

*The Budget—Mr. Hamilton*

still and wait for two or three years, instead of courageously attacking the problem industry by industry, region by region. The minister allowed himself to be seduced by a false god, the cult of the gross national product. This doctrine, which is resurrected from time to time, is like the old fashioned mother who, when one of the children is sick, gives everybody in the family castor oil. The quarrel which one must have with the minister is that he has accepted from his advisers the blunderbuss which the Department of Finance steadily loads and hands to the minister whenever there might be what is described as a financial hunting season. Only this time, I wish that some friendly person had printed the words "cow" or "horse" on some of the animals that were shot by mistake.

There were three inflationary pressures in 1965, all of which I tried to outline carefully in my speech during the budget debate last year. It was obvious the money supply had been expanded too rapidly. Now, of course, the inevitable over-correction has followed. It was obvious last year that the plan envisaged was inadequate for certain key industries. It was also obvious that skilled manpower was in short supply in several of our large metropolitan areas. The so-called election budget of 1965 was not directed at any of these problems. As we raised the income tax the other evening, the minister remarked that the 1965 cuts had served their purpose. His budget proposals fell on industries where there is under-capacity, and fell on industries where there is over-capacity, in a blind disregard of existing economic factors in those industries.

It is obvious, for example, that the capacity of the iron and steel industry in this country must be increased. It is obvious that we must expand our capacity in petrochemicals, particularly fertilizers. It is obvious from measures already taken by this government, even before this budget, that something has to be done about the construction industry. It is suffering from under-capacity if it is to meet the demands placed on it by the economy. The minister's proposal, to dampen—that is using his word—the expansion of this industry is merely ensuring a continuing build-up of inflationary pressures for the next year or so. The minister has reduced the demand on the construction industry, quite correctly I believe, but he has failed to outline positive policies to increase the supply of skilled manpower which this industry requires.

[Mr. Hamilton.]

On this occasion, Mr. Speaker, I want to make three points about the budget for 1966. First, the minister has rejected the concept of a regionally balanced economic development. The Second Annual Review of the Economic Council places great emphasis on the "relative disparity at average levels of income, as they presently exist, among these regions". This report argues that to get full national output "there must be the fullest and most efficient use of human and material resources available in the regions".

Then, too, the minister has rejected the principle of selectivity in industries. During the period of Mr. Howe we had the rise of the aggregate theory. In essence, it was that if the gross national product had risen, everything was all right in the country, and in every part. This was particularly noticeable to us in the tight money period before 1957. There was a rapid expansion in the industrial area; but the tight money policies were applied to every segment of the economy. No wonder those on fixed incomes, the farmers, the fishermen, rejected that philosophy in the elections of 1957 and 1958. Now, the minister is repeating that same mistake, the castor oil treatment.

With the exception of this new forced loan proposal, the minister has rejected new approaches to meet the economic needs of Canada at this particular moment in our development. Before I suggest any new policies to meet this present need, I should like to discuss two points. These two points are regional and selective policies. According to the Economic Council, and I am referring to page 9 of the Second Annual Review, the total economy is still not working at full capacity. If I may quote just the figures for 1965, the actual output of Canada as a percentage of potential was put at 97 per cent in 1965. Six times in the last 20 years Canada has reached 100 per cent or better, and yet we have this castor oil treatment all across the country when we have not even reached our full potential of material and human resources.

• (4:40 p.m.)

However, this percentage, though it is a national one, does not tell the real story or the whole story. There are regions in Canada with tremendous amounts of unused capacity and with tremendous amounts of unused human resources. These are mentioned and may be examined in the 40-odd pages of the Second Annual Review, in Chapter 5.