[*English*]

Reducing the federal deficit will help ease inflationary pressures. That will help reduce interest rates.

Reducing the federal deficit will reduce Canada's reliance on foreign lenders. It will strengthen our sovereignty as a nation.

These are all powerful reasons for holding to the plan we started in 1984.

Much progress has been made since then. We have significantly reduced the burden of government. The growth of spending on all government programs and services has been well below the growth of the economy and even below the rate of inflation.

We have reduced the size of the public service by 12,000. The public service today is the same size as in 1973, despite the fact that Canada's population has increased by about one-fifth. Overall, spending on government operations is less now than it was in 1984.

When we first came to office, the federal government was spending $16 billion more on programs—everything except our interest costs—than it collected in revenues. Today our program spending is $9 billion less than revenues. We have turned an operating deficit into an operating surplus—a turnaround of $25 billion in just five years. And 70 per cent of this progress results from expenditure restraint. To achieve that progress, we have reduced program spending as a share of the economy to the lowest level in almost 20 years.

Canadians know that this progress has been hard-earned. They have felt the impact of the tough but necessary decisions to protect and strengthen Canada's future. While our actions have meant difficult adjustments for many Canadians, the economic results have been good. The economy has expanded for seven consecutive years. Employment has grown strongly. After-tax incomes have risen. Economic opportunities have been increased. Poverty has been reduced by the best kind of social policy—more jobs.

[*Translation*]

The actions in this budget will ensure that we make continued progress in the years ahead by facing squarely the twin problems of high deficits and high inflation.

I am proposing a two-year expenditure control program that will affect all areas of government spending with the exception of income support programs for seniors, families and veterans, unemployment insurance, as well as the equalization program and Canada Assistance Plan payments to lower-income provinces.

[*English*]

A number of programs will be limited to 5-per-cent annual growth for the next two years. Others will be frozen at their current levels. Some will be cut or eliminated. Government operations will be tightened further.

There will be no new taxes in this budget.

• (1640)

The spending control program, together with the restraint measures announced in December, will save $3 billion in the first year and close to $4 billion in the following year. The savings will total well over $19 billion over the next five years. Our operating surplus will grow from $9 billion today to $31 billion in 1994-95.

Implementing the expenditure control program this year will require the patience and understanding of Canadians.

In my budget last year, I spoke of the importance of easing the inflationary pressures that have been building in most parts of the country. Only by easing demand and cooling out these pressures can we re-establish a solid track of sustainable non-inflationary growth.

The economy is in a period of slower growth. This is not surprising. Nor should we try to avoid it.

This will not be an easy year. But as we move through it, let us not forget what we learned together in the early 1980s when inflation got out of control. Let us not relive the sense of despair, the sinking confidence and the personal hardship that resulted from the 20-per-cent-plus interest rates brought on by soaring inflation.

Let us instead remind ourselves of why we must solve our deficit and inflation problems now. To do so will allow us to build a secure and rewarding future on a solid foundation: a responsive government with the financial room to manoeuvre to maintain valued services and tackle new challenges; a dynamic economy that provides rising living standards and growing opportunities to build full, satisfying lives; a confident, economically sovereign