If, according to the former minister of manpower when he introduced the major revision of 1971, the whole system was on trial, and if the rate of 4 per cent to 5 per cent in the period before 1971 was on trial, then obviously the rates we have had since then, and this year's rate of 7 per cent, have settled the trial. The system has been judged, and found guilty.

What about the future? What is likely to happen in the coming year? I know the minister would consider any prediction I might use as partisan, so I shall refer the minister and hon. members to a very good analysis which appeared in the business section of the *Globe and Mail* for November 25, 1975, entitled, "Unemployment Could Become Canada's No. 1 Problem". This article is written by Arthur Donner and Fred Lazar who write regularly for the *Globe and Mail*. Let me put on the record some of the things these two, quite well-known economists have to say about the coming year:

During the third quarter of this year, Canada's seasonally adjusted unemployment rate averaged 7.2 per cent, the highest rate of unemployment since the second quarter of 1961. The sharp rise in the rate from the 4.9 per cent level in June, 1974 to the 7.2 per cent level in October of this year has been the direct result of the North American economic slowdown.

I hope hon. members will note "North American economic slowdown". They go on to say:

During the past year, jobs have not been created fast enough to keep pace with the growth of the labor force. Despite the popular rhetoric, the unemployment insurance scheme and the various provincial and federal social assistance programs have played no role in contributing to the dramatic increase in the rate.

To digress for a moment, what they are saying is that the minister's Manpower training program, the flexibility in the Manpower offices, all the assistance programs under the Canada Assistance Plan, the programs under the Department of Indian Affairs and Northern Development and under the Department of the Secretary of State, do not have any real effect in combating this serious increase in the rate of unemployment. They say, further:

Though it is quite clear that inflation is at present Canada's No. 1 political and economic problem, it is also clear to us that the combined effects of income controls, deliberately tighter monetary and fiscal policies, and the extremely low utilization rates in U.S. industry, provide little optimism for expecting any improvement in our unemployment picture. Indeed, if the labor force growth rate does not moderate significantly during the next two years, Canada's unemployment rate may rise to its highest level since the depression.

They go on to make estimates, some of which I should like to put on the record. They say later in the same article:

—it is quite likely that the unemployment rate will rise further as the industrial recovery gains momentum in 1976. This tendency for unemployment to lag behind the industrial recovery is common during the early stages of an economic recovery. Moreover, as a result of the new uncertainties, the private sector will prove more cautious in expanding its work force than during similar cyclical periods in the past. In addition, the recently announced slowdowns in new jobs in the federal public service will exacerbate the pressures on unemployment.

Let us keep that in mind tonight when we get the statement on how government expenditures are to be cut. The cut in government expenditures will probably add another 1 per cent to the unemployment rate in Canada. Then they go on to give three possible forecasts. I will put only one on the record. They say:

The most likely scenario envisages a moderation in the growth rate of the labour force to 2.5 per cent, and an acceleration in productivity growth to 3.2 per cent, and a further rise in the unemployment rate to an average of 7.7 per cent in 1976. In the absence of controls and the accompanying fiscal measures, the real growth of the economy would have been high enough to prevent the unemployment rate from rising above the 1975 level in this scenario.

In other words, what these two, quite well-known economists are saying is that we will have an increase of at least another half per cent in our unemployment. What does that mean in terms of this bill? Faced with an insoluble dilemma created by their mishandling of the economy in recent years, the Liberals have decided to let the ordinary working people of this country pay for the government's mistakes. The government has been incapable of keeping unemployment down to a reasonable level: indeed, it has gone up. This means big pay-outs from the unemployment insurance fund. Total UIC benefits paid jumped from just under $700 million in 1970 to just under $900 million in 1971, to in the neighbourhood of $2 billion in each of the last three years. In 1975 it is expected to be about $3.75 billion.

With an expected rate of unemployment, for 1976, of in the neighbourhood of 7.6 per cent, the pay-outs will easily go over $4 billion and could approach $5 billion. Under the existing legislation, using the 4 per cent benchmark which the former minister of manpower used and which he was so proud would not go any higher—indeed, he said the objective of the Liberal government would be to reduce that 4 per cent—$2 billion of the 1975 pay-out comes from employer and employee contributions and $1.75 billion comes from the government. If the 1976 pay-out approaches $5 billion, the government's contribution will just about double since it has committed itself to absorb all the extra costs of unemployment beyond the 4 per cent level.

At the same time, the government is faced with the problem of inflation. The Prime Minister (Mr. Trudeau) stated that we must deal with this problem. It is the same problem the government supposedly wrestled to the ground in 1969-70, which had the effect of creating a much larger number of unemployed people. Now we are promised more of the same. What will happen? The Prime Minister's friends in the business world have told him that inflation is the most important problem facing this country and that the only way to cure it is to have large lay-offs of workers so that they will not be tempted to ask for raises. "Put the fear of the Lord into the workers," says the business community.

Of course, the government, remembering what happened in 1972, is afraid to do that. Therefore, it figured out another solution: to put a heavy tax on reduced consumer demand—not to do it directly, but to do it in the form of a disguised tax by shifting some of the cost of unemployment insurance on to the backs of working people. That is precisely what changing the 4 per cent threshold in the way in which the minister is proposing will do. As usual, it is the ordinary working man, particularly the working man and working woman in the lower income bracket, who will have to pay for the government's mistake.

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Under the act, the government has agreed to pay all the extra costs of unemployment insurance when the unemployment rate goes over 4 per cent. This means that the combined employer-employee contributions must pay for