

Another is the legitimate expectation of the people of Canada in these difficult times. They expect their Parliament to respond to their most urgent needs with insight, with action, and with a minimum of delay.

You will therefore be asked to focus your efforts upon the priority areas of the economy and the renewal of the federation.

To that end, the Government has prepared over the past few months a detailed plan of action. It is designed to increase confidence in the essential health and potential of the economy, and to strengthen the bonds which unite us in one Canadian community.

II: *Economic Policy Background*

The economic initiatives announced by the Government in August will intensify the assault upon unemployment and inflation.

Those initiatives will further restrain government spending, stimulate economic growth, and give more assistance to those in need. They carry forward commitments made by the Government in 1976 with the publication of *The Way Ahead*. Many of those commitments were endorsed by the First Ministers' Conference in February of this year.

First Ministers agreed to help the private sector to lead the way toward accelerated economic growth. They also reached agreement on important medium-term economic objectives.

In July of this year, Canada was a participant in the Bonn Summit Conference. There the leaders of the major industrialized countries of the free world planned a co-operative strategy against inflation, unemployment and slow growth.

Canada pledged at Bonn to do its part to restore vitality to the Canadian and world economies. After the conference, that pledge was transformed into action in a series of policy announcements.

They require action on two fronts. The first requirement is to further reduce the growth rate of federal spending.

The second is to pare down or eliminate many worthwhile but low-priority programs, in order to free the dollars necessary for a serious assault upon high-priority goals. These goals are to stimulate industrial expansion, put more Canadians back to work, and further protect from the impact of inflation those who are least able to protect themselves.

III: *Expenditure Restraint*

Let us examine the first of these requirements, restraint in government spending. To achieve sustained progress in the battle against inflation, the Government believes it is absolutely essential for Canadians to practise restraint in their price and income demands. The Government is also aware of its own responsibilities. Expenditure restraint has been a central theme of federal policy and practice since October, 1975. It was reinforced by the First Ministers' joint commitment in Febru-

ary to contain government spending below the trend growth rate of the Gross National Product.

In August, the Government set itself a more ambitious restraint objective. Planned federal spending this fiscal year will be reduced by five hundred million dollars, and next year's projected spending will be reduced by two billion dollars. As a result, the projected rate of expenditure growth during the next fiscal year is 8.9 percent. That is well below the forecast growth of 11 percent for the GNP.

The objectives of imposing more severe restraint on government spending are two.

The first is to encourage a more vigorous expansion of the private sector by reducing governments' share of the nation's wealth.

The second is to create a leaner and more efficient government, by making every tax dollar do more work. The Government is committed to reducing the size of the federal public service. You will be asked to approve amendments to the Public Service Superannuation Act, designed to ensure that public service pensions are in line with the level of contributions.

The Government is committed to continued wage restraint in the public sector. You will be asked to approve amendments to the Public Service Staff Relations Act to ensure that compensation in the federal public service remains in step with the private sector, and does not lead the way.

You will also be asked to enact legislation making the Post Office a Crown Corporation, with a view to making postal services more efficient and responsive to public needs.

Because such a large portion of the federal budget is dedicated to transfer payments to the provinces, no large-scale restraint program could be successful without their co-operation. The Government intends to negotiate reductions which will cause a minimum of difficulty for provincial governments.

You will be asked to consider amendments to the National Housing Act, the Unemployment Insurance Act, and other legislation in order to give effect to the program of expenditure restraint.

IV: *Shifting Dollars To Priority Needs*

The second major requirement is to transfer funds from lower-priority to high-priority goals. They are industrial expansion, job creation, and more assistance for those in need.

Providing those additional resources within the context of budgetary restraint is a most difficult and painful exercise. Worthwhile programs serving real needs must be cut back if the money is to be found for more pressing requirements.

By cutting back programs in virtually every department, the Government intends to channel one billion dollars into programs of economic and social development.

In the area of economic development, the Government's recent proposals are intended to build upon its earlier initiatives to promote job creation, stimulate private sector growth,