

These changes in course were absolutely necessary to avoid a shipwreck later on. They would not have been easy to make in the best of times. It was the luck of the economic cycle that some of them were coming into effect during times that were far from that. They have required adjustments and sacrifices that have been painful in the extreme for many Canadians.

On the other hand, we have been fortunate in other ways. Integrity and courage in political terms means a readiness to do the unpopular thing, when the national interest requires it.

Over the past eight and a half years, Canada has had in Prime Minister Mulroney, a leader with the political guts and tenacity to see a difficult task through. Mr. Mulroney made tough choices and, in doing so, expended some of his personal political capital. But not unwisely, nor unavailingly.

Inflation in Canada today stands at 1.8¹ percent, its lowest level in 30 years. Interest rates have followed inflation down. Our prime rate is at its lowest in 21 years.

The battle against the budget deficit has been waged unremittingly even in the teeth of a tough recession. It remains a major national challenge.

Central to our policy have been efforts to cut the government's program spending - all expenditures except those intended to service the debt. And we have made progress. Between 1984 and 1990, Canadian federal program spending grew in real terms significantly less than such expenditures by any other G-7 (leading industrial) nation - just 0.1 percent annually. This allowed us to turn a substantial operating deficit into an operating surplus - which means we are paying for all our current programs, but still operate in the red because of debt servicing.

This has required tough, sometimes unpopular decisions, which often caused great controversy. This restraint has helped to bring our deficit down as a share of Canada's economy. On an accounting basis comparable to that used in the United States, the Canadian federal deficit declined from 6.7 percent of GDP (Gross Domestic Product) in fiscal 1984-1985 to just 4.4 percent this year - despite pressures on revenues and spending as a result of the recession - an overall decline over the period of 2 percent. In the same period, the U.S. federal deficit fell a total of 0.4 percent but now stands at 5.4 percent of GDP, on the same basis.

1

Statistics Canada (April 1993 figure)