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Text of an Address by the Honourable Mitchell Sharp,
Minister of Finance, to a luncheon meeting of
The Canadian Club of Toronto at the Royal York Hotel,
Toronto, January 8, 1968.

For many years it has been the custom of your Club to invite the Minister of Finance to address your first meeting in the new year. This is my third appearance before you in this capacity and I am gratified that so many of you are here today, a tribute to your endurance as well as to mine.

However, if you feel that enough is enough, that three annual appearances as Minister of Finance is a pretty good record, I shall not be offended. The same idea has flitted across my mind from time to time in the past week or two.

1967 was a tough year for ministers of finance everywhere and not least in Canada. One of the few occasions when I experienced a warm comradely feeling was when I met with ministers of finance from around the world in September in Rio de Janeiro. We consoled one another. I thought I had troubles. After I had listened to my fellow ministers of finance, I was convinced that we live in one of the most fortunate countries in the world. Certainly I had no desire to change places with the Chancellor of the Exchequer - who subsequently felt he had to resign following the devaluation of the pound -- or with the U.S. Secretary of the Treasury struggling to stem the loss of gold and to meet the costs of the Viet Nam war, or with the Indian Minister of Finance trying to cope with a combination of poor crops and human fertility.

I found too that whatever the political cast of their governments - Conservative, Liberal, Socialist or what have you -- the main, industrialized countries had common problems: high and rising interest rates and a persistent tendency for prices and costs to continue rising even after the economic boom had subsided. I pondered with my fellow finance ministers of varying political faiths the efficacy of guidelines and incomes policies and voluntary restraints as a supplement to traditional fiscal and monetary policies.

We did not find all the answers we sought, but from our experience and from our discussions in Rio, in the Organization for Economic Co-operation and Development and elsewhere, we are learning that the traditional approaches to economic policy are no longer sufficient to ensure what free peoples everywhere desire -- prosperity and growth at stable price levels without compulsion.

From the end of World War II until recently, the preoccupation of the western world has been -- and quite rightly -- to ensure that the miseries of the Great Depression of the 1930's would never recur. The main thrust of policy has been directed to the maintenance of the general level of demand, so as to avoid the tragic waste of unemployment.

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To a remarkable degree we succeeded. There has not been a major economic recession in 30 years and in the past seven years or so the prevailing trend of economic growth, not only here in Canada but in most industrialized countries, has been steadily upward. Here in Canada, average incomes in real terms have doubled in less than a generation.

It is now apparent, however, that the management, the maintenance of prosperity is not at all the same as the attainment of prosperity. The problem is more deep-seated. The very success that has been achieved in avoiding serious economic recessions for a generation has changed the expectations about the future.

Past generations lived in fear of the inevitable bust that followed the boom. This generation is being conditioned to continuous economic growth, which is a vast improvement but has its own perils, one of which is an inflationary bias.

There are those who say that some inflation is not only inevitable but desirable. I have even heard inflation labelled as being progressive and opposition to inflation as being reactionary. I am sure old age pensioners and widows and the unorganized workers find this a strange logic. Furthermore, I suggest that the world is now witnessing in high and rising interest rates one of the tangible consequences of the expectation of continuous inflation. The lender wants compensation for the expected depreciation in the value of his money.

What can be done? I agree entirely with those who deplore the deliberate creation of unemployment as a means of checking inflation. Surely there is a better way. It unquestionably involves new techniques and new attitudes on the part of those who wield market power, both labour and management. The traditional instruments of fiscal and monetary policy must be employed with courage and skill, but they are no longer sufficient, in my view, to ensure that desirable combination of prosperity and stability which we all seek.

There are difficulties in selecting the form these new techniques of economic management should take in Canada. We are a federal country with regional standards and differences. Exposed to the winds of international commerce and sitting next to an affluent neighbour, whose attainments are a constant temptation to all of us, we cannot simply imitate others. We must work out a Canadian solution. We must do so at a time when a boom has produced sharp gains for some but not for others. The solution will be one that has sufficiently broad public support to command respect even among those who do not like it.

Whatever the technique, the aim should be clear. The aim is to maintain prosperity and economic growth, to help ensure that progress is continuous and not erratic, that real incomes continue to rise and are fairly shared. It must contribute to eliminating what poverty remains, not forgetting those whose incomes cannot keep pace with inflation.

Change, and at an accelerating pace, is the chief characteristic of our times, affecting our approach and our attitude to national and international affairs, whether on the economic, the social or the political level.

We have recently seen, in the ready acceptance of the legislation affecting capital punishment and divorce and in the response to the far-reaching proposed amendments to the Criminal Code, evidence of the fundamental alterations in social attitudes that have been going on in

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our country. The nature of Canadian society is changing swiftly under the impact of more education, travel, discussion and a wider affluence. Now it is for the laws to catch up with the social conscience of Canadians.

Change is affecting our approach to social security.

During the post-war years, a comprehensive system of social security on a national scale has been put into place, and not before its time. As a poor boy brought up in the city in the 1920's and 1930's, I do not have ideological misgivings about unemployment insurance or family allowances or universal old age pensions or the Canada Pension Plan or hospital insurance or, I should add, medicare. I only wish that they had existed in my youth to relieve the miseries and deprivations of my friends and their families. I see no evidence that these programs have blunted the will to work to any significant extent. Quite the contrary. After all, the extension of social security has coincided with the greatest and longest period of economic advancement in our history.

It does seem to me, however, that in our much more affluent society we are coming near to the end of the universal approach to social security and that the next stage is going to be more selective and effective, directed to the trouble spots. Even in avowedly socialist countries this is the trend of thinking. Here in Canada the best evidence was the decision to pay supplementary benefits to old age pensioners whose total incomes were at a low level, rather than to increase the amount of the universal old age pension. It was considered, and I think rightly, that more good would be accomplished if the same amount of money were directed to those senior citizens whose need was greatest.

The burden of taxes imposed at federal, provincial and municipal levels is now such that governments must have very good reasons for raising them further. Governments have no alternative except to respect spending priorities in the field of social security as elsewhere. There is so much to be done. The rising incomes that industrialization brings reduce the need for some kinds of governmental expenditure. On the other hand, as we have seen, affluence and industrialization increase the need for public expenditure on such things as education, manpower training, communications, roads, urban development, anti-pollution, indeed, on the whole infrastructure of a modern and increasingly urban society, an infrastructure which can only be provided by public authorities.

To do what is necessary when it is necessary; to avoid trying to do too much too quickly, thus frustrating all our aims: that is the over-riding task of modern statesmanship in a free society where men of good will see so much to be done. The choice is no longer a matter of the right or the left. To a large extent these terms have lost their significance. There is substantial agreement on the ends; the differences are not ideological but arise in deciding how best to attain these ends within our means.

All this brings me to the relationship between federal and provincial governments who share these responsibilities. Nowhere else is the impact of change illustrated so vividly. Just after the war the federal government spent five times as much as the provincial governments combined. Today provincial governments collectively spend almost as much as the federal government, and provincial and municipal governments combined spend one-third more than the federal government.

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As one of those concerned with federal affairs over a long period, I have witnessed dramatic changes in the context within which the federal government operates. At the end of the war which followed a shattering depression, the federal government was the only possible authority which could move boldly to promote national objectives even in fields assigned by the constitution to the provinces. It had taken over the major fields of corporate and personal income tax during the war and worked out arrangements with most provinces to retain control of them during the postwar period. It used these major revenues to accomplish reforms the war had shown us could and should be achieved.

Gradually, the provinces resumed their traditional functions and also responded to the incentives and support provided to them by Parliament to extend and improve their social security and other services. Today, as I have said, they spend a good deal more than the federal government. To find the necessary revenues they have had to secure a substantial share of the income and corporation taxes and to devise new taxes as well.

In a sense we are more truly a federal country than at any time in our history. The main support provided by Parliament to the provinces takes the form of unconditional grants to equalize their revenues. Ultimately, one can expect this kind of unconditional support to replace shared-cost programs. The consequence will be that the federal government will have to depend upon consultation and co-operation with the provinces more than ever before in order to achieve Canada's national objectives. As Minister of Finance I think, of course, about taxes and spending priorities. But this is true also of such subjects as regional development and urban development and water pollution in which there are federal as well as provincial responsibilities and interests.

I certainly do not imply that the federal government should seek the concurrence of the provincial governments in the discharge of federal responsibilities. That kind of co-operative federalism would produce a shambles. I do mean that the federal government will have an increasing role to play as a co-ordinator and leader in the furtherance of national objectives, whether attained by federal or provincial action.

In February, the federal government and the provinces are to meet to consider constitutional change following the dramatic and constructive meeting of provincial leaders here in Toronto. Originally the intention had been to consider only a bill of rights. But it is a symptom of the accelerating pace of change in our Canadian society that the agenda has now been enlarged to include other aspects of the constitution. This is just as well because a willingness to examine our fundamental institutions signifies confidence in the strength of our union and of our Canadianism.

A Constitution that has served for a hundred years without major amendment must have merit, but I am sure that the great majority of us would now prefer to have one that could be amended in Canada by Canadians and that reflects more fully both our ideals as a nation state and the peculiar and unique nature of the Canadian federation.

Our union was based and continues to be based upon the principle of a working partnership between English-speaking and French-speaking Canadians. Undermine that principle and the union will dissolve, a union in which peoples of many origins and cultures have found a happy home. French Canadians intend to maintain their cultural identity either within or outside Canada and we, the English-speaking majority, have every reason to encourage them to remain to share our work and wealth and to enrich our joint culutre.

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Too often it seems to me - and you may be surprised that a Minister of Finance should say this - the advantages of federation and the costs of separation are expressed in economic terms, in terms of dollars and cents. To me it is self-evident that all parts of Canada benefit economically from our association and that all would lose by the separation of one of the principal provinces.

Canada was not created to be an ideal economic unit. It came to exist and continues to exist because Canadians, whatever their language or their origins, have common ideals, different enough from other nations to justify existence as a nation. It continues to exist because we see in Canada, in our democratic institutions, in our approach to life, in our spirit of tolerance, in our multicultural society, something worthwhile. If as a people we sought only to maximize our incomes, we would seek to join the American union.

Our urgent task - and it is urgent - is to translate the principle of a working partnership between English-speaking and French-speaking Canadians into more tangible form, not only in the constitution, but in politics, in business, in community life and in cultural affairs. Each one of us, in his personal and business activities, can contribute to the strength of our union.

There is no better way to make progress than to accept and implement quickly the main recommendations of the first report of the Royal Commission on Bilingualism and Biculturalism. Not that the language question is the only problem. But a willingness on the part of English-speaking Canadians to deal quickly and effectively with the recommendations to give the French language a status of full equality would be a giant step forward. It would be a sign of good will at a time when our French-speaking compatriots are asking us whether we are ready to build a new Confederation where they will be full and equal partners.

The acceptance of the principle of bilingualism in Ontario and New Brunswick would be another giant step forward. So it would be for Ottawa to become the model of bilingualism it should be. It is a rather sad commentary that after a hundred years Ottawa is still essentially an English-speaking seat of government where French-speaking Canadians do not feel quite at home.

In these brief remarks, I have indicated a few of the consequences of the rapid, sometimes revolutionary changes that are occurring in Canadian economic, social and political life. Many of us at one time or another have wished that the pace of change would pause a bit to give time for us to adjust our thinking. It is clear that there is no such prospect. We are caught up in vast global currents of economic, social and political change and are as exposed as any country to their force.

Fortunately, we are stable enough in our institutions to cope with change, resilient enough in our economy to take advantage of change and new enough to be ready for adventure. These are great advantages. Look around and ask yourself if you would prefer to live anywhere else in this uncertain and unpredictable world.

The important thing it seems to me is that we should react positively to the changes that are occurring not only at home but in the world at large.

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We should react as we did to the far-reaching tariff negotiations of the Kennedy Round. We decided to participate, we bargained toughly and we achieved good results. We took the broad view of our interests, not the narrowly nationalistic. We opted for less protection, for becoming more interdependent with the world at large as a means of strengthening our economy.

There is, I submit, no viable alternative to this approach for modern Canada. To attempt to insulate ourselves from the world by policies of narrow economic nationalism would only weaken us, make us a less attractive and exciting place to live and reduce our ability to control our own destiny.

That is why in our relationships with our great neighbour to the South I came down on the side of the positive approach. It is not easy to live alongside such a giant. It is not easy to resist the pervasive influence of that dynamic economy and culture. We face this problem every day of our national life. We faced it last week when President Johnson announced new measures to strengthen the position of the dollar as an international currency. We are also aware, however, that we have common interests with the United States and that jointly we can accomplish much for the benefit of our own peoples and of the world at large.

There are no blacks or whites in our relationship with the United States. At every turn we must seek to reach viable accommodations that protect our vital national interests. Heroics are less important than tangible results that advance the true interests of Canada and the Canadian people.

You will see that I believe in a Canada strong enough and independent enough not only to promote the wellbeing of all its citizens but also to contribute to the wellbeing of mankind. The task of Canadian statesmanship in our time is to know what will add to our national sinew rather than gradually to reduce it; to decide what policies will increase our effective freedom of action rather than ultimately limit it; and to have the courage to believe that our national purpose is so broad that it can be properly merged with the hopes of the whole world.

We are a free country; a fortunate country and I hope I can say a country with deep rich veins of magnanimity. No one can be wise enough to foretell what our destiny will be. What I most hope for Canada is that we can find it in ourselves to gather together and make effective all the half-hidden strengths that we surely possess and that we must rouse and develop and deploy if we are to meet the challenges within our own country and in the bosom of a bitterly troubled world.