

● (2002)

### AFTER RECESS

The House resumed at 8 p.m.

## GOVERNMENT ORDERS

[*Translation*]

### THE BUDGET

#### FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

**Hon. Jean Chrétien (Minister of Finance)** moved:

That this House approves the budgetary policy of the government.

He said: Mr. Speaker, the purpose of my budget tonight is to take positive and responsible action to deal with the problems which face the Canadian economy in a very troubled world. These problems are complex and difficult. We are being held back by serious unemployment and inflation, and we must do all we can to deal with them. But we also face longer-term problems and opportunities calling for structural adjustment in many industries, sectors and policies. These were the challenges brought out very clearly by the recent Conference of First Ministers.

In the past days and weeks I have sought the advice of many individual Canadians. I have spoken to all provincial finance ministers. I have benefitted from vigorous public discussion of our economy. My cabinet colleagues and I have considered briefs from groups large and small, national and regional.

Many of the suggestions made to me for this budget would be popular politically but unwise economically. I will not follow such suggestions. I believe this is time for Canada to face our problems critically and realistically. If we do, we can turn the tide against inflation and unemployment. The measures of this budget should secure and reinforce the progress we have already made.

It is now clear that many of our current difficulties have their roots in the period of extraordinary growth Canada experienced between the mid-1960s and the mid-1970s. With the great advantage of hindsight, we can see that we did not always use our good fortune wisely.

Our economy boomed. The world environment was good to us. Canadians enjoyed a very large increase in their standard of living.

But we all came to expect too much of the economy. Governments increased their spending too quickly. The money supply was increased too fast.

Too much was asked and given at the wage bargaining table. Other forms of income also rose too rapidly. Too little

### *The Budget—Hon. Jean Chrétien*

attention was paid to the long-run efficiency of the Canadian economy, and its ability to compete.

And so Canadians were not well prepared to deal with the shocks of the early 1970s. Sharp increases in the price of oil, food and other major world commodities speeded up our inflationary spiral.

World recession arrived and compounded our loss of competitiveness. A large deficit opened up in our balance of payments. Our growth slowed down. The loss of sales meant the loss of jobs.

At the same time, we experienced more conflict and confrontation in Canada. Conflict between the provinces and Ottawa. Conflict between separatist and federalist forces. Conflict between employers and employees. All of these things breed uncertainty and weaken the economy.

[*English*]

The Signs of Progress

By the fall of 1975 it was clear that strong economic action had to be taken. The anti-inflation program launched at that time has made a major contribution in turning our situation around.

The expenditures of all levels of government in Canada have since been brought under better control. In our own case we have cut back the growth in our total outlays from 26 per cent in 1974-75 to 18 per cent in 1975-76 to 10 per cent or less since then.

The Bank of Canada has brought down the rate of increase of the money supply in line with its announced targets for continued growth and declining inflation.

Wage increases have returned to more realistic levels. New settlements came down from 17 per cent in 1975 to 10 per cent in 1976 and under 8 per cent in 1977. They are now down to the guideline of 6 per cent.

The underlying rate of inflation has also been reduced. We can see this in the trend of non-food prices which has been improving steadily. Another indication is the fact that the average price of all the goods and services which Canada produces rose only by 6.5 per cent last year, compared with 9.5 per cent in 1976 and 11.2 per cent in 1975.

● (2012)

The controls program has played a key role in these developments. Controls over prices and incomes cannot succeed unless they are supported by the right setting of fiscal and monetary policy. But the underlying rate of inflation would not have been brought down so quickly without the controls. Without their help, we would have had less growth and more unemployment.

Given the erosion that our competitive position suffered over several years, it was inevitable that an adjustment of the exchange rate would be required sooner or later. That adjustment has taken place in several stages. The government has permitted it to occur by allowing the exchange value of the