● (2002)

## AFTER RECESS

The House resumed at 8 p.m.

# GOVERNMENT ORDERS

[*Translation*]

## THE BUDGET

### FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

**Hon. Jean Chrétien (Minister of Finance)** moved:

That this House approves the budgetary policy of the government.

He said: Mr. Speaker, the purpose of my budget tonight is to take positive and responsible action to deal with the problems which face the Canadian economy in a very troubled world. These problems are complex and difficult. We are being held back by serious unemployment and inflation, and we must do all we can to deal with them. But we also face longer-term problems and opportunities calling for structural adjustment in many industries, sectors and policies. These were the challenges brought out very clearly by the recent Conference of First Ministers.

In the past days and weeks I have sought the advice of many individual Canadians. I have spoken to all provincial finance ministers. I have benefitted from vigorous public discussion of our economy. My cabinet colleagues and I have considered briefs from groups large and small, national and regional.

Many of the suggestions made to me for this budget would be popular politically but unwise economically. I will not follow such suggestions. I believe this is time for Canada to face our problems critically and realistically. If we do, we can turn the tide against inflation and unemployment. The measures of this budget should secure and reinforce the progress we have already made.

It is now clear that many of our current difficulties have their roots in the period of extraordinary growth Canada experienced between the mid-1960s and the mid-1970s. With the great advantage of hindsight, we can see that we did not always use our good fortune wisely.

Our economy boomed. The world environment was good to us. Canadians enjoyed a very large increase in their standard of living.

But we all came to expect too much of the economy. Governments increased their spending too quickly. The money supply was increased too fast.

Too much was asked and given at the wage bargaining table. Other forms of income also rose too rapidly. Too little attention was paid to the long-run efficiency of the Canadian economy, and its ability to compete.

And so Canadians were not well prepared to deal with the shocks of the early 1970s. Sharp increases in the price of oil, food and other major world commodities speeded up our inflationary spiral.

World recession arrived and compounded our loss of competitiveness. A large deficit opened up in our balance of payments. Our growth slowed down. The loss of sales meant the loss of jobs.

At the same time, we experienced more conflict and confrontation in Canada. Conflict between the provinces and Ottawa. Conflict between separatist and federalist forces. Conflict between employers and employees. All of these things breed uncertainty and weaken the economy.

[*English*]

The Signs of Progress

By the fall of 1975 it was clear that strong economic action had to be taken. The anti-inflation program launched at that time has made a major contribution in turning our situation around.

The expenditures of all levels of government in Canada have since been brought under better control. In our own case we have cut back the growth in our total outlays from 26 per cent in 1974-75 to 18 per cent in 1975-76 to 10 per cent or less since then.

The Bank of Canada has brought down the rate of increase of the money supply in line with its announced targets for continued growth and declining inflation.

Wage increases have returned to more realistic levels. New settlements came down from 17 per cent in 1975 to 10 per cent in 1976 and under 8 per cent in 1977. They are now down to the guideline of 6 per cent.

The underlying rate of inflation has also been reduced. We can see this in the trend of non-food prices which has been improving steadily. Another indication is the fact that the average price of all the goods and services which Canada produces rose only by 6.5 per cent last year, compared with 9.5 per cent in 1976 and 11.2 per cent in 1975.

● (2012)

The controls program has played a key role in these developments. Controls over prices and incomes cannot succeed unless they are supported by the right setting of fiscal and monetary policy. But the underlying rate of inflation would not have been brought down so quickly without the controls. Without their help, we would have had less growth and more unemployment.

Given the erosion that our competitive position suffered over several years, it was inevitable that an adjustment of the exchange rate would be required sooner or later. That adjustment has taken place in several stages. The government has permitted it to occur by allowing the exchange value of the

*The Budget—Hon. Jean Chrétien*

Canadian dollar to move in response to changes in the balance of supply and demand in the foreign exchange market. That continues to be our policy.

It also continues to be our policy to intervene directly in the market to moderate short-term fluctuations in the rate of exchange. This intervention dampens the more erratic short-term movements. It also provides resistance to appreciable movements of the rate in either direction. The intervention does not prevent the exchange rate from moving in response to the market situation. It moderates the speed of change.

Such intervention gives rise to changes in Canada's official reserves. In the event of a sustained declining trend in the exchange rate, such as we have been experiencing, the drain on the official reserves can be considerable. In such circumstances it is prudent for the government to replenish the foreign exchange component of reserves by borrowing foreign currency. As hon. members know, we have been following just such a policy.

Changes in the official reserves arising from exchange market interventions reflect the over-all balance in Canada's international payments. When, as at present, we have a deficit in the current account of our balance of international payments, changes in official reserves can be regarded as adjusting the net inflows of capital that finance the current account deficit.

In recent months the net inflow of capital to Canada, particularly that arising from the usual foreign borrowing of Canadian provinces, municipalities and corporations, has been low in relation to the size of the deficit on current transactions in goods and services. For seasonal reasons, this deficit is normally much larger in the first several months of the year than in the other months. In these circumstances the Government of Canada has used exchange reserves to supplement the inflow of capital. The Bank of Canada has raised the bank rate on two recent occasions to encourage Canadian borrowers to raise funds abroad. In summary, it is our policy to undertake such foreign borrowings as are required to replenish our reserves and to provide assurance that the government is in a position to supplement the net inflow of capital to Canada.

With our costs now under better control and a lower exchange rate, we have become more competitive internationally. This has helped us to turn around our trade balance from a deficit of $500 million in 1975 to a surplus of almost $3 billion in 1977.

In other ways, our progress has been no less important, but perhaps harder to measure. Expectations have changed. Hopefully they are more realistic. Some of the divisions in our society have been narrowed or closed.

We have also seen a remarkable improvement in relations between labour and management. In 1976 we lost 11.6 million man-days in strikes. Last year that number fell 70 per cent to only 3.4 million man-days. More important, labour and business are talking to each other about their common problems.

There is also a more effective dialogue among governments and between governments and business, labour and other groups in our society. It is not a matter of choice whether we pursue this dialogue. We must achieve more agreement on economic issues and find more ways to co-operate, or we cannot get the best out of our economy.

[Mr. Chrétien.]

[*Translation*]

The Challenge of Structural Reform

The federal government discussed co-operation and structural change in the paper entitled *Agenda for Co-operation*. The first minister's conference was a milestone in federal-provincial relations both in terms of the range of policy agreement and the commitment to structural reform. A comprehensive work program is now underway as a result of the meeting. For example, studies are proceeding with the private sector in 22 manufacturing industry categories. A major effort is underway to cut down the burden of government regulation. Measures have been taken to help arrest and reverse the tourist deficit. Food and agricultural policies are under review. We are looking forward to developing the potential created for our fisheries by the 200-mile limit.

For my part, I can encourage useful structural adjustment as minister responsible for tariffs and tax policy.

Commercial Policy and the Tariff

The multilateral trade negotiations now taking place in Geneva have longer-range potential for the productive sectors of our economy. We are participating actively in the talks, and seeking reductions in both tariff and non-tariff barriers to give us better access for our exports, especially highly processed resources and manufactured goods. We will also be prepared to reduce Canadian tariffs, but only in return for concessions of real value. Canada's development in the 1980s will depend very largely on the ability of our industries to grasp significant new export opportunities and compete more effectively against imports at home. As First Ministers have urged, we will be ready to support the private sector adjustments that will be needed for our success in the trading environment of the decade ahead.

The Geneva talks are moving ahead quickly and we hope for a successful conclusion in the coming months. In the meantime I am not submitting any major amendments to the Customs Tariff. However, I am proposing tonight that most of the temporary tariff reductions introduced in 1973 on a broad range of consumer products be extended for another year beyond their scheduled expiry date of June 30. The extension will contribute, as it has in the past, to our efforts to minimize inflation.

I am also proposing to withdraw the British Preferential rate from certain goods imported from Britain and Ireland, including certain diesel engines, radio and television apparatus, truck-mounted cranes, knitted goods and confectionery products.

To assist Canadian producers, increases in the MFN rates are being proposed for certain chemicals and industrial tires and tubes.

I have received a number of inquiries about implementation of the Tariff Boards's proposals for changes in the tariffs on fruits and vegetables. We have notified our trading partners that we intend to renegotiate certain GATT commitments which currently prevent us from increasing existing rates of duty on products covered by the Board's report. The government will try to conclude these negotiations as soon as possible and then introduce legislation to provide for a new schedule of rates for fresh and processed fruits and vegetables.

[*English*]

The Tax Structure

Our tax system is another instrument which can support innovation and change. I want to proceed immediately with major structural changes in three areas of industrial policy highlighted by First Ministers. They are research and development, transportation and energy.

Research and Development

We must continue to encourage Canada's research and development efforts. An adequate level of R&D is crucial to achieve gains in productivity and to strengthen Canada's position in an increasingly competitive world. At present, corporations are allowed to write off immediately 100 per cent of all R&D capital and operating expenditures. Last year these outlays also became eligible for the federal investment tax credit of from 5 to 10 per cent. In many cases they also qualify for direct assistance under significant federal grant programs.

● (2022)

I now propose that for 10 years starting tonight, taxpayers be allowed to deduct from their income a further 50 per cent of additional R&D expenditures. The deduction will apply to both current and capital expenditures to the extent that they exceed the average amount over the preceding three years. This means that there will now be a special incentive for companies to *expand* their R&D. I want to emphasize that this special allowance comes on top of the incentives already in place.

The new allowance will make Canada's tax treatment of research and development one of the most generous in the world. The after-tax cost to companies of one dollar's worth of additional expenditure will be reduced to as little as 20 cents. I hope this incentive will lead to significant improvements in R&D performance by the private sector. And I look to companies to ensure that the resulting new technology is used within Canada to create new jobs.

Railway Investments

Discussions at the First Ministers' conference underlined the importance of transportation for industrial and regional development in Canada. Railways continue to be a crucially important mode of transportation, particulary for long hauls and heavy commodities. Recently, the government has announced significant changes in the organization of the CNR to improve the efficiency of its operations. Measures were introduced in the last budget to encourage track and grading investments by railways. Looking to the medium term, major new investments are needed in this sector if efficiency and productivity gains are to be captured.

I am therefore proposing a significant increase in the capital cost allowance for railway investments. This will take the form of an additional depreciation allowance of 6 per cent per year for five years for most capital expenditures of a railway. It will apply to investments undertaken after tonight and before 1983. The measure will help improve the railway system in all regions of Canada and will be of benefit to suppliers of railway equipment.

Energy Development Incentives

We must also continue to place high priority on our national energy policy, and in particular the need to extend self-reliance for oil and gas. We are fortunate in our existing and potential resources, and many tax incentives and other measures have been put in place to encourage their development. But increasing attention is now focussed upon the heavy oil reserves and oil sands deposits of the western provinces which can be tapped only by advanced technology and multi-billion dollar investments. These are projects requiring long lead times for planning, organization, design and construction. It is important to get them moving now, and I have concluded that some modification and clarification of their tax treatment can be helpful in that regard.

First, I want to make clear that the up-grading plants to process the heavy oil produced from wells into a type of oil similar to conventional crude will be treated as a manufacturing facility, eligible for fast write-offs and the reduced tax rate.

Second, it will be important to extract as much oil as technologically possible from all deposits. It has already been established that enhanced recovery systems can greatly increase total production. After today, therefore, special machinery, equipment and other facilities acquired for enhanced recovery systems—specifically, so-called "tertiary" recovery—will be able to earn depletion at a rate of $1 for every $2 of expenditure as compared to the normal earning rate of $1 for $3.

Finally, earned depletion may be applied at present only to reduce taxable resource profits, and only up to a ceiling of 25 per cent. This provision will be significantly improved. Effective immediately, corporations may deduct depletion earned through certain qualifying investment in non-conventional oil projects up to the extent of 50 per cent of total income—both resource and other profits. The qualifying investment will include expenditures on tertiary recovery equipment and certain depreciable property acquired for use in a bituminous sands mining project.

I am confident that these measures, added to the ones already in place, will in future years help reduce our dependence on imported oil, especially in eastern Canada.

I would like also to say a word about the mining industry. The First Minister's conference directed Finance and Resource Ministers to undertake an early review of the taxation of the mineral industry. The government is proceeding with its review and looks forward to further consultation with the provinces in the near future.

Retirement Income

Almost two million Canadians have Registered Retirement Savings Plans, enabling them to set aside funds to provide income after retirement. The wide range of choice allowed in setting up these plans and the generous tax treatment for contributions have made them very popular.

I have some concern, however, over the limited choice available to RRSP holders when the time comes to turn their savings into retirement income. A taxpayer is now required to invest his RRSP proceeds in a life annuity with an insurance company prior to his 71st birthday. The only alternative he has is to withdraw the funds in a lump sum and pay income tax on this amount in the same year.

I propose to introduce two additional alternatives that will increase flexibility while retaining the basic principle that RRSP funds are intended to be used for retirement income.

The first alternative will allow the purchase of a fixed-term annuity to provide benefits to age 90.

The second alternative will allow the taxpayer to have his RRSP savings placed in a new kind of investment vehicle to be known as a Registered Retirement Income Fund. Each year a set fraction of the total assets in the Fund—capital plus accumulated investment earnings—will be withdrawn and taken into income. This fraction will be determined by a formula designed to provide benefits to age 90. Payments would grow over time at a rate reflecting the investment performance of the Fund and thus provide a degree of protection against future inflation. There will be provisions enabling a taxpayer to manage his investments in much the same way as he can now with a self-administered RRSP.

Institutions with the right to issue RRSPs will be permitted to sell fixed term annuities or retirement income funds. At present this includes mainly life insurance and trust companies.

● (2032)

The transfer of an RRSP into any of the retirement income options must occur between age 60 and age 71.

I am confident that the added alternatives will provide the range of choice that taxpayers desire in planning for retirement. They respond to concerns expressed to me by many Canadians.

Family Law Reform

A number of provinces have introduced fundamental changes in the laws relating to the division of certain properties between marriage partners. These changes in law raise a number of important issues which are far from being resolved. Because they affect several provisions of the Income Tax Act, I am monitoring the developments in this area very closely. In the meantime, I am proposing a change in the provisions so that transfers of property between spouses pursuant to provincial family laws will not give rise to taxable capital gains.

The Ways and Means Motion contains several other important changes. First, the current provisions which permit the transfer of farm land and buildings by a farmer to his children without payment of capital gains tax will be extended to incorporated family farms. Second, single employees will now receive the same tax exemption as married employees on the value of free board and lodging provided at logging camps and other remote work locations. Third, I am proposing certain tax changes to further promote the production of good Canadian films.

Problems of the Past Year

The structural changes in the economy which these measures will encourage will help us achieve the growth we need over the next four or five years. I have also had to consider what measures would be helpful in dealing with the immediate problems which confront us.

[*Translation*]

Although the prices of the things we produce continued to slow down last year, the prices of the things we consume have risen more sharply. There were two major factors—higher prices of imported foods and the decline in the exchange rate. I do not believe the price surge will last. I believe the direct impact of our dollar's decline is now largely behind us. Further, an improving supply situation should help to slow the rise in food prices.

The growth of output was disappointing last year. The rate dropped from about 5 per cent in 1976 to 2.6 per cent in 1977, according to the preliminary estimate. The most unfortunate consequence was the rise in unemployment. Unemployment has reached unacceptable levels despite a substantial increase in the number of Canadians who are working. Employment has increased more than 3 per cent in the past year. Almost 300,000 more Canadians are working today than one year ago. But our labour force has also been growing rapidly, much more rapidly than in other countries. Since 1970, our labour force has increased by about 3½ per cent a year, compared with 2 per cent in the United States and well under 1 per cent in the United Kingdom, France and Japan. In Germany, the labour force has actually dropped over this period.

An important reason for the growth of our labour force has been the growing number of Canadian women who are working. Since 1970 the number of adult women in the labour force has increased from 1.9 million to 2.7 million, a rise of more than 40 per cent. There has also been a surge of young people coming into the labour market. This surge will not last; in many schools, there are now empty desks. But the immediate challenge is to create enough jobs for all our young people. Youth unemployment is one of our most serious problems. It cannot be dealt with only by general economic policies. Our

[Mr. Chrétien.]

manpower training and direct job creation programs are pointed specifically to this problem.

In 1978-79 a total of $458 million will be spent for the Canada Works, Young Canada Works and other continuing job creation programs. Some of these programs, notably Young Canada Works, Summer Job Corps, Youth Apprenticeship and Job Experience Training are directed exclusively to young people. However, this does not represent our total effort in favour of young people. I must stress that the young also have complete access to our general programs such as Canada Works and the Canada Manpower Training Program where they represent roughly half of the clientele. I estimate our job creation effort for young people under these programs to be over $225 million.

Further, an additional $150 million is being provided for seasonal works projects with a high employment content in high unemployment areas. The new employment credit will directly stimulate private sector employment.

The stimulus will be especially strong for jobs which young people are most likely to fill. We are also making a manpower training investment of the order of $500 million, about half of which is to be spent on youth.

Mr. Speaker, if I may summarize, we are going through a difficult period of adjustment, with some recent factors working against the pace of our recovery. Forecasts for 1978, including my own, have been shaded down. But the recovery is proceeding. Employment is rising. Confidence is improving, although not as quickly as I would like to see. The question now is whether the gradual recovery that has been established should be given an added push from policy. I have decided that it should.

The size of such a push must take into account the forces of expansion that are already in place. Much of the tax action I took last winter has not yet worked through the system. Moreover, the decline in the exchange rate over the past year, by improving the competitiveness of our exports and domestic industry, will have an impact of major dimensions—provided we do not waste it through cost increases. Very large resource projects lie ahead of us. So while further action is desirable, it must be responsible action, and action aimed at the right target.

The Action We Need Now

Any further stimulus should obviously be fast-acting. It should encourage consumer spending, not more spending by government. It should offset some of the temporary factors which are pushing up prices. This is particularly important now, on the eve of the start of decontrol.

A reduction of retail sales taxes fits these requirements best, and has the added advantage of benefitting all those who spend in Canada, even those who do not pay income tax. It will stimulate retail sales and therefore benefit, among others, the many small businessmen in this sector. The idea has been advocated widely by economists, business associations and others. Indeed, I made a proposal to the provinces last fall under which the federal government would compensate them for half of the cost of reducing retail sales taxes by two percentage points. Most provinces were unable to accept the proposal at that time in view of their fiscal positions, and I therefore proceeded with an income tax cut of up to $100 per person for January and February of this year.

Tonight I want to announce that I have made a broader proposal to my provincial colleagues.

I have offered to compensate them for a reduction of two percentage points in their retail sales taxes for a period of six months. In return, I have asked them to bear the cost of either a further one percentage point for the same period, or an extension of the two-point cut for a further three-month period.

● (2042)

[*English*]

I recognize that the Atlantic Provinces are less able than the other provinces to bear this additional cost. I have therefore offered to compensate them for the full cost of three percentage points for six months.

To focus the tax cut on essential items, the reductions will not apply to amusements, tobacco products and alcoholic beverages for home consumption.

The federal compensation to the provinces will be made in the form of a temporary transfer of $800 million in personal income taxes, with small balancing payments in cash where necessary. Equalization payments will be insulated from the impact of the retail sales tax and the personal income tax changes.

Alberta does not have a sales tax and therefore does not benefit in the same way as the other provinces. However, the fiscal position of Alberta is very strong as a result of its oil and gas revenues and this has permitted significant further cuts in other provincial taxes. The government of Alberta has raised no objection to our proceeding with the proposed arrangement.

Mr. Speaker, this measure can be an outstanding example of federal-provincial fiscal co-ordination and I want to express my deep appreciation of the co-operation I have received from my provincial colleagues. If all provinces accept the federal offer, this will mean a tax cut to the economy of about $1.1 billion. About one-third would be paid for by the stronger provinces, about a third by federal deficit financing, and about a third by a cut in federal expenditures to which I will refer in a moment. The measure will boost real income by holding prices below the level which would otherwise be expected. The impact on the average price level should be about one per cent for the period the cut is in effect. This cut provides a specific incentive to consumers to take advantage of temporarily lower prices. Its impact will be reflected in an early stimulus to retail and wholesale business, a call on output from the production line, and a lowering of tax cost on business.

With this measure now officially committed in the budget tonight, I am glad to report that I finally contacted all provincial ministers of finance this afternoon and that the four Atlantic provinces—which I will come back to later—Ontario and Manitoba all propose to reduce their retail sales tax rates by three percentage points for six months. The provinces of British Columbia and Saskatchewan propose to apply the federal compensation to a two-point reduction for the first six months and to make their own contributions over subsequent periods.

[*Translation*]

As for the province of Quebec, it is still studying the federal offer. I asked my Quebec colleague to let me know his decision in the next few days and he has agreed to do so.

[*English*]

Under these cooperative arrangements, provincial governments respectively will take steps to reduce retail sales taxes from 11 per cent to 8 per cent in Newfoundland; from 8 per cent to 5 per cent in New Brunswick, Nova Scotia and Prince Edward Island; from 7 per cent to 4 per cent in Ontario; from 7 per cent to 5 per cent in British Columbia; from 5 per cent to 2 per cent in Manitoba; and from 5 per cent to 3 per cent in Saskatchewan.

Fiscal Position and Outlook

Mr. Speaker, I would like now to table the Notice of Ways and Means Motion, projections of the government's revenues and expenditures, and supplementary information outlining details of the measures proposed tonight. This material also provides background to the tables on the government's accounts and information on the relation between domestic borrowing, foreign borrowing and our financial requirements.

I would also like to ask for the consent of the House to include in *Hansard* the usual tables on the government's accounts together with the usual notes.

**Mr. Speaker:** The minister has the right to table documents but needs the consent of the House to include them in *Hansard* as if they were printed as part of *Hansard*. Is that agreed?

**Some hon. Members:** Agreed.

**Mr. Speaker:** It is so ordered.

[*Editor's Note: For notices of ways and means motions and tables referred to above, see appendix.*]

**Mr. Chrétien:** On the basis of close to final information, financial requirements excluding foreign exchange transactions totalled $8.5 billion in 1977-78. This is $300 million less than I forecast recently, mainly because it now appears likely that our total outlays were $200 million below the budgeted amounts, and I would like to thank the President of the Treasury Board (Mr. Andras) for that.

[*Translation*]

For 1978-79, we have reduced our expenditure ceilings by $350 million below the total announced by the President of the Treasury Board when he tabled the main estimates. This will require very tight control over spending under existing programs and over the introduction of new programs. Taking last year together, our financial requirements will be $550 million lower than they would otherwise have been as a result of these expenditure savings.

Taking into account the measures announced tonight, which will reduce revenues for this year by some $900 million, I now expect 1978-79 financial requirements to total about $9.5 billion if one excludes the $2 billion of accrued interest on Canada Savings Bonds which will be encashed this year. While the total requirement of $11.5 billion is large, I am confident it can be financed without creating undue pressures on markets, particularly in light of our very large cash balances at the present time.

The revenue side of the 1978-79 fiscal outlook is based on a forecast increase in total ouptput in current dollars of about 11 per cent.

I expect about 6 per cent of this increase to consist of price changes, as measured by the price index of total gross national expenditure, and close to 5 per cent of growth in real output. This rate of real growth should bring about some modest decline in unemployment. Whether we in fact obtain as much output growth and as little price increase will be influenced by wage and price behaviour in the decontrol period, as well as by international developments. The increase in the consumer price index is likely to be about 7 per cent because it includes import prices which are directly affected by higher food prices and the decline in the exchange rate.

[*English*]

Conclusion

In summary, this budget is aimed at creating the proper conditions for a strong and prosperous economy. In conjunction with the provinces, in the short term I have taken steps to increase consumer demand and to lower consumer prices; in the medium term, I have put into place tax changes designed to meet some of the major challenges of the future—in energy, transportation and research and development. In doing these things, my objective has been to strengthen the private sector without government interference.

• (2052)

Mr. Speaker, I am convinced that Canada has a potential for economic growth and higher living standards second to none in the world. We have the skills, the natural resources and the proven ability to work together in solving our problems.

To translate promise into reality we must meet certain conditions.

First and foremost, we must keep Canada united.

Second, we must carry through structural reforms in the Canadian economy to make it more efficient and competitive.

Third, we must restore reasonable cost and price stability. The experience of recent years has made it very clear that inflation is the enemy of growth, because it weakens consumer and business confidence and erodes our ability to compete in world markets.

Individual Canadians must accept the need to be reasonable in their wage and salary demands at a time when the issue for more than a million Canadians is not getting a pay increase but getting a job. There will be times when we will have to pay more for some of the things we buy without expecting any offsetting increase in our incomes. It is futile and damaging to try to compensate ourselves for the higher costs of imported goods.

I look to the business community to explore markets aggressively and demonstrate the faith in Canada that is merited by its great material and human resources and its sound institutions.

Governments must pursue with discipline the policies that will encourage as much growth as possible at declining rates of inflation. We shall continue to restrict the growth of our own spending to less than the trend growth of the gross national product. In doing so, we will continue to pursue greater efficiency in government. In setting the wages and salaries of our own employees, we will follow—not lead—the private sector.

If we all play our part, we can advance into the 1980s with rising investment, declining unemployment, an improving balance of payments and strong growth in all parts of this country.

There is only one way to get out of our difficulties and that is for all Canadians to apply themselves diligently to build a better future for our children and our grandchildren. It is through hard work, imagination, determination and discipline that we will succeed.

Tonight, despite the prospect of an early election, I have refused to make iresponsible promises to the people of Canada because I respect the intelligence of those who will be choosing the next government. The theme of the budget which I have brought down tonight is responsibility, and responsibility is what Canadians deserve.

**Some hon. Members:** Hear, hear!

**Mr. Sinclair Stevens (York-Simcoe):** Mr. Speaker, as hon. members of the House know, this is the first budget brought in by this Minister of Finance (Mr. Chrétien). The minister has been in office for seven months, and frankly I believe most feel that we were entitled to a better effort tonight than we have just received.

**Some hon. Members:** Hear, hear!

**Mr. Stevens:** I sincerely hope that this minister will be a little better at skate boarding than he has been in preparing a budget, or he is going to damage himself very cruelly. Let us face it, this budget tonight is another example of the half measures that this government has been offering to the Canadian public for ten years, half measures which have caused the number of unemployed in this country to rise from 375,000 to over one million today and caused inflation to more than double in the ten years that the Prime Minister (Mr. Trudeau) has led this country. I say "half measures" because if we add up the total revenue stimulant offered by this minister to trigger the proper reaction in the Canadian economy at the present time, it totals $900 million. That figure is not half of what is needed to trigger our economy into the exciting growth that Canadians frankly deserve from any government that wishes to lead them to the prosperity which can be theirs.

We have said that we believe in one form of tax cut or another designed to trigger consumer confidence and consumer buying again in Canada. At least this government should be willing to give up $2.2 billion.

**Some hon. Members:** Hear, hear!

**Mr. Stevens:** When I say "$2.2 billion", it is because we can pinpoint enough fact, as well as sloth on the part of this government, to save well over $2 billion for the Canadian public. I do not know how the minister could read those words into the record with a straight face, namely that he has been following a policy of restraint.

I refer hon. members to the budget given by the previous minister of finance, Mr. Macdonald, in this House on March 31, 1977, at which time he indicated that for fiscal 1978 the total spending, as far as his estimate was concerned, would be $41,900 million. Tonight we learned that estimate was $1.1 billion out of whack alone.

**Mr. Andras:** That is absolutely incorrect, absolutely inaccurate.

● (2102)

**Mr. Stevens:** Mr. Speaker, the President of the Treasury Board (Mr. Andras) says "incorrect". I would recommend that right now he pull out the March 31 budget of Donald Macdonald where he will see the figure in Table 1.

One of the serious problems of this country today is that this government does not believe the facts. We have a budget tonight full of half measures. Frankly, I believe the government has become an administration full of half measures.

We recall that on October 20 the concept of an employment tax credit was announced. We gave support to that concept in the earnest hope that it might get some Canadians back to work who otherwise would not be gainfully employed. We supported it and gave it one day passage in this House. What has happened since? It now turns out that the government proposes to tax back a good proportion of that tax credit. Not only does it propose to tax it back, the program is not completely operational even to this date, April 10, 1978, after being announced on October 20, 1977.

I could also refer to many other things. Most Canadians are humiliated to see our dollar fall and fall in value. Frankly, that dollar would not have fallen as low as it has today had it not