co-operation with the Minister of Regional Economic Expansion (Mr. De Bané). This program covers new manufacturing investments in the designated areas of the country characterized by high unemployment and an underdeveloped manufacturing sector. In Quebec, for instance, the entire region north of the 50th parallel will be able to benefit from this 50 per cent tax credit.

And a while ago, I heard the hon. member for Gaspé (Mr. Cyr) emphasize the importance of this 50 per cent tax credit which will apply to the whole of the Gaspé peninsula and the lower St. Lawrence area, which will be east of Notre-Dame-du-Portage, if my memory serves me well, Mr. Speaker.

Now, if you look at those regions where tax credits will be granted on investments, they are areas with a high rate of unemployment, and with a tax credit of such magnitude and unprecedented generosity, new manufacturing jobs will be created, so that the people from the Magdalen Islands, the Gaspé peninsula, the Matapédia valley, the lower St. Lawrence or the north shore instead of flocking to Montreal or Quebec City in search of employment, thereby increasing the unemployment rate in those communities which have already been highly urbanized, will be able to stay home, find a local job, reinforce the local economy and boost the economy of those villages which unfortunately have been dwindling over the last thirty or forty years.

And I believe, Mr. Speaker, that the judgment passed by the hon. member for Gaspé on this measure, namely, that it would bring significant benefits to his area, is very realistic.

The new funds allocated to economic development will encourage new investments from the small business sector. These new funds will promote housing starts and in particular with regard to the so-called MURBs. It is to be hoped that in the regional centres of the country where the needs are being felt the most the promoters will use this approach in order to provide housing for those who need it. There is also the special allocation of $350 million over four years to promote industrial restructuring, manpower retraining as well as the qualification of our manpower, especially the young workers coming on the labour market, so that they may rise to the challenge of the energy development.

With regard to inflation, a flare up would be disastrous in terms of the sacrifices which would become necessary some day to reach an acceptable level of inflation. The government is deeply concerned with this aspect of inflation because its high cost at this time is somewhat slowing down the economic recovery and its satisfactory level of real growth which is what we all want. Obviously, the present rate of inflation is unacceptable and that is why the government, through the Minister of Finance (Mr. MacEachen) does not intend to put forward tax measures which might cause inflation to flare up again.

The basic cause of inflation, Mr. Speaker, still remains a rate of growth of the money supply higher than the rate of growth of production over a continuing period. In this respect, the Minister of Finance has already announced that he supports the Bank of Canada in its effort to restrict the growth of the money supply. So far this policy has proven to be the most effective in fighting against the basic causes of inflation.

However, there remain several other factors which in some way contribute to inflation. Examples are numerous: the increase in the world oil prices, the faster increase in the cost of some food products and periods where the total demand for goods and services produced is growing faster than the normal production capacity of these same goods and services.

There are also other factors which are not inflationary per se, but result in slowing down the decline of prices and production costs, and this decline is necessary to reduce the rate of inflation. In this regard, growing salary demands play a major part. Inflation is now deeply rooted in the behaviour of all economic agents, and people quite normally try to protect themselves against inflation, which results in growing salary demands to maintain the purchasing power and escalating prices of goods and services by the whole business community. All these attitudes combined have the effect of maintaining high inflation rates and of delaying the return to an acceptable rate of inflation. Given these circumstances, as was indicated by the minister of Finance, the government alone cannot reduce the rate of inflation without help from the private sector, without a sense of discipline and of responsibility on the part of every economic agent.

It will be through consultations among governments, unions and the business world that inflation will definitely be controlled. The example of the Federal Republic of Germany should guide us in this endeavour. Having fewer natural resources than us, yet undergoing the same external pressures, that country has been able to achieve through the discipline and co-operation of all its citizens a rate of inflation that is quite inferior to those of its European neighbours and even ours.

Moreover, in its budget, the government reaffirms its intention to limit the growth of over-all public spending below the tendency growth rate of the gross national product. This is a firm commitment on the part of the Minister of Finance and the government. This commitment indicates to the people that the government is assuming its responsibilities in the area of governmental fiscal management and by reducing the growth of its spending rate in a responsible and realistic manner. There is no intention of reducing the rate of spending by a few hundred million dollars just to please a few specialists. Too drastic spending cuts would have baneful effects on employment, and in that respect, the government does not intend to sacrifice employment to satisfy the experts. On the other hand, massive spending cuts would not solve the problem of inflation this year. Inflation control requires sustained policies and a concerted effort of all economic agents, as I explained earlier.