

spiral that has been steadily accelerating for some years now. You have just heard the Chairman of the Prices and Incomes Commission outline the achievement of the Conference on Price Stability, held last Monday and Tuesday. At this Conference, business leaders and representatives of various professional groups pledged their support to the fight against inflation and, with that object, declared their readiness to make certain real sacrifices. It is clear that, if other groups can respond in the same positive manner, we will be able to look forward to substantial gains in jobs and output as other types of restraint became less necessary.

#### A SHARED RESPONSIBILITY

If fighting inflation is a task for all Canadians, it is a special responsibility for governments — all governments. The fact that provincial and municipal governments currently account for some 58 per cent of total government expenditures means, of course, that this responsibility will have to be a shared one if we are to succeed. In fact, one of the most notable features in the changing pattern of distribution among the three levels of government has been the decline in the federal share of revenues and expenditures. The rise in the provincial-municipal share of over-all government expenditures from 35 per cent in 1952 to almost 60 per cent at present underlines the importance of working out together a co-ordinated program of government action in order to bring back price stability. In this endeavor we have no alternative: we are condemned to succeed.

#### FEDERAL CUTBACKS

For our own part, the Federal Government has, as you know, done a number of things:

We have cut down and are holding back the growth of Federal Government spending, while taking steps to increase revenue more rapidly than would otherwise be the case. The estimates for 1970-71, tabled in the House of Commons last Wednesday, show again a substantially reduced rate of increase in Federal Government spending. In fact, those expenditures determined neither by statute nor prior commitment have been held close to their 1969-70 levels. As a result of spending cutbacks in 1969-70 and again in 1970-71, the federal budget has been turned from a deficit into a surplus position, the current year's budgetary surplus being the first such surplus in 13 years. This has eliminated the need to raise additional money through market borrowing, a situation we aim to maintain in the coming fiscal year. We have also, through the operations of the Bank of Canada, limited the growth of credit, increasing the cost of credit and reducing its availability in the process.

#### SELECTIVE SPENDING

In all these policies we have been striving to minimize the undesirable side-effects which, of necessity,

accompany such broad measures. We have been increasing our investments in programs designed to attract industries to less prosperous parts of the country, and we have been experimenting with and studying the effects of selective policies designed to pinpoint the sources of inflationary pressures, while blunting the sharp edge of restraint on particularly exposed regions and sections of the community. You will have noticed that in our estimates the largest increase, apart from statutory items which are outside our control, is for regional economic expansion. Programs such as those administered by the Department of Regional Economic Expansion are explicitly aimed at improving conditions in the low-income regions, but there are also other government programs which are important in this respect. These include federal expenditures on adult occupational training, unemployment insurance benefits, the allowances under the Canada Assistance Plan, a number of other social programs, and expenditures on highways and public works.

The Federal Government will, of course, continue to moderate the regional impact of restraint through programs such as these, and probably by further refining our policies so as to concentrate the effects of our restraint measures in those areas where inflationary pressures are strongest. For such policies to be fully effective, it would be desirable to have the close co-operation of the provincial governments.

Despite our best efforts, however, there is no doubt that to overcome inflation by relying solely on general measures of the sort I have mentioned would give rise to some hardship, would retard economic activity in those regions which are not a source of inflationary pressures and where we would wish to encourage growth, and might involve some increase in unemployment in areas where it is already distressingly high. The program developed by the Prices and Incomes Commission is not intended as an alternative to general restraint measures but rather as an important supplement to them. The Federal Government supports that program. Its impact will permit some reduction in the severity and duration of the general measures which would otherwise be necessary. It can help to diminish the adverse side effects of those measures. Hence, we all have a very real stake in the success of that program, and it is to our common interest to co-operate in this matter with the Commission as well as among ourselves.

#### SELF-RESTRAINT BY BUSINESS

The Federal Government was most encouraged by the degree of co-operation that was indicated by the leaders of the business community who joined in the "final statement" of the meeting held in Ottawa on February 9 and 10, 1970. The willingness of the private sector to restrain increases is a most constructive development. The Federal Government hopes that the heads of provincial governments will join it