

*The Canadian Economy***MOTION TO ADJOURN UNDER S.O. 26****THE CANADIAN ECONOMY****MEASURES TO INCREASE EMPLOYMENT AND PRODUCTIVITY**

Mr. Speaker: Order. Pursuant to special order made earlier this day, the Minister of Finance (Mr. Benson), seconded by the President of the Privy Council (Mr. MacEachen), moves:

That this House do now adjourn.

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, I should like to announce certain measures to deal with the current problems facing the Canadian economy and to sustain and reinforce the growth of production and employment now taking place. In terms of production, employment and prices, the Canadian economy is on the course I envisaged at the time of my June budget, before the United States economic measures of last August were announced. The disappointing news concerns unemployment; it is very disappointing. I told this House that I had expected unemployment to fall in the second half of this year, and the hard fact is that the September figure is three-tenths of a point higher than it was a year ago. I do not wish to minimize in any way the seriousness of this fact.

Output is advancing strongly. It grew at an annual rate of 2.3 per cent in the first half of 1970, 3.5 per cent in the second half, and then accelerated to 6.2 per cent in the first half of this year. In the second quarter output was rising at a rate of 8.5 per cent per annum. The strong increase in the August index of industrial production confirms that this pace is being maintained. This, then is the recent record of real production, quite apart from any changes in value attributable to price developments.

Domestic demand has been growing with output. Consumer spending is coming on strongly and, if anything, rather earlier than we had expected. Its pick-up in the second quarter was very pronounced and was distributed widely over the whole range of goods and services.

Capital investment in machinery and plant was up quite vigorously in the second quarter after having fallen in the first. The action here was considerably more than I had counted on for this period.

In housing we are having the best year ever. The September starts were at an annual rate of about 260,000. This figure compares with starts of 191,000 in 1970. Thus, we are well on our way to a level of housing construction this year at least one-fifth higher than we achieved last year.

Employment has been increasing about as forecast. There are some 200,000 more jobs in the economy now than a year ago. Except for the welcome surge in productivity which always takes place at this stage of an expansion, the number of new jobs would be even higher.

The cost of living figure published yesterday shows a decline for the month of September; the index is some 3.5 per cent above the figure for last September. Wholesale prices, according to figures released yesterday, were also down in September and now stand 2.5 per cent above their value a year ago. While we should like to see an even

[Mr. Speaker.]

better price performance, these results and especially the very recent trends are encouraging. In this respect we are still well in the forefront among the industrial nations.

Our unemployment rate does not derive from a failure of employment to grow. The growth of employment has largely matched the growth of an increasingly productive economy, as I have said. We observe in the September figures for the first time some effect of the United States measures on the Canadian economy—

Some hon. Members: Oh, oh!

Mr. Nielsen: Be honest.

Mr. Benson: —but the overwhelming fact behind the increases in the unemployment figure is the increased proportion of Canadians of working age who have jobs or who respond in the sample survey as being without a job and looking for work. This proportion, described technically as the labour force participation rate, was higher in the third quarter than ever before in the history of the labour force survey. To my knowledge, no one in government, in business or in the universities predicted such a phenomenon.

No doubt the explanation is complex. Those who are recorded as unemployed include men and women who have lost their regular employment, teenagers of age 14 or older who have decided not to return to school, college students who, for the time being at least, have dropped their courses, women who have decided to seek work, a large number who are seeking part-time work, some who are drawing unemployment insurance and some who are not, and some who are drawing welfare benefits and some who are not. I shall not try to explain the composition of this unemployed group, many of whom are having a very difficult time. Members of this House may be assured that the government is making every effort to obtain full knowledge of the many facets of unemployment in Canada. My purpose this evening is not that: it is to deal with the problem in practical terms.

In the weeks since mid-August I have been aware of a growing feeling of concern in the economy deriving from the unsettled state of the international trade and payments system and from the uncertainty concerning the duration of the United States economic measures and the extent of their impact upon the Canadian economy. This worry threatens to weaken our economic expansion. The government has contributed and will contribute in every way that it can to restoring international stability.

I would like now to propose to the House measures to reinforce the economic expansion and to provide jobs for Canadians who want to work but who have no work to do.

Some hon. Members: Hear, hear!

Mr. Benson: I wish to propose, first, a series of expenditure measures to relieve the problem of unemployment in the coming winter and in the months thereafter. By means of this program we will join forces with industry, provincial governments, municipalities and active private groups to create jobs, improve the skills of our work force and encourage economic growth. The program has five parts designed to engage workers quickly, efficiently, usefully and in the regions where jobs are most needed. It will benefit all unemployed groups and it will have long-

The Canadian Economy

term value without creating short-term distortions in our economy.

• (8:10 p.m.)

The first is a local initiative program under which the government will grant \$50 million to municipalities and their agencies and \$50 million to community organizations and other organized groups to finance labour-intensive projects.

Some hon. Members: Hear, hear!

Mr. Benson: We will be calling on these organizations and groups to submit worth-while projects that will create jobs for the unemployed without delay. We expect to consult with provincial governments forthwith to establish a mechanism for them to approve municipal projects. Appropriate arrangements will be made in respect of the two territories. Regional committees will be created to consult with the local interests who will initiate community projects. This program will be under the direction of my colleague, the Minister of Manpower and Immigration (Mr. Lang).

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

An hon. Member: Sabotage.

Mr. Benson: Second, we propose to introduce a new \$20 million on-the-job training program with special emphasis on unemployed young people who are ineligible for the existing manpower training programs.

Some hon. Members: Hear, hear!

Mr. Benson: We will co-operate closely with industry in this effort. In addition, \$15 million will be allocated to an expansion of our existing Canada Manpower program. The on-the-job program is designed to encourage employers to prepare for future economic expansion and to ensure that trainees acquire solid skills to increase their earning capacities and to help them take advantage of new employment opportunities.

Mr. Hees: These are things you have been refusing to do for months. The truth hurts, doesn't it?

Mr. Benson: We are building flexibility into this program—

An hon. Member: You certainly are.

Mr. Benson: —to cover a broad range of employers, and we will help to finance the program by tax incentives or direct payments to employers. The tax incentives will take the form of a 150 per cent write-off of specified costs incurred by a firm in respect of the training it provides. Alternatively, there will be a direct payment of equivalent value provided to those employers for whom this form of assistance is more suitable. Further details of this assistance will be announced later. The training programs will also be administered by the Minister of Manpower and Immigration.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Benson: Mr. Speaker, the opposition may find unemployment amusing, but I do not.

Some hon. Members: Oh, oh!

Mr. Hees: We find the whole thing very sad.

Mr. Horner: The government caused it.

Mr. Speaker: May we have order, please?

Mr. Hees: Talk about deathbed repentance!

Mr. Benson: Third, it is proposed to create a new and improved \$160 million special program of loans to provinces and their municipalities to finance additional job creating capital projects. A somewhat similar program announced last December has been very successful. It has funded major highway and community projects across Canada and created many thousands of jobs. To concentrate the job-creating impact in the approaching months we have added an important financial incentive which will relieve provinces and municipalities of \$3 for every \$4 of on-site labour costs which they incur up to May 31, 1972.

Some hon. Members: Hear, hear!

Mr. Hees: This is the winter works program that you have been refusing.

An hon. Member: The old winter works is back again.

Mr. Benson: This incentive feature will cover an important part of the total cost of projects financed under this program. We will be consulting the provinces forthwith on the early implementation of the program. Consideration will also be given to the way in which the program might be made applicable in the Yukon and Northwest Territories. This capital loan program is intended to be completed by March 31, 1973.

Fourth, the Department of Public Works and other departments and agencies of government will launch an \$80 million program of federal labour-intensive and capital works, embracing a wide range of maintenance and improvement projects. These will include, for example, alterations and improvements in federal buildings and transportation facilities, forest and parks projects and the extension and modernization of other federal installations. Beyond this, I would like to announce a specific allocation of \$10 million in loans this year for construction of multi-purpose exhibition buildings. This program will be under the direction of my colleague, the Minister of Agriculture (Mr. Olson).

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Hees: He's a little better, but that's not saying much.

An hon. Member: We are desperate now.

Mr. Benson: Again, our criteria for these projects will ensure that they create a maximum number of jobs, start quickly and concentrate in regions where unemployment is most serious.

The Canadian Economy

Finally, my colleague, the minister responsible for Central Mortgage and Housing Corporation will accelerate \$113 million in loans for public, home owner and student housing, for sewage treatment and for land assembly projects. These loans will be made before the end of this year instead of in 1972. My colleagues with responsibility for individual parts of this comprehensive program will be informing the House of further details shortly.

It is in the corporate sector of the economy that the adverse effects of the American import surtax and the threat of other U.S. measures, coming on top of the appreciation of the Canadian dollar, are having their most serious impact. If the corporate sector of the economy is weak and uncertain we cannot have a sustained growth in job opportunities. I am therefore proposing a substantial cut in corporation taxes.

Some hon. Members: Hear, hear!

An hon. Member: We urged that three years ago.

An hon. Member: That is going to help the poor!

Mr. Benson: The cut has been designed in such a way as to give to Canadian firms maximum flexibility in responding to the special difficulties they confront and the opportunities they can seize in an expanding economy.

An hon. Member: What expanding economy?

Mr. Benson: I propose that effective July 1, 1971, until the end of 1972 the tax payable by Canadian corporations be reduced by 7 per cent. The whole cost of this reduction will be borne by the federal government. This change, combined with the elimination of the 3 per cent surtax, brings the effective reduction of corporation taxes from last July 1 to 10 per cent.

• (8:20 p.m.)

Some hon. Members: Hear, hear!

Mr. Benson: In my judgment, help to the private sector to enable it to create more jobs is a most effective way, in present circumstances, of helping all Canadians. I have said, Mr. Speaker, that the rates of consumer spending are favourable. Nevertheless, it is the government's view that we must do all we reasonably can to give confidence to the economy and induce increased demand for goods and services. I remind the House that spending by individuals makes up two-thirds of national income and is therefore the base on which the whole economy rests. To this end I propose that effective July 1, 1971, the federal tax payable by persons be reduced by 3 per cent during the period ending December 31, 1972.

Some hon. Members: Hear, hear!

Mr. Benson: This proposal means that many taxpayers will receive refunds in the winter months, many taxpayers will be paying less tax immediately, and that all taxpayers will be paying less tax in 1972. I want to emphasize that this change is in addition to other important changes in personal income tax for 1971 announced in my budget of June 18. From July 1 we have eliminated the 3 per cent surtax for all Canadians. By eliminating tax on taxable income up to \$500 we have taken 750,000 Canadians off

[Mr. Benson.]

the tax rolls since July 1, and effective last January 1 payments under the guaranteed income supplement have been exempt. With the help of this House there will be further alleviation for taxpayers in the lower income bracket if we get Bill C-259 through the House.

Some hon. Members: Hear, hear!

Mr. Benson: Mr. Speaker, neither of the tax measures I have proposed today will reduce provincial revenues from corporate or from personal tax sources.

The expenditure programs I have described are designed and will be administered in such a way as to have the earliest possible impact. The corporate tax cut is expected to result in a reduction of federal revenues of \$160 million in fiscal year 1971-72, and a reduction of \$175 million in fiscal year 1972-73. The cut in personal taxes is expected to reduce federal revenues by \$125 million in fiscal year 1971-72 and by \$225 million in fiscal year 1972-73.

These changes, combined with other changes that have taken place since my June budget, imply a budgetary deficit in the fiscal year 1971-72 of \$1,000 million deriving from revenues of \$13,580 million and expenditures of \$14,580 million. I now estimate that non-budgetary requirements will be \$1,600 million. Total cash requirements for the current fiscal year, apart from funds required to finance or obtained from exchange operations, will thus amount to \$2,600 million.

Before concluding my remarks I would like to sum up the total dimension of the program I have proposed today. The total cost of the expenditures and tax reduction measures will be \$1,070 million. The impact on Canada's gross national product will be substantial. More important, these programs, with their multiplier effects, will produce a large number of new jobs for Canadians. The economy is strong and growing. The measures I have proposed today are designed to keep it that way.

Some hon. Members: Hear, hear!

Mr. Benson: With the permission of the House, Mr. Speaker, I would like to table notice of a ways and means motion covering the tax changes.

Mr. Speaker: Order. Has the minister leave to table this document? Is this agreed?

Some hon. Members: Agreed.

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, when I heard the applause a minute ago I wondered what it reminded me of. It reminded me of the applause the same people gave the Minister of Finance (Mr. Benson) when he presented his June budget. They are now applauding—

Some hon. Members: Hear, hear!

Mr. Stanfield:—with equal fervour when the minister rises to try to make up for the inadequacies of the June budget. I shall have some comments to make in a few minutes about the specific measures that the minister has proposed. It may be considered a little unkind for me to begin by recalling the past on a night when the minister is making such a vigorous effort. But regardless of the