

elsewhere, monetary policy was activated to fight inflation.

These rising interest rates will increase the cost of the public debt by \$6 billion this year. Something else to consider, Mr. Speaker. I am well aware that Canadians are frustrated with high interest rates. Some even suggest that we reduce them by decree. But let us not forget that interest rates are not cut off from everything else; they are not isolated from other economic forces. They cannot be reduced without considering the whole economic picture. Upward inflationary pressures lead to high interest rates. Acting on the symptoms, on the rates alone rather than the underlying causes, solves nothing. On the contrary, it could even be very harmful.

Let us not forget the surge in inflation and interest rates we had in the early 1980s. Let us not forget the resulting loss of confidence in the economy, the arrested economic growth and job losses in every region of Canada, and especially, the disastrous consequences for the lives of millions of Canadians.

The Government at that time did not take the inflation threat seriously, which resulted in interest rates of 22 per cent in 1982. You remember that, Mr. Speaker. We shall not make the same mistake. We must all admit that a slowdown is necessary to restore economic growth to a normal rate for long-term development. We must apply firm, moderate, coherent budgetary and monetary measures that keep us on the right track to lower inflation and interest rates in a lasting way.

In the budget we just presented, we made difficult choices. We tried hard to make all the measures balanced, to take account of regional situations and to place the heaviest burden on those most able to carry it. We are not reducing the debt at the expense of the least fortunate. The budgetary measures include a vast range of reductions in public expenditure and of measures to increase revenue. The measures affecting revenue are intended to place the heaviest burden on taxpayers who can afford it. Altogether, these measures will bring in over \$5 billion this year and \$9 billion next year.

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markets and lead to the reduction in interest rates all Canadians are looking forward to.

This year, they will almost cover the increase in interest charges and leave the deficit as I said at \$30.5 billion, which next year will lower the deficit down to some \$28 billion.

The debt-to-GP ratio will stabilize next year. The debt will stop increasing faster than the economy. This is a capital achievement. Finally the illness will be under control. And within five years, the deficit will have been reduced by half down to \$1.5 billion. Borrowing needs will plummet to \$3 billion, after reaching \$20.5 in 1989-90.

In the long term, we will continue building the foundations for economic growth by implementing a balanced program of financial and economic moves. We will take important economic initiatives in areas such as manpower, international trade, financial regulation and the promotion of a productive and economically viable farm sector. We will ensure that economic growth does not harm the environment.

If I may, Mr. Speaker, I would like to emphasize this. The replacement of the existing federal sales tax is a key component in this Government's strategy to preserve essential programs while strengthening the Canadian economy. This new tax will improve the overall fairness of the tax system. It will make the federal tax more visible to the consumer, and result in significant economic production gains of about \$9 billion a year, which will be felt throughout the Canadian economy and in all parts of the country.

The Government is committed to ensuring that families earning less than \$30 000 a year will be better off after the sales tax reform. Let's keep in mind also that basic groceries, prescription drugs and medical equipment will not be taxed. Residential rents, day care services, legal aid, most health and dental care services and education services will also be exempted.

A few days ago, Mr. Speaker, many Canadians got another summary of the Budget through a special bulletin on the global TV network. I will not share my thoughts on that special bulletin, but rather leave you with my personal version of what a special bulletin could have suggested.

"We have just heard from exclusive sources that the Conservative Government has decided to protect and strengthen the Canadian identity and basic values, which make Canada unique among other nations, thanks in