

The Address—Mr. Trudeau

co-operate in order to dampen the inflationary spiral. It must come from us. It must be an act of collective will. Indeed, in the past two years in which we have had controls I think we have seen a remarkable amount of restraint shown by Canadians.

The figures for negotiated settlements in the second year of controls were below the AIB guidelines in 70 per cent of those settlements. This shows that Canadian employers and unions have exercised restraint in the great majority of cases in which settlements have been negotiated. It shows that collective resolve can successfully be brought to play. The date of the removal of controls will be announced tomorrow by my colleague, the Minister of Finance. We urge Canadians to understand that it is only because of this change of attitude that we can even consider setting a date. This change of attitude has also been shown in the strike record, which is very considerably improved this year compared with last year—63 per cent less strikes in 1977 than in 1976.

● (1642)

The hon. member for Hamilton is often asking me what kind of discipline is best for Canadians. Well, Mr. Speaker, this is a good example of self-discipline, of Canadians beginning to realize that they can do much better in the economic sense if they want to co-operate. Indeed, if we look at the figures showing the trade balance, we see we have done considerably better this year than last year. There is a considerable increase in the surplus of merchandise trade. The figure to the end of August was \$2.5 million. It is turning around. It is beginning to show the sense of discipline, of restraint, for which we have been appealing to Canadians.

Of course, we have been helped—and we have to admit it very clearly—by the devaluation of the Canadian dollar. The dollar declined some 12 cents over the past year, Mr. Speaker. This is not something that was contrived by the government. Everyone knows that the dollar is floating and that the money markets of the world were merely giving us a message. They were saying that our cost structure was too high, that Canada was not an attractive place to invest; therefore, this corrective process of devaluing the Canadian dollar on the markets of the world was set in place. The beauty of the mechanism is that as it sends us a message, it also corrects what is wrong with our economy. Because it means—this goes back to Adam Smith, and I am sure the leader of the NDP will understand it too—that when the dollar is worth less, our exports are more attractive and our imports are more expensive.

Mr. Broadbent: Page 321, first edition.

Mr. Trudeau: Of course, the difficulty with the rate of exports being higher, and imports being lower, is that this means higher costs, higher prices in Canada. Therein lies the trap. If Canadians say, "Well, our costs are higher; we are paying more for imported goods or for goods which are substituted for imported goods, and therefore we are going to try and increase our money incomes", then, of course, we have defeated the whole corrective process of devaluation, because

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then we get higher costs and we can no longer continue to compete.

I have given earlier figures showing that average wage rates in Canada were 7 per cent higher than those in the United States just a few months ago. Now they are only 2 per cent higher. What has happened in the interval? The dollar was devalued and we became suddenly more competitive. But we must not miss the signal, Mr. Speaker. We must realize that if we do, if we just seek a higher money return to offset these higher costs of what we are importing, we will have lost the opportunity to expand and to create new jobs. In other words, we will not correct the economic situation; we will only put higher inflation on our backs.

There is another area which I must mention, but only briefly in view of the time constraint. That is an area, as the Leader of the Opposition has reminded me, about which we have talked abundantly in the Speech from the Throne, the area of structural change. As early as October, 1975, when we were bringing in anti-inflation controls, we said that we would have to bring in structural changes in areas such as housing, energy, food. We have brought in changes in these areas which have produced results in the form of multiple-dwelling units, for instance, increased energy exploration and increased conservation measures. These will be commented upon in some detail by the respective ministers. The Speech from the Throne indicates the other structural problems which we will address, and how we intend to adapt to this changing world environment through the market system and through the government's creating a climate for change in a way which will permit balanced growth.

The last remedy which I wish to mention in the area of the economy is that of consultation. We again talked in great detail on that subject in the Agenda for Co-operation. I just want to mention—and it is suggested in the Speech from the Throne—that we will need to set up an agency for monitoring and consultative mechanisms, if indeed we want to control our economy. There is no assumption that consultation is a substitute for action, but it is obvious that proper action—non-confrontation action, to reassure the Leader of the Opposition—must, and can, proceed from consultation. I think the northern pipeline decision was a good example of that.

Some hon. Members: Hear, hear!

Mr. Trudeau: Hon. members can remember a few years back when that appeared to be an incredibly divisive policy. At least potentially, that was an area where we would see the country divided against itself—east versus west, north versus south. But because there was this long consultative process, because there were so many people involved in reflection upon this, it was possible for the government to come up with a policy which was roughly that, I believe, of the main opposition parties in this House. The result will be some \$4 billion spent on Canadian goods and services. Nearly 100,000 man-years of employment will proceed from that project. This does show that what is needed is not so much a new economic