comes from good fortune. Much of it comes from the enterprise of Canadian business and the efforts of working men and women in this country. But a good deal is due to the sound economic management and budgetary policies of this government.

It is also a source of satisfaction to me that employment in the Atlantic provinces and in Quebec increased more rapidly in 1973 than in the country as a whole. The reduction of regional disparities—or better put, the growing equality of economic opportunity—has been a high priority of this government. The policies pursued by my colleague, the Minister of Regional Economic Expansion (Mr. Jamieson) are bearing fruit. But we have always recognized that an essential condition for satisfactory growth in the less prosperous parts of this federation is sustained growth in the economy as a whole.

● (2020)

The growth of Canadian output and employment in the early months of 1974 has contrasted sharply with the experience of the United States. In that country, unfortunately, real output dropped at an annual rate of almost 6 per cent in the first quarter. On the other hand, in Canada the production of goods and services rose strongly in the first quarter by at least 8 per cent in annual terms over the fourth quarter of last year. This was accompanied by new job creation in the same period at 7 per cent. We are now at the limits of our physical capacity in many industries. Many products, including such critical industrial items as steel, construction materials, agricultural implements, machinery and chemicals, are in short supply.

Despite the record growth of our labour force, the rate of unemployment has been brought down to 5½ per cent. I know that this is higher than at times in the past when the economy was operating at peak levels. It is certainly at a higher level than I would like to see. The fact remains, however, that the labour market is generally tight across the country, with many jobs remaining unfilled for lack of qualified workers.

Looking to the future, Mr. Speaker, I forecast that real output in 1974 will be 5 per cent higher than in 1973, assuming always that we are not plagued by serious strikes and adverse weather at home, or crises abroad. Given the fact that there is no significant amount of slack to take up, this is about as much as we are physically able to do this year. The most dynamic element of demand is now business investment. The recent survey of investment intentions indicated that business is planning to raise capital investment this year by 19 per cent, manufacturing investment by 28 per cent. These increases are on top of the substantial gains of last year. New capacity is already coming on stream to relieve shortages and to create new jobs, and this will gain momentum as the year goes on.

Consumers will be stepping up the volume of their buying as fast as the economy expands. Net farm income, which rose by 89 per cent last year, is headed for another buoyant year. Exports will grow less rapidly this year because of the international oil crisis and the slowdown in world growth. Housing starts reached a record level of 269,000 last year, well in excess of the rate of family formation. So far this year, starts are running at still higher levels but this rate may prove unsustainable in the face of the shortage of supply of labour, materials and especially of serviced land.

[Mr. Turner (Ottawa-Carleton).]

I expect that on top of the massive increase of 430,000 jobs in 1973, we will have a further increase in 1974 in excess of 300,000.

[*Translation*]

The Issue of Inflation

I turn now to the issue of inflation. We all know the harsh facts. The consumer price index rose by 7.6 per cent in 1973 and by 10.4 per cent in the 12 months ending March, 1974.

I have stressed that the inflation is world-wide in origin with the major source of upward pressure being the explosive upsurge of prices of agricultural and industrial commodities in international markets, as a result of rising demands and limited supplies. Since mid-1972, international commodity prices have doubled. The increase in the price of oil, which quadrupled, is only the most spectacular example of the general problem. Other commodities which have more than doubled in price during the past two years include wheat, barley, corn, soybeans, coffee, cocoa, sugar, hogs, rubber, tin, copper, zinc and lead. Only recently have they shown any tendency to peak or turn down. All countries have been affected, most to a greater extent than Canada because they have been less able to protect themselves against the rise in oil prices. According to the latest figures available to me, in the 12-month period ending February, the cost of living rose by 12 per cent in the OECD countries as a whole. It was up by 26 per cent in Japan, 13 per cent in Australia, Italy and the United Kingdom, 11½ per cent in France and 10 per cent in the United States. For Canada the comparable figure was 9.6 per cent.

In our fight against inflation. I have rejected two possible approaches. One is the deflation of demand by severe measures of fiscal and monetary restraint. The effect of this would be stagnation and rising unemployment. In my judgment, such a cure would be worse than the disease.

[*English*]

The second approach, urged upon us by the official Opposition, is to impose a general system of price and wage controls. This would be totally ineffective in overcoming the kind of inflationary problem we have been and are still facing. What we need, still, is not controls but an increase in supply. The United States, Britain and other countries have found to their frustration that controls disrupt supply. In these countries the enthusiasm of even the strongest supporters of controls has been cooled by the hard realities of their recent experience. I am not saying that general controls over prices and incomes would be a cure worse than the disease. I am saying that in the present circumstances where the prime causes of inflation are shortages of supply, controls are no cure at all.

A variant of the general controls advocated by opposition members is selective controls reinforced by a two-price system for those internationally-traded commodities of which Canada is an important producer. This approach would have us control the prices for these commodities in Canada while leaving their export prices free to rise to world levels. Quite clearly, such a system would lead quickly to the drying up of supplies in Canada unless