

Employment Programs

gross national product increased by 65 per cent in real terms, while at the same time the population of Canada increased by 20 per cent. A substantial real gain in the standard of living took place in the period 1960-69. The increase in gross national product attributable to inflation, however, almost equalled the real growth over this decade. The economy had begun overheating and there was a very dangerous degree of instability. The pressures of international price competition and internal imbalance required deliberate action.

In 1970, the Canadian economy became engaged in a cooling-off process. The severity was in sharp contrast to the preceding decade of growth and prosperity. Talk of breaking the inflationary psychology was coupled with a deliberate monetary and fiscal policy. Set against a stated conviction that relative price stability is a prerequisite for sustainable economic progress, Canadian monetary and fiscal authorities were faced in 1970 with the realities of persistent inflation and regional disparities. Policies initiated in 1969 to relieve inflationary pressures were, as we unfortunately know, reflected in higher unemployment rates and a general economic slowdown, particularly in the second half of 1970.

Despite the abundance of economic advisers both within and without the government service, we have not yet learned how to exercise fiscal and monetary policies in a satisfactory manner. I do not mean this to sound arrogant or disrespectful, but if some of our very bright economists had experienced a little hunger, or if they had undergone the insecurity of being without a job, they might have been able to break through that mental barrier which seemingly militates against the utilization of new, creative and, above all, effective economic policies.

I do not pretend to have the answer to that complicated problem, but certainly the repeated swing from inflation to high unemployment is not the way to run the economy. If government economic advisers do not have the answers to these difficult and awkward questions, they should be relieved of their duties or given other tasks, and perhaps some of our graduate students who are without work should be given a chance to resolve this dilemma or at least to make an attempt to do so. I return to the situation as it now exists. The slower pace of consumer spending and rising unemployment led federal government authorities to initiate a fiscal policy of moderate and selected expansion in 1970. Total expenditures of the federal government were increased by about three-quarters of a billion dollars directed toward regions of slow economic growth and high unemployment, toward housing and manpower training.

As the trend of more moderate price increases became established a series of expansionary fiscal policy measures were gradually introduced in the third and fourth quarters of 1970. Additional funds were directed to the provinces for social insurance, the student summer employment program and housing projects for moderate income families and relief of regional unemployment. The forecast of a budgetary deficit of \$320 million for 1970-71 instead of the originally planned \$250 million surplus dramatically demonstrates a reversal of the federal fiscal stance. The expansionary effects of this fiscal

policy have not yet had the anticipated impact but there are hopeful signs of an upbeat economy.

Many economists are certain, and I share their optimism, that the Canadian economy is in a good position to take off during the second half of this year. For example, they predict an 8 per cent surge in the gross national product, 5 per cent of it real growth. In view of quite recent statistics, that appears to be somewhat overly optimistic. However, if they are anywhere close to being right it is cause for cheering.

A report on Canada in a recent issue of *Business Week* stated that from Vancouver to Halifax businessmen see Canadian consumers loaded with cash and poised to start spending. They say the result could be a buying spree that would lift Canada's economy to near boom levels by the end of 1971. For many, the money is certainly there, although unfortunately not for all. Wage settlements averaged 9 per cent last year while inflation was held at 3.4 per cent. An enormous increase in the number of women in the labour force has significantly boosted family incomes. Last year, 25 per cent of all Canadian households boasted incomes of more than \$10,000. That statistic rather astounded me but I think it is accurate. That is up from only 2 per cent in that category just a decade ago.

Seven per cent of personal income is going into bank accounts, double the rate of eight years ago. As a result, banks bulge with nearly \$17 billion in savings. Economists expect Canadians to break out those nest eggs soon for everything from homes to automobiles to televisions sets. Some retailers already report signs of the change. One adviser to the Canadian Bankers' Association predicts that consumer outlays in general will jump 8 per cent or more this year. Stepped-up government spending and the prospect of another record year for exports add to the rosy glow. Canadian businessmen anticipating the rebound plan to boost plant and equipment outlays by at least 10 per cent. If the forecasters are right, Canada will bounce out of the business doldrums faster than the United States. The pile-up of funds in the banking system has eased the money pinch. Mortgage rates have dropped and housing outlays are expected to jump 15 per cent this year. Heavy industry is getting ready to expand. Canadian oil men look forward to a bubbling year.

Complementing this brighter domestic outlook are strong export prospects. Canada's 1970 exports of \$16.7 billion, double those of five years ago, ranked Canada as an exporting nation ahead of France and a little behind Japan. Farm products and raw materials racked up the largest export gains last year and may do so again. The world is still short of nickel. Sales of the 1970 grain crop were worth \$878 million. Estimates for the 1971 crop will likely top that by \$400 million and perhaps by as much as \$500 million. Farmers are planting 20 million acres this year compared with only 12 million last year.

● (9:50 p.m.)

Canadian exporters are continually seeking out new markets, and doing rather well, I might add. The United States still takes 65 per cent of our exports but this figure has declined from 71 per cent in 1969. By contrast,

[Mr. Penner.]