business community should be planning now the new factories which will be needed to produce more in the future.

Government spending should grow less rapidly, but consumer spending can and should grow in line with the economy as a whole. It is this growth, together with higher exports, which will reduce the excess capacity in the economy and create the demand for more capital investment.

What is holding us back? I think there are three things.

First, our markets abroad have not grown as fast as had been expected. World prices of wheat, wood pulp and base metals have been disappointing. All countries need to do what they can to get the world economy going again.

Second, we are paying the penalty for letting our costs get out of line.

This is part of the reason why imports have taken an increasing share of the domestic market away from Canadian producers, why there has been such a sharp fall in manufacturing jobs, why we have lost ground in tourism, why new plants are being built in the United States rather than in Canada. Wages are not the only source of these higher costs, but they are the larger part. With controls we have seen new wage increases come down from 20 per cent in 1975 to 8 per cent recently. So we are no longer losing ground compared to the United States. But we have not made up for the ground lost in the past.

We have had to give more protection to some of our weaker industries like textiles by restricting imports. But this is only a short-term solution. We need lower—not higher—trade barriers here and around the world if we are to build efficient manufacturing industries and increase our productivity. The drop in the value of the Canadian dollar has helped in restoring our competitive position. But this is not a fundamental solution to our problems. A falling exchange rate pushes up many costs and prices in Canada. The answer must be found in getting the rate of inflation down, in bringing our costs into line with those of our main competitors.

● (2010)

[*Translation*]

The third thing holding us back is a loss of confidence. In part this is a result of inflation, slow growth and high unemployment. But the present wave of pessimism seems to have gone too far. It gives too little weight to the progress we have made in wringing out the excesses of the past and building a better basis for future growth.

In part this is a result of political instability. People are concerned about whether Canada will remain a united country and that concern has added to our economic difficulties. I have no doubt whatever that the people of Quebec overwhelmingly believe that Canada is their country. Quebec will not separate from Canada. But until separatism is defeated, it will impede the economic progress not only of Quebec, but of the rest of the country as well.

I want to do all I can to dispel uncertainty—by speaking for a united Canada, by standing firm against inflation, by keeping down our spending and our taxes and by announcing clear-cut decisions on controls and the economy.

But I need the help of all Canadians. Government cannot do everything itself. A healthy economy is dependent upon a healthy private sector. Consumers must be able to spend more and the private sector must be able to plan its investments with more certainty.

As I have said, there are no miracle solutions to our economic problems. Progress will be slow and it will require hard work, more productivity, lower expectations and greater responsibility on the part of all Canadians.

To stimulate demand without increasing the danger of inflation, I am announcing tonight:

1. A phase-out of controls beginning on April 14, 1978.
2. A personal income tax cut of up to $100 for low and middle income taxpayers.
3. Further job-creation programs.
4. An employment credit for job creation.
5. The maintenance of strict restraint on government spending.

I turn now to a discussion of these proposals.

● (2012)

[*English*]

The key elements of the anti-inflation program launched two years ago were price and income controls, a gradual slowing down in the growth of the money supply, restraint of government expenditure and wide-ranging improvements to the structure of the economy.

We continue to give full support to the Bank of Canada in reducing the rate of growth of the money supply and we remain committed to expenditure control. It is our firm intent to keep the increase in our spending within the growth of the economy. We have achieved considerable success, as have the provincial governments.

Our expenditure ceilings are coming under very heavy pressure. Slower growth of the economy is costing us more in unemployment insurance, in payments to the provinces and in interest on the public debt. We are faced with higher outlays as a result of lower wheat prices and the very bad weather during this harvest. Despite these pressures, we will do whatever is necessary to stay within the ceilings set by my predecessor last March.

The controls on prices, wages and other incomes have contributed greatly to checking the inflationary spiral in our economy. But they should not be a permanent program because the government does not believe in excessive intervention in the marketplace. While controls cannot be removed immediately, phased decontrol will begin on April 14, 1978, two and one-half years after the program began.

The further period of control will enable us to make more progress in bringing down the rate of inflation and in reducing inflationary expectations. In the next few months we will