

*Supply*

increases. And he stressed that if tax measures must be taken, their purpose will be to make the tax system fairer, not to increase the tax burden of low income taxpayers, as the opposition claimed today.

We have also clearly indicated that we believe that the first steps that must be taken to pare down the government machine are to downsize it and cut fluff and waste. This is what the opposition has been telling us. We have already taken real action on the issue.

Last week, the Minister responsible for Public Service Renewal tabled a bill to dissolve or reorganize 22 organizations. Taxpayers would save almost one and a half million dollars. I understand that this is very little, really just a drop in the bucket, but I know that this budget will be the result of the most extensive review of government programs and operations ever undertaken in recent history in this country.

I am also convinced that the budget will demonstrate to all Canadians that we have the courage to do what we say we will do and to keep our promises. We need to take action to reduce the cost and size of government because it is vital to the deficit reduction goals we set last year. And it is precisely this question of the deficit, in the debates yesterday and today, which brings out clearly the fundamental shortcomings of the two opposition parties.

[English]

As for members of the Reform Party, eliminating the deficit but without tax action seems to be their only concern. They seem to think that deficit action alone will ensure Canada's economic success and renewal. They refuse to recognize that there is a role for government in promoting economic development and in protecting Canadians in real need.

It is also interesting to note that where Reform sees only the deficit, the Bloc seems to have completely forgotten it exists at all. The result is a motion on the budget that ignores Canada's real fiscal problems.

[Translation]

After all, the Bloc's separatist cousins in Quebec City include a finance minister who feels that Quebec's obligations with respect to the national debt need be honoured only when it is convenient to do so. But our government refuses to slough off its responsibilities. We are aware of the burden of decades of debt and galloping deficits, which have given rise to an increase in taxes and interest rates, and a certain mistrust on the part of investors; all are factors detrimental to growth and job creation.

You know, the latest statements by the Quebec finance minister did not help the province's ratings, and it is the middle class that will pay the price.

However, our government is determined to do what is necessary to maintain growth and create jobs in all regions of the country, including Quebec. And in order to reach these objectives, it is essential, and Canadians themselves are demanding it, that we put in place an effective financial reform strategy.

[English]

Our government believes that winning the debt challenge starts with laying a clear, concrete and credible foundation. That means keeping to the deficit track we set out on to bring the deficit down to 3 per cent of GDP in three years.

That is exactly what we will do, as the minister said, "come hell or high water". The federal deficit now near 6 per cent of GDP has not been as low as 3 per cent since 1974-75, 20 long years ago.

• (1605)

[Translation]

In addition, setting specific deficit reduction goals is a significant change from past practices. That is why our government used a different approach. We set realistic goals and we will take all necessary steps to achieve concrete results. Our success in this regard will make our long-term objective of totally eliminating the deficit more credible.

[English]

We believe it is best to set out short term targets, concrete milestones, and achieve them. With short term targets there is no excuse for delay, no acceptable grounds for not taking tough action to address the problem. When we set unrealistic long term goals, we can always find a reason to avoid tough action today, tomorrow and the tomorrow after that.

Let us remember that we have done more than just set out a goal. Last year's budget took dramatic bottom line action. It set out measures to deliver \$20 billion in deficit reduction over three years. For every \$1 of revenue action there were \$5 of spending cuts. No budget in a decade moved so strongly to cut spending.

We also know that even stronger action might be necessary. The problem is interest rates. They are much higher than we or the private sector expected.

There is no mystery about the pressures at work. To begin with, there is action by the U.S. central bank to control American inflation. There is also the lingering concern about the Quebec situation and the worry over Canada's debt and deficit burden.

The problem is our accumulated \$500 billion debt. It is so big that an increase in rates has been a frightening wallop. Let us remember that last year the interest charges on the debt consumed almost \$40 billion of taxpayers' money, the single largest expense of government. Every time the rates go up one per-