I want in particular to draw your attention to the reform of child benefits which combines the family allowance and tax assistance in a way that will bring greater financial resources to children, especially to improve the lot of lower income working families. Three programs are being consolidated, family allowances, the child credit and the refundable child tax credit. These now cost some $4.5 billion annually. We are adding another $400 million a year and we are targeting assistance to those who need it most.

Parliamentary committees, social policy groups and other interested parties have all identified the weaknesses in the present system; its inadequate support for low income families, the piecemeal approach of three programs, the lack of targeting, the disincentives for many families to give up welfare benefits for a wage only a few dollars greater and the delay between filing for and obtaining the full tax credit. The new child benefit, paid monthly in most cases to mothers, will provide increased benefits for the majority of families with children, benefits targeted to low and modest income families, and with a new earned income supplement to reinforce the incentives for low income parents to participate in the workforce.

Under the new system, a low income family with one child can receive as much as $1,520 a year, an increase of almost 50 per cent over the present situation. Family income rather than individual income will be the criterion for support, and we believe it is a much better measure of determining the level of assistance needed to support children.