

*Oral Questions*

tions are made by both employers and employees in this particular program. It is a matter of some concern to me and it is a matter that would probably best be studied by the advisory council which I propose to appoint under the legislation. However, I do not want to raise any false hopes by suggesting I am contemplating making that change now, because I am not.

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**THE CANADIAN ECONOMY****RATE OF REAL GROWTH**

**Mr. Sinclair Stevens (York-Simcoe):** Mr. Speaker, perhaps I can put to the Minister of Finance, now that he has joined us, the question I originally put to the Prime Minister. My question is based on the Statistics Canada figures which show that in the first quarter of this year, real growth in the economy was only 0.7 per cent or, on an annualized basis, 2.8 per cent. Does the minister still hold the view that he expressed no later than last Monday, that real growth for the entire year will be close to 5 per cent? If he does, how does he explain the fact that we will need real growth of 7.6 per cent for the balance of this year, the nine months which remain?

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, I do not think I have to change my prediction, because if we compare the Canadian figures with the American figures, Canada for the first quarter had a growth of 0.7 per cent while the Americans, who were predicting approximately the same figure, had a negative growth. They, however, were affected by the coal strike and it is understandable that this would have an effect on our performance. The United States prediction for the second quarter is very strong growth, and I think Canada has a good chance to perform just as well.

**Mr. Stevens:** Mr. Speaker, I know the minister is going to the United States to sign a contract; but we are talking about g.n.p. real growth figures in Canada. If the annualized rate of 2.8 per cent persists this year, it will mean 60,000 more people will be out of work in this country. My question to him is, when will he come to the point of accepting the reality that real growth is not developing in the country as he claims it is, and do something to help the unemployed?

**Mr. Chrétien:** Mr. Speaker, I said that even if we do not have a better performance in the next three quarters than in the last quarter, we will do relatively well compared to other nations because it is an increase over last year. I am not, however, abandoning the prediction I made of close to 5 per cent because, despite the difficulties of the first quarter, Canada had a growth of 0.7 per cent while the Americans, as I explained, had a negative growth. We did better than they did. The prediction for the United States is a growth rate, in 1978, of 4.5 per cent. I do not see why, if we performed better than they did in the first quarter, we will not do as well in the rest of the year.

[Mr. Cullen.]

**Mr. Stevens:** Mr. Speaker, a final supplementary to the minister. I would remind him that the 0.7 per cent real growth in the first quarter of this year is just half the real growth in the fourth quarter of last year; in other words, we are on a downward trend again. In view of that, would the minister indicate, as we are losing real growth, whether he anticipates that inflation will take up the slack and, over-all, whether the economy, as far as increase is concerned, will be roughly that which he initially anticipated?

**Mr. Chrétien:** Mr. Speaker, we are talking about an increase over the last quarter of 1977 and I have not yet had time to analyse the figures. I understand, for example, that one of the problems is a very sharp decline in inventory, which means that when consumer expenditures increase, producers have not increased their line of production and there is a limit to inventories. According to the figures published on employment, there is more growth in employment than in the g.n.p., which means that later they will have to start increasing their production to replace the inventories being depleted at this time.

• (1427)

**DECLINE IN BUSINESS INVESTMENT**

**Mr. John C. Crosbie (St. John's West):** Mr. Speaker, a supplementary question to the Minister of Finance. The same Statistics Canada figures released today show that in gross fixed capital formation investment in our economy there was a 2 per cent fall in volume, in real terms, and a further 1.9 per cent slide in business investment compared to the last quarter. That brings it 1.7 per cent below the level in the fourth quarter—not an increase but a decrease. This is the lowest level of capital formation for business in three years and the second consecutive quarterly decline. As the minister knows, without increased capital investment we cannot have increased growth and increased jobs. The minister and his predecessors, Mr. Macdonald and Mr. Turner, brought down many budgets.

**Mr. Speaker:** Order, please. Does the hon. member have a question?

**Mr. Crosbie:** In fact, they are the Three Stooges of Canadian finance. What is the minister going to do to reverse this decline in business investment in Canada over the last two quarters? What steps is he going to take? His budget has not been effective. What is he going to do now?

[Translation]

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, we introduced a budget only two months ago and we think that when stimulating demand as we did in the budget as well as in other economic sectors such as the development of tar sands or the incentives given to small businessmen, all the programs launched during the past two months will give some impetus to the Canadian economy which should reach the objectives expected for 1978, that is a growth of 4.5 and 5 per cent.