

time to understand and adopt the real cures which is a basic change in our attitudes — a realization that we cannot expect incomes to continue growing at a faster rate than the economy itself is growing.

For if that realization does not become deeply embedded in our national consciousness, if we do not succeed in changing our attitudes and expectations, if Canadians in great numbers do not agree to practise voluntary self-restraint, then, as surely as night follows day, the rate of inflation will explode upward as soon as the Government's restraining rules are removed.

There are only two alternatives: either we live within our means, or we endure permanent and worsening inflation, an inflation that is already damaging our employment and income prospects.

All over the world, people are caught in the grip of what some have called the revolution of rising expectations. We have come to expect that there is some magic by which we can have cheap and plentiful food, energy, housing and government services, together with an ever improving standard of living. We expect this as a matter of right, regardless of how successful or unsuccessful we are in increasing our production of goods and services.

The problem is compounded by the significantly increasing fear of inflation which has swept across Canada in recent months. Because they are afraid of falling behind, Canadians in large numbers are trying to over-compensate for the worst conceivable rate of future inflation.

Companies are setting prices high enough to insulate themselves from the most exaggerated predictions of future cost levels. Employees are demanding raises in income high enough to protect themselves against the most hysterical forecasts of future prices. These demands for higher incomes are most apparent and most successful among precisely those large economic groups which have the power to impose their will on the rest of the country. In the scramble for security, it is the big and powerful who are winning, at the expense of those who are unable to protect themselves.

That is why, in the enforcement of the guidelines, we will be concentrating on those who, until tonight, have had the power to get what they want.

Former Trade Minister heads new Board

Jean-Luc Pépin, former Industry, Trade and Commerce Minister, will head the new Anti-Inflation Review Board that will monitor the economy for the next three years. Mr. Pépin retired from politics when he was defeated in the 1972 general election.

Assisting him will be Beryl Plumtre, who had chaired the Food Prices Review Board, which ceased to exist on October 14. In addition, nominees to the Board have been invited from the provinces. They will be responsible for policing the guidelines that fall under the jurisdiction of provincial legislation such as the salaries of provincial public servants or teachers.

Mandatory controls if guidelines fail

I do not promise that the policy I am announcing will be an overnight cure for inflation. We cannot, for example, control price increases of imported commodities such as oil. In addition, price and wage increases of the last few months have not yet worked their way through our economic system. As they do, these increases will be felt by all of us as they are reflected in a higher cost of living in the future.

There can be no immediate end to cost-of-living increases. This is not a short-term problem. We are in for a long, hard struggle.

In this struggle, we must accomplish nothing less than a wrenching adjustment of our expectations — an adjustment of our national lifestyle to our means. This change will not come easily, nor soon. It will take time before much smaller increases in prices and incomes are accepted as normal. It takes time for people to change their basic attitudes. But change we must.

Because we cannot expect a quick or sudden moderation of deeply-rooted expectations, the program of restraint I am announcing tonight will be in effect for a considerable length of time. And I am telling you tonight that this program must work, because if it does not, the Government may be forced to impose mandatory, comprehensive, all-embracing price and income controls upon every man and woman in Canada.

Groups directly affected

Now that you understand what I am asking of you, and why, let me go on

to explain how the anti-inflation program will work. Everyone is expected to observe the guidelines; but the machinery of enforcement will apply only to the following groups:

First, all firms which have more than 500 employees, together with all the employees of those firms.

Second, all firms in the construction industry which have more than 20 employees, together with all the employees of those firms.

Third, all those who are employed in Federal Government departments, agencies, and Crown corporations.

Fourth, all professional people who normally earn fees — such as doctors, lawyers, accountants and engineers.

I have urged each Premier to enforce the guidelines against all those who are employed in provincial government departments and institutions and all those employed in municipal government departments and institutions in each province.

Prices and salaries

Now let me tell you about the price guidelines. Prices charged by firms which come under the guidelines, including federal Crown corporations, will not be allowed to increase unless the firm's costs increase. Prices will be allowed to go up only enough to allow the firm to recover its increased costs. Moreover, if a company finds that its cost of doing business goes down, it will be expected to reduce its prices accordingly. In this way, profits and profit margins will be strictly controlled.

During the first year of the program, the general rule for new contracts will be that employees of the Government and of the designated firms may be allowed wage and salary increases of 8 per cent to compensate for the increasing cost of living, plus an additional 2 per cent as their share of increased national productivity. In general, therefore, these wages and salaries cannot increase by more than 10 per cent.

Provision has also been made for groups who in recent years have fallen seriously behind, or who have surged considerably ahead. This provision could add or subtract an additional 2 per cent to their permitted increase.

If, after the first year of the program, the cost of living has risen by more than 8 per cent, an additional increase