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Lower inflation and more jobs main goals of new budget

In presenting the budget to the House of Commons on March 31, Finance Minister Donald Macdonald stated that its most important objects were to maintain the underlying trend to lower inflation and "to encourage a steady and non-inflationary growth in the economy in order to provide jobs and reduce unemployment."

To achieve these goals, the budget proposes a $100-million plan to create new jobs, tax relief for low-salary earners and extended credits as incentives to small businesses.

Wage and price controls will not begin to be phased out until October at the earliest, said the Finance Minister, and they would stay in effect "for some time unless replaced by firm understandings which produce similar results."

Reprinted below is the Budget in Brief, *published by the Department of Finance:*

It is clear that the underlying momentum of inflation in Canada is slowing, although we can expect some price increases this year that may set us back temporarily.

Wage settlements have been coming down in line with anti-inflation guidelines. Unit labour costs – the key to our competitive position as a trading nation – are under better control.

The real incomes of working Canadians are rising strongly.

The most disturbing element in our economic performance has been higher unemployment. While the unemployment rate is under 5 per cent for adult men, and is 7 per cent for adult women, it is above 14 per cent for young people. Both general and specific measures are needed to deal with this situation.

Capital investment is weak. We need a stronger growth in business investment and continuing improvement in exports to boost Canada's economic recovery and lay the basis for sustained growth in future.

The decline in the Canadian dollar can help our exports, but only if we keep our domestic costs and prices firmly in check.

Canadians have to accept higher prices this year for food, energy and some other purchases. To try to offset them by demanding bigger pay cheques will regenerate the inflationary spiral and wipe out the progress we are making.

This is a critical time for us to persist in maintaining the underlying trend to lower inflation, while we pursue steady growth in the economy.

The Federal Government will pursue its policy of developing energy supplies. But we must all adopt better conservation practices and face the prospect of higher prices.

The best way for Canadian consumers to protect themselves against higher energy prices is to use less energy.

Controls

Price and income controls have helped to bring down the rate of inflation, but their job is not yet done. If controls were suddenly removed, there is a danger that rates of price and cost increase would begin to escalate again.

The Government believes it would not be feasible or desirable to begin "decontrol" before the second anniversary of the anti-inflation program on October 14, 1977.

But a recent business and labour initiative has raised the prospect of sufficient support for voluntary restraint as to warrant consideration of a somewhat earlier decontrol date. That could affect the question of timing. This prospect will be explored in a round of consultations to follow publication of a discussion paper on decontrol and the post-control environment.

In the meantime, all parties are advised to proceed with wage and price determination in the expectation that controls will continue in effect for some time.

Job creation

The Government has launched a fast-acting employment strategy keyed to