

I am here today in my capacity as Administrator of the Government of Canada, duties which I assumed following the illness suffered by the Governor General last June. Canadians were saddened to hear of His Excellency's stroke, but have been encouraged by reports of his steady progress. I am happy to say that his recovery is such that providing all continues to go well he will be able to resume his role before too long. I am sure I reflect the feelings of all Canadians in expressing gratitude that he will be able to give further service to his country in the high office which he holds.

This year marks an event of particular interest and importance to all Canadians—the celebration of the twenty-fifth anniversary of the entry of Newfoundland into Confederation. We anticipate with great pleasure the visit of His Royal Highness, the Duke of Edinburgh, who will shortly join us to share in this happy occasion. In November the citizens of Ontario will welcome Her Royal Highness Princess Anne and her husband who will attend the opening of the Royal Agricultural Winter Fair and other civic engagements.

The international economic situation is serious, with a high rate of inflation, balance of payments problems, lower growth rates and the rapid accumulation of large currency reserves by a few countries. Canada is engaging in bilateral and multilateral discussions as part of a concerted effort to ensure that the current fragile state of the world's economy is strengthened. Those developing countries lacking the natural resources which have enabled others to benefit from high commodity prices have been particularly hard hit by this situation. Canada is contributing to international measures to reduce the unjust and potentially dangerous gap between the rich and the poor. This will involve us not only in increasing the flow of financial assistance to developing countries but in re-examining other policies which affect our economic relations with the Third World.

Canada has contributed to many international peace-keeping operations. A source of special concern at present is the instability in Cyprus and in the Middle East where 2,000 members of Canada's Armed Forces are performing dedicated service with the two peacekeeping forces which the United Nations has established there. While these forces have had some success in keeping the belligerents apart, the necessary political solutions appear distant and, unhappily, civilian casualties, as well as casualties among members of the peacekeeping forces, continue.

In the context of the United Nations, Canada will also take:

- initiatives to provide for adequate safeguards so that spreading nuclear technology and materials are not perverted for military purposes;
- initiatives to increase world food aid so that the disastrous shortages some countries are experiencing may be alleviated.

For Canada as well as for most of the world the most serious problem is inflation; it is necessary both to deal with its causes and to mitigate its effects. This world-wide problem had its origins in the largest increases in food, energy and other commodity prices in a generation, occurring at the same time as an upsurge in economic activity

in all major industrialized nations. The policy of the Government on inflation has been to pursue appropriate fiscal and monetary policies, and:

- to increase the supply of goods and services;
- to protect those least able to protect themselves; as well as
- to soften the impact of soaring oil prices on Canadian consumers and to cushion the economy against disruptive increases in other commodities.

It was generally expected, inside Canada and outside, that the tide of inflation would recede as conditions in the international food and commodity markets returned to normal, but a new situation has been created. The major oil exporting countries have re-affirmed their determination to keep the prices of their oil to importing countries, including Canada, at a high level. New adversities have fallen upon crops in Canada, the United States and elsewhere with possible adverse effects for food prices. Industrial commodities have not generally fallen in price as much as some expected in a world of static or falling industrial production. International interest rates have been pushed up to record levels and financial markets have been seriously disturbed.

Industrial unrest has become more prevalent in the world as a result of inflation. Agreements reached through collective bargaining are being abrogated as workers feel they have inadequate compensation to deal with inflation. In some countries there is a threat to the cohesion of the very fabric of society.

As various groups in society try to protect themselves against rising prices by seeking higher incomes, a stronger element of cost derived inflation is created. It is clear that some groups are much better equipped to protect themselves than others. Corporations, trade and professional associations, labour unions and governments are in most cases all able to adjust to inflation, but there are many Canadians on fixed incomes and others lacking economic power whose incomes are not rising as rapidly as the rate of inflation and for whom the consequences of inflation are a cause for concern.

Canada has thus far suffered less from inflation than most other countries, but the problem is serious and urgent. For its part, the Government will exercise restraint in its own expenditures with particular emphasis on improving effectiveness and efficiency in its existing operations while controlling expansion of new activities which, although desirable, would contribute to inflationary pressures. The Federal Government will urge that provincial and municipal governments take similar steps.

The total expenditures of the Federal Government in the 1975-76 fiscal year are expected to incorporate the costs of certain major new measures, including payments to equalize prices of petroleum products in Canada. Insofar as further new initiatives are concerned, the Government will be conscious of the need for restraint and careful phasing in relation to the state of the economy. Federal expenditures on goods and services, as opposed to various transfer payments, have remained relatively constant as a proportion of Gross National Product for some years, and their proportion was lower in 1973 than it was in 1961.