

than other countries but in a position to cushion the petroleum-importing regions of Canada against that shock.

This decision to employ wealth generated from energy sources in the West to absorb the shock in the East — had a further important economic consequence. It delayed the immediate onset of the adjustment process that moved the rest of the industrial world towards recession. In contrast, real growth and employment continued to increase in Canada through 1974 and 1975.

Effects of international recession

But in an interdependent world we could not indefinitely escape the effects of international recession. We grew more slowly in 1976 and 1977. But even those years must be seen in context. We did not suffer a recession. And even though as I have said, your performance over the last two years has been very strong, the increase in both output and employment across the whole period from 1973 to 1977, was greater in Canada than in the United States. The real incomes of Canadians, after taxes and discounted for inflation, were 23 percent higher in 1977 than they were in 1973. By comparison, over the same period, the average real disposable income of Americans increased by 9 per cent.

Why then did growth falter in Canada over the past two years? In part, we became the victims of our own success. Rapid increases in real incomes led not surprisingly to expectations that such increases could continue indefinitely. These expectations contributed to the continued stoking of the fires of inflation. And, for a time, Canadians lost sight of the fact that even with our advancing productivity we were not yet able to justify incomparability with the Americans. Wage settlements, by 1975, were showing an average increase of 22 per cent. Average hourly earnings in manufacturing in Canada exceeded the U.S. average by 7 per cent at this time. Our industries found that they were losing their ability to compete in world markets.

Conditions improving

Since late 1975, when we introduced the Government's anti-inflation program, we have made a number of fundamental adjustments to our economic policies, and there is every evidence that these adjustments are taking hold. Our rates of wage and cost increases have subsided to

reasonable and competitive levels. The depreciation of the Canadian dollar has gone a long way to restoring our competitive position in world markets. Due to increases in the price of food (much of which is imported at this time of the year) and the devaluation of our currency, inflation has been erratic. But the rate of inflation, food excluded, is continuing to come down, slowly but steadily. Our record of productive time lost through industrial disputes has moved from one of the worst in the industrialized world in 1975 to one of the best in 1977. And despite the fact that our unemployment rate remains unacceptably high, and that no government can rest when its citizens want to find work and cannot, it must be recognized that jobs are once again being created at an impressively rapid rate. Over the last 12 months, from February 1977 to February 1978, more than 280,000 new jobs were created in Canada, well above our historical average of 250,000 jobs each year.

Consultations among Canadians have led to a renewed spirit of collaboration. With increasing frequency, the federal and provincial governments have been meeting with representatives of business, industry and trade unions. We have very recently concluded an important and promising conference involving the provincial premiers and myself. Out of this collaboration, we have emerged with the common view that all governments must shoulder their share of responsibility for our economic difficulties. Given the civilizing direction of much of the growth of government expenditures, I believe that critical reaction to this growth can be overdone. But I acknowledge that we had moved too far, too fast. In the past three years, however, we have demonstrated our determination to restrain the growth of government. We are now embarked on a very broad restatement of all our policies, both those which form the economic framework of the nation and those which deal with specific areas of economic activity. We are committed to further restrain the expenditure of governments, to reduce bureaucratic intrusions, and to seek new and improved means of serving collective needs.

We have also set for ourselves a number of medium-term economic objectives, to guide our actions and serve as check points on the road to recovery. These objectives reflect our commitment to sustained economic growth, with associated reductions

in unemployment and inflation.

I take confidence in our prospects. We are probably as well placed as any other industrialized country to meet, within our own means, the future energy requirements of our nation. The array of major energy projects in Canada's future must be seen as a fundamental driving force of renewed activity.

We are a wealthy country — in mineral, forest, agriculture and water resources; in the seas around us; in our vast and undeveloped lands; in the industry we have built; in new technology; and, above all, in our people who, by the very existence and prosperity of Canada, have demonstrated our will and capacity to overcome the obstacles in our path.

Unity question

Yet there is one particularly difficult challenge that continues to confront us — as Canadians. There can be no question that our economic prospects are clouded by the current uncertainty over the future unity of our country. We are engaged in a dialogue, often confused, sometimes strident; but through it we are seeking — openly and honestly — new answers.

I view this dialogue as healthy, in the sense that it is a maturing process. Canadians are a people alive: alive to the virtues of linguistic and cultural diversity within our federation; alive to the challenge of creating from interdependent regions a strong and united country.

The reality of this challenge has raised the consciousness of nationhood among all Canadians. The people of Quebec have been forced, during the past 18 months, to open their eyes to the negative consequences of separating from Canada — and they certainly don't like what they see.

People in the rest of Canada have been forced to contemplate what Canada would be like without Quebec, and they are rejecting that prospect with equal emphasis.

There is a growing realization among all Canadians that we would surely be a foolishly self-destructive society if we allowed our country to be fractured, because of our inability to imagine with generosity a solution to the problem of a federal state composed of different regions and founded on the recognition of two languages.

The opening of our minds and hearts to each other is, I believe, creating a new willingness to support constitutional

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