federal deficit has grown from about 20 per cent lower than Canada's -- as a share of GDP -- to where it is currently more than 50 per cent higher.

With respect to monetary policy, we both have also made major progress on the inflation front. As I indicated earlier, inflation in Canada is down significantly. This has not been an easy task. In the 1970s and early 1980s, Canada had one of the industrialized world's highest inflation levels. To return to the status of a low inflation country, as we were in the 1950s and 1960s, required a wrenching structural change. But it was important for our medium-term prosperity to see this change through. With the Bank of Canada, we established firm, realistic inflation targets aimed at bringing inflation down in stages to below two per cent by mid-decade. As a result, looking at our performance so far this year, we are well on track to meet these targets.

But the current deficit and inflation outlook in leading G-7 countries represents real perils today. The world's leading economies must complete the job of restructuring begun in the 1980s. If we are to do this, it is essential that governments put both their fiscal and inflationary positions on a sustainable level. Unfortunately, several important G-7 countries are going the wrong way on fiscal policy. The U.S. deficit remains too high and the U.K. and Germany have increased their deficits significantly in recent months. Inflation rates in the U.K. and Germany, in particular, are far too high for this point in the current business cycle.

In Canada, in addition to the tough measures we have taken to control inflation and put our fiscal house in order, we are also vigorously pursuing fundamental structural reforms. These are designed to improve the flexibility of the Canadian economy, encourage adjustment to market forces and increase our growth potential.

We have, for example, privatized more than 20 government-owned Crown corporations. We have deregulated our energy and transportation sectors. We have reformed an antiquated sales tax system that was hurting Canada's ability to compete. And we are shifting our unemployment insurance system to focus on training and more flexible labour markets. We have also reformed the rules governing Canada's financial sector to allow financial institutions to compete more directly with each other. Foreign-owned institutions will benefit from these enhanced opportunities in the same manner as our domestic players.

I have used these Canadian examples to illustrate the nature of the structural reforms that can be taken. Other nations must do what is appropriate for their own economies, but it is clear that we all have a good deal more to do.