

*The Economy*

I also want to thank the officials of my Department who have worked beyond the call of duty in the past few weeks to assist me and the Government in our deliberations. I express particular gratitude to my Deputy Minister, Mr. Ian Stewart, who is in all respects an outstanding public servant and an outstanding Canadian.

These consultations have been most valuable and I intend to pursue them in a spirit of openness, candour and co-operation. Over the next few months, as I work towards my budget, I will be seeking advice on how we can build on the six and five program to develop a full-fledged strategy for national recovery. Throughout this process, indeed throughout my tenure as Minister of Finance, I will be guided by the following principles.

First, we must continue to practise fiscal responsibility. We must persist in restraining spending. We must strive to contain the rise of the deficit even while the recession cuts into Government revenues and raises public expenditures. This means that we must rigorously review our priorities to ensure that existing programs continue to serve valid objectives. It also means that we must not hesitate to trim existing programs to fund new initiatives.

Second, we must not abandon the victims of the recession in the mistaken belief that such callous action might speed our recovery. This Government has worked consistently over several decades to develop a social security system that effectively supports Canadians in need of help. We will not put the axe to that system at the very time when Canadians need it most. More constructively, we will continue to look for ways to improve our social programs and to make them more effective for those who need help.

Third, we must continue to rely primarily on the dynamism and creativity of the private sector as the engine of growth in Canada. The government will be seeking areas where it can act in close co-operation with business and labour to improve the financial health of the private sector as well as its ability to expand and prosper. I intend to foster the certainty and stability that are basic preconditions for a favourable economic climate.

Fourth, we must remain outward-looking as a nation and recognize that our future well-being depends critically on order and stability in international economic arrangements. The depressed level of economic activity throughout the world has increased the risk of financial disorder and growing reliance on protectionist measures. It has also dealt a heavy blow to the aspirations of developing countries. Not only must we not turn inwards ourselves, but we must use our counsel and influence in world affairs to assist in the process of repair.

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Fifth, we must continue to develop effective mechanisms for consultation so that the broadest range of organizations and institutions, as well as provincial governments, may participate in the continuing revision and improvement of our economic policies. We have made significant progress in this direction over the past year, but it is imperative that we persist in our

efforts. It is my fervent hope that we will find ways to involve labour organizations more productively in this process of consultation.

In this connection, it is my intention to appoint a panel of economic advisers made up of outstanding Canadian economists to advise me on the broad and complex range of economic policy issues that we must face as a nation. I will announce the membership and terms of reference of this panel in the next few days.

Sixth, and most importantly, we must build on the spirit of the six and five program to devise and implement an effective strategy for national recovery and economic development. As the Prime Minister emphasized last week, six and five is not an end but a beginning. It is not a solution to all our programs but a standard, a goal that we can all accept and, by doing so, make it possible to find together workable solutions to the many other challenges we face.

We all know what these are. Our productivity performance continues to lag. New production techniques must be developed and implemented. This requires development of our technological base, increased investment, and new and innovative approaches to organizing work and labour-management relations.

Infrastructure development is required across the country. Our railway system in particular desperately needs to be upgraded. There is little point in cutting our production costs and increasing our productivity if we cannot deliver our goods to the markets where they are sought.

We have an abundance of resources that need to be developed. Markets for our energy may not be very buoyant today. But the lead times of development are long, our energy will be needed in the 1980s and 1990s, and planning ahead can give us an important advantage in an increasingly energy-reliant world. Likewise, our forests need replenishing and our fisheries careful husbanding if we are to sustain our resource base over the longer run.

These are some of the things we need to do. There are many others. We must undertake them together, as Canadians, if we are to succeed. Just as governments cannot break inflation by themselves, so they cannot bring about economic recovery by themselves. But just as the public and the private sectors are now implementing jointly a national program to break inflation, so we can join together to strengthen our economic system, sustain our recovery and enhance our future growth prospects. And just as the Government has shown its willingness to lead in the fight against inflation, so it is prepared to lead wherever necessary and to co-operate with business, labour and the Provinces to promote economic growth.

I would like now to comment on the economic and financial outlook. The recession has been deeper and longer lasting in Canada than the Government anticipated when the June budget was presented. We are going through the most severe period of recession since the 1930s. The publication of the National Accounts in late August confirmed that the gross national product declined by 2.1 per cent in the second quarter