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CANADA

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Canada's Domestic Economic Agenda

In November 1984, the government set out a coherent and comprehensive plan to build a solid foundation for Canada's economic future. It set itself two major goals: to restore the health of our national finances by reducing and ultimately eliminating the federal deficit, and to undertake structural reforms that would improve the efficiency and competitiveness of the economy.

These structural initiatives include the Canada-U.S. Free Trade Agreement, which not only gives Canadian producers assured access to the world's richest market, but improves their capacity to compete worldwide.

The energy and transportation sectors have been deregulated. The government has privatized 18 Crown corporations and is in the process of privatizing four more, including Petro-Canada. It has reformed unemployment insurance and is moving ahead with a new labour market development strategy to provide the training and retraining required for jobs of the future. Comprehensive personal and corporate tax reforms have been completed, and the antiquated manufacturers' sales tax is being replaced with the goods and services tax – a modern, efficient tax of a kind adopted by 48 other countries.

Taken together, these measures will significantly increase the capacity of the Canadian economy to produce goods and services, thus creating more jobs and a higher standard of living for all Canadians.

As well as implementing fundamental economic reforms, the government has also made clear and substantial progress in reducing the federal deficit. In 1984, the government spent $16 billion more on programs and services than it collected in revenues, and had to borrow the difference. On top of this operating deficit, interest charges on government debt amounted to $22 billion. Together, these charges added up to an overall deficit of more than $38 billion.

The government's spending for programs and services has been sharply curtailed. Program spending as a proportion of gross domestic product (GDP) has been reduced to its lowest level in almost 20 years. Last year, the government's operating budget was in surplus by $10 billion – a turnaround of $26 billion in five years. Furthermore, were it not for interest charges the government would be in a surplus position.

Interest payments are by far the largest single item in the federal budget, last year amounting to over $40 billion, or 35 cents for every dollar the government collected in revenue – money that could otherwise have been used to lower taxes, strengthen social programs and meet new priorities. A lower deficit would mean much greater freedom of action.

The February 1990 budget introduced a broad program of further expenditure control in federal programs and services over the next two years to keep deficit reduction on track. By next year, Canada's debt-to-GDP ratio will finally stabilize – our debt will no longer be growing faster than the economy. Thereafter, the country will be reducing its burden of debt.

At present, the greatest single threat to Canadian competitiveness and economic security is inflation. By almost every measure of performance in these last six years, Canada's economy has done well. Among the industrial countries, Canada's strong economic growth since 1984 has been surpassed only by Japan. A million and a half new jobs were created, the fastest job creation rate among the major industrial countries.