THE ROYAL ASSENT

A message was delivered by the Gentleman Usher of the Black Rod as follows:

Mr. Speaker, the Right Honourable the Deputy Governor General desires the immediate attendance of this honourable House in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the House went up to the Senate chamber.

• (6:00 p.m.)

And being returned:

Mr. Speaker informed the House that the Deputy Governor General had been pleased to give, in Her Majesty's name, the royal assent to the following bills:

An act respecting the Federal Court of Canada.

An act to provide temporary emergency powers for the preservation of public order in Canada.

AFTER RECESS

The House resumed at 8 p.m.

GOVERNMENT ORDERS

THE BUDGET

FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

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

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

He said: Mr. Speaker, my purpose tonight in this budget address is to set down in a concise manner the economic strategy of the government for achieving our first economic objective—a steady and substantial improvement in the real income of Canadians everywhere. I propose to go about this task in the following way.

First, I will describe the economic and financial situation as it has developed to the moment. Second, I will discuss the measures we have taken since the last budget in March and the measures we now propose be taken to guide the economy onto a course of high and sustainable economic expansion and full employment. Finally, I will chart the route onto this course as we envisage it for the economy in the balance of this fiscal year and through the next.

A steady and sustainable improvement in the standard of living of all Canadians requires the fullest possible utilization of the nation's human and material resources. It also requires that all regions, sectors and groups of people share in economic expansion; that we progressively narrow regional economic differences; and that we obtain a progressively more equitable distribution of the goods and services we produce.

It is often stated that we must also reach for economic stability, a good price and cost performance, and a satisfactory balance of payments. I see these conditions as means to the end, not the end in themselves. We are concerned about the balance of payments, exchange rates and trade because we cannot hope to reach a steady improvement in the prosperity of our people without satisfactory performance in these areas. Similarly, we are concerned about reasonable economic stability because without it efforts to achieve our primary objective will be frustrated. In brief, our only ultimate concern is for the well-being of all our people. Our other concerns are significant only in so far as they contribute to or detract from this goal.

On October 13 I gave the House a rather detailed account of economic developments this year. I shall not repeat that account tonight. I do wish, however, to draw attention to a number of key features of the situation and to new information which has become available since I last reported.

Of prime importance is the fact that employment is rising in Canada and unemployment on a seasonally adjusted basis appears to be falling. This underlying improvement is suggested in the statistics for September and October after allowing for normal seasonal patterns. There may yet be month-to-month fluctuations from the trend.

The national accounts for the third quarter also reveal that real output in the economy is rising. The pause in the growth of production of goods and services which marked the second quarter did not continue, and this latest information confirms that the economy is now advancing again, although the advance would be stronger if major labour disputes were not in progress.

We are in fact having a considerable boom in housing in Canada, owing in substantial measure to the effectiveness of government policy. Housing starts reached the quite extraordinary level at the annual rate of 270,000 in October. We shall not have a record year for housing in 1970 because of the lower rates of starts in the first part of the year, but it will be a satisfactory year especially when viewed in conjunction with the unusually high level of starts of last year. It is worth noting that the growth in starts currently in progress is concentrated in low income housing in regions of the country where the need is great and where employment growth has been sluggish.

The latest figures on capital investment apart from housing are also stronger and the recent preliminary survey of capital investment intentions indicates growing strength in this area of activity next year, although this year activity in this sector has been one of the weaker elements in our economy.

The year 1970 will go into the records as our best year ever in international trade. The increase in our exports especially in the early part of the year was very vigorous, and perhaps more important the latest figures suggest that this new level of exports is being well sustained. Our merchandise trade surplus for the first ten months of the year was at an annual rate of $2¾ billion. The current account of our balance of payments, including trade in services as well as goods, will show a record surplus this year. This condition is reflected in the strength of the Canadian dollar in exchange markets, which has persisted in spite of a very sharp reduction in recent months of new borrowings by Canadian provinces and corporations in the United States and overseas capital markets. Our foreign exchange reserves now stand at $4.6 billion.

Undoubtedly the strength of our trade balances reflect the success we have achieved to date, in comparison with other nations, at least, in putting the brakes on price increases. Other factors have played a part, but the fact remains that we have had a better price performance than every other industrial nation this past year. From the third quarter of 1969 to the third quarter of 1970 consumer prices in Canada rose by 3 per cent. According to the recent detailed report prepared by the OECD—that is the Organization for Economic Co-operation and Development—this was a lower figure than for any other of the 22 members of the OECD except Finland, where the figure was 2.8 per cent. For the United States this indicator of the increase in the cost of living was up 5.7 per cent. Wholesale prices in Canada have been falling since March of this year. Most industry selling prices as computed by the Bureau of Statistics have also been falling since the end of the first quarter. The price deflator of gross national expenditure has shown smaller quarter-to-quarter increases this year, on the average, than last year. Thus it can be asserted that our price performance in Canada has shown a clear and market improvement and compares extremely favourably with all the other countries in the trading group of the western world.

The new information confirms the healthy state of our international trading position, the strength of home building, and the decline in the rate of price inflation. It indicates that employment and real output are again rising and that the level of unemployment after seasonal adjustment appears to be falling. These are very welcome reports on the state of the economy.

• (8:10 p.m.)

There is no question, however, that the rate of growth of employment must improve and that unemployment must be reduced if the economy is best to serve our overriding objective of the highest sustainable improvement in the standard of living of all Canadians.

Both inflation of prices and high unemployment are our enemies in the quest of our main objective. We must fight and control both of these enemies and the government intends to maintain its fight on both fronts. If we have allayed the forces of inflation this year that does not mean we can now ignore this enemy. Cost increases remain high, and the capacity to absorb them in further reductions of unit profits is now very limited. It is all too easy to encourage inflationary potential and this we do not intend to do. But we must also maintain and indeed strengthen our resistance to the other enemy, unemployment. Much of the balance of my remarks tonight will be concerned with our program for intensifying our fight against unemployment, helping those who have suffered most from inflation and resisting the dangers of igniting a new round of inflation.

Mr. Speaker, the government has engaged in what has been virtually a continuous adaptation of our fiscal policy. Fiscal policy in our opinion should not be a matter of taking decisions at only one time of the year—budget time—and passively reviewing developments the rest of the year. We have repeatedly stressed that we keep the economy under continuous review and that we will not hesitate to bring forward further measures as we conclude they are warranted. We have introduced a series of measures since the last budget which I have already described in detail in this House. I should like to review them briefly before passing on to describe the next phase in the evolution of our policy.

The budget of last March itself was expansionary with its prospect of a reduced budgetary surplus and increased net non-budgetary expenditures. The projected increase in cash requirements was of the order of three-quarters of a billion dollars. Now, quite apart from the large amounts of cash required to buy foreign exchange, the increase has virtually doubled to $1½ billion. This doubling is the result of developments in the economy and the new measures we have adopted in the continuing adjustment of policy. The measures taken since the budget include:

—increased outlays to the provinces of some $350 million to cover accelerated transfers of tax revenues, accelerated payments of technical and vocational school grants and higher equalization payments;

—the summer employment program for students and expanded social assistance programs which added $73 million to expenditures;

—an additional $100 million in August to the 1970 capital budget of CMHC to finance the start of an additional 15,000 units of low cost housing this year in regions where the need was great and unemployment especially severe;

—a special program of $60 million of expenditures on capital and other projects in regions of slower economic growth and on manpower retraining.

In addition to the increasingly expansionary fiscal policy, monetary policy since late last winter has been set to give increasing encouragement to economic expansion. Interest rates have been falling this year. The bank rate itself has been reduced in four stages from 8 per cent to 6 per cent. There has been some decline in long-term rates, including mortgage rates. Short-term rates have fallen much more and are 3 to 3½ percentage points lower than at the beginning of the year. The three-month treasury bill yield on November 26, at 4.4 per cent, was 3.4 percentage points below its high of last January. The prime lending rate of the banks is now lower and their liquidity position presents no obstacle to the expansion of their loans. The volume of currency and deposits in the economy has increased this year at a considerably more rapid rate than the value of the gross national expenditure. Monetary policy is now clearly expansionary.

The effects of these expansionary fiscal and monetary measures are only beginning to be felt in the economy; they will be felt with increased force over the next several months. None the less, the government now feels that it would be appropriate to add to them the stimulus of a variety of yet further measures.

Some of these measures are directed toward the immediate needs of the winter ahead. Others are intended to reinforce existing policies and ensure that the economic pick-up in sight for the year ahead will be both strong and sustained. They will also be directed in large part to those regions of the country where unemployment is highest, and to those groups in our society whose incomes are low. I should like now to outline briefly these new proposals, and to refer as well to the fiscal implications of certain other major policy developments which will also have a stimulating effect upon the national and regional economies in the year ahead.

The first of the new measures relates to unemployment insurance. As hon. members know, the objectives and proposals for fundamental reform of the unemployment insurance system were set out in the White Paper tabled last June by my colleague, the Minister of Labour. I am confident that we are well on the way to a vastly improved system of unemployment insurance, providing substantially better protection for all workers in Canada. Because of the time required for consideration and implementation of the new system, however, it is not expected that the higher levels of benefit can be introduced until about next July.

• (8:20 p.m.)

In the meantime, therefore, the government has decided that there should be an immediate increase of 10 per cent in the rates of benefit under the existing system.

This supplementary allowance would be provided to all workers receiving the insurance allowances during the period January to June next. It would be financed by a special government contribution to the insurance fund at a total cost of $54 million. I am sure this increase will be particularly helpful to unemployed workers and their families, especially during the usual seasonal winter peak in unemployment. It will, as well, give an immediate and direct stimulus to the economy, the benefits of which will spread quickly right across the country.

A second new measure proposed is to give still further aid to the provinces, and through them to municipalities if the provinces should so decide. This will take the form of assistance in the financing of additional job-creating public works. A fund to help stimulate the economy will be set up to operate during the remainder of this fiscal year and 1971-72. A total sum of $150 million will be provided by way of long-term loans at favourable interest rates.

The distribution of this fund to the provinces will be based upon a formula which takes account of their differing levels of unemployment experienced over the last six months of 1970. Because of their population size and current unemployment problems, the largest amounts will be made available to the provinces of Quebec and British Columbia. Based upon our estimates, however, all provinces will be able to make claims upon this fund as a source of finance for clearly identified capital projects initiated before the end of calendar 1971.

We will, of course, seek the co-operation of the provinces to ensure that projects are undertaken quickly. Wherever appropriate, these projects will be co-ordinated with the existing development programs of the Department of Regional Economic Expansion, which in co-operation with the Department of Finance and other federal agencies will administer this loan program.

The projects should be additional to whatever would have been planned for 1971, or they should require financing that would have been beyond the provinces' borrowing capacity. A number of provinces advise us that they have important projects which they would like to move forward quickly in order to create new jobs and economic activity. This additional financing will make this help possible.

In making provision for this fund, we took carefully into account the special submission by the Prime Minister of Quebec to the federal-provincial conference of last September. That submission dealt with the question of evening out fluctuations in provincial revenues over good times and bad. It was agreed at the conference that federal and provincial ministers of finance should give further study to joint efforts to improve fiscal stability. The government's response in this regard as outlined today is directed to the immediate needs in the year ahead. We would plan, however, to continue to explore with the provinces the whole concept involved in possible joint stabilization arrangements for the future.

The federal government itself, of course, is also responsible for a wide range and variety of important capital works across the country. As a third measure of added stimulus, therefore, it is intended to allocate a further sum of $23 million to departments and agencies to undertake further capital improvements in regions where unemployment is most severe. This is a follow-up to the earlier decision announced in October to add $60 million to departmental spending. The review of programs undertaken in that connection indicated a further range of important needs that had been deferred because of the shortage of budgetary funds. It is now proposed to take further steps to reduce this backlog of requirements. Wherever possible this work will also be initiated this winter, continuing where necessary into the next fiscal year.

Parallelling this expanded capital program carried on by federal departments, a fourth program is also planned to accelerate the development of access roads and necessary local services in the area surrounding the new Montreal International Airport. Parliament has already provided substantial funds for construction of the airport itself. Work is getting into high gear on this major project. It will proceed rapidly throughout the year ahead. Services throughout the surrounding municipal areas must also be progressively developed if the region is to achieve its full potential as a dynamic centre for economic growth in the province and the country as a whole. A sum of $20 million of contributions to these needs will therefore be allocated through the special areas program of the Department of Regional Economic Expansion.

A fifth measure proposed is to provide immediately a further amount of $40 million to the capital budget of Central Mortgage and Housing Corporation. As I have already recalled, the corporation's budget was raised by $100 million last August to enable it to expand its lending for construction of moderate cost homes for home ownership and rental accommodation for families of modest incomes. The response to this initiative has been remarkably quick. It is apparent that the corporation's program is filling a real and urgent need. As before, it is intended that the bulk of these additional funds should be directed to areas where housing and employment needs are greatest. This additional appropriation will help not only to assure a very high level of housing starts but also to strengthen the round of economic activity that accompanies the creation of new family homes.

Accompanying these direct government programs, three further steps to stimulate the flow of investment in the private business sector are proposed. The most important of these will be presented shortly to the House by the Minister of Regional Economic Expansion, but I should like to describe here very briefly the main highlights. Certain important amendments to the Regional Development Incentives Act will be proposed. If they are approved by Parliament they will be followed by the designation of a new region within which a special system of capital incentive grants will be applied to encourage new private investment. This new region will include the three countries of relatively slow growth in southeastern Ontario—Stormont, Glengarry and Prescott—and the southwestern part of Quebec, including Montreal, which is not now designated.

• (8:30 p.m.)

The development incentives will be available within this new area for a specific time period. We believe they will bring to more rapid fruition many investment projects which would not otherwise be likely to materialize for some time.

It will also be proposed that the present ceiling on incentive grants for individual projects in the Atlantic provinces should be raised, and that a new system of loan guarantees to assist in the financing of viable new enterprises in all the designated regions should be established.

As I have suggested, the details of these important extensions of the industrial incentives program will be made known shortly. They will go into effect as quickly as possible, although it will be some time before their cost will be reflected in our expenditures. It is also very difficult to predict the volume of investment likely to be effected or the probable cost of the incentives. Judging from experience with the program to date, the Department of Regional Economic Expansion foresees a total increase in outlays because of the new program amounting to about $130 million over the period of the next few years. Incentives of this magnitude certainly provide a powerful forward thrust to increased private capital investment and the creation of jobs throughout the designated regions. The new system of loan guarantees will reinforce that effect.

The other two measures to maintain and expand employment in the private sector directly are aimed at particular industries. One of these is the shipbuilding industry. As recently announced by the Minister of Industry, Trade and Commerce, a carefully designed program of further assistance to Canadian shipyards over the next year and a half is to be introduced to help our companies improve their competitive position and expand sales in strong world markets. We intend to provide the financial support required and we look to the industry to continue to diversify and increase its efficiency in serving both domestic and foreign markets. It is estimated that this program may cost upwards of $60 million over the next several years.

The other situation relates to the footwear industry, which is facing exceptional problems of adjustment. It is proposed that the provisions of the General Adjustment Assistance program should be extended to firms in this industry which require financial and technical aid to restructure their operations in order to improve their competitive position.

Both of these industries tend to be labour intensive. They are also located to a considerable degree in slower-growing regions of the country where unemployment is highest. They are, therefore, industries uniquely fitted to receive selective measures of support at this time.

Supplementary estimates covering several of these measures will be tabled in the House tomorrow morning.

Mr. Woolliams: Why don't you do it now?

Mr. Benson: In this over-all review of economic stabilization policy, I should also recall several other areas of expenditure of particular relevance to the expansion of the national economy in the course of the year ahead.

Last Monday the Minister of National Health and Welfare tabled the government White Paper on Income Security. Apart from its signficance as a social document, its proposals have important fiscal and economic implications which are likely to be widely debated. For the moment, however, I need only note the fact that beginning on April 1 next the proposed boost in the combined old age security pension and guaranteed income supplement up to the level of $255 per month for a needy couple will raise total federal payments by almost $200 million over the fiscal year. Under the proposed plan it would not be necessary to raise the taxes earmarked for old age pensions since the yield of these taxes appears adequate to finance the new system. Moreover, a plan along the lines suggested in the White Paper to restructure family allowances, that is, restricting them to families with incomes below $10,000 annually, more than doubling them for families in the lowest income brackets, and making the allowances taxable, would redistribute the expenditure toward needy families in a very significant way.

The Budget—Mr. Benson

I should also recall yesterday's announcement by the Minister of Veterans Affairs regarding veterans' pensions and allowances, involving a net increase in expenditure of about $25 million next year.

Changes in our major social programs are clearly directed to the lower income groups in our society. They are also of greater relative importance to the weaker regions in the country. One can be sure that the great bulk of the expenditure will quickly work its way into the consumer spending stream. The impact of these long-planned measures of social justice will thus come just at a time when it is desirable to stimulate demand in the economy not only for purposes of the short-term economic upturn but also for continuous and sustained economic growth.

Much the same stimulus would flow from new government proposals in quite a different area. I refer here to the grain receipts stabilization plan outlined to the House five weeks ago by the minister responsible for the Canadian Wheat Board. If that plan is enacted and—

Mr. Horner: If!

Mr. Benson: —made applicable to the 1970-71 crop year as recommended, it will involve cash stabilization payments to western farmers next spring and summer totalling over $100 million. This would be the net payment contributed by the government to stabilize 1970-71 receipts. There would, of course, be important offsetting savings in government expenditure by the elimination of the temporary wheat storage payments which have been shown to be an inefficient form of assistance. However, the immediate effect of such a stabilization plan would be to put much needed cash into the hands of the farmers next spring.

The largest part of this flow of cash would go to Saskatchewan, where the provincial economy has been hardest hit by the decline in grain marketings since 1968. Large numbers of farmers in both Alberta and Manitoba, however, would also be helped. Taken together with the much higher grain sales and the prospects for further improvement, this early injection of cash would give a significant boost to the entire Prairie economy. Its multiplier and spill-over effects, in terms of increased purchases of goods and services imported from other provinces, both east and west, would be of great importance.

We can also anticipate that the very large and continuing contributions from the federal government to the provinces will prove to be an expansive source of support in the economy in the year ahead. These transfers both by way of unconditional equalization and the grants for the support of shared-cost health, welfare and education programs now require over $3 billion in cash payments.

The supplementary estimates for the current year have already shown an increase of about $79 million payable for equalization and related transfers. A further rise of about $90 million is anticipated for 1971-72. These increases illustrate the responsiveness of the equalization system in stabilizing and supporting the revenues and expenditures of those provinces which may experience a worsening of fiscal disparity when growth in the economy falls below normal.

[Mr. Benson.]

As for the shared-cost programs, including health insurance, welfare assistance, and higher education, the excessive rates of cost increase experienced in recent years do show some welcome signs of slackening. Nevertheless a preliminary forecast indicates a further rise of almost $350 million in increased payments to the provinces in support of these basic programs.

Finally, I should mention that although the detailed estimates for 1971-72 are still pending, they are expected to provide for a further advance in the regional development work of the Department of Regional Economic Expansion. Total expenditures here may rise above the level of $300 million next year.

Mr. Speaker, I turn now to the implications this entire program has for the government's financial position in the current fiscal year and in 1971-72. I have not had occasion as yet to give an indication to the House as to our requirements for next year. Detailed estimates will be presented in the usual way early in the new year. Our present calculations envisage that the cash requirements for 1971-72 would be about $200 million higher than the $1,500 million we are now estimating for the current fiscal year. These figures are apart from any effect of foreign exchange transactions and from the effects of the new program I have described tonight. Our cash requirements for the current fiscal year are high and we still have a considerable portion of them to finance. The new programs will add about $100 million to the requirements for the current year and $400 million to those already contemplated for the next fiscal year. Thus with the new programs our cash requirements for 1971-72 would be half a billion dollars higher than this year's combined budgetary and non-budgetary needs.

We have given the most earnest consideration to the best means of financing these requirements. We want to impart as strong an impetus to the economy as we can without regenerating a spiral of price increases. At the same time we wish to give added support to the disadvantaged regions and groups in our economy. There have been expectations that I would be announcing tax cuts tonight. The government has had to consider whether such a measure would direct economic stimulus and support to these economically weaker regions and groups in the most effective way. We have concluded that it would not. A reduction of taxes would be stimulating, that is not to be doubted. But the positive programs I have described will not only be stimulating but will penetrate more surely to the particular points in the economy where stimulus and relief of economic hardship are most required.

• (8:40 p.m.)

In adopting this policy we have, as I have said, added greatly to our cash requirements. A responsible government which is operating on a realistic basis has to be concerned about the total size of its net borrowing requirements. We have to guard against creating too rapid an expansion of the money supply, that is to say we have to guard against another encounter with the second obstacle to a rise in living standards that I have spoken of tonight—a renewed surge of prices. The borrowing needs of the government must be covered by a combination of sales of securities to the banking system and to the public. There are limits to the extent to which the banks can be encouraged to increase their holdings of government securities without running the very serious risk that the expansion and increased liquidity of the banking system will trigger inflation and expectations of inflation. There are also clear limits to the extent to which the general public can be induced to increase its holdings of government securities without this causing upward pressure on interest rates, which would of course restrain capital investment. High interest rates would also tend to push borrowers into foreign capital markets and either produce a further appreciation of the Canadian dollar or increase our need for cash to buy exchange in order to prevent such appreciation. A yet higher value for the Canadian dollar would also tend to restrain the Canadian economy. If we had to purchase exchange to prevent an appreciation, the financing of the extra cash requirements involved would produce yet more pressure on interest rates. I believe hon. members will agree that we must avoid such pitfalls.

For all these reasons, we have decided with reluctance that we shall have to find some of the cash required this fiscal year and next by means other than borrowing. I proposed, therefore, that taxes be kept at present levels by extending the surtaxes on personal and corporate incomes through the calendar year 1971. These surtaxes over a 12-month period are worth $245 million in revenue.

Hon. members I am sure will recall that the surtax on individuals does not apply to the first $200 of basic tax. It therefore does not apply to about 25 per cent of Canadian taxpayers. A single person does not pay any surtax if his income is below $2,743. A married man with two children does not pay any surtax if his income is below $4,343.

While I have no new general tax measures to propose tonight, I am proposing a special measure directed to our present economic circumstances. I referred earlier in my remarks to the fact that private capital investment has been one of the weaker elements in the picture. This has been particularly the case with respect to investment in our secondary industries. To encourage better performance in this area, I propose to provide a special incentive for all businesses engaged in manufacturing and processing. Effective tonight manufacturing and processing enterprises will be permitted to value new investments in machinery, equipment and structures at 115 per cent of their actual cost as a base for earning capital cost allowances. This capital cost allowance supplement will apply to such new capital investments put in place during the period commencing tomorrow morning and ending March 31, 1972. Further details will be provided in a bill and regulations.

Mr. Lewis: At what hour tomorrow morning—four o'clock?

Mr. Benson: One of my friends says, before you get up.

Mr. Lewis: That is at four o'clock.

Mr. Benson: Hon. members will recognize that this new instrument of Canadian fiscal policy is in harmony with our basic approach of focusing our measures upon the specific needs of the economy in order to attain maximum impact. Since the measure will increase significantly the net return on capital investment, I am confident that it will encourage new capital projects and speed up the implementation of capital outlays planned for the future, and thus create new jobs for a variety of the skills of our growing labour force. The tax bill of business enterprises affected will be reduced in each of the next several years to a total of about $250 million. For the fiscal year ending March 31, 1972, I estimate the reduction at $25 million.

With the permission of the House, Mr. Speaker, I should like now for the information of members to include as an appendix to *Hansard* tables in the form normally provided with budget speeches. These include a summary statement of our cash requirements for 1969-70 and our current forecast for 1970-71, the yields for the same two years of our main categories of budgetary and old age security revenues and again for the same two years, tables and explanatory notes giving the budget figures in terms of the national economic accounts in the form published by the Bureau of Statistics together with a reconciliation with the budgetary accounts.

Mr. Speaker: Is this agreed?

Some hon. Members: Agreed.

[Editor's Note: For tables referred to above, see Appendix A]

Mr. Benson: Since I last presented similar tables to the House in mid-October there have been some changes in the figures forecast for 1970-71 quite apart from those which arise out of the new measures announced tonight. In particular budgetary revenues are expected to be lower by $100 million owing to changes in the economy, especially those arising from substantial work stoppages. Expenditures will be some $50 million higher reflecting the impact of certain items already presented to the House as supplementary estimates. In addition, net non-budgetary requirements will be somewhat higher. Taking account of tonight's measures I am now estimating a budgetary deficit of $320 million and net non-budgetary requirements of $1,250 million, making a total cash requirement of $1,570 million apart from foreign exchange transactions in the current year.

For 1971-72, taking account of the programs described tonight including the continuation of the present level of taxes, we estimate that the budgetary accounts will show a deficit in the area of $600 million; and that our net non-budgetary requirements will be in the area of $1,300 million. Thus the total cash requirements excluding exchange transactions are expected to be approximately $1,900 million.

I should like now to speak briefly about the economic outlook. I have referred to the fact that real output and employment are now rising. It is my firm belief that they will continue to rise and gain in momentum through 1971. Unemployment, seasonally adjusted, fell last month. It is undoubtedly the case that the unadjusted figures of unemployment will rise through the winter months as they always do. But I am hopeful that seasonally adjusted unemployment will prove in fact to have peaked during this quarter unless an improvement is delayed by certain important labour disputes.

I do not wish to suggest that the route to full employment will be easy. With the rapid expansion of the labour force we are experiencing in this country and with the prospect of increasing productivity as the economy expands, very substantial rates of real growth will be required to absorb the new workers and reduce unemployment. But I believe that, led by the policies of the government, there will be renewed confidence in the private sector and a steady advance toward full utilization of our human and material resources. I expect a greater growth of consumer expenditure next year. I expect that investment in housing will be strong. As the year progresses I anticipate that other investments too will expand at an increasing pace. While we cannot expect our exports to show another leap forward next year similar to the one they made this year, they will continue to be strong. I feel sure that other levels of government will be demanding goods and services from the economy at a greater rate than this year. We have set our policies in the confidence that, guided by them, the economy will advance to new, higher levels of output that will permit growing employment, reduced unemployment and continued good price performance.

• (8:50 p.m.)

We are looking to growing increases in the value of gross national product next year, which by the second half may be running at a rate about 8½ per cent above the second half of this year. With continued good price performance these figures imply an increase in real output that will be sufficient to more than offset the increase in the labour force and expected growth of productivity and so reduce unemployment progressively during the year.

The governement will continue to watch the developing situation with great care and should policy changes become necessary or desirable we shall, as we have been doing, make suitable adjustments without delay. In saying this I have in mind not only progress toward full employment but also continued satisfactory price performance. If we do not achieve the restraint of prices and costs that we must have, we shall not shirk from action that may be required on that front.

Recently I took part in meetings of finance ministers in Brussels and of the International Monetary Fund and World Bank in Copenhagen. These meetings have given me an opportunity to compare notes about economic developments with government and business leaders of all the principal countries. Only last week we had a meeting here in Ottawa of the Canada-U.S. Joint Economic Committee and this gave me another chance to see how we are getting along compared with our neighbours. It is good to see your country though the eyes of others.

My counterparts abroad who are called upon to help manage their national economics would be pleased to claim for their countries the record of Canadian economic attainment over the past several years. They, looking from the outside, are able to see things about Canada which some of us, with myopic concern about day-to-day issues, fail to see in front of us.

Some hon. Members: Hear, hear!

Mr. Benson: Mr. Speaker, they see a high and rising standard of living, a strong currency, rapidly expanding export trade, the largest current account surplus in our history and, compared to most, a good price performance, and to them these are no mean accomplishments. When I remind them that the expansion of our economy and the growth of our employment have been less than adequate in recent months, and that the rate of cost increases is still too high, they point to their own very serious problems in exactly these same areas.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

Mr. Hees: Even your own members are laughing at you.

Mr. Benson: Mr. Speaker, in concluding my budget presentation tonight I want to re-assert my strong and abiding optimism in Canada's future. We are endowed with bountiful resources to which the world is turning with increasing interest. We have sound and stable government and a well-established determination to keep it strong. The large investment of recent years in advanced education and vocational training will enhance the productive capacity of our rapidly growing labour force and help our people adapt more readily to requirements of a rapidly changing industrial technology. Our manufacturing industries have shown a remarkable capacity to penetrate world markets and meet import competition at home. We are working hard to expand economic opportunities in the weaker regions of the country and can, I think, rightfully claim some measure of success. We have improved and are continuing to improve the social security system and have made good progress towards a more equitable distribution of our national income.

I have no doubt, and I am not speaking as a government, that we as a Parliament—I trust all members of Parliament are responsible—and as a nation will overcome whatever difficulties will present themselves and keep the economy moving forward on a growth path with increasing momentum that will absorb our full human and material capacity.

Some hon. Members: Hear, hear!

Mr. Benson: And, Mr. Speaker, with a little patience we can reach this ultimate goal without rekindling the fires of inflation. Investors from all over the world are obviously willing to place their bets on Canada, and my strong advice to Canadians everywhere is that there is no better bet.

Some hon. Members: Hear, hear!

• (9:00 p.m.)

Mr. Benson: Mr. Speaker, pursuant to section 1 of Standing Order 60, I wish to lay on the table of the House copies in English and French of notices of ways and means resolutions referred to in my budget statement.

[*Editor's Note: For text of notices of ways and means motions, see Appendix B.*]

An hon. Member: You have laid an egg.

Mr. Stanfield: That was the best part of the speech.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, it is obvious that the government, through the Minister of Finance (Mr. Benson) and its supporters, is vainly grasping at straws tonight to get back to the centre of the stage.

An hon. Member: Author!

Mr. Lambert (Edmonton West): Before I comment on the minister's remarks, Mr. Speaker, I must say that this evening we join with all in Canada in grateful appreciation and relief at the news that Mr. Cross has been found and is now in safe hands.

Some hon. Members: Hear, hear!

Mr. Lambert (Edmonton West): Having said that, Mr. Speaker, may I say that we have witnessed a posturing act—

An hon. Member: You've seen nothing yet.

Mr. Lambert (Edmonton West): And I am sure there is absolutely nothing in what we did see. This posturing act and the clichés offered by the government show their attitude. Of course, as has been said before about the activities of this government: Look at the damned mess we are in now.

On previous occasions, Mr. Speaker, the Minister of Finance has said there is need for only one budget a year. When we were discussing the budget he presented last March it was pointed out that the 3 per cent surtax would lapse. He was asked whether it would be restored, and he said no. But within the last few days the minister had to scurry and he told us we would be having a budget. Why? There are only two budgetary proposals here. One is a great deception of the Canadian public and works to the hardship of those people about whom the minister and the government pretend to care so much—the lower income earners. So what happens? The surtax is imposed for another year.

Some hon. Members: Shame!

Mr. Stanfield: Higher taxes; raise the taxes!

Mr. Lambert (Edmonton West): That is not giving any relief to low income earners. It gives no relief to old age pensioners—

An hon. Member: Six per cent unemployment and higher taxes.

Mr. Lambert (Edmonton West): —if they pay taxes. It gives no relief to anyone under the so-called poverty level. Everybody, whether rich or poor, gets the same relief of $200 of tax before the 3 per cent surtax is imposed. In this budget there is no measure to relieve that particular hardship. We are told with great fanfare that the Minister of Labour (Mr. Mackasey) has announced a 10 per cent increase in unemployment benefits. But that does not help the person who cannot qualify, nor the person whose benefits are running out; and there are thousands and thousands of them. You might as well give them cake, since you are not able to give them bread. What is required are jobs.

We are told about redistribution and about income security, but that does not take care of the winter. This measure only comes into force on April 1 next. We are also told about veterans allowances, but this will not help this winter either. That comes into effect in the spring. I suppose everything has to come with spring.

Mr. Crouse: This is a springtime budget.

An hon. Member: Like you.

Mr. Lambert (Edmonton West): At least I will come in the spring; you will never arrive. Mr. Speaker, we are having a budget at this time because of the erratic manner in which this government has conducted the economy over the past two or three years. First of all it stubbornly refused to recognize that we had inflation.

Mr. Pepin: What?

Mr. Lambert (Edmonton West): I will not go through, chapter and verse, all the attempts that were made to get the government to recognize that there was a problem of inflation. Then we saw a sudden awakening. The government was warned by the Economic Council of Canada in its fifth report, and we know what its reaction was to that gentle warning. In effect, the Economic Council said. "Be careful, because the measures that you have taken will have long and deep effect and may turn the balance the other way." In the fall of 1968 the Economic Council gave that warning, and the Minister of Finance will well remember how he—

Mr. Woolliams: I don't think he ever read those reports.

Mr. Lambert (Edmonton West): —appraised that incursion by the Economic Council, and how he felt they were criticizing the actions of the government. It was only a warning, but how true it was. Now we see the government scurrying the other way to restore the balance. And why? Because all its monetary and fiscal measures taken in an effort to fight inflation have resulted in massive unemployment.