examination of federal spending in all sectors, including economic and regional development, social programs, federal-provincial transfer payments, public assistance to development and defence. All this in order to develop a system plan for slowing down government expenditures, while modifying the composition of the latter to reduce to a minimum the negative impact of budget cuts on the economy.

This action plan had to be fair, and it was. Some of the changes necessary for economic recovery represented a form of shock treatment. The pill may have been difficult to swallow in some cases, but it remained at least palatable when all economic groups or regions accepted to carry their fair share of the burden.

As early as 1984, it became clear that the refusal to change was no longer possible in Canada. If Canadians were adverse to the very notion of change, they were nevertheless aware that their refusal would prevent Canada from seeking solutions for renewal. If all Canadians wanted to avail themselves of the benefits, they all had to share in the effort.

It feels good and reassuring to see that Canadians were able to meet the challenge issued to them in the Agenda for Economic Recover and that their support spearheaded the crucial changes and innovations that have been and still are implemented by our government.

Also ensuring Canada's competitiveness are our vocational training and education programs which are well-suited to our economic situation and which considerably contribute to our prosperity.

A highly educated and trained work force adapts rapidly to new situations, thrives on working with new technologies, and is capable of becoming more directly involved in promoting the success of the firm. A highly skilled work force will naturally develop a more direct stake in its own productivity performance. In recognition, Mr. Speaker, of the growing importance of a skilled labour force, the government has been shifting its training focus, through the Canadian Jobs Strategy and unemployment insurance reforms to achieve a better balance between passive support and active training for the unemployed. In April 1989, the government launched a major new initiative to increase its effort in the field of training. However, it will take time before the benefits of the Labour Force Development Strategy become apparent. Particular attention is being given to apprentice training for the young, which varies widely in quality across the country.

The competitiveness of a nation's tax system, which also plays a major part in the overall competitivity of a country, should be judged according to two fundamental criteria: the effectiveness of the system in raising revenues to fund the provision by government of important goods and services and to support a sound macroeconomic environment; and the ability of the system to raise revenues in ways that minimize interference with private decisions and the efficient operation of markets.

• (1650)

Judging by these criteria, Mr. Speaker, the Canadian tax system, such as it was in the mid 1980s, was an obstacle to our competitiveness. The high level of nominal tax rates and the narrowness of the tax base were the results of the many tax incentives granted during the previous 15 years. However, these incentives turned out to be inefficient instruments of public policy. They caused a major drop in public revenues, without a parrallel increase in economic activity.

The tax reform initiated by this government has brought income tax more in line with that of other countries and enhanced the overall structure of the tax system. Structural changes have broadened the tax base, lowered the nominal tax rates and reduced to a minimum the number of distortion-creating incentives.

The replacement of the manufacturers sales tax—an obsolete tax, harmful to the economy—by the goods and services tax was another important structural change in our tax system. The former tax increased the cost of goods produced in Canada and thus favoured imports. Having eliminated these problems, the GST is playing a key role in improving our competitiveness.

Right now, Canadians are more and more concerned with their ability to compete. Their fears are being fueled by macro-economic issues like inflation, interest rates and exchange rate, or by structural problems like investment efficiency, overegulation, and business climate.

It is incumbent upon governments to devise a framework conducive to the development of competitive companies. The 1991 Budget contains measures meant to restore fiscal balance and to move towards price stability. This will lead to a stable macro-economic climate, a renewed confidence in the Canadian economy