to strengthen the capacity of our economy to serve the needs of the Canadian people in the years ahead.

Budgets, however, need to be concerned not only with the economy as a whole. They must also be directed to improve the well-being of individual Canadians, especially those who find themselves in less fortunate circumstances. Over the years. we have made great progress in Canada in developing a social system to provide equitable and just treatment for all our citizens. We must make still more progress in the years ahead.

[*English*]

I turn now to a review of the economy. I propose to be brief since a comprehensive economic review has already been tabled for the information of members. There is a great deal of information in this document and I trust the members of the House will find it a useful reference document. This evening I propose to touch only on some highlights of our recent experience.

The Economy

The Canadian economy provided a substantially bigger increase in the goods, services and jobs available to Canadians in 1971 than it did in 1970. This improved performance owed a great deal to the expansionary policies of the government.

Personal incomes grew more rapidly in 1971 because of higher employment, higher wage rates and higher farm incomes. The cuts in personal taxes during the past year meant that the net incomes at the disposal of Canadians after allowance for taxes rose even more rapidly than their gross incomes. An increase in payments by government under various social assistance, cultural and educational programs contributed to this growth. The improvement in the financial position of our people permitted them to borrow more and to spend more. This they did. But while consuming considerably more, at the same time they increased their savings and reduced their debt relative to their incomes. Thus, in spite of greatly increased consumption, their financial position was significantly stronger at the end of the year than at the beginning. This means that consumers are likely to spend even more this year.

Housing starts in 1971 broke all records. CMHC concentrated on housing for low-income groups. Private financing of housing increased dramatically and provided a vigorous forward thrust in this sector of the economy.

[*Translation*]

Mr. Speaker, exports grew again in 1971 in spite of declining rates of growth in our major European and Asian markets and in spite of menacing developments in the international commercial environment during the second half of the year. The extraordinary growth of 1970 was not duplicated. That could hardly be expected, but the growth in exports of many commodities such as iron and steel, automobiles, oil and gas, lumber and wheat was particularly noteworthy.

Imports responded to the rising pace of activity in the Canadian economy and grew at a very fast clip. This speeding up was shown by a wide range of goods, including fuels and lubricants, industrial materials, and materials for home consumption. Imports of machinery and equipment remained sluggish in the first half of the year, but spurted ahead in the latter half.

This fast rise in imports resulted in the decline in our surplus on merchandise trade in 1971. At the same time, our traditional deficit in services continued its steady increase. Taking goods and services together we had a current account surplus in 1971 for the second year running but distinctly smaller than in 1970. With the United States there was a moderate increase in our current account dificit, which in 1971 amounted to over a third of a billion dollars.

Last year we saw a rise in productivity, but we also saw a considerable acceleration in the growth of employment. We saw, too, as the year progressed some considerable pick-up of inventory investment. The ratio of inventories to sales still remains low by previous standards, even allowing for the fact that new technology permits some economizing in inventories. The rise of demand had not yet progressed to the point, however, of inducing a major expansion of business fixed investment.

Although the number of new jobs created in 1971 was twice the number created in 1970, it was only in the latter part of the year that job creation outpaced the very rapid growth in the labour force. Since September the unemployment rate has been on a downward trend. It is still unacceptably high, and the first priority of this government is to bring about a further substantial reduction in unemployment.

[*English*]

Prices and incomes showed mixed trends last year. Labour income per employed person, for the second year in a row, grew at a lower rate than in the previous year. This rate was, however, still greater than the rate of increase of productivity and the cost of living combined. Profits increased from their depressed levels of the previous year. The consumer price index was dominated by the strong increase in food prices, which were held down in the earlier part of the year by a price war among food chains, but rose at rapid rates after that. Even apart from food prices, however, there was unmistakable evidence as the year drew to a close of a quickening pace of price advances.

The over-all fiscal policy of the government has continued to be expansionary. In this it has been supported by the monetary policy. This policy last year created credit conditions conducive to economic expansion and relief of upward pressures on the value of the Canadian dollar. There was a large expansion of the money supply. Interest rates, which varied somewhat over the course of the year, were on the average distinctly lower than during the previous year and lower at the end of the year than at the beginning. This year the fast expansion of the monetary aggregates has continued. Recently there has been some increase in interest rates both in Canada and the United States. On balance, the value of the Canadian dollar continues to be strong.

• (2020)

Summing up, the Canadian economy is expanding firmly and steadily. This in spite of the fact that as last year began, there was widespread uncertainty as to the future. This uncertainty was reinforced by the interna-