and the economy be put back on a sustainable path of expansion.

• (1800)

Inflationary pressures are strong after seven years of strong economic growth. The demand for goods and services has outpaced the economy's productive capacity. To lower inflation, costs have to be kept under control, not just in the federal government but in all areas. But there are no shortcuts or easy ways to bring down inflation. Least of all can this be achieved by arbitrary reductions in interest rates.

Experience makes clear that to run away from the problem is futile. Experience shows that the monetary policies now being followed are the ones that will work.

Let us be clear about the problem. The Liberal government demonstrated that it did not understand the problem. High interest rates are only a symptom, not the problem itself. Underlying inflationary pressures are the cause.

The key to a successful economic policy is to deal with the underlying problem. Our measures work together with the restrictive monetary policy of the Bank of Canada to ease demand and reduce inflationary pressures. They will reinforce each other and pave the way to strong sustained growth and job creation.

There is no question that the budget's measures are tough. There is no disguising that fact. This reflects the reality that there are no easy ways to cut spending after several years of restraint. There is no truth in the belief that spending can be substantially reduced without having a real impact outside the government.

Together with measures already announced by the President of the Treasury Board, the budget's measures will produce savings of $3 billion in 1990–91 and almost $4 billion in 1991–92. Over $19 billion will be saved over the next five years.

[*Translation*]

To achieve these savings, Madam Speaker, we examined all areas of spending. We had to make some difficult decisions. In making them, however, have been sensitive to their effect on the finances of individual Canadians.

Therefore, major transfers to persons, such as benefits to seniors, family allowances and unemployment insurance benefits will not be affected. Nor will equalization or Canada Assistance Plan transfers to the poorer provinces.

We have capped the growth of a number of programs at five per cent a year for the next two years. Such programs include: CAP payments to Ontario, British Columbia and Alberta, which are fiscally stronger than the others; and spending on defence, foreign aid (ODA), native programs and science and technology.

A number of other programs have been frozen at current levels for two years. Per capita cash and tax transfers to the provinces under Established Programs Financing will be held constant, so that total transfers will grow as provincial populations grow.

Some programs will be cancelled or reduced. We will not proceed with assistance to the OSLO oil sands project, or with the Polar 8 icebreaker project. The Canadian Exploration Incentive Program has been cancelled.

We will be taking a more businesslike approach, to our help for business. Grants will be eliminated, beginning in 1990–91, with certain exceptions. Financial assistance will be repaid on more rigorous terms. This approach places the emphasis on investment in economic development, rather than on subsidizing the private sector.

As a result of this move, ongoing financial contributions to business will essentially be limited to programs for agriculture, science and technology, native economic development, social housing, regional transportation in Atlantic Canada and regional development incentives focused on small and medium–sized business.

Further measures will be undertaken to increase efficiency and reduce the cost of government operations. More Crown corporations will be privatized, and more holdings will be sold. Dividends from Crown corporations will be increased. And the two per cent annual limit on the growth of government operations and maintenance budgets will be extended to 1994–95.