

Canadian to spend or save, the real increase, that is to say the amount available after taxes and after discounting the rate of inflation, was up by 6.7 per cent in the second quarter as compared with 1972, and over the whole of the first six months it was up by 6.2 per cent.

Mr. Forrestall: The land is strong!

Mr. Turner (Ottawa-Carleton): This very substantial increase is the result of a combination of factors: the significant reduction in personal income tax for which provision was made in the budget of last February, the large increase in the number of Canadians with well-paying jobs, and the growth of national productivity.

I recognize, of course, that not all Canadians have shared equally in this growth of national income. The measures before the House are aimed in particular at helping those who have not done as well because of the adverse impact of inflation. As I have said, one of the principal objects of the budget brought down in February was to help those who are not able to help themselves, either because they have left the work force, or because they are on welfare, or because they suffer from a disability over which they have no control, or for other reasons. It has consistently been the purpose of the government to minimize the effect of inflation in the lower and fixed income groups, those who are least able to defend themselves against the erosion of their purchasing power.

Some hon. Members: Hear, hear!

Mr. Turner (Ottawa-Carleton): However, in considering the economic situation generally, I believe I am entitled to put certain facts before the House for the consideration of hon. members, since it is critically important to understand and appreciate that despite the erosion of incomes, a process which particularly hurts those on lower and fixed incomes, the great majority of Canadians have experienced a further substantial improvement in their real standard of living over the past year. And this, as I say, despite the increase in the cost of goods and services.

Mr. Diefenbaker: Where have you been?

Mr. Turner (Ottawa-Carleton): It just happens to be the case.

[Translation]

During the second quarter of the year, the amount allotted by the Canadian people to the purchase of consumer goods and services exceeded by almost 14 per cent that of last year, for the same period, which, in view of rising prices, is still a real increase of 8.6 per cent.

Despite the strong increase in consumer expenditures, Canadians managed to save at an almost record rate of 8½ per cent on their available incomes after taxes.

Let us consider now, Mr. Speaker, our country's foreign trade. The strong growth of domestic demand for domestic products was more than equalled by an increase in the demand for Canadian products abroad, while our exports value has shown during the seven first months of 1973 an extraordinary growth of 25 per cent as compared with last year's figures for the same period.

Cost of Living

The increase in our exports of goods and services, combined with the decrease in our imports enabled us to improve considerably our balance of payment position for which the deficit, on an annual seasonally adjusted basis, decreased from \$1,400 million for the first quarter of this year to \$412 million for the second quarter.

Let us consider now, Mr. Speaker, investments and housing. The strong increase in domestic production in order to meet the demand in Canada and abroad has brought along a considerable growth of investments to enable a further development of our production capacity and to meet social needs of the Canadian people.

The last semi-annual survey forecasts an overall increase in private and public investments of 13 per cent during 1973, that is more than the 9 per cent expected according to investments forecasts at the beginning of the year.

It is expected that business investments, except for housing, will increase by 19 per cent, which means an increase of 5 per cent over previous forecast.

A particularly significant fact is the increasing trend, from 9 to 19 per cent, of capital expenditures foreseen by Canadian manufacturers; this increase certainly reflects the reaction of manufacturing industry to the recently passed legislation on corporate taxes in order to strengthen their competitive position.

There is every evidence that housing starts in 1973 will reach a new record for the third consecutive year. During the second quarter residential construction has progressed in value at the exceptional rate of 19.3 per cent. Housing starts which totalled 284,000, in annual figures, at the second quarter, have increased to 304,000 in July.

● (1540)

[English]

Let me now turn, Mr. Speaker, to consider more directly the question of inflation, which as the OECD has pointed out in the July *Economic Outlook* is the most serious economic problem confronting western industrial nations at the present time. As that report indicated, the unprecedented simultaneous upsurge in virtually all of the industrial economies has been one of the most critical factors behind the outburst of inflationary pressures around the globe during this period. This simultaneous economic expansion of all industrial countries in the world, which at the same time has compounded world demand, has produced an explosive growth in worldwide demand for both agricultural and industrial commodities, at a time when supplies of many of these commodities were already below normal due to a variety of factors.

Looking at the supply problem, this is particularly true in the case of agricultural products as a result of a sharp decline in production of many basic commodities last year because of adverse growing conditions in many countries. The consequence of a massive increase in international demand for food and for industrial commodities at a time of limited supply has been a sharp increase in the price of such commodities. These sharp increases in prices have, in turn been the major cause of the substantial rise that has taken place in the cost of living in Canada and in every other industrial nation.