

Canadian Economy

satisfactory at all. These are both troublesome problems in this country and they are twin problems of great concern to the government. They have to be dealt with simultaneously. In spite of the human problem in terms of the concern of men and women out of work in this country, I would insist that we will not have the growth necessary to provide new jobs if we do not get the problem of inflation under control.

To this extent, I agree with the United States Secretary of the Treasury who said to the members of the press at the National Press Club yesterday afternoon that the recession was brought on in the United States because of the effects of inflation on the economy of that country. We have to deal with both these problems at the same time if we are to get the type of growth we need in order to provide jobs for the young men and women of our country who are joining the labour force at the highest absolute, relative, rate in the world.

The first point I want to make in answer to the terms of the hon. gentleman's motion calling for a budget within two weeks is that there is already significant stimulus injected into the economy. Before the United States, Germany and other European countries moved we had already, on November 18, injected \$3 billion, in terms of a combined budgetary and non-budgetary deficit, into the Canadian economy. To put that in terms of United States figures, which are roughly 12 to 1, it is equivalent to a deficit of about \$35 billion or \$40 billion on total account. Because of stabilization factors built into the economy, because of lower prospective corporate revenues and because of rising unemployment, these stabilization figures have probably moved the cash deficit closer to \$4 billion than \$3 billion. The tax cuts provided in the November 18 budget, expanding the May 6 budget, are now already in effect for the 1974 and 1975 years in terms of payroll deductions. Fortunately, our cash balances are good and even with that amount of deficit I will not have to go to the market for amounts that would adversely affect our interest rates.

I want to draw to the attention of the House the difference between the position we face and the position recognized publicly yesterday by the United States Secretary of the Treasury. He will have to finance about \$80 billion to \$90 billion to cover the deficit in the 1975 calendar year in the U.S. economy, and the effect that may have on interest rates in the New York market toward the end of the year is something I will have to take into account in terms of our own debt management and management of our economy. The second point I want to make is that our economy, in 1974, experienced real growth of 3.7 per cent, against negative growth in the United States of 2.2 per cent. In other words, when we look at the respective stimuli we have to compare the respective stages of these two North American economies.

As I said to the House in answer to the Leader of the Opposition (Mr. Stanfield), or to the hon. member for York-Simcoe (Mr. Stevens)—I cannot recall whom—one ought to take into account the fact that for 1974 our gross national product grew at a real rate, inflation discounted, of 6.8 per cent and the 3.7 per cent in terms of real total growth or gross national product represents a drag on or a leakage in our economy because of falling exports. This is

[Mr. Turner (Ottawa-Carleton).]

what has happened to Canada's economy because of a flat, stagnant, recessionary economy in the United States which takes, as the hon. gentleman has said, 67 per cent of our trade. Our next biggest customer is Japan, which is also in a state of recession, as is the United Kingdom, our third largest customer. That is why I say that for 1975, although we can expect growth, and we are probably one of the few of the 24 industrialized nations who are members of OECD that will experience growth, in real terms, in 1975—

Mr. Stanfield: How much are you expecting?

Mr. Turner (Ottawa-Carleton): We have shaded off our growth figures from 4 per cent in the budget, and I will be coming up with some definitive figures when I have analysed the effect of our stimulus here and the effect of whatever package the United States puts together after the administration and the President are able to negotiate an economic package with the U.S. Congress.

It is because of the drag on our economy resulting from falling exports and the state of the economy of the United States and the economy of European countries, all of which is crucial to us, that this situation has developed. I want to analyse the first quarter figures in Canada to see how the stimulus is biting. I shall analyse the situation as it develops in the United States. Our economy has suffered, primarily, through 1974-75, not because of the falling off of our domestic economy but because of exports, now reinforced by lower housing and some diminishing in the consumer demand rate.

● (1600)

The third point I want to make to the hon. gentleman from Oshawa-Whitby who brought this motion to our attention is the fact that in any economy there are time lags between the presentation of a budget or the enactment of legislation and how it works its way through an economy. Traditionally, the economists underestimate the time lag, as do politicians and journalists. The budget presented on November 18 is already in effect for the 1975 and 1976 years. As I said on budget night, we hoped it might take by the third and fourth quarters of 1975 and particularly by 1976. I repeat again that \$3 billion to \$4 billion is already injected into the economy by way of a total deficit of budgetary and non-budgetary requirement.

The crucial question in trying to analyse how best to achieve growth without exacerbating inflation is, when is the economy going to turn up and, particularly, when will the United States economy turn up? The Secretary of the Treasury of the United States expects a substantial growth in the fourth quarter of this year. If that is so, and there should be a similar effect for the Canadian economy, that is just when the added stimulus recommended by the hon. gentleman would begin to bite and would compound whatever inflationary tendencies were still in the economy. Those are issues against which I must exercise judgment and reflection and I must have better correlation in respect of the facts than I now have.

The hon. gentleman said that unemployment is 6.8 per cent. He said this is the highest it has been since the depression. That does not happen to be true. In terms of absolute numbers, he recognizes that the labour force now