

This brings me to the third message from Canadians. People say, and are telling all governments, federal and provincial, that they do not want the deficit to be fought with more tax increases.

Common sense tells us that we cannot restore confidence, stimulate growth and strengthen global competitiveness by adding to what is already one of the heaviest national tax burdens in the world.

An article in this week's *Economist* shows us the situation Canada is in. It is not funny. It is not a pretty picture!

In 1991, taxes of all levels of government took nearly 40 per cent of our gross domestic product.

I even saw an article from the Fraser Institute saying that 50 per cent of the money in Canada goes through the governments' hands.

This is a higher proportion than in Germany and Great Britain, and much higher than for our two main trading partners, the United States, where the tax rate is about 29.9 per cent of GDP, and Japan, where it is 31.1 per cent of GDP.

These messages indicate that the government's policies are in line with the opinion and expectations of most Canadians. It is not popular, but I think that we must do it!

Most people agree with the general thrust of the February 1992 budget and the December economic statement, which provided tax reductions for individuals and for the manufacturing and processing sector, measures to stimulate other key sectors of the economy such as small business and home building, and strict control of government spending.

This brings me to our present financial problem, which is of course directly related to our present economic situation.

The Canadian economy grew last year, but barely 1 per cent. Although growth was strong in the fourth quarter, 3.5 per cent, it was export-driven. Domestic demand remained relatively hesitant.

But there are encouraging signs, in particular stronger competitive ability based on low inflation — the lowest in 30 years — low interest rates — the lowest in about 20 years — and higher national productivity, which has increased considerably.

Nevertheless, the actual total growth rate last year was less than the government expected, while domestic demand remained weaker than we had hoped. This situation puts real pressure on the state of our finances, because of the impact on tax revenue. This is why we must implement the measures proposed in Bill C-113.

Economic growth does indeed play a role in deficit reduction. However, we cannot rely only on growth and on federal revenue to make up for the accumulation of interest costs generated by our national debt. The debt will always be higher.

For example, this year these costs total some \$40 billion. Therefore, even if we eliminated the whole federal administrative structure tomorrow, only 13 per cent of government spending would be affected. To get back on the right track, we must cut spending even more.

This brings me to the details of the legislation. Let me tell you about the main points in each of the four areas of proposed action. Bill C-113 proposes freezing the salaries of some 390,000 employees in the public sector. This freeze will also happen in Ontario and Quebec where provincial governments will implement it for the next two years. It should allow government to save \$800 million during that period.

This measure affects, among others, the members of the House of Commons and the other Parliamentarians, the Governor General, the Lieutenant Governors of each of the provinces and the federal judges. I do not feel this will jeopardize the independence of the judiciary, contrary to what was said on that subject. The salaries will also be frozen for all federal civil servants.

All employees of Crown corporations who depend on parliamentary appropriations and who are not competing with the private sector will also have their salaries locked in at current levels. Crown corporations that depend on parliamentary appropriations and are competing with the private sector will receive funding established on the basis of frozen salaries.

Let me stress the fact that this wage freeze comes with a 3 per cent cut in the operating budgets of all federal departments in addition to the 2 per cent cut imposed last autumn. Because of the wage freeze and operating budget cuts, the total operating cost for the government will be 5 per cent lower than what was expected for the next two fiscal periods.