

*Income Tax Act*

was a healthy expanding economy, an economy expanding at an accelerating rate. For the first half of 1971 the real increase in the gross national product was 6.2 per cent, almost double the growth rate for all of 1970.

**An hon. Member:** It was never so good.

**Mr. Mahoney:** The increase in the real gross national product for the second quarter at an annual rate of 8.9 per cent was the largest in two years. Demand for goods and services was advancing. The 4.3 per cent increase in consumer expenditures in the second quarter was the largest in many years. Combine that with low inventories and we see excellent prospects for the expansion of the manufacturing sector. The annual rate of housing starts, 225,000 in the second quarter, 243,000 in August, indicate a record will be achieved in 1971 as a whole.

**Mr. McGrath:** You do not even believe that yourself.

**Mr. Mahoney:** Total capital expenditure was up 5.7 per cent and business capital expenditure 6 per cent in the second quarter. The survey of investment intentions was revised upward by two points to 11 per cent at mid-year, and notwithstanding high increases in productivity, 245,000 new jobs have been created by the economy in the past 12 months—that is a seasonally adjusted figure.

**Some hon. Members:** Oh, oh.

**Mr. Mahoney:** —I should like to emphasize that neither the figures I used—

**Mr. Speaker:** Order, please. I have to interrupt the hon. member. The hon. member for St. John's East seeks the floor on a point of order.

**Mr. McGrath:** Yes, Mr. Speaker. I regret having to interrupt the hon. member, but surely it would be in the national interest if the hon. member were to make his speech after the market closes today.

**Mr. Mahoney:** I would like to emphasize that neither the figures I have used nor those I will use later reflect in any way decisions taken in the United States recently. The message is that we were doing very well until those measures were taken.

**Some hon. Members:** Oh, oh.

**Mr. Mahoney:** We performed relatively well during the current U.S. administration's period of fiscal conservatism; we performed relatively well during their period of inflation. We have proved that we do have room to pursue successfully some independent economic policies. Whether we can perform relatively well during their period of protectionism remains to be seen, but we will certainly try.

**Some hon. Members:** Oh, oh.

**Mr. Mahoney:** The two areas of concern raised today are unemployment and the cost of living.

**An hon. Member:** Oh, really?

**Mr. Mahoney:** As to the latter, prices are now rising more strongly. This is a grim warning to the government, to all politicians regardless of party and to Canadians

[Mr. Mahoney.]

generally—bearing in mind the fact of our current economic expansion—that the danger—

**Some hon. Members:** Oh, oh.

**Mr. Speaker:** Order, please. I bring to the attention of hon. members that there is some unfairness in not allowing an hon. member who has the floor to make a speech in such a way that he can be heard by the Chair. It is difficult for me, with all these interruptions coming from hon. members, to hear the hon. member, and I think that in fairness to him he should be given an opportunity to make his speech. At least, it would be fair to give the Chair an opportunity to hear what the hon. member has to say.

**Mr. Mahoney:** I could shout loudly because common courtesy is not something I have come to expect from over there.

**Mr. Stanfield:** Common sense is what we want.

**Mr. Mahoney:** I was speaking of the two areas of concern that have arisen as a result of today's announcement by Statistics Canada—the matter of unemployment and the cost of living. There is no question, so far as the cost of living is concerned, that prices are now rising more strongly, and this is a grim warning to the government, to all politicians regardless of party and to Canadians generally—bearing in mind the fact of our current economic expansion—that the danger is not that this expansion will proceed too slowly but rather that, fostered by inflation and prodded along by political pressures as an election approaches, the expansion will proceed too quickly.

**Mr. Stanfield:** Shame.

**Mr. Mahoney:** The main reason for the rise in the consumer price index is readily identifiable. It is the rebound in food prices from the chain store price war of last winter. The consumer price index is up seven-tenths of one per cent over July, but excluding the food index the increase is only three-tenths of one per cent.

The main unemployment problem is also identifiable. It is the tidal wave of young people as a result of the baby boom of the mid 1950's that has had such a great and varied impact on our society in recent years. This has manifested itself in numerous ways ranging from the vastly increased demands on primary school facilities in the early 1960's and secondary and post secondary facilities later to the more recent but all pervasive phenomenon known as the "youth cult".

The entire increase in seasonally adjusted unemployment from 6.3 per cent to 6.5 per cent from July to August occurred among teenagers 14 to 19 years of age. For the whole of the labour force other than teenagers, adjusted unemployment declined. This, of course, includes practically all heads of households.

On the actual rather than the seasonally adjusted basis, unemployment declined in all age groups, including teenagers. Actual unemployment declined to 5.1 per cent from 5.7 per cent in July. For the adult labour force, actual unemployment among men was 3.7 per cent and among women 2.7 per cent.