

The decisive actions in this budget bring us back to the fiscal track set to in the 1989 budget. We will cut the deficit to \$28.5 billion in 1990-91.

The measures ensure that the deficit will be more than cut in half to \$14 billion by 1993-94. By the following year:

- \* The deficit will be further reduced to \$10 billion.
- \* The government will begin to pay down its bonds and Treasury bills.
- \* Program spending will fall to 14.2 per cent of national income, the lowest level since the late 1960's.
- \* The surplus of revenues over program expenditures - our operating surplus - will reach \$31 billion.
- \* The burden of debt will be reduced as the public debt shrinks relative to our national income.
- \* As a direct result, the portion of every revenue dollar that today goes for debt interest will be reduced from 35 cents and rising, to 26 and falling.

In short, we will regain the flexibility needed to make real choices about the kind of country we will pass on to our children. And we will be able to make those choices in a climate of lower inflation, lower interest rates, durable economic growth and greater international competitiveness.

Let me make it clear that our deficit is not a federal problem. It is a national problem requiring a national solution. That means the Provincial governments, particularly our wealthier provinces, must do their part, just as they will reap the awards of lower inflation, lower interest rates and sustained growth.

The numbers explain why the provinces must become part of the solution.

In the last fiscal year, we transferred tax and cash to the provinces totalling more than \$35 billion - spending which has risen at an average rate of 6.5% since 1984-85.

During the same period, spending on federal programs in general rose at only 3.6%, below the rate of inflation. And federal government operations were actually cut in real terms.