

Oral Questions

● (1415)

ORAL QUESTION PERIOD*[English]***THE ECONOMY**

CONFERENCE BOARD OF CANADA ANALYSIS

Hon. Bill Jarvis (Perth): Madam Speaker, my question is for the Minister of Finance. We have available today the quarterly report of the Conference Board of Canada which includes a survey of economic forecasters who describe our current recession as "the longest and probably the most severe in the post-war period". Of course, the minister has available within his own department his own forecasters and analysts. Does the Department of Finance analysis lead the minister to agree with the report published today by the Conference Board of Canada that we are in fact in our deepest recession since the 1940s?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I have not examined the precise figures which were released this morning by the Conference Board. I just saw them as I came into the House. I have no complaints with their description that the economy is in a recession. The recession, or the downturn, is deeper than we expected. On that point I think their comments are justified. I am not in a position to confirm whether they are correct in saying that it is the worst since 1947. It is bad enough the way it is.

CONCERN OVER HIGH INTEREST RATES

Hon. Bill Jarvis (Perth): Madam Speaker, the minister might comment on one specific figure wherein the average forecast with respect to unemployment was 8½ per cent. I wonder if the minister's advisers agree with the accuracy of that forecast. The principal fear of the Conference Board is that a projected second half economic recovery might be cut short and we would be back into a recessionary period in 1983 because of increased credit demands and higher interest rates. Do the minister and the departmental advisers share that concern as a real possibility and, if so, would the minister say what policies are being considered to avert that very serious situation? I emphasize that question because it would seem that his November budget is now very badly out of date.

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the hon. member rightly draws attention to the prospects for recovery which most forecasters expect to take place later this year and the attendant fear that that recovery might be frustrated by a resurgence in interest rates. If the hon. member recalls when I spoke in New York in February, I drew attention to that very point and the danger that recovery might be thwarted by a resurgence of interest rates in the United States occasioned by

a very large deficit. I can only express the same sentiment which I expressed in New York, namely, that all partners of the United States are still living in expectation that the assurance given by the President at the Summit in Ottawa last August that interest rates would decline will be fulfilled. That is very largely dependent upon how the deficit is handled in the United States.

UNEMPLOYMENT AND INFLATION FORECASTS

Hon. Bill Jarvis (Perth): I would ask the minister again if he might comment on the average forecast of 8½ per cent unemployment and whether his analysis in his department shows that to be an accurate forecast.

As the minister knows, Madam Speaker, the Conference Board forecasters were a little bit more optimistic about inflation rates, just under the 11 per cent mark, particularly as a result of moderation in food and world energy prices. Frankly—and I look forward to the minister's comment—in a deep recession one would expect a sharper downturn in prices when very few consumers are able to buy except where absolutely necessary. Does the Conference Board inflation forecast closely correspond to that of the minister? Second, can he explain why there has been less moderation in prices and in inflation in Canada as compared to that in the United States during the current recession?

● (1420)

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the forecasts for 1982 established by the department are available in the budget papers, and they have not been revised since the budget. I do not have them at hand to refer to them—

Mr. Jarvis: Unemployment?

Mr. MacEachen: —but I believe the unemployment rate suggested by this collection of forecasters is 8.5 per cent on average for 1982. We have already exceeded that figure. In fact the last two rates were higher than that, so I do not believe their forecasts in any way overstate the gravity of the unemployment situation in Canada.

The hon. member has asked why, in my view, we have not succeeded in showing a better price performance in Canada than in the United States. I think there are two reasons, which are reflected in the Canadian cost of living index, which are not as pronounced in the United States. The first is rising energy costs. World prices were absorbed almost in one gulp in the United States. The second is that wage settlements in the United States currently are running at about four percentage points lower than in Canada. The American performance on the price and wage fronts is certainly better than Canada's at the present time.