

*The Budget—Mr. Gilbert*

some time. When one reads that we have just finished our second year in which the gross national product grew by over nine per cent in terms of current dollars, that is, without taking into account increases in prices of goods and services, and that in each of the years 1964 and 1965 the gross national product, after the effect of price changes on the physical output of goods and services was removed, still rose 6 per cent, most Canadians would be pleased with the steady rate of growth of our economy.

• (12:10 p.m.)

With the increased growth in the economy the unemployment rate has been reduced from about 5½ per cent two years previously to 3½ per cent today. The unemployment figures indicate that today there are about 350,000 unemployed.

Along with this general increase in prosperity for Canadians price rises unfortunately began to accelerate. Two years ago the rate of inflation in price increases was 2 per cent a year. Last year it rose to 3 per cent and now it is 4 per cent. These increases have not been equal for all commodities, however, and the greatest increase was found in food prices which increased 6 per cent.

Wages, however, did not rise at dangerous rates in the past year. Average hourly wages in manufacturing rose just over 4 per cent. Had the productivity performance been better this would not have been inflationary at all. In the construction industry, however, there were definite wage cost pressures. For the past 12 month period available, November, 1964 to November, 1965, construction wages rose 10 per cent.

This, of course, is directly related to the present boom in the construction industry and the widespread shortage of many skilled tradesmen. The building boom has been created by the increase in residential building, particularly in the apartment field, and in business generally associated with the rapid growth in the economy in the past few years, but also by the centennial projects and Expo '67.

Looking back one can reasonably state that the economy is very healthy indeed but with the caution that price pressures and some bottlenecks are developing, particularly in the construction field. Unemployment has fallen sharply in Canada but it still has a long way to go to achieve the position of no unemployment.

[Mr. Gilbert.]

The question arises as to what is the outlook for 1966. According to the government's forecast in the Budget speech, real output of goods and services cannot be expected to rise by more than about 5 per cent this year compared with 6 per cent in the last two years. Its reason for the reduction is that most of the slack in the economy has been taken up and future increases in the economy can only come from new resources, both natural and human, being brought into productive use.

The obvious question arises: If there are still 350,000 people unemployed, how can it be said there is no slack in the economy? The quick answer is that the unemployed are now largely unskilled or have skills not presently in demand while the shortages are in skilled labour in other fields. This situation can to a large extent be blamed on the government not having taken effective action in the manpower field. The Economic Council of Canada in its first annual review suggested that with an average rate of growth of 5½ per cent in the economy and with price rises kept down to 2 per cent, unemployment in Canada should be able to be reduced to 3 per cent. However, in spite of growth higher than what was targeted for by the Economic Council, unemployment is not being reduced as much as it should be and the effects of high demand are higher prices rather than less unemployment at present. Unfortunately this situation cannot be changed overnight or by a single Budget. It can only be met by the government instituting effective manpower policies involving training and retraining, mobility assistance by grants rather than loans and effective placement and research services as suggested by the Economic Council.

In the meantime the object of the Budget is to nudge the economy down very slightly about 1 per cent of the gross national product. This Budget must be criticized not so much for its aggregate effect on the economy in the forthcoming year but rather for the make-up of the Budget from the point of view of (a) the fairness of its provisions, (b) the shaping of the country in the future and (c) its effects on productivity.

Some of my colleagues have dealt with various aspects of the Budget and have pressed for a prices review board, an adequate manpower program, full medicare and an immediate commencement of the Canada Development Corporation to take care of