

on the \$206 billion debt it inherited. As a result, public debt today is in the range of \$400 billion.

The government is now spending more on interest than on old age security, family allowances, veterans' pensions and unemployment insurance combined.

In the face of this mountain of debt our fiscal and economic strategy has resulted in substantial progress over the last six years. For example, program spending as a percentage of Gross Domestic Product has dropped from 19.6 per cent to 16 per cent. That is a 3.6 per cent difference which is equivalent to \$24 billion less in annual spending.

That is the lowest level of spending as a percentage of GDP in 20 years. The average annual growth rate of program spending during this period of time has been cut from an annualized increase of 13.8 per cent. There was an annualized increase of 13.8 per cent in program expenditure increases for 15 years prior to 1984-85. It was 13.8 per cent. That has been reduced to a level of 3.7 per cent, well below the rate of inflation at 4.4 per cent.

We intend to reduce that to 3 per cent as a result of the spending control legislation which we will be introducing and dealing with later.

This compares to a 5.8 per cent figure in the United States for this year. The United States will be carrying a deficit of \$350 billion in fiscal 1992, the year which will begin in October 1991.

This spending restraint has helped us to slow the growth of the national debt. In 1984-85 the debt was growing at an annual rate of about 25 per cent. Today, it is less than 10 per cent. However, as colleagues in this House know, it is still not acceptable.

With our budget measures, we aim to eliminate completely the need for new borrowing within four years and to begin reducing our outstanding publicly held debt by that time.

I should say that if we had followed the same policy course that was prevalent prior to 1984-85 and into the year 1984-85, had we done nothing, we would be looking at a deficit today of something in the order of \$100 billion. That would be very, very serious.

Progress has been made and I know my hon. friend across will agree with that.

Government Orders

While tax increases have been necessary, government program expenditures have carried two-thirds of the burden of restraint. That is the ratio.

Expenditure cutting as we all know is a difficult exercise and it is becoming increasingly more difficult for the government and for Canadians.

We all know that a good portion of federal government spending is spent on fiscal transfers to people and provinces. Today, more than half of all program spending consists of major transfers to persons and other levels of government.

The tax points that are provided for, along with the transfers to the provinces and transfers to persons in the form of old age pensions, family allowances, veterans' pensions, et cetera as well as the Established Programs Financing and the equalization program, would amount to about \$77.5 billion for this year. That is a huge amount of money in cash and in tax points.

• (1640)

The other large area of program spending is provincial transfers supporting health care, education, and welfare services. The two combined work out to about \$77.5 billion. The rest of the program spending covers every other aspect of government activity, including national defence and the internal operations of government. If we take inflation into consideration, the cost of government operations has been reduced by about 25 per cent. We continue to work to cut out waste and inefficiency, overlap, and duplication.

As we all know, every time we go through the exercise of expenditure reduction, it gets increasingly more difficult. On the other hand, the pressure is always there to spend more. Managing the government spending priorities within a tight fiscal discipline is a pressing challenge that we face as a government. I think it is a pressing challenge that each and every one of us face as individual members of Parliament. It is a challenge that must be met.

I have already noted that Canadians have been called upon to pay more taxes to help deal with the deficit and the debt. The progress that has been made in dealing with the deficit has come from two sources: expenditure reduction and increased taxes. It is about two-thirds expenditure reduction and one-third from taxes.