

Measures to Improve Economy

There will be others who will have something to say in this debate, and the deep concern that is felt on this side of the House about the level of unemployment will surely be made obvious to the government, to the front benches as well as to the back benches. We have an opportunity to correct the situation. I know that the Minister of Finance will wish to intervene in this debate. I hope that when he does he will not give us his platitudes and his excuses, but rather will make an announcement that the government intends to correct the terrible tragedy they have foisted on the Canadian people.

Hon. E. J. Benson (Minister of Finance): I have listened with great interest to the hon. member for Waterloo (Mr. Saltsman) and I heard him assert that the economy is wrecked. I think that many other countries in the world would like to have an economy that is wrecked the way the Canadian economy is wrecked. He brought forward a great many suggestions. I thought that in view of his motion he would bring forward new or unique suggestions on ways in which the problem of unemployment in Canada, which I admit is a very serious one, could be solved in the short run. He has not done this. He gave us the same old line that we should spend a lot more money and at the same time cut taxes, as well as aid old age pensioners. I do not particularly like his derogatory remarks with regard to old age pensions. If you take a look at the increase in the GIS that is taking place this month you will see that it is well worth while limiting the general old age pension in order to aid those who need it the most.

The hon. member spoke about a prices review board and said we should do something about controlling people's bargaining power where it is excessive. I would like to ask him how he proposes that we do this. He has indicated that we should not worry about our resource industries in Canada. With that I cannot agree. We have to worry about our manufacturing industries. We also need to worry about development of our resource industries, the basic industries in this country.

• (3:30 p.m.)

In the budget which I introduced in the House last December, I expressed my belief that the Canadian economy would continue to expand at an accelerating pace in the months ahead, as a result of the fiscal and monetary stimulus progressively injected into the system over the course of the last year. But at the very outset, I pointed out that there might be month to month fluctuations from the improving employment trend.

At the same time I warned that the road to recovery would not be an easy one, and promised the House that the government was prepared to adopt further measures without delay if they were required to ensure the healthy growth of the economy. As I pointed out in the budget speech:

In saying this I have in mind not only progress toward full employment but also continued satisfactory price performance. If we do not achieve the restraint of prices and costs that we must have we shall not shirk from action that may be required on that front.

[Mr. Saltsman.]

Since the budget was brought down six months ago, we have continued to maintain the closest possible watch on the course of economic developments. On the whole, these developments have been highly favourable, but as usual the picture is not without its trouble spots.

Over the past four months there has been a significant rise in the cost of consumer goods and services. Some acceleration in the rate of increase of the consumer price index during the early months of 1971 was to be expected. There is, for example, generally a seasonal increase in the price of food during this period. This increase has been compounded to some extent by the easing of the supermarket price war. While the index rose by .7 per cent in April alone this is, as DBS pointed out, about in line with the average increase for this month over the past five years. On a year to year basis, the increase in the consumer price index in April amounted to 1.9 per cent, the same as in March. During the first four months of this year the rate of increase in consumer goods and services, other than food, has continued to slow down, and after averaging around 3½ per cent during 1970 has been running recently at a rate of less than 3 per cent.

Nevertheless, the dangers of renewed inflationary pressures developing in an expanding economy continue to remain very real. These dangers are seriously enhanced by the fact that despite some marginal decline recently, wage and salary increases are still running at a level that is not justifiable either in terms of increased productivity or increases in the cost of living. As I have indicated before, Mr. Speaker, the government is also concerned about the adverse impact on the economy stemming from the continuing high exchange rate of the Canadian dollar. I was rather interested to hear the hon. member say that we can have inflation in this country and that it will all be taken care of by increases in the value of the Canadian dollar. Admitting this could well have an effect on secondary manufacturing industry, he implied that we should not worry. Well, Mr. Speaker, I do worry about this.

Mr. Benjamin: Look at the mess we are in from your worrying.

Mr. Benson: This increase in the value of the Canadian dollar serves to weaken the competitive position of a number of sectors, both at home and abroad. The current level of the exchange rate is a reflection of our continuing strong merchandizing trade position and the climate of uncertainty internationally about the position of the U.S. dollar. As hon. members will be aware, recently I again urged provincial governments and underwriters to restrict to the greatest extent possible the amount of borrowing they undertake abroad in order to minimize upward pressure on the exchange rate of the Canadian dollar from this quarter.

But the matter of the most immediate and pressing concern is the substantial rise in unemployment on a seasonally adjusted basis between March and April from 6 to 6.7 per cent. Let me acknowledge at once that this increase is both perplexing and worrisome. It is perplexing because it represents a major break in the downward