

The Economic Club of New York

The Honorable Hugh L. Carey
Governor of New York

The Honorable René Lévesque
Premier of Québec

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Questioners: Lewis Young
Editor in Chief, *Business Week*

Professor Robert Hawkins
Chairman, International Business Department
Graduate School of Business at New York University

Introduction

Chairman James W. Davant

Governor Carey, Premier Lévesque, members of the Club, and guests, welcome to this meeting of the Economic Club of New York. I believe that we have an especially interesting program.

And I would like to begin by extending a special welcome to the many Canadians in the audience. (Applause) We hope that you will enjoy this occasion and that you will come again as our guest.

We have two very important prominent speakers tonight. They are neighbors in a sense since the state of New York and the province of Québec share a common boundary. I understand, though, that Premier Lévesque and Governor Carey are meeting tonight for the first time. I know that our guests in the audience share the hope of the members of the Economic Club that this will be the beginning of a long and cooperative relationship between these two leaders.

The question period will begin at the conclusion of the second speech. Mr. Lewis Young, Editor in Chief of *Business Week* magazine will question Governor Carey. Professor Robert Hawkins, the Chairman of the International Business Department of the Graduate School of Business at New York University will question Premier Lévesque. The question period, as always, will be spontaneous and unrehearsed. (Laughter) There has been no previous consultation between the speakers and the questioners, I am told. (Laughter)

Our first speaker is a man of rare ability and accomplishment. In World War II, he joined the Army as a private and came out as a colonel. Early in his political life, he turned down a job as a truant officer – a few years later he became our governor. When he began his campaign for that office, the polls showed him far behind, yet he was elected by the second largest plurality in this state's history. The governor's brother says that he could sell wet watches – wet matches, excuse me – I'm sure he could sell either, and that when he went into politics the family business lost a terrific sales manager.

Governor Carey has not been what the Maltese call a captain of calm waters. He has won the respect and the gratitude of every New Yorker for the quality of his leadership in a time of great turbulence. It is an unmistakable mark of greatness when a political leader wins the affection and the respect of his political adversaries as well as his partisans. This governor, our governor, is clearly such a man. Ladies and gentlemen, the Honorable Hugh L. Carey. (Applause)

The Honorable Hugh L. Carey

Governor of New York

Thank you Jim, and Your Excellency Premier Lévesque. This is our first meeting as Jim has said, but indeed I do share more than a common border with you. I share a sense of proportion. You have, I'm told, over 6 million residents of the province of Québec. We have 18 million New Yorkers. I've tried to continue that proportion throughout my life. When the Dionne quintuplets

were born, I managed with Mrs. Carey to have 14 children. (Laughter and Applause) You indeed, I understand, have a budget gap but at least you had an Olympics to show for it.

(Laughter) We may stage an Olympiad in New York this year and feature only one event. It'll be called the Rohatyn Stretch. Indeed, we are very happy to have you in our company tonight and, as Jim has said, we look forward to an era of great cooperation. I'm delighted to have this opportunity to be among you and to share this evening with our distinguished visitor from Québec. And we extend to you a very warm New York welcome. (Applause)

The economist, Miss Joan Robinson, once said, "The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but rather to learn how to avoid being deceived by economists." (Laughter) Those of us in public life, whether Governor or Premier, cannot afford to be deceived by economists, but we must not only study economics, we must practice it. Indeed, Jim Davant asked me how things were going in New York and whether or not in my practice of economics I could see the light at the end of the tunnel. I said, no, Jim, but I don't expect to see the train coming the other way anymore as it has for the last two years.

Last year, I pointed to the disturbing phenomenon of the economic stagnation affecting the whole northeast region of our nation. The economic reasons for this decline range from our aging capital plants to the cold weather. An economist could simply sit back, discuss, and analyze the bleak forecast for the future. Economists knew political boundaries between states would always dominate common and overlapping economic concerns. But as governor, I could not passively

accept this assessment. Therefore, in cooperation with the governors from our sister states of the northeast, the Coalition of Northeast Governors was formed to begin unified regional action – together, individually, in Washington, with the private sector, and labor leaders. Specifically, we have been most anxious to further the coalition’s proposal for a regional energy and development corporation that could ease our dependence on costly and undependable foreign fuels. This unprecedented cooperation between the states of the northeast exemplifies how individual political entities can overcome parochial concerns and join together in a kindred spirit for the well being of all of our people.

And this spirit of cooperation can extend beyond state borders. It can even defy the economists, if I may, and become international. For example, the province of Québec and the state of New York have already marked progress in energy cooperation. Hydro-Québec and the Power Authority of the State of New York, our PASNY, have an agreement whereby up to 800 megawatts of Canadian hydro power, the equivalent output of one complete power plant, will be sold to PASNY in the summer during peak user hours. During the summer, Québec has a surplus in economical hydro power while New York has the need. Likewise, when Canada has a shortage and we have the surplus, our agreement allows for the transport of New York energy to our northern neighbor. Even international boundaries will not prevent us from these mutual endeavors.

I pledge to Premier Lévesque our state’s continued cooperation with Québec and Canada to

overcome artificial lines which separate the interests of our people. And I say again to the Premier, I know too the problem of having a language and a culture which is not spoken entirely by all of the people in your government. We went through that last year. We couldn't get people in our government to speak to us in any language part of the time. (Applause)

But the province of Québec and the state of New York share more than a common boundary. We are also similar in that we are at the end of the pipeline. We are both dependent on other sources for our natural gas and oil. And I am sure that both of us can profit from further discussions of our mutual problems. I will also recommend to the Coalition of Northeastern Governors that we take further joint steps in exploring productive discussions and relationships that might be developed between ourselves and our valued Canadian neighbors.

But no matter how successful we are in cooperation with the states of our region and with the people of Canada, New York must still look to Washington for national leadership and direction. I know that President Carter will provide us with both a challenge to our capacity and the sensitivity to our needs that we have lacked in some years. Our economy, our nation demand a change of direction. The Congressional Budget Office recently predicted that without major policy changes our country would face an unemployment rate of 7.1% to 7.8%. That is 7 - 7.5 million workers unemployed by the end of the year.

President Carter has already indicated his direction for change. With the cooperation of the

congressional leadership, he has outlined his program for stimulating the economy. This plan incorporates both tax reductions and federal expenditures for jobs. Some of you may disagree with the particular mix of the options the president has chosen. But I must say that as a former member, in 14 years of service, terminating in the House Ways and Means Committee, I am impressed with the way that our president has moved with speed and conviction. And even before his inaugural, Mr. Carter took positive steps to clear the way for action.

We could argue all evening, and with professional economists indeed forever, about the wisdom of the particulars. But I am personally heartened by the determination and the openness with which President Carter has begun a change in our national direction. Some additional items I would recommend to the attention of the new administration and the new Congress in making national economic policy include a stronger focus on specific regional and sub-regional problems in the eligibility for allocation of funds and to various manpower and public works programs.

A case can even be made that in pursuing a more expansionary course the federal government ought to also target its stimulus particularly at regional economic problems of the northeast. The efficiency of the so-called macroeconomic policy in terms of generating a minimum of inflationary pressure is increased by providing a stimulus to the regions where the greatest excess capacity exists. In short, more economic stimulus in Dallas means more inflation while in New York City and in Buffalo, it means more jobs and output. Given measures such as our unemployment rates, the northeast seems a logical choice for any additional macroeconomic

stimulation. Specific federal policies to implement such a strategy of regionally targeted stimulation include counter-cyclical aid to state and local governments linked to local unemployment rates and investment tax credits and acceleration depreciation allowances linked to local unemployment rates or other key economic factors.

Although encouraged by our new president, we in New York State must also begin our own change of direction. And it is a new path and direction, a break with the trends and legacy of the past that I have recently placed before the legislature and the people of the state of New York. First, I have determined that the cornerstone of the future development of our state and the well-being of our people is to break the trend of more and more taxation. The burden of our citizens, from the clerk to the business executive, is too high and it must come down. (Applause)

This burden, the highest of any state in the union, must be eased. Therefore, I have proposed a \$225 million tax relief program that will be felt by all of our 7 million taxpayers. We will eliminate, not simply suspend, the personal income tax surcharge – a \$105 million tax cut that will benefit everyone. Secondly, and this is key, I discovered for the first time, since 1919 in the history of the state, I have proposed a permanent reduction in personal income taxes of \$100 million. It's about time. (Applause) This tax relief will be a tapered series of credits affecting five out of seven taxpayers and removing 350,000 of our low-income taxpayers from the tax rolls completely. Finally, I have proposed that all working parents who must pay for child care qualify for a credit on their New York State income tax.

This first step in tax relief is directed for our citizens – directed for and to those citizens because the priority must be people first in my estimate. It begins a reversal of the trend of more and more taxation. However, if the other key components of my program are enacted, we can also view the time when additional future tax reductions may be possible for businesses and industry and financial institutions directly as well as for the people. That time must come too if we are going to be a competitive state and we will be a competitive state. (Applause)

This proposed tax cut for the people does not have any pretension of being a major stimulus for the economy of our state but it does break a trend. And combined with the tax cut proposed by President Carter, we will begin a joint effort in our goal to relieve the burdens on our citizens while providing for economic and development. But this goal is not only dependent upon less taxation, it also requires less government. Therefore, my program and budget includes major changes in the levels and structure of both state and local spending – a \$32 billion complex driven by the same tireless motor – the proliferation of mandated formulas and entitlements. My program not only begins changes in that tireless motor, but ensures that reductions in the scope and expenditures of state aid does not result in a shift of burdens to localities. The budget that I have proposed to the legislature ensures that difficulties that have been faced by New York City will never be faced by New York State or happen to New York State. That must be avoided. (Applause)

Some have suggested – we have a few administration people in the audience I detect – some have suggested that in this budget in this time we must foresee our new direction. The trends of the past must be broken now and the path of the city never followed by the state because we know where that path has led us. But in the process of attending the problems of this great city, some of the real lasting lessons that we have learned have been from the contributions of the private sector. That's been the great, I think, dividend from this experience.

We've called upon people, like Felix Rohatyn, Bill Ellinghouse, and Ed Margolis, Ken Axelson, who through our experience and our education is now joining President Carter's Treasury Department, and so many others like Dick Shinn and many who are in this room tonight, have given their time, their creativity, and their talent in our mutual efforts to solve the city's fiscal crisis. And we are tonight in this city still in difficult times. However, when the people of the private sector of such caliber give us their help, our faith in the future is firm. I say that to the members of the Economic Club here tonight because so many have worked so hard to help us without any compensation excepting the pride in this city.

To go on with the program that I described for the state, in order to avoid shifting the burden from the state to this city or any locality, we are proposing a system of stabilization of the state's aid to localities. We will simply pay what we did last year in the same grant system without going on and on into increases that are being driven ahead. Secondly, I have proposed changes in the welfare and Medicaid system that will result in \$200 million and more in savings both for the

state and the localities. The trend of unchecked welfare and Medicaid costs have been an additional and unnecessary burden on the state, our localities, and our citizens. But the proposed reductions have been done thoughtfully, with sensitivity, to avoid mindless across-the-board cuts in the level of benefits to the needy, while holding the costs of institutions at a minimum. Finally, I have proposed a two-year school aid reform program designed to stabilize costs here as well and to provide greater equalization in state aid payments among school districts.

Between the 1971 - 1972 and the 1976 - 77 school years our total school district expenditures in this state per pupil increased 51% while the enrollment in our schools dropped 4 percent. We did not need an educational economist to tell us that change is necessary. The program this year would stabilize these costs of education in New York and provide the basis for breaking the syndrome of more property tax increases for school purposes, again a trend that must be broken.

Yet the beginning of less taxation and less government is not enough for a firm foundation for the future development of this great state. You, as persons in the private sector, as businessmen, know that even as one retrenches, one must also be willing to make prudent investments in the future. Thus, I have begun steps to provide the vital resources necessary for the capital needs of our economy. I have provided funds for an accelerated capital construction program for transportation that will triple funds for highway use and create contracts for some 20,000 jobs. In addition, I will continue the necessary steps to ensure the development of a safe, economical west way to meet the transportation needs of the West Side of Manhattan, indeed of our entire

area.

But besides these steps, I believe that it is time to allow the people to make a decision on investment in the future of our state. Therefore, I have recommended that the legislature place a referendum on this November's ballot for a \$750 million capital development bond issue as a part of our economic plan for the future development of New York State and to invest in the infrastructure needed by a business. We must make that investment to hold business and seek industry because that's expected of a business-minded state. This will be a full-faith bond issue subject to the will and faith of the people – a constitutional investment in the economy, in jobs and the real future of the state.

I began this evening with a warning about being deceived by economists – those who only see trends and barriers and obstacles and not change. Allow me to conclude with a warning about those, whether they be vested interest groups or public officials, who may also resist change. As Christopher Morley has said, and I quote, “The enemies of the future are always the very nicest people.” But be not deceived, for to resist change now is to give up on the future of our state, our region, and our nation. Past trends and myths must and will be broken. We can work together – government and business, state and locality, state and region, state and nation, and even state and province to the North. Our present indeed stems from the past, but our future need not be wedded to the mistakes of the past. I do not hold always with Eugene O'Neill, I love his work. He has said, “There is no future, there is no present, there is only the past repeating itself.” Well, I've

been on a long day's journey into night. I disagree. The past in New York must not repeat itself.

The future looks too good right now. Thank you very much. (Applause)

Chairman James W. Davant: Thank you Governor Carey. Our next speaker is Premier René Lévesque of Québec. We are delighted to have him with us. I hope I won't inadvertently form it an international incident when I say, Monsieur Lévesque, le Club Economic de New York...(Speaking in French)...(Applause) You know what I said?

Last November, the 15th, René Lévesque was elected Premier of the province of Québec and his party won a majority in the Assembly. The election was a culmination of a political phenomenon almost without precedent in modern times. The party he founded and led to victory did not exist a mere ten years ago. It appeared on the Québec ballot for the first time in 1970 and won, I think, 23% of the vote. Three years later, the Québec Party, as it is called in English, won 30% of the vote. And last year, it won decisively.

Monsieur Lévesque was born in a fishing village and began his education in a one-room schoolhouse. He followed his father into the study of law, but left law school to pursue an immensely successful career as a broadcast journalist and commentator. He abandoned journalism for politics in 1960 and the rest, as they say, is history.

Premier Lévesque has asserted his right to a private, private life. But we do know of his passions

for polka and swimming. He is a delightful person. He is a remarkable man known for his wit and wisdom and widely respected for expressing his beliefs clearly and without equivocation.

Ladies and gentlemen, the Honorable René Lévesque. (Applause)

The Honorable René Lévesque

Premier of Québec

Monsieur Davant, and as a certain illustrious French general – and there's no analogy of any kind there – used to say...(Speaking in French) Governor Carey, I want to thank you very much for your warm and friendly greeting. And I just want to thank this awesomely hospitable New York audience. I am sure you will allow me to extend special, a very short special greeting to my fellow citizens from Québec who came here (INAUDIBLE). (Applause) And also to our forever good neighbors from Canada. (Laughter)

I suppose some of you have come here, and I want to warn you right now that our very recent government and yours truly are not yet able to spell it out in chapter and verse as Governor Carey has just done so eloquently because there's experience. In our case we're just starting in, we're just two months old. This very recent government of ours was born of a political party which itself is very young, but is also intensely dedicated, which I think is the case of all independence movements because it was and still is the objective, or as we say in France, (in French) but mixed with some anxiety and even a bit of hostility in certain quarters, sometimes

even a fairly large little bit. All of which is ___ if not understandable especially ____ as we could at home over the last few years. Because the fact that we're so close geographically, right next door, doesn't help ___ for many because of "la différence" but also because it's well known that proximity often breeds more ignorance than knowledge.

So if you don't mind, I'll start by reminding you – I know most of you are aware of it, but just in case – reminding you that French Québec was born at the same time as the first American colonies. So it's actually, it's intimately linked with that of the 13 states which, after 150 years of imperial rule, decided to form the U.S.A. Not excluding a few good fights along the way, there are a lot of things we also developed in common while sharing the same new continent – discovery, pioneering, a taste for new frontiers and for open spaces and new ways of life.

In fact, similarities must have been pretty obvious, since Québec was rather warmly invited to join the American Union two centuries ago, and consequently, we also could very well have taken part in the Bicentennial last year as one of your founding states. And I know for a fact – and that's more serious – and I know for a fact that while you were celebrating, quite a few Québécois were feeling nostalgic; for, like you, we believe, and in fact we know, that we are a nation – with all the essential requirements, a clearly defined territory, our own history, a common language and culture, a collective will to live together and to maintain a national identity.

And I can find nothing more striking, by the way, than the many analogies between the

psychological climate felt in Québec today and all available descriptions of the American atmosphere of 200 years ago. At that time – you don't remember, but it's a fact – at that time many people in the 13 colonies were far from convinced of the merits of independence. In 1775, the delegates to the Continental Congress in Philadelphia were greatly reluctant to break with Great Britain. And there were those who prophesied all kinds of economic disasters, some of them absolute classics like a sharp drop in investments, and the fatal collapse of any new-fangled currency like the dollar.

But independence was so obviously indicated by geography, by history and the dynamic nature of the people, and by obsolete institutions, that it had to become a fact and it did, a fact expressed in such simple yet profound words and some of them very familiar in the Québec context that no Québécois can read them without feeling a certain emotion and a sort of kinship.

“When in the course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to separation.”

You know I could easily have opened my address with that opening sentence of the Declaration of Independence because it describes very well the feelings I come with, in this indisputably

world capital of New York, to try and explain as best I can Québec and as they said to “declare the causes.” Now very briefly, these have to do, a bit anyway, with a very central fact of our history.

Some fifteen years before the American Revolution, the French colony of Québec was conquered by British troops. That conquest deprived our society of a great many of its elite, who went back to France, and it turned over our political and economic life to foreign leadership. The small Québécois community immediately became a very delicate plant – tenuously rooted in an alien and not always hospitable environment. Every effort had to be made to ensure its protection and even its survival. And then it would take some twelve generations to bring us to the threshold of national maturity.

But now, today, at long last, Québec, on a small scale, is a fully developed society. It has over 6 million people, 82% of whom are French by descent, language, and cultural heritage. Montreal, our metropolis, is the second largest French city in the world. Our gross national product would make us 23rd among the nations of the world, and 11th on a per capita basis. And as for our territory, its resources are even more ample than its size which is quite sufficient.

So independence for Québec now appears just as normal – to a very quickly growing number of us anyway – and I might say almost as inevitable as it was for the American states of 1776.

Along with deep historical roots, this political emancipation can now count on the support of

sociological change, one of the most significant aspects being the fact that our youth, our new generations, are already heavily committed to it. To me it would be a bit like King Canute trying to stop the tide, to waste efforts in order to delay the final outcome of something which appears as natural and irreversible as growth itself. On the contrary, it seems to me efforts should be concentrated on the rational establishment of future good relations between this emerging Québec and its neighbors.

In my opinion, the important question – the question everyone interested in Québec and Canada should be asking – is not whether Québec will become independent, nor indeed when exactly it will happen, but rather how, in due time, Québécois can be expected to take full charge of their own political affairs.

And in this respect, I believe the past augurs well for the future. For one thing – and that doesn't change – Québec citizens are traditionally determined that change, and especially great change when required, can and must be brought about strictly through the democratic process. And this is rather well illustrated by our recent election, and the orderly way in which a whole new perspective came out of it. All our history shows that our people dislike upsetting things in a panic just as much as they dislike being upset themselves or pushed around. There's nothing we like more in our affairs than a sense of continuity. We've managed to survive, to grow, and make progress despite great obstacles, by being steadfast as well as cautious, and proceeding not in spurts but in careful transition. We may want change, but not through disorder, since any kind of

extremism goes against the very grain of our society.

And such is the way in which Québec, since 1960 especially, has gone through greatly accelerated change, in fact a complete restructuring of its social fabric, without suffering the traumatic shocks or disruptions that so often afflict other countries in similar circumstances. In our case, this period is generally referred to as the “quiet revolution.” And now, especially for the last seven or eight years, Québec has been going through a similar reassessment and transition in constitutional matters. And once again, if you consider how delicate such matters can be, the evolution is going on generally in an atmosphere of remarkable serenity and remarkable democratic sense. So that after our “quiet revolution,” I think we’re entitled to expect quiet independence in the near future.

Now one of the key elements of that “quiet independence” is our firm and clear commitment, as a government, not to push Québecers into so fundamental a constitutional change without being absolutely sure in advance that it is accepted. As you probably know, or may have heard, we have solemnly assured our fellow citizens that a referendum – a plebiscite process – will be held on the question, so that all Québecers of voting age, without any distinction will share equally in this historic decision on independence.

The referendum will be held during our current term of office, that is inside of five years at the most, and the date will be set in order to give all legitimate advocates of the pro and the con

sufficient time to organize the great debate. This insistence on a gradual and strictly democratic approach is another eloquent indication that Québec intends to continue, as in the past, to be one of the most stable societies in the world, and we are that. In fact, in all of today's societies, stability is more accurately defined as the ability to adapt to change rather than the ability to resist it. And it's precisely this ability to manage change without losing continuity which constitutes the most reassuring guarantee of Québec's economic and social stability.

And in the same spirit, along with our plan for political sovereignty, we have also proposed an economic association with Canada. And this is simple common sense; for Québec's economic life is strongly linked to that of Canada. And for that reason, and also because no people can or wants to live alone, we're certainly not looking towards any kind of sterile isolation. We're as well aware as anyone of the demands of interdependence between nations and economic ensembles. We therefore propose a new type of association with the rest of Canada, a set of new ties so that both nations – and there are two nations – the English and the French – may live in harmony, side by side, without hurting each other. That's something we stand ready to discuss at any time with our minds open to pooling or “joint-venturing” whatever should be if both Québec and Canada are to profit from and with one another.

This new partnership could take the form, essentially, of a common market based on a customs union, permitting free passage of persons, of goods and capital, as in the countries of Western Europe. Or if you want to look at our continent, as between the state of Alaska and the rest of

metropolitan United States, the western end of our continent, through another country called Canada. And additionally, if the desire is mutual, we're ready to go further, even as far as monetary union, which obviously would allow for political change to be implemented with a real minimum of uncertainty in economic affairs.

Now this same mix of innovation and continuity is also to be found – I truly believe I can affirm that – to be found throughout the program of our party, the Parti Québécois. Our economic and social policies, for instance, came out of eight solid years of free democratic discussion, of thinking and maturing together, by our thousands of party members, who now represent, as no other party can, most of Québec's regions and walks of life. The results are certainly not perfect, nor complete in all details. But what political program ever is – or should be for that matter?

But overall, I truly believe it represents a collection of sensible and moderately progressive policies, carefully designed in a perspective of change without disruption. Some of it can and will be realized, some of it is already in the works in the present provincial context; other parts would naturally have to wait until Québec has the full competence of a sovereign state, if such is the people's choice in the referendum. And needless to say, in order to keep in step with reality as we've done since the beginning, a lot of it is bound to be reexamined and amended along the way.

For example, we've batted out just a few general guidelines concerning Québec's future foreign

relations and defense. To do more in the present state of things would be rather presumptuous.

Now while certainly it's not a pressing question for the moment, it's obvious that such guidelines would have to be adapted to international realities at the time of independence.

Now as for labeling our whole program which is a public document all the time – we don't improvise it – if it seems necessary to have a tag for it, I guess it can be called, and it has been called “social democratic.” Now social democratic parties have been, or are presently in power in several western democracies of some importance, like Sweden, like Great Britain, like West Germany, and also like certain Canadian provinces.

Evidently there's no one model for what's called social democracy because it has to be geared, in each case, to the needs and aspirations, but also to the means and possibilities of a particular people, taking into account its economic situation along with the domestic and international context it has to face.

Our own model for Québec, so to speak, for social and economic development with great insistence on individual rights, on the right to information and involvement in major decisions, has a basic prejudice in favor of fully responsible citizens. For this reason, the moment I appointed the Cabinet after the election, I created a new post immediately, that of Minister of State for Parliamentary Reform, as we call him, whose job will be to improve permanently our democratic institutions.

We advocate a decrease in regional and social disparities, as who doesn't, and a certain amount of administrative decentralization as well as more effective and more human – and that we need – because our administrative machines are becoming dehumanized if we don't watch them – a more human operation of government. We also, and very strenuously emphasize the urgent need for strict integrity in public affairs. On this subject I've already issued directives to the members of our Cabinet on conflicts of interest; directives which are the toughest that I've heard about compelling all ministers to sell every share – no trust fund – to sell every share they hold in any public company (Applause) which puts a few of them in circulation.

And above all, our intention is to work for a healthier social climate, especially in respect to labor relations. Our major economic organizations, both labor and management, have already expressed some confidence in us and offered their cooperation. Only two months after our coming to power, at least there seems to be good reason to hope for less turmoil socially in Québec. And through joint appraisal with our social partners, we want to attempt in the next few months to consolidate this new atmosphere into hopefully a consensus on the objectives of development and the desirable growth rate and a better allocation of resources. And along these lines, the government has already agreed in principle to an economic summit conference, so-called, to be held this coming spring.

Our program also involves the implementation of several new measures, on which we made

formal and carefully selected commitments during the last election campaign. These commitments mostly require little extra spending and will be applied gradually. In fact, this is how we intend to act in all areas. The economic situation in Québec and in most western countries is especially difficult right now and we're well aware of that. As I was telling the students of the University of Montreal a few days ago, Québec, like others, must learn to live within its means.

Budget-wise, this will involve a rearrangement of priorities and administrative reforms in order to carry out our projects, rather than vast and costly programs with excessive growth in government bureaucracy. And to attain this objective as quickly as possible, when I appointed the Cabinet, I set up immediately a new Committee on Priorities whose job will be to promote more rational decision-making within the government.

It seems to us essential economically that public spending be, in a sense, self-regulating, and that we avoid considering foreign financial markets as inexhaustible sources of supply. Our people and businesses pay high enough taxes already. And as much as is humanly possible, we want to keep away from taxing them any further and also from endangering the competitive position of our enterprises. So any increase in spending must be geared to the normal rise in tax revenue.

Now, of course, we will continue to call upon financial markets in Québec, Canada, and outside, but we intend to watch the growth rate of our borrowings very closely – much more closely than

was done before, especially the last few years. And do I need to say we intend to avoid like the plague spending sprees like last year's Olympics. (Applause) I know Governor Carey told me that he and his family appreciated the Olympics very much but we're saddled with what the cost was now. And instead of such sprees, we intend, and we've already started to do it, to look systematically for essential projects with the greatest emphasis on those that create more employment.

Now on this point, many of you in an audience like this one, are certainly aware that Hydro-Québec, our great utility, is in the midst of vast development work on our northern rivers, than which nothing could be more indicated in this age of energy shortages, especially if we come to accept the common sense of many north-south exchanges like the one that our neighbor and friend, Governor Carey was mentioning about Québec-New York exchanges in spite, and I quote his words, in spite of artificial lines.

Since, some years ago, as Minister of Natural Resources in Québec, I was closely and personally involved in the creation of Hydro-Québec as it is today, I am pleased, very pleased to observe that the financial community seems to recognize the high competence of Hydro-Québec's management and has never failed to provide financial backing for its projects. I am confident that this well-deserved support will continue in the future. And may I add that our government firmly believes that Hydro-Québec should be maintained at all times in sound financial position.

Now as for general economic development, there's one strange belief that we, in Québec, have suffered for too long, and it's a sort of institutionalized belief that our economy could only be developed by outsiders, as if Québec were no more than a convenient reserve of raw materials for foreign enterprise. Such an attitude of over-dependence, when it's allowed to last indefinitely, breeds nothing but a dangerous lack of self-reliance and economic responsibility. We want to get out of that rut as soon as possible, and from now on to play a larger and more decisive role in our own development which means we want to call upon as never before the full potential and all the rich and diverse capacities of our people – our workers and entrepreneurs, and also upon the accumulated wealth which our very strong savings tradition has generated in Québec.

Now this does not at all mean we intend to close any door on foreign investment. On the contrary, we obviously need and will continue to need new capital investment and new technology, both home-grown and from outside. Our government and the Parti Québécois itself, in spite of quite a few involuntary distortions that you've been reading over the last two months, we are quite ready to accept and to welcome foreign enterprise, so long as it respects our majority language and culture – which is no more than any self-respecting community expects from all its corporate citizens.

As to the limits on foreign economic involvement, we've tried to design, under the guise of an "investment code," the basic outlines of a clean-cut sectorial approach. Instead of a case-by-case screening system, such as the one devised by the Ottawa government, which we think is much

more exposed to unpredictable and sometimes irrational decisions, it seems to us that something like a sectorial approach would make the rules of the game much clearer to everyone indicating to foreign investors in advance which fields are open to them, and which are to be completely or partly reserved for domestic ownership or participation. And in the latter case, we've already spelled out in advance some obvious examples which we simply believe are par for the course for any national community – such sensitive sectors as banking institutions, and things like mass media, publications, etc. that have a direct impact on cultural development.

Needless to say, this will have to remain mostly a project for the future until independence gives us the full set of policy tools required. But as a perspective, we think it makes sense, and once in practice would give Québec an honest and realistic guidebook in that sensitive field.

And speaking of sensitive matters, our program does not envisage any direct important takeovers and we do not intend to launch any policy of nationalization. Any good, honest reading of our program will show that. The sole exception, and we've always been quite specific about it, has to do with the mining and processing of asbestos, insofar as such an ultimate solution may be necessary to correct rather poisonous working conditions in that sector, and also to gain full advantage from our position as first world producer and exporter. But we are definitely not contemplating any takeovers in our other mining fields, such as iron and copper, and the same goes for the aluminum and pulp and paper industries.

What we do intend to recuperate, however, is the control and management of our basic forest resources, not the pulp and paper industry, but the forest resources, in order to assure better husbanding and make a more rational supply of wood available. And I guess that must be a sensible proposition because it's already been endorsed, at least in part, by a few of the leaders of the industry in Québec. And finally, before we leave that subject, it might interest you to know that one of our party conventions, some time ago, even rejected by a large majority a resolution proposing to nationalize Québec's telephone companies – public and vital though that service is.

So, in a nutshell, we are not against foreign investment as such, and we have no intention of picking fights with private enterprise. The Parti Québécois' approach is not dogmatic. It's essentially pragmatic.

Our way of thinking about public enterprise, for instance, does not follow from any dogmatic ideologic posture. We simply see it as a means, to be used carefully, when concrete circumstances indicate that it should be used. And any intervention of this nature will follow the pattern already established by, for instance, our General Investment Corporation and other public corporations. Which means that the Québec government remains ready to go into joint ventures with domestic or foreign private capital for major projects. A quite recent case is that of Sidbec, our steel complex, joining forces with U.S. Steel and with British Steel to launch the Fire Lake mining development, which will require something like \$550 million. And not so long ago, our General Investment Corporation also joined a Canadian concern, B.C. Forest it's called, and a

French one, in order to build a \$300 million pulp and paper mill in Saint-Felicien, a town in our Lake St. John area.

And I would also like to mention Soquem, which is our mining, exploration, and development company which I helped to create in the Sixties, with an idea which was based at least partly on the remarkable record of a comparable American experience during World War II. And I'm proud to say Soquem has been associated with dozens of other mining concerns along the way, and with increasing success.

In short, we very simply and very normally, I think, intend to build our society and control our environment in a way that suits our tastes, our aspirations, and our "différence." But difference certainly does not mean that we see ourselves rejecting the basic social values, the economic structures or the political traditions that our North American outlook is founded upon. Whatever our national status next door, we remain neighbors forever, both of Canada and of the United States, and we're absolutely dedicated to being good neighbors. Between us, there are bonds of friendship and cooperation, forged not only by history and geography, but also by a multitude of interlocking interests and diversified exchanges. And now, presently, there is in Québec this steadily rising movement of collective emancipation, comparable enough, I believe, to your own beginnings that we naturally hope for and expect in American opinion – sympathy maybe – but certainly, understanding.

And in closing, I would just like to stress the fact that in our new government there are quite a few of us who have had prior parliamentary or administrative experience, and in some cases long and solid experience. So we're as well aware as anyone of all the demands and complications that government has to face nowadays. The fact, for instance that the demands are often contradictory – the desire for new services along with the need to keep public expenditure under stricter control. At the same time, we absolutely have to find the ways and means to fight a really tragic rate of unemployment that we share with the Maritimes and to do our utmost to correct disparities that are still unacceptable. Trying to do all of that or even some of that at once is a bit like trying to square the circle – the main consolation being that I think all governments are more or less in the same boat, even though that is rather cold comfort.

But if we balance all factors, with a good look at the positive ones, like what is really a ferocious determination, and the realistic and I think responsible outlook we've tried to develop, like the eminently democratic and popular strength of our party, and like also the indisputable economic and other potentials of Québec which many of you know quite a bit about, sometimes as much as we do. Everything considered, we firmly believe that we're going to make it, if for no other reason than we cannot afford not to. Thank you. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN JAMES W. DAVANT: Thank you Premier Lévesque. We now come to the part of

our program which is so admirably done by our members and guests, and that's the 30-second stretch. You'll stand up for 30 seconds and stretch and get ready for the questions. Mr. Lewis Young...

LEWIS YOUNG: Governor Carey, as a truant I have the first question for you. And I'd like to ask you about the city's current financial crisis which you mentioned briefly. Now that sweetness and light has been restored between the banks and the city in the negotiations to raise a billion dollars in the moratorium, what kind of mechanism or institution to oversee the city's finances would be acceptable to you?

THE HONORABLE HUGH L. CAREY: I don't think it's a question of being acceptable to me. The question is, what will make the city's securities of any kind marketable? Now that's the answer to the question. You're well aware, I'm certain, that part of the seasonal borrowing agreement which we were able to reach with the federal government involved, and indeed incorporated a requirement that the city attempt to return to market. Not after the balanced budget of 1978 which is the objective of the financial plan, but at any time during the seasonal borrowing agreement when a return to market was felt to be timely. The impact of the moratorium decision of the Court of Appeals and the need to pay off the \$1.8 billion in notes – the \$1 billion of the judgment and the \$800 million which we must not forget when there are bankers present who hold those notes – requires a sooner timetable. In that timetable, I believe as a result of the meetings that have been held within the last week between financial institutions,

myself, the representative of the state in these negotiations, the Chairman of MAC, Mr. Rohatyn, those who invest for the Pension Funds, and those who represent the city, the mayor, there is a clear understanding that there are three requirements. One, that there be the utilization of some cash from the sale of Mitchell-Lama mortgages and a MAC-offering perhaps for partial payment of the note obligation. And ___ into fashion some sort of a city security that ___. I think it's common sense, and it's been said by the mayor, I believe, that that must have some sort of a monitoring system in it. A monitoring system is not a master. A monitoring system does not take away the right of governance of a people who ___ elected officials. But it would secure, through covenant, to be worked out in that bond, the kind of assurances that the bond will be amortized and the rate of interest secured and the interest payments secured. What shape that will take, I believe now, will be answered by the financial advisors or consultants – whoever they may be – from the financial sector who will be advising and counseling the city in terms of what kind of a piece of paper that will be. As for the state, what we would look for would be the recommendations of our state agency through Mr. Rohatyn and his board on MAC. Indeed, some of the monitoring system might well be incorporated in modification of the MAC legislation.

LEWIS YOUNG: Since you speak the same language that's now spoken in Washington, could you tell us what promises President Carter made to you for help for the city?

THE HONORABLE HUGH L. CAREY: You all are entitled to know that. He indicated that bankruptcy was not an acceptable alternative. And he indicated as well that in the short term

there would be an economic recovery program which would benefit all of our country, but he indicated, he stated as well he was very mindful, having met with the northeast governors of the special needs we have in the northeast part of the country. His announced plan on January 10 of the two-phase economic recovery system, a mix of jobs and tax relief followed by a secondary phase of the same nature but perhaps with some modification is the kind of expectation we were led that we could rely upon from President Carter.

ROBERT HAWKINS: I'd like to begin my comments by commending Premier Lévesque on a very informative and reassuring speech. And I would like to begin the questioning by ____ economic problem in Québec and its role in the _____. You emphasized the problem of unemployment and especially the distribution of unemployment in Québec. What is the level of unemployment in Québec? What is its nature? And in your view, did it play a role in the rise of your party?

THE HONORABLE RENÉ LÉVESQUE: Professor, just a brief comment on that word, reassuring. I would just like to stress that apart from the necessary changes language-wise, I think every single thing I said here was based on our program and based on the same, the same things we said during election and we've been saying since then to our own fellow citizens in Québec. A lot of talk we've had in Québec about unemployment because it's close to, somewhere around the 10% mark, is going to go in some districts to really tragic heights, and this is something we share with the Maritimes as a sort of tradition. What we intend to do is

starting right now, in fact we're doing it already, is to work as hard as we can in very strapped conditions to do what we can to change that. Because, you know, this has always been more or less a fixture in Canadian affairs and it has to do with the problem of Québec and Canada, including also the Maritimes, but it's their God-given right to react the way they feel like it. You see, it's not in the testament of Adam and Eve anywhere that unemployment in the east should always be somewhere sometimes, even periodically, close to twice what it is in the rest of Canada going west. Now this has to do also with policies and political institutions – and that's another question. In the immediate as a provincial government we're doing what we can. For instance, there is something like \$2.5 billion of public purchasing power. And I think people like you who, I think, invented something called the Buy American Act know that either officially or more discreetly all governments, especially in difficult situations, have to do something about using that public purchasing power. It's a big tool. I was instrumental in the Sixties in starting a sort of Buy Québec Act or policy at Hydro-Québec and it's still going and it's giving good results. We want to extend that by slices because it can't be done immediately to all possible job-creating, unemployment-fighting measures that can be taken out of that purchasing power which is there, in goods and services – anything that can be bought, created, and manufactured in Québec, or supplied. Budget-wise, and we're into that very deeply already, we're reassessing all our priorities and all our expenditures, even the most classical ones, with a real fixation on anything that can have some sort of solid job-creating potential, and anything else that can be supplied, is ideas we're open to. But we know it's a tragic, and not just a seasonal or occasional phenomenon. With the Maritime Provinces, Québec, the whole of eastern Canada has a sort of

tradition of over-unemployment compared to the rest of present-day Canada. And that is something that would require a long discussion but it's there and it's not a fatality.

ROBERT HAWKINS: Let me continue along that line, however. What rate of unemployment would you like to see as a result of the policies which you will implement? And secondly, how are these policies to be financed since presumably they will be somewhat costly and you have indeed indicated that you would hope to hold the line on public spending and avoid the problems that seem to plague some of us south of the border?

THE HONORABLE RENÉ LÉVESQUE: Well, we can't dream in color, that's for sure. You know if you say what rate of unemployment would you like? Anything close to zero is the obvious answer. But since we're not dreaming, we think something should be done at least to bring back as quickly as possible, and this I think is also an argument for independence and self-government. But anyway, as much as can be done in present circumstances to bring our unemployment rate down from that traditional height which is unconscionable compared to the rest of Canada, as close as possible to what is called the national average or as close as possible to what is called also, let's say the more prosperous parts of our country. And again that has nothing to do with any kind of fatality. It's the result of many policies and trends in many ways. And that can be corrected but not all at once.

LEWIS YOUNG: Governor Carey, you have laid out a very attractive program. How will you

get it through Speaker Steingut and the legislature? (Laughter)

THE HONORABLE HUGH L. CAREY: The implication is pure logic. (Laughter and Applause)

Very frankly, we've worked very hard to present an economic survey to the legislature before we presented the budget. The facts are very clear. And by the way, that economic survey and analysis is readily available, presented by me or someone far better qualified such as the Budget Director or others to present these facts that show that the trend has been leading us for 15 years into a system of expenditures that far exceeded our revenues and that supercharged this engine of formulas and mandates have been driving the expenditures forward without the enactment of any new measures – not on a selective basis. I think the facts are clear. The key to the question you asked, however, is who will abide the cuts? And how can they be assessed? We've taken on every constituency practically in the state – the voluntary institutions, the hospitals, the schools, those who aid the needy. And we have to show that if we continue in this direction, all the efforts that we're making will be such that we'll wind up doing less for everybody because we simply cannot afford to do everything for everybody. And what we are seeking is a stabilization. That's why in the school aid formula, for instance, we're asking them to stabilize at this year's cost and we will accept the cost of the increase caused by inflation in school aid so that no one has to sacrifice based upon present-day costs. In terms of the assessment of cuts we're making in Medicaid and social welfare, they too are aimed at a range of options that are given by no other state. So again the logical approach is can New York afford to do more than any other state when our expenditures, in terms of states and localities, are 83% above the national average. And if

you take away transfer payments, if you deduct transfer payments, we can no longer be called a wealthy state because subtracting transfer payments from our real wealth per capita in the state, we're right at the national average. Therefore, we cannot behave as a wealthy state because, as has been said, the old rich are becoming the new poor. This is the logic of our presentation.

(Applause) And if we want to hold business, and I have heard no one in the legislature on any side of the aisle or anywhere yet say that the big objective is jobs, and we have to have jobs in the private sector and we must hold business and attract business and give people opportunities. We can't do that until we become competitive. And this is the budget that breaks the trend and sets us back on the road to being a competitive state. That's the logic of our presentation.

(Applause)

LEWIS YOUNG: I just have one last easy question for you. This afternoon at a meeting to support Dr. Holloman, Percy Sutton, Congressman Badillo, and ex-Congresswoman Abzug attacked you and the Emergency Financial Control Board because of cuts in expenditures. One of the things that worries financial people is who is going to be the next mayor of New York? And will that person exert fiscal responsibility? Who would you like to see mayor of New York?

THE HONORABLE HUGH L. CAREY: Any competent person who wants that job excluding the first person singular. The answer is that because I sit as Chairman of the Emergency Financial Control Board, alongside the incumbent mayor and the incumbent comptroller, and have as observers such persons as Congressman Koch and Badillo and numerous others I might

mention, I'm in no position to be selective. I know what the future of the city needs. The city needs management of the kind that we now have in the city because of reforms that have been incorporated in the city's management. And we have to stay in that course and we have to get productivity from the public employment sector and whether it's Health and Hospitals, we have to get rid of beds simply that are in excess to our needs. That doesn't turn on who the director or the directorate of the Health and Hospitals Corporation is. It simply recognizes the fact that if there are empty beds, they will be filled. The reimbursement rate will go up and it will cost more money than the plan should have. That doesn't keep people healthy. Any doctor, including Dr. Kale who is sitting over here will tell you that the best way to keep a patient healthy and get a person restored to health is keep that person out of a hospital and keep him ambulatory. That's not the way the system has been working. So what we're seeking to do is to restore to the city a form of government in which leadership will make the tough decisions. That's going to require, that's going to require very strong leadership in this city. And I will do my utmost as the governor of the state to recognize good leadership whenever I see it. And I want to say that my only opportunity to grade the leadership in the city lately has been in the Control Board. And there the mayor has worked very well in terms of reduction of the number of employees in the city, incorporating reforms, and we know we have a long way to go. And I think that the future of the city indeed is not so much political, but economic. And whoever is the next mayor must recognize that, that if we are to have any future in this city there must be an economy in the city. And that economy has been deteriorating very quickly. (Applause)

ROBERT HAWKINS: Premier Lévesque, you are committed to a referendum on the issue of independence and presumably you would like to have a hand, if the referendum is favorable for independence, in the implementation of that independence. That might suggest a referendum sometime during the midrange of your term of five years. When do you anticipate a referendum on the issue of independence?

THE HONORABLE RENÉ LÉVESQUE: Well, some people who are not exactly enthusiastic about the perspective of independence for obvious reasons would like the referendum to be held tomorrow morning or even last night because in utmost confusion then the result would seem to them to be promising. I think that would also be defrauding people and basically very dishonest. We haven't spelled out any scenario for one reason – among others – that there are a lot of things to be put back in order in Québec after some rather, well, mediocre management and we intend to do that. We've started doing it. It doesn't mean delay for delay's sake. It means that first things come first. And the second thing is that we don't even have any kind of basic rules about how to hold national referendums. And you don't, you don't just improvise things like that. Britain had one about staying in or opting out of the Common Market a couple of years ago, two or three years ago. And I remember going through about 200 pages just about the debate on how to set up that referendum, including maybe 50 pages about how the question should be put, you know, because that's a very important thing. So we need that. We're already working on a basic legislation about referendums, how they should be organized equitably, how there should be equitable chance for the pro and the con and regulations about, you know, not being literally run

over by millions of dollars of propaganda money, not anymore than we tolerate in elections in Québec. All of that has to be spelled out. And along the way, a lot of information, pro and con, has to be given. And now that the initial tenseness after two months seems to be diminishing, maybe we can get into that democratic debate which is so vital for our people so that we get to a referendum in due time, but in good shape, and not in an improvised way which I think would be a gyp on all our people.

ROBERT HAWKINS: Prime Minister Trudeau has suggested that he would campaign actively and seriously against a vote for separation or independence. Presumably we would expect you to campaign in favor. How do you think the outcome will be?

THE HONORABLE RENÉ LÉVESQUE: Well, I don't doubt Mr. Trudeau's intentions any more than a staunch federalist whose God-given right it is to maintain as much as long as he can what we think are very obsolete institutions. We, sure, we intend with all our hearts to fight for the answer that we've been working for over the last nine years. I'm not a prophet but I think the trend – I indicated it in my short address a while ago – the trend in Québec, it's a bit like a writing on the wall and it's a very natural thing. The trend in Québec, if you look at what's going on, all polls will tell you that people between, in our society in Québec, people between 18 – that's voting age – and 40, and it's going up, are more and more massively in favor of what we propose. And it's also the most educated, the better trained part of our society. And, you know, the law of nature says that older people die off regularly, and younger people come of age. So

it's a bit like a writing on the wall, and it's normal. We are a national entity. And, you know, you're in a federal system and so are we, and sometimes there's a lot of confusion about that and I've heard some of that confusion or read it in some reports about what was going on in Québec. You know you've got to imagine something like that, that maybe a tier of states like California or Texas, and it could have happened, instead of having a common language and, you know, a sort of melting pot situation, it could have happened in history that you would have had one-third, that would be something like 80 million Americans, with state power in huge states, like let's say California or an enormous Texas and a southern tier, all Spanish, or massively Spanish-speaking with their state power. Do you think the United States would have the same kind of federal balance that you have now? Well, don't forget that Québec represents over a quarter of all of Canada's population and that quarter of Canada's population is massively French. And we're the only group in both Americas where British people, French people, Spanish people, Portuguese people came around the 17th century; we're the only group that hasn't attained full political autonomy yet. Well, we think the time has come. And I'm fully confident, and there's no hostility towards Canada, we feel for Canada, and we feel it will be healthier for both of us to get out of something which is an obsolete political contraption and breathe free air on both sides and become better partners and healthier than in a kind of straight jacket that makes us look sometimes a bit like old Churchill used to say, two scorpions in the same bottle. And I think, I'm confident we're going to break the bottle very peacefully and democratically.

ROBERT HAWKINS: One quick and last short question. In leaving a federation of which you

have been a member for many years, would you consider the likelihood that you would start a trend among the other provinces in Canada? Will the Maritime Provinces be next? British Columbia or others?

THE HONORABLE RENÉ LÉVESQUE: Well, that's the good old domino theory, that if one falls, the rest of them are going to just, you know. I don't believe that. I think, and I said we feel for Canada, and we feel a hell of a lot of kinship on account of tradition and a lot of close relations and intimate practice of each other for Canada. And knowing Canada as we do, we think there's enough staying power in Canada. In fact, in many ways Québec has been an 8-ball for Canada's development or rearrangement because there are many antiquated political or administrative habits or institutions in Canada that should be changed. For instance, it's one of the most over-governed, over-bureaucratized political or administrative setups in the Western world. Something like 22 million people with 11 so-called senior governments. You know that's a hell of a lot. And with a lot of crossed purposes, practically built into our administration all over the place. But we think it will be healthier in many ways once Québec opts out, as from the bottom of my heart I hope we do democratically, for Canada to rearrange things and to make a new start also. And I think in the interest of both sides, what we're proposing is really, I think, a good perspective for the future while going on the way we are will probably breed more bad blood, more tenseness, and eventually bring no results except probably slowing growth and more and more animosity. And we'd like to get out of that and I think it would be a hell of a lot better for Canada and for Québec.

CHAIRMAN JAMES W. DAVANT: Ladies and gentlemen, let me again thank our two speakers, Governor Carey and Premier Lévesque, and also our two questioners, Mr. Young and Professor Hawkins. To all of you, a very cordial goodnight. The meeting is adjourned.

(Applause)