

Income Tax Act

not only had the fastest pace of economic expansion of any major industrial nation, but also the largest percentage increase in employment and the greatest decline in the rate of inflation. The recovery in Canada is the strongest of any business cycles since the 1974-75 upswing.

Let us look at some of the other indicators backing up this strong GNP performance. The annual rise in the Consumer Price Index has shrunk to 4.9 per cent, an inflation level which few people were predicting a year ago. The gap between the inflation rates of Canada and the United States has now risen from about five percentage points a year ago to about two points at the present time. The current inflation rate is the lowest Canada has known since 1972. Wage settlements on a non-COLA basis have declined to 5.9 per cent. Mortgage interest rates are the lowest in more than 2.5 years. We had a merchandise trade surplus of \$14.5 billion for the first ten months of this year. This has fallen slightly below last year's record pace only because of a pick-up of imports reflecting the economic recovery. Finally, some 370,000 new jobs were created in the 12 months since the start of the recovery in November, 1982.

● (1120)

The Government's policies in this new session will reflect our concern for continuing this growth in employment. An essential part of that concern must involve a continued effort to restrain price inflation. Our recent history shows clearly the benefits of lower inflation in the form of greater business and consumer confidence, more investment, more buying power, more jobs.

During the recent economic recession, the great barrier in the way of recovery and job creation was the pervasive fear of high and accelerating inflation. Those fears translated into a slump in business investment and a reluctance to expand payrolls. The renewed confidence growing from our success in fighting inflation is now translating directly into consumer spending, new investment and increased competitiveness. All of these mean new jobs.

A survey of 17 economic forecasts recently published by the Conference Board of Canada show there is a widely shared optimism about prospects for a continued health recovery. The average of the 17 forecasts is for a real economic growth that will strengthen from 3 per cent this year to 4.6 per cent next year. This reflects an upward revision in the expectations of these economists since the previous Conference Board survey.

Canada's economic comeback is being recognized internationally as well. The British magazine *Euromoney* recently rated 93 different nations from the standpoint of economic growth, inflation, currency strength, exports and the balance of payments in the last year. The winner of 93 countries was Canada. We were tops in the world in that regard.

Our situation was well summarized in a recent speech by the President of the Investment Dealers' Association of Canada, Mr. Andrew Kniewasser. He said and I quote:

I can recall no period in my lifetime when the Toronto Stock Exchange composite index increased 90 per cent in 13 months, when interest rates declined

by 60 per cent in 19 months, when the rate of increase in the cost of living declined by 60 per cent in 19 months, when there was a swing or a turnaround in the real rate of Gross National Product by 7 per cent in nine months and I do not think there has ever been a period in Canadian history when we were capable of generating 370,000 new jobs during the first nine months of a recovery.

Mr. Kristiansen: He sounds like a Minister.

Mr. Lalonde: I hear the Hon. Member saying this gentleman sounds like a Minister. I am glad to tell my hon. friend that this is a statement by an outstanding leader of the Canadian business community, and a very independent one at that.

The first stage of the recovery in Canada saw a restoration of the balance sheet position of Canadian business working off some of the debt burdens created in recent years. The tax policies of the April Budget assisted in this process. Recently we have had welcome reports of the increase in utilization of plant capacity in our manufacturing industry. Canadian business is now in a stronger position to undertake the new investment that will be needed to create new jobs and improve our competitive position. The measures in this Bill provide important new incentives to support that investment.

This Bill has three major elements: first, the changes to the income tax proposed in the April Budget; second, the indexed security investment plan; third, the proposals for changes to the tax incentives for research and development as outlined in the consultative document dated April 19. Finally, this Bill implements a number of technical amendments to the Income Tax Act as announced on April 5.

● (1125)

This is an important tax Bill. It contains special incentives to encourage investment in Canadian business and thereby speed recovery and increase employment. The Bill also contains measures of importance for individual taxpayers. The enrichment of the employment expense deduction by increasing it from 3 per cent to 20 per cent of employment income with a maximum deduction of \$500 will benefit about four million taxpayers with annual incomes of less than \$16,667.

The maximum deduction for child care expenses will be doubled, which will be of great assistance particularly to working mothers. Many of these measures are applicable to the 1983 tax year.

[Translation]

Mr. Speaker, all the measures contained in this Bill have been the subject of broad consultations with the public. In August, the Budget measures announced last April were published in the form of a draft Bill, together with technical explanations, in order to help taxpayers and their advisers to examine and analyze the proposed changes and to make representations.

In the course of this process, a number of useful proposals for improving the legislation were made and are now included in the Bill. Furthermore, the Standing Committee on Finance, Trade and Economic Affairs received and examined briefs on