

growth in the first quarter of this year compared to last year. The minister likes to pretend that somehow we are doing better than most other industrialized nations. That is not accurate. In 1972, based on the OCED annual report of per capita gross national income, we were listed as second in the world, second only to the United States among major nations. Today we are number six, behind Switzerland, the United States, Sweden, Germany and Denmark, in that order.

In his budget Monday night the minister did not even dare to predict our real growth for this year. With inflation and no real growth, it is only natural that unemployment is rising. I would point out that in January, 1972, the seasonally adjusted unemployment level was 539,000 people. By January this year it was 660,000, and in May 715,000, almost 200,000 extra people out of work compared to when the minister gained power. The budget before us proposes that this figure rise even higher to something over 800,000 people. As the minister bobs like a cork on the economic oceans, he clearly intends to ride out his remaining months in office on the backs of the unemployed and those who will become unemployed.

In their June 24 comment on this budget, Wood-Gundy, perhaps the largest investment house in the country, stated under the heading "labour", and I quote "Watch the strike scene, it could be bad."

Export trade for Canada is vital. A balanced trade position is essential. In 1971 we had a current trade surplus of \$306 million, but by 1974 this had been reduced to a deficit of \$1.9 billion. Only last April the Minister of Industry, Trade and Commerce (Mr. Gillespie) projected that this year we will have a deficit of \$4 billion to \$5 billion.

While the Minister of Finance has mouthed many utterances concerning our falling productivity, he has done little in this budget to improve Canadian productivity and to ensure that our trade once more becomes balanced. The minister suggests a 5 per cent investment credit for business. This is to encourage certain businessmen to acquire further factory space and machinery. Two hundred million is to be devoted in this incentive, but is this the right priority for these funds? We believe steps have got to be taken, and other hon. members in this caucus will be dealing with this matter, to make Canadian industry more competitive, but we would like the minister to demonstrate his 5 per cent investment credit is the most effective way, bearing in mind there is a glut of industrial space in most of the larger urban centres at the present time.

Partly as a by-product of our unfortunate trade imbalance, we have high interest rates and in particular high mortgage interest rates. In January, 1972, mortgage interest rates were 9 per cent, and that was considered high. Today they are 11¾ per cent. Such rates make it virtually impossible for tens of thousands of would-be home-owners to purchase a home. The Liberal government may agree with certain economists that such people should be driven into apartment buildings. We do not so believe, and to this end I will be suggesting a specific program for the lowering of effective interest rates on mortgages.

Speaking of housing, in 1971 there were 234,000 housing starts in this country. Last year the number fell to 222,000, and this year the Minister of Finance will not even predict the likely figure. Instead we witnessed Monday night one

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of the cruelest put-downs for any minister in any Cabinet in this House. I refer to the sad lot of our Minister of State for Urban Affairs (Mr. Danson). Faced with one of the weakest sectors in our economy, the minister has been given few tools to relieve the situation.

With our high interest policy, the government has in effect asked the homeowners and apartment dwellers to bear the brunt of an economy running adversely out of control. With this background, Mr. Speaker, of high inflation, negative real growth, high unemployment, a 4 billion dollar trade deficit, high interest rates, and low housing starts, it would be wise for each member of this House to review carefully this budget now before us. We have a Minister of Finance who does not know what he has been doing.

● (1520)

The minister blames international conditions—and in that category I take it he includes the weather—for his lack of perspective, for his lack of success. I challenge him on this point. I challenge him to show any industrialized nation which is an exporter of petroleum, which has the resources we have, and show me such a nation which is doing worse than we have been doing during his 40 months as Minister of Finance.

While most people agree that there has been little economic leadership in this country from the government, I think we should also be curious as to why the government has shown such lack of direction or leadership in the international field. If members of the government are so disturbed with what they call the effects of international conditions on our economy, why were they not heard speaking out in international councils asking that the forces which caused the inflation they have complained about, that the forces which in turn have caused the recession they complain about in the United States and other countries, be reversed so that we may have a healthier international monetary and fiscal position for the nations of the world? Why do they not demand and, in fact, set by example a precedent of sound money and fiscal policies for all nations?

After reading the four previous budgets the minister has brought down, I think members will agree that though he has consistently spoken of restraint, and of cutting down expenditures, he has consistently inflated our money system. Mr. Speaker, inflation is a political problem. Inflation can be solved politically.

Some hon. Members: Hear, hear!

Mr. Stevens: It is not being solved by the present government. How can the minister, in all sincerity, talk in terms of hopefully restraining inflation when he has allowed the monetary growth in this country to increase by 46 per cent during the 40 months in which he has been in office—a 46 per cent growth in the basic money supply of the nation compared to a growth in our real product of 16 per cent? Those are the facts. Is it any wonder that during the same period we have experienced 32 per cent inflation?

I suggest there is a fundamental weakness in this budget presentation. The minister has obviously based his forecasts for government revenues and expenditures on