

*The Budget—Hon. Mr. Lambert*

ment loans and farm credit loans. All of them are predicated on this particular group of government obligations.

As I have said, since the end of January we have seen a climb-back of three-quarters of one per cent, which is a lot. It is a big movement. At the present time, I cannot see why there should be a reversal of that trend. After all we have seen, and this is a very uncomfortable indicator, one of the biggest banks in the United States and two other banks, not among the largest but still among the group of fairly big operations, increase their prime rate. It is going to take a little more pressure in the United States for a movement upwards of interest rates. We will then see a consequent movement here. Unfortunately, this is one of the factors that one must pause to look at. I had hoped the minister would have given us his observations in this field on the basis of the economic review he made the other night, rather than playing with figures in the field of consumer price indices.

The minister played around with figures on unemployment. The government plays around with figures and words; seasonally adjusted, not seasonally adjusted, downward trends, monthly aberrations. They do not mean a darn thing. It means that there are still over 600,000 people in this country who are not gainfully employed and are seeking work. This is an exceedingly high percentage. Let us take a look at some of the circumstances of these people who are unemployed. In 1970, unemployment recorded the highest sustained levels for any year in the last decade. This government has fought the inflation of 1968-69 and that fight has resulted in an unemployment rate in 1970 which was twice that recommended by the Economic Council of Canada as being permissible if the economy were operating at full potential.

The particular consequences of massive unemployment are that different regions of the economy carry disproportionately large amounts of the unemployment burden. The "traditional" have-not regions in Canada continue to suffer unemployment rates which are twice the national average. However, a more sinister trend has emerged. The provinces of Ontario and British Columbia, long the most prosperous and most affluent areas in Canada, are now suffering unemployment rates from which they had been relatively free since the depression decade of the 1930's.

The increase in Canadian output, corrected for price change, was only 3.3 per cent for the year 1970. In December, 1970, the Minister of Finance expressed optimism that both employment and output would move ahead strongly in 1971. He did the same thing the other night. The first quarter figures for 1971 show little reason for this optimism. An increase of only .6 per cent in gross national product for the first quarter of 1971 stood out in sharp contrast to the fourth quarter 1970 increases of 1.5 per cent, the figure on which the government based its optimism. How can the minister possibly justify his estimate of the other night that the gross national product would move up by 9 per cent this year? This is incredible and unbelievable.

[Mr. Lambert (Edmonton West).]

Canadian domestic output has shown very few signs of recovery. This morning the hon. member for Saint John-Lancaster (Mr. Bell) indicated that the indices of industrial output had actually declined according to the last figures published. If automobile industries are excluded from the aggregate calculations, real domestic product actually declined for the first quarter of 1971. The average rate of growth of domestic output for 1970 was 2.9 per cent, much lower than it should be if we are to keep up our position with our trading partners.

The strong sectors of the Canadian economy continue to be those most directly affected by overt government policy. The external sector continued to enjoy a surplus on current account. This surplus was in part due to a reduced rate of price increase, which has helped some exports, and in part, to a reduced rate of growth in imports resulting from reduced Canadian incomes. The construction industry showed some strength in the first quarter of 1971, but that was not difficult to do because there had been such fantastic doldrums in the industry for the 18 months prior to that. This only comes as a result of direct government intervention.

In 1970 Canada had the highest rate of unemployment of any country in the western world. In addition, our rate of growth was the second lowest in the western world. The government's monetary and fiscal policies have been the direct cause for Canada's current economic malaise. The government completely miscalculated the extent of the slow-down that they generated in 1969. This is coupled with a lagging and sluggish American economy, despite warnings from the Economic Council of Canada and because of a lock-in that the government had undertaken on foreign exchange reserves. This, coupled with a lagging and sluggish American economy not foreseen by the Minister of Finance (Mr. Benson) has made the present policies inappropriate for a sustained, vigorous return to high employment.

● (2:30 p.m.)

It is obvious from the last two budget addresses that the Minister of Finance has not understood the extent of the recession of 1969-70 and what that should imply for a recovery program. The minister fully intended to allow the Canadian economy to ride the coat-tails of a forecasted, but as yet unrealized, economic recovery in the United States. Because that failed in the United States, it failed here. Accordingly, the policies proposed by the minister have not worked.

The federal government, and only the federal government, claims to know best how to bring the economy out of recession. The budget of December of last year was a perfect example of this and frankly there is little here to suggest that the government has decided to act otherwise. As a result, the government has not attempted a partnership for recovery with the private sector and other levels of government. There has been no massive movement on an expansionary basis to get the economy really moving. The government has been content selectively to increase its own expenditures and hope that the United States economy and the presumed underlying strength of the