

HOUSE OF COMMONS

Tuesday, September 29, 1964

The house met at 2.30 p.m.

THE CANADIAN ECONOMY

RECONCILIATION OF STATISTICS WITH STATEMENT BY MINISTER

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): I should like to direct a question to the Minister of Finance and ask him how he reconciles the rosy picture of the economy which he gave a week ago yesterday with the latest figures issued by the bureau of statistics. These show that the total output of the Canadian economy for the second quarter of this year practically stood still; that capital formation was $7\frac{1}{2}$ per cent less than in the first quarter; new residential construction, spending on new machinery and equipment have gone down; prices have gone up one half of one per cent, with an increase of 2 per cent on retail construction and more than 2 per cent on machinery. In this connection I might also refer to the balance of payments, which in the first six months shows that the deficit has increased over the same period last year by 14 per cent. Would the minister, with the usual alacrity that he displays, explain how he reconciles his picture with the actual facts?

Hon. Walter L. Gordon (Minister of Finance): Mr. Speaker, it would give me great pleasure to reconcile the statements and explain them to my right hon. friend. Understandably, I have seen the release by the dominion bureau of statistics to which my right hon. friend refers. I think I explained a week ago Monday—I am sorry I did not make it clearer—that the tremendous growth in output in the first quarter, while it would be maintained in the second quarter would probably not show much of an increase over the phenomenal figures of the first quarter.

But perhaps the easiest way of clearing this up—and I am sure there has been some misunderstanding in the mind of my right hon. friend—is to point out that the gross national product in the first quarter of 1964

at market prices was 8.1 per cent higher than in the corresponding quarter a year earlier.

Some hon. Members: Hear, hear.

Mr. Gordon: The gross national product at market prices in the second quarter of 1964 was 8.2 per cent higher than in the corresponding quarter a year earlier. It is quite true that in the second quarter the increase over the first quarter of 1964—dealing with 1964 only—was only slightly higher than in the first quarter; and that is understandable because, as all hon. members know, no one expected the phenomenal growth of the first quarter to be exceeded substantially in the second quarter. This was predicted and expected. If we are dealing with one quarter of one year as compared with one quarter of another, it is safe to say that the rate of growth in 1964 has been maintained through the second quarter.

On the point about the balance of payments, current account, I think my right hon. friend quoted the figures for the first six months. If he would refer to the quarterly figures he would see that there was an improvement in the second quarter as compared with the first quarter, in fact quite a marked improvement. Therefore I think I am in a position to reassure my right hon. friend that the economy is doing fine.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: Mr. Speaker, the decibels of applause from the government side of the house of course do not give an answer to the question. Would the hon. gentleman say why new residential construction dropped 25 per cent in the second quarter, why housing starts were down 26 per cent and completions were down 31 per cent?

Mr. Gordon: Mr. Speaker, we all know that it was the policy of this government to try to shift some of the employment opportunities in housing from the summer months to the winter months, and this has been remarkably successful. The success of this policy is reflected in the very great improvement in the employment statistics during the winter of last year. If you shift business and housing activities from one quarter to another as was done, then understandably in the second quarter there must be some reduction.