

*The Budget—Mr. Chrétien*

**Mr. Knowles (Winnipeg North Centre):** Mr. Speaker, earlier today there was some discussion about this and it was understood that the hon. member for Nickel Belt (Mr. Rodriguez) was tied up in committee this afternoon and so would not be able to proceed with that bill. Perhaps there is another one.

If there is no other bill to take, this would be a good day for the House to take my bill to abolish the Senate.

**Mr. Speaker:** Do I understand then that the bill standing in the name of the hon. member for Nickel Belt will not proceed at this time and will stand?

**Some hon. Members:** Agreed.

**Mr. Baker (Grenville-Carleton):** Mr. Speaker, perhaps I could help the government out of a dilemma. There is a bill on the order paper in my name dealing with lobbyists. I think there may be some way of having us proceed with private members' bills. If we cannot do that, or if it is inconvenient to do that, I would think, since this is budget night and many members are preparing themselves for budget night, that it would not be inappropriate if we called it six o'clock.

**Mr. Speaker:** Is that agreed?

**Some hon. Members:** Agreed.

**Mr. Speaker:** Agreed and so ordered. It being six o'clock, I do now leave the chair until eight o'clock this evening.

At 4.59 p.m. the House took recess.

● (2002)

**AFTER RECESS**

The House resumed at 8 p.m.

**GOVERNMENT ORDERS**

[*Translation*]

**THE BUDGET**

FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

**Hon. Jean Chrétien (Minister of Finance)** moved:

That this House approves the budgetary policy of the government.

He said: Mr. Speaker, I welcome this opportunity to place before the House an assessment of the state of the Canadian economy and my proposals for improving our economic performance.

In recent weeks I have travelled to many parts of Canada. I have talked to many Canadians—my provincial colleagues,

[Mr. Speaker.]

businessmen, labour leaders, economists and laymen. Everywhere I have been told that my budget must be responsible, that it should create an atmosphere of stability and certainty in the country and that it should aim at lowering costs, including the costs of government.

[*English*]

The General Economic Situation and Outlook

Let me begin by reviewing our current economic situation. The economy in 1978 made much progress, although the results have fallen short of my earlier expectations.

It is true that employment has risen strongly. In October, 362,000 more Canadians had jobs than a year earlier. A larger proportion of Canadians is working now than ever before, but unemployment is still too high.

The increase in the gross national product in current dollars is likely to be close to the 11 per cent I forecast in the April budget. But prices have risen by more and output has gone up by less than was forecast at that time.

The prices of the things we produce are likely to be up about 6½ per cent. The growth in output should be close to 4 per cent. We had a slow first quarter when the United States economy was depressed by the coal strike. We have not been able to catch up fully since.

The consumer price index rose more sharply than had been expected. In September, it was 8.6 per cent higher than a year earlier. This renewed outburst of inflation was not the result of any acceleration in our own incomes or our own domestic costs. It was the result of higher food prices and the decline in the dollar.

This faster rise in the CPI reduced the growth rate of real income and real purchasing power of Canadians. The result was that consumer spending rose by less than had been expected, and this was the main reason for the shortfall in growth. Consumer spending has risen this year, in real terms, by 3½ per cent to 4 per cent. Employment is higher and personal income taxes have been cut. A special stimulus has been provided by the temporary reductions in provincial sales taxes, largely financed by my April budget. But higher prices of food and other imported consumer goods have weakened the impact of these expansionary forces.

Since the Bonn summit, several countries have taken measures to stimulate their economies. Growth is expected to be rather more rapid in 1979 than in 1978 outside of North America. But it will slow down in the United States. The outlook is for expansion in Canada at a greater rate than in the United States next year. But because our most important trading partner will be growing more slowly, it will be hard for us to reduce the slack in our economy. Moreover, our trade balance will not improve as rapidly as it should, given our improved competitive position, although it will be higher this year. In these circumstances, we must get better access to the markets of other countries, especially those which continue to run very large trade surpluses. The success of the Tokyo Round of trade negotiations remains critical to us. In our