

as well as by credit policy to exercise a moderating influence on the rapid expansion of business investment, without reversing it. Our efforts appear to have succeeded. We also restrained the expansion in consumer expenditure by reversing the income tax cut we had introduced in April 1965.

At present in Canada we are having to plan further fiscal action to counteract the effects of a number of decisions made to increase public expenditures, and to maintain an overall budget position appropriate to the economic situation.

Both you and we have federal systems which complicate our public finances and make it more difficult to obtain a correct and timely overall fiscal policy. In Canada, these federal-provincial considerations are highly important and highly controversial. Our provinces and municipalities are responsible for many of the functions of government - education, health, highways, urban development for example - which require rapidly increasing expenditures to keep up with our rapidly growing population and labour force. Naturally, they find the Federal Government, which has its own responsibilities, a serious competitor for revenues. We meet frequently with provincial representatives to discuss these issues in order to co-ordinate our fiscal policies and actions. We are making progress. We have recently, for example, worked out much improved arrangements for the Federal Government to equalize and stabilize the revenues of the provincial governments, which will

further enable them to meet their responsibilities and harmonize their actions with ours in Ottawa. All of us value highly the opportunities our provinces and municipalities have had to borrow here in New York, and we wish to conduct our affairs in such ways as will merit a continuation of the confidence of your investors.

Our second problem in managing our prosperity - indeed our most serious problem in Canada as no doubt it is here - is to avoid inflation while we are striving to maintain a steady growth. Our economies, our societies, have not yet learned to live with prosperity. Once we achieve a high level of production and employment there is a well-nigh universal demand for too much too soon. At such times many of the groups in our society have strong bargaining powers, which must be used with moderation if we are to avoid serious increases in costs, in prices, in public expenditures and taxes. This presents problems to all of us - business, labour, consumers and government. They are problems both in economics and in politics.

We in Canada are grappling seriously now with this central problem. It requires understanding and action on the part of many. We have been impressed with the degree of success which you in the United States have had in recent years in achieving prosperity without inflation. We aim to do as well, even though our problems and our methods may not be the same.

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