

The Budget—Mr. Benson

- An act to amend the Loan Companies Act
- An act to incorporate Pitts Insurance Company
- An act to incorporate Pitts Life Insurance Company
- An act to prevent the introduction into Canada of infectious or contagious diseases
- An act respecting McQuat Investments Limited
- An act respecting Buccaneer Industries Ltd.
- An act to incorporate ICG Transmission Limited
- An act to amend the Small Businesses Loans Act
- An act to amend the Railway Act
- An act to amend the Canada Student Loans Act
- An act to implement a Supplementary Income Tax Agreement between Canada and Sweden
- An act to amend the Company of Young Canadians Act

At six o'clock the House took recess.

AFTER RECESS

The House resumed at 8 p.m.

GOVERNMENT ORDERS

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. E. J. Benson (Minister of Finance) moved:

That this House approves in general the budgetary policy of the government.

He said: Mr. Speaker, in presenting the budget to the House last June, I expressed the government's view that a strong fiscal position was essential to check the rise in prices and smooth the way toward more balanced and sustained economic growth. We have maintained that position. Fiscal and monetary policies have worked in tandem to establish conditions which should give us the upper hand in squeezing inflation out of the economy. This year by a national effort we must reduce the rate at which prices are increasing. To accomplish this we must be resolute in continuing to restrain the demands that are made upon the economy. We must also continue to relieve situations where particular economic circumstances and the need to apply the big levers of economic policy may create difficulties. This has already led to several adjustments of our policies.

The Economic Situation in 1969

In the Budget Papers which I tabled in the House on February 27, hon. members will find a comprehensive review of economic

[Mr. Speaker.]

developments in the past year. As a background to my remarks on our present situation and to gain perspective on the prospects for the year ahead, I should like briefly to review the highlights of economic development in 1969.

We in Canada have not been alone in confronting entrenched inflation. The United States faces it. Many countries of Europe fight the same fever. The fact that our experience is far from the worst gives us no comfort for we know that the illness, if not corrected, will only deepen. We also know that while the illness is to some extent contagious, every country has to make its own provision for curing it.

The average rise in prices of all the goods and services that enter into the gross national product was of the order of 4.2 per cent last year compared to 4 per cent during 1968. The consumer price index was 4.6 per cent higher in January, 1970, than a year earlier. There are some recent glimmerings of evidence that the rate of increase of prices is no longer rising. But however one interprets these scraps of hopeful news, the hard fact is that both prices and costs—and wages and salaries in particular—are still rising at quite unacceptable rates.

The Canadian economy made notable gains last year both in output and employment. The growth of real output maintained the 1968 rate of 4.8 per cent. Employment grew faster than in the previous year—by 3.2 per cent compared with 2.2 per cent. But after the first quarter, as the restraining policies took hold, the rate of growth of demand slowed down. This development was anticipated although it was delayed longer than we had wished. It is a necessary pre-condition for the moderation of price and cost increases which it is the object of policy to achieve. Unemployment in December, 1969, was 4.8 per cent of the labour force, the same proportion as in December, 1968. Seasonally adjusted, the proportion fell in January to 4.5 per cent.

In the personal sector of the economy, incomes after taxes rose more rapidly than in 1968. Spending on consumers' goods and services rose even more quickly than personal disposable income. Personal saving therefore declined. The balances of consumer credit outstanding rose especially rapidly in the first part of the year. In distributing their increased expenditure among categories of goods and services, consumers favoured services and non-durable goods in general.