Hard experience makes clear what the inevitable cost of premature easing of interest rates would be. It would lead to an increase in borrowing and new demand pressures, leading in turn to more inflation and still higher interest rates. None of us wants to relive the nightmare of the early 1980s, the loss of confidence and the personal tragedies brought on by soaring interest rates and soaring inflation.

The budget will help—and I see that the hon. member is inclined to agree with me—

Mr. Young (Gloucester): That the budget will help? No, I don't agree.

Mr. Loiselle: —get inflation down. Our expenditure control plan, when combined with the cost cutting measures announced last December, will produce savings of $3 billion in the first year of application and almost $4 billion the following year. Over the next five years, the total savings will come to well over $19 billion.

We recognize that this restraint will require the patience and understanding of Canadians. This is why in the budget we have asked Canadians to join in a broadly based program over the next two years to reinforce our efforts to control government spending. We are doing so without raising taxes. We are putting a cap on the growth of spending for a number of major programs and freezing spending on others.

We will continue to privatize Crown corporations and sell investments where government ownership is no longer needed to meet public policy objectives. We have decided that the time has come to sell the government's shares in Petro-Canada and Telesat Canada, which will enable them to strengthen their roles in their two key sectors of the economy. The sale of these corporations will reduce the government's borrowing requirements. This in turn will reduce interest charges on the debt.

We are also continuing to move on business subsidies. Since we came to office a government priority has been to get out of the subsidy business, especially for business. We have reduced or eliminated a wide range of business subsidies. The Shipbuilding Industry Assistance Program, the Canadian Home Improvement Program, the Petroleum Incentives Program and VIA Rail subsidies all have been cut out or cut back. In the February budget we cut some more, including the OSLO oil sands project.

As well, we have substantially reduced business subsidies conferred through the tax system, including reducing capital cost allowance rates, eliminating non-regional investment tax credits, eliminating the inventory allowance, and phasing out the earned depletion allowance, to name only a few.

There are still subsidies we do provide—subsidies for social housing, agriculture and transportation. But in this budget we have firmly committed ourselves to a more businesslike approach to business assistance. With limited exceptions, federal assistance will now take the form of repayable loans rather than straight grants or subsidies.

[*Translation*]

The restraint measures, Mr. Speaker, are tough but essential to restore the deficit to its downward path and hold the line against a resurgence of inflation. Taken together, they will hold the growth of federal program spending to 3 per cent next year, well below the expected rate of inflation. By 1994-95, program spending will fall to 14.2 per cent of national income, its lowest level since the late 1960s.

For this to happen, everyone must participate in restraint. The deficit is a national problem. It demands a national solution, and transfers to provinces must play their part. But that part should be kept in perspective.

Federal cash transfers to the provinces account for nearly one-quarter of all federal program spending. Over the past five years, while we have been holding the annual growth of federal program spending to 3.6 per cent, total transfers to the provinces have been growing at over 6 per cent.

They will continue to grow next year—but, under our expenditure control plan, no faster on average than our own program spending. Bear in mind, as well, that this means a reduction in federal transfers amounting to less than one per cent of provincial revenues. We have been sensitive to the financial circumstances of the provinces. Transfers to the low-income Atlantic provinces are expected to increase about 4 per cent annually over the next two years. Transfers to the wealthier provinces of Ontario, Alberta and British Columbia should grow just over 2 per cent. I believe the people will agree that the provinces which are less well off should bear a lighter part of the national debt-reduction burden. What we are