

deau) and the Premier of Alberta may be required to meet in order to finalize an agreement.

Mr. Clark: When the Prime Minister can fit it in.

Mr. MacEachen: Until that happens, the same reasons which prevented the former minister of finance from bringing in a budget apply in my case. I would also add that at the present time we are carrying further the expenditure planning system which was introduced by my predecessor on this side of the House and later developed by the former government.

Mr. Clark: That was something else your public servants overlooked.

Mr. MacEachen: Until our expenditure plan is fully developed, it would be better to delay a budget, though I am not using that as a particular reason. However, the fiscal plan would be more complete with a fully developed expenditure plan.

I said at the beginning, Mr. Speaker, that I wanted to talk about the economic situation. I shall begin by saying a few words about the economic situation of the United States. These are clearly difficult times in the United States. The economy has slid into the long awaited recession, and there is no doubt about that. The key uncertainty at the present time for forecasters is the severity of the recession and the strength of the recovery. That, of course, is a fact that is of great significance to Canada because there is no doubt that the U.S. recession will spill over into this country.

As a result, 1980 will be a year of very slow growth. In April, I forecast real growth of one-half per cent. The actual outcome could turn out to be much worse for this year. We have already begun to see some of the manifestations of the slow-down. According to the recently released national accounts, real GNE fell by one-half per cent in the first quarter of this year. The main sources of weakness were residential construction, inventories and exports. Unemployment climbed to 7.8 per cent in May. My forecast in April was that unemployment would average 8 per cent for the year. Consequently, the unemployment rate would have to rise above 8 per cent for the rest of the year. Also, I cannot rule out the possibility that the unemployment rate may rise even faster than this figure would imply.

The weakness in the growth of output is not the only problem. Inflation continues at a high level. The consumer price index in May was running about 9.5 per cent above the figure of one year ago. I expect inflation to average 10 per cent for the year. As I mentioned earlier, inflation is an international problem that has been refueled and fueled again by the absorption of hefty oil price increases. The prices of the goods which we import is helping to sustain inflation. Domestic forces contributing to inflation have been moderate and it is important that this continue.

There is no getting around the fact that we will go through a difficult period. In going through this difficult period, it is of the utmost importance that we retain a sense of perspective

Election Promises

about the fundamental strengths of the Canadian economy. We are going into this period with an external value of the Canadian dollar and relatively moderate increases in domestic costs, all of which has put our manufacturing sector on a sound, competitive footing.

Canada is unique among industrial countries because of the opportunities offered by our energy sector. We must seize upon these opportunities and make the best of them. Our energy strategy is being developed with this objective foremost in mind. The greater certainty that will flow from a new energy policy framework will provide the basis for major economic developments in Canada, including oil sands plants, heavy oil production, Atlantic shelf exploration and development, new pipelines and gas conversion, all of which are in the offing and can be moved ahead. These developments will provide much of the driving force behind the economy in the 1980s.

The debate up to the moment has, in a sense, outlined the difficult choices which are facing the government and myself as Minister of Finance. Pressures are mounting to stimulate the economy with more expansionary fiscal and monetary policies.

The Leader of the New Democratic Party has called for large tax cuts and for massive expenditure increases. He has also urged the government to lower interest rates and to speed up or commence the process of rapid monetary expansion.

An hon. Member: Oh, oh!

Mr. MacEachen: I assume that the hon. member understands the implications of his forced draft interest rate policy on the money supply. However, these are the views of the New Democratic Party which, in a sense, is the new New Democratic Party. Or perhaps it is the old New Democratic Party, because increasingly the views of the New Democratic Party are becoming somewhat old-fashioned. They present views which do not take into account the realities of the world. The Leader of the New Democratic Party paid slight attention to the question of inflation which is engulfing the world and threatening Canada. He has overlooked other countries which have followed his strategy and which have brought themselves to the brink of ruin today.

● (1630)

I think it is irresponsible to call for more expansionary fiscal and monetary policies in the present circumstances, as the Leader of the New Democratic Party has done today. He has obviously not taken into account a number of very important factors, such as, first of all, the very large stimulus provided by the large deficit we are running at the present time. The Leader of the Official Opposition talked about the four or five-year plan of his government to cut the deficit in half. What he had in mind, I believe, was their objective of cutting in half the financial requirements of the government and to cut the deficit by \$2 billion.