

manpower training and direct job creation programs are pointed specifically to this problem.

In 1978-79 a total of \$458 million will be spent for the Canada Works, Young Canada Works and other continuing job creation programs. Some of these programs, notably Young Canada Works, Summer Job Corps, Youth Apprenticeship and Job Experience Training are directed exclusively to young people. However, this does not represent our total effort in favour of young people. I must stress that the young also have complete access to our general programs such as Canada Works and the Canada Manpower Training Program where they represent roughly half of the clientele. I estimate our job creation effort for young people under these programs to be over \$225 million.

Further, an additional \$150 million is being provided for seasonal works projects with a high employment content in high unemployment areas. The new employment credit will directly stimulate private sector employment.

The stimulus will be especially strong for jobs which young people are most likely to fill. We are also making a manpower training investment of the order of \$500 million, about half of which is to be spent on youth.

Mr. Speaker, if I may summarize, we are going through a difficult period of adjustment, with some recent factors working against the pace of our recovery. Forecasts for 1978, including my own, have been shaded down. But the recovery is proceeding. Employment is rising. Confidence is improving, although not as quickly as I would like to see. The question now is whether the gradual recovery that has been established should be given an added push from policy. I have decided that it should.

The size of such a push must take into account the forces of expansion that are already in place. Much of the tax action I took last winter has not yet worked through the system. Moreover, the decline in the exchange rate over the past year, by improving the competitiveness of our exports and domestic industry, will have an impact of major dimensions—provided we do not waste it through cost increases. Very large resource projects lie ahead of us. So while further action is desirable, it must be responsible action, and action aimed at the right target.

#### The Action We Need Now

Any further stimulus should obviously be fast-acting. It should encourage consumer spending, not more spending by government. It should offset some of the temporary factors which are pushing up prices. This is particularly important now, on the eve of the start of decontrol.

A reduction of retail sales taxes fits these requirements best, and has the added advantage of benefitting all those who spend in Canada, even those who do not pay income tax. It will stimulate retail sales and therefore benefit, among others, the many small businessmen in this sector. The idea has been

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advocated widely by economists, business associations and others. Indeed, I made a proposal to the provinces last fall under which the federal government would compensate them for half of the cost of reducing retail sales taxes by two percentage points. Most provinces were unable to accept the proposal at that time in view of their fiscal positions, and I therefore proceeded with an income tax cut of up to \$100 per person for January and February of this year.

Tonight I want to announce that I have made a broader proposal to my provincial colleagues.

I have offered to compensate them for a reduction of two percentage points in their retail sales taxes for a period of six months. In return, I have asked them to bear the cost of either a further one percentage point for the same period, or an extension of the two-point cut for a further three-month period.

● (2042)

[English]

I recognize that the Atlantic Provinces are less able than the other provinces to bear this additional cost. I have therefore offered to compensate them for the full cost of three percentage points for six months.

To focus the tax cut on essential items, the reductions will not apply to amusements, tobacco products and alcoholic beverages for home consumption.

The federal compensation to the provinces will be made in the form of a temporary transfer of \$800 million in personal income taxes, with small balancing payments in cash where necessary. Equalization payments will be insulated from the impact of the retail sales tax and the personal income tax changes.

Alberta does not have a sales tax and therefore does not benefit in the same way as the other provinces. However, the fiscal position of Alberta is very strong as a result of its oil and gas revenues and this has permitted significant further cuts in other provincial taxes. The government of Alberta has raised no objection to our proceeding with the proposed arrangement.

Mr. Speaker, this measure can be an outstanding example of federal-provincial fiscal co-ordination and I want to express my deep appreciation of the co-operation I have received from my provincial colleagues. If all provinces accept the federal offer, this will mean a tax cut to the economy of about \$1.1 billion. About one-third would be paid for by the stronger provinces, about a third by federal deficit financing, and about a third by a cut in federal expenditures to which I will refer in a moment. The measure will boost real income by holding prices below the level which would otherwise be expected. The impact on the average price level should be about one per cent for the period the cut is in effect. This cut provides a specific incentive to consumers to take advantage of temporarily lower prices. Its impact will be reflected in an early stimulus to retail and wholesale business, a call on output from the production line, and a lowering of tax cost on business.