decline is to continue. Just as important, direct borrowings of the Government of Canada in capital markets are also down about $8 billion since 1984.

In the April 1989 budget the government set out a five-year plan to cut the deficit in half by 1993-1994, to eliminate government borrowings in capital markets after that year, and to begin to pay back government securities, Government of Canada bonds, and other debt instruments securing the debt.

This budget confirms the fact that we are still on a course to meet the goals set out in the last budget. First, it will ensure that the deficit continues on a downward track. Second, it will help to create the conditions needed to ease inflationary pressures. This will lessen the burden on monetary policy and increase the scope for interest rates to come down. Lower interest rates will contribute to further reductions in the deficit, and this will set the stage for the economy to make the transition to strong, sustained growth.

There are three basic points I wish to speak to with regard to the budget. They are interest rates, government spending, and the impact this budget will have on my home province of Ontario. As I mentioned previously, and contrary to what those across the House would say, the high level of interest rates is only a symptom of the over-all problem we face in Canada. The real problem is the underlying inflation which drives up interest rates. There is no magic wand with which to lower interest rates. This would only serve to fuel inflation, thus compounding the problem. If we do not deal with these inflationary problems at this point in time, we could see a return to the economic conditions which persisted in the early 1980s. This includes the recession we know so well that was created. The painful lesson of despair, sinking confidence at home and abroad, and the personal hardships endured by all too many Canadians during that period will not be repeated.

There are may people in my region concerned with the high interest rates. The automobile manufacturers see the high interest rates and the resulting high value of the Canadian dollar as a very real impediment to their ability to compete in the car market. People who work in the construction industry see residential housing and all of their projects affected by high interest rates. Some would even say that the high value of the dollar concerns those merchants who see individuals going to the United States seeking better bargains. These people would like to see interest rates reduced immediately, but they do not want to see the return of the spectre of inflation and high interest rates approaching 20 per cent, haunting them again as it did in the early 1980s. They want to see the cause of high interest rates removed in order that rates will come down and stay down and that their future security will not be threatened. Non-inflationary growth is the goal that this budget helps to accomplish.

• (1610)

The government has set in place a number of policies in order to expand the potential of the economy for non-inflationary growth. This budget with its emphasis on expenditure control, as well the policies of privatization and deregulation, the free trade agreement, the retraining programs under the Canadian Jobs Strategy, and the replacement of the manufacturers' sales tax with the goods and services tax will result in the potential growth of the economy expanding to 3.25 per cent to 3.5 per cent from the present 2.75 per cent which existed in 1984. Without these changes there was even a danger that the potential for non-inflationary growth in the economy would contract.

Intertwined in this entire matter is the question of expenditure reduction in order to deal with the annual deficit and ultimately the national debt. The national debt is approaching $350 billion and interest on that debt for the current year will be approximately $41.2 billion. Over the last five years the government has managed to turn the deficit in program spending to a surplus of approximately $13 billion. The deficit this year will be $28.5 billion. The budget sets us on a course to continue reduction in this annual deficit in order that we can provide more flexibility to the government to protect programs that Canadians desire.

Presently we spend approximately 35 cents of every tax dollar taken in on interest on the national debt. It is generally acknowledged that approximately 80 per cent of the debt is held here in Canada by our own citizens. However, we still have to this debt to those individuals who hold Canada bonds, treasury bills and other Government of Canada securities. This results in an income