

*The Budget—Mr. Chrétien*

slowdown in the economy in 1966, the minister, as I say, forecast that the Canadian economy, would in the 1966 fiscal year produce 8.5 per cent more than in 1965. That is, in spite of the measures taken by him and calling upon investors not to go too fast in 1966, the minister estimates that the gross national product will increase by 8.5 per cent in 1966, the level considered appropriate for the Canadian economy to develop, without creating overheating difficulties. As I said previously, we are in our sixth consecutive year of economic expansion. This is the longest period of expansion ever experienced by this country in peacetime. In the past, such periods were often followed by depressions. However, if we manage our affairs soundly, there is no reason why there should be a regression after this prosperity. On the other hand, if we allow certain pressures to build up, then we will find ourselves in a situation where prices and costs will increase excessively, and if there is an excessive increase in capital outlays, then we will be in a period of difficulty.

What the Minister of Finance sought to do was to hold back certain capital expenditures so that the long-term requirements of Canada could be met without causing great fluctuations and our present capacity of meeting our investment needs would not be overtaken by demand in that field.

The *Second Annual Review* of the Economic Council of Canada points out how industrial investments can be a factor contributing to the instability of the Canadian economy.

Declines and expansions in investment have historically been an important factor contributing to the unstable and uneven growth of the Canadian economy.

That is what the report says. Then the council points out that, even if the actual volume of such investment will have to go on expanding considerably from current levels if potential output is to be attained in 1970, the recent rate of expansion in investment spending is clearly not sustainable on a long-term basis to 1970 and beyond—see page 29 of the report.

The council mentions that any program to stabilize the expansion must tend to encourage an upswing in business investment with as close a relation as possible to potential growth of production. That is why the council recommends:

—that careful examination of possibilities for postponing and stretching out major construction

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projects in areas of particularly acute shortages of construction manpower and capacity.

See page 186 of the report. That is exactly what the minister did.

Mr. Speaker, I think the Minister of Finance showed a great deal of imagination and objectivity when he used the 11 per cent sales tax on production machinery and equipment as an instrument for planning Canadian investments.

In fact, some industrialists are not going to invest in 1966 and will decide to wait for a year, if possible, in order to benefit from a 5 per cent reduction on machinery and equipment they will have to use in their new undertakings. Those who are not in such a tight position may wish to wait two years before making the investments they deemed necessary, in order to benefit from the full exemption, that is 11 per cent on machinery and equipment.

As reported in Mr. Newman's column in the *Toronto Star* the day after the Budget speech, it is a very new concept of the federal budget and I quote:

• (4:00 p.m.)

[*English*]

Despite the caution inherent in his approach, Mr. Sharp boldly rejected the old fashioned idea that governments tax only to raise money. Instead, the new Minister of Finance firmly established his intentions of using taxation in its much more creative application as an instrument for modifying the nation's economic trends.

[*Translation*]

One of the criticisms often raised during this debate, which I should like to point out, came from the opposition members representing the Atlantic provinces who claimed that this budget did not meet the requirements of the economic situation in that part of the country, where economic conditions may not be as good as elsewhere in the country.

However, coming myself from a riding which is a designated area because its unemployment rate was recognized as being over the Canadian average, I can point out to hon. members that the Department of Finance admits there are in the country some areas where unemployment is a problem which has not yet been completely solved and which deserves particular attention.

But, before talking about the appropriate measures, allow me to point out that unemployment has decreased enormously in the disadvantaged areas of the Canadian economy. At page 29 of the economic white paper,