

being blamed today. It is true, I know, that there is nothing the government can do. Even my friends on my right could not do anything about it if they had the power, unless they recognized it is necessary to start right now reforming and restructuring the economic system. Only then shall we logically fight against inflation, otherwise we will continue to flounder in contradictions, like those mentioned in the motion before us today.

● (1620)

[English]

Hon. Donald S. Macdonald (Minister of Finance): Mr. Speaker, in responding to the motion this afternoon I should like to address myself to a number of points; first to a view of recent Canadian economic performance and government policies which have been involved in that; second, to talk about Canada's competitive position; third, to pass under review some of the statements of the official opposition in the same time period that we have set out these various policies; and then, as a fourth element, to talk about the post-controls period and address some remarks in particular to the decision made by leaders of the Canadian Labour Congress yesterday not to participate in the very necessary role of planning that we would have to do for future policy change in the post-controls period.

First, with regard to the Canadian economic performance and government policy I would call, in response to the hon. member for York-Simcoe (Mr. Stevens), on a number of economic authorities, private and public, Canadian and foreign, who have commented favourably on a comparative basis on the course of economic events in Canada in comparison with the situation in a world which has generally been in economic turmoil.

It has been demonstrated, beyond any shadow of doubt, by countless numbers of independent economic bodies, both at home and abroad—for example the OECD, the Howe Research Institute, the University of Toronto's Institute for Quantative Analysis, the Economic Council of Canada, and most recently in the annual report of the Governor of the Bank of Canada—that in recent years this country has out-performed virtually every other industrial nation in terms of employment, output, and capital investment.

Indeed the most outstanding fact that emerges from developments of the past few years is the extent to which Canada, despite its vulnerability as a major trading nation, has succeeded in maintaining relative economic stability at a time when the rest of the world was plunged into the worst recession of the post-war period.

As the Governor of the Bank of Canada has noted in his annual report for 1975, real gross national product in Canada during this period declined by only 1½ per cent during the course of the recession, a decline which compared to a fall of 5¼ per cent in West Germany and more than 6½ per cent in the United States.

The Governor also noted that:

Canada and Japan were the only major industrial countries in which the over-all output of goods and services at the end of 1975 appeared to be as high as it was before the recession began.

I would refer the hon. member for York-Simcoe to the charts on pages 24 and 25 of the bank's annual report

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where he will find a graphic illustration of the extent to which Canada has out performed the United States in terms of maintaining output, employment, and business investment in recent years.

In its 12th annual report the Economic Council pointed out that few countries have escaped the adverse impact of inflation and unemployment in recent years. But as the council pointed out:

The Canadian economy managed quite well under the circumstances, with better price and growth performance than most other industrial countries.

In its economic outlook last December the OECD forecast that the "path of recovery in Canada is likely to follow that of the United States, but by end-1976 the level of activity, in relation to the previous peak, may be higher for Canada than for other major OECD countries".

As I have had occasion to emphasize on other occasions, the fact that output, employment, and business investment held up better in Canada than in practically any other country, notwithstanding the seriously adverse effect on our economy of a sharp decline in critically important export sales as a result of deep and prolonged recession, is not something that just happened. To a very considerable extent it has been the result of a whole range of government policies and programs aimed at preventing the real personal income of Canadians from being seriously eroded by the impact of rising prices and unemployment. May I just say here I refer to the indexing and cuts in personal income taxes, sales tax cuts and tariff reductions, indexing and increases in old age security and guaranteed income supplements, family allowances, veterans pensions, subsidies on some basic foodstuffs and imported oil, and the automatic stabilizer provided through generous benefits provided under the Unemployment Insurance Act.

These measures were reinforced by changes in corporate taxation policies, and other measures which have been aimed at sustaining business investment and housing construction at a high level.

While I would concede there was virtually no growth in Canada's real GNP in 1975, that was the result almost entirely of the slump in export sales because of recession abroad, a development naturally over which we had little or no control. The impact of the policies initiated by the government to sustain the economy are apparent in the figures relating to final domestic demand here in Canada for goods and services which rose last year by 3.5 per cent.

As the central bank's annual report noted in comparing the Canadian and U.S. performance during 1975:

The major difference between the two economies was the extent to which final domestic demand was sustained in Canada. Here, the volume of domestic spending on final goods and services continued to advance, whereas in the United States it fell by over 4 per cent.

Despite the slowdown in the economy brought on by recession abroad, the rise in unemployment in this country by comparison with most other nations has been relatively small even though in absolute terms, in the view of the government, it is still at an unacceptably high level.

I think it is important to emphasize at this point that, for reasons of the age and structure of our population, Canada has the fastest growing work force of all industrial nations. There are more young people coming to working