

## AFTER RECESS

The House resumed at 8 p.m.

## GOVERNMENT ORDERS

[English]

## THE BUDGET

## FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

**Hon. Donald S. Macdonald (Minister of Finance)** moved:

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

He said: Mr. Speaker, over the past 18 months the government has directed much of its effort in economic policy to countering inflation. Canada has come a long way on the road to recovery from that inflation which first engulfed us in 1973. The rise of costs and prices disrupted many aspects of our economic life, and continues to do so. We must persist with our efforts to control it. The next section of the road back is beset with a number of hazards. The essential policy of this budget is to set forth a fiscal program to help guide the economy through these hazards.

One of the worst effects of inflation from which we continue to suffer is high unemployment. There never was any doubt that inflation would bring this result in its train. Our concern that inflation would produce worsening unemployment was a principal reason why the government embarked upon its strong anti-inflation policy.

Nor was there any doubt that the after-effects of inflation would be prolonged. We must not forget that fact now. Apart from all its adverse social results, inflation weakens the ability of our producers to compete at home and abroad. It also erodes the confidence so essential to the conduct of business and to investment in business capital. Without the restoration of confidence we will not generate the jobs we need. The task is the more difficult because our unemployment has been worsened by the failure of other economies to recover as rapidly as we had hoped.

One hazard of all this is that we will over-react and administer a shock of stimulus that is too strong to be absorbed without regenerating inflationary forces. What is required is stimulus of a degree that can be safely absorbed.

Another hazard is that we will succumb to the temptation to become more protectionist in the face of our impaired competitive position. That would surely be the wrong policy for a people so heavily dependent upon foreign trade. We are prepared to act, and have done so, in particular cases where domestic producers face serious injury. Such emergency action is consistent with our international commitments. But the government is convinced that the right policy over the longer term is to regain our competitive position by ensuring that our inflation is brought under control and to seek removal of barriers against our exports.

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● (2010)

The decline in the value of the Canadian dollar that has occurred can be of benefit to our exporters and to those who compete with imports in our domestic markets. It is of crucial importance, however, that we do not erode this advantage by a resurgence of income increases that add to our costs. If we avoid that and press on to improve our relative cost position, then we shall benefit in our general standard of living from the freer world trading environment it is our policy to seek.

A third hazard is that the renewed price pressures coming from particular quarters will weaken our collective resolve to maintain the anti-inflation fight. Rates of increase of food prices declined sharply from mid-1975 to the end of 1976. But a combination of developments in the world has induced a new rise in food prices which is likely to continue for some time. World energy prices also continue to rise. We cannot shield ourselves from this hard fact. Canadians, like everyone else in the world, will have to accept still higher energy prices. In addition, the decline in the external value of the Canadian dollar is increasing the cost of our imports and pushing up domestic prices.

What is required is that we accept the inevitable impacts of these price increases upon our living standards, turn to substitutes where we can and reduce our demands for the higher-priced goods to the extent possible. Above all, we must avoid a renewed, self-defeating scramble for higher money incomes.

The prices and incomes program has served us well. We must continue to support it as long as necessary. We must press on with our consultations as to how responsibility can best be exercised in the determination of prices and incomes in the post-control period.

In developing a budget under these circumstances, two important constraints have had to be observed. The restraint of growth in the government's spending has been an integral part of our anti-inflation policies. The government believes such restraint is as important today as it was at the beginning of the program. By the control of existing expenditures, we are providing room for increases in spending that are most appropriate in the present circumstances. High priority has been attached to spending of the kind that will provide jobs for people.

The second constraint is the limit upon our ability to reduce taxes that is imposed by the need to restrict our demands upon the capital markets. The excess of our outlays over our receipts has to be financed. If it is financed by monetary expansion beyond that which is prudent, it defeats our purpose in containing inflation. If such an excess of outlays results in higher interest costs, the stimulus that we can impart to the economy is offset. Within this constraint we have found it possible to provide for further tax reductions in this budget.

[Translation]

## THE ECONOMIC SETTING

Mr. Speaker, over the past four years, all the major economies of the industrial world have been confronted with infla-

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tion, recession and massive changes in international payments. Collectively they have made some progress in dealing with these difficult and stubborn problems. But persistent efforts will be needed over a long period of time.

In Canada, as I have said, the underlying momentum of inflation is slowing. With wage settlements coming down in line with the anti-inflation program, our unit labour costs—key to our competitive position as a trading nation—are being brought under better control. At the same time, the real income of working Canadians has risen strongly.

Output in Canada grew rapidly early in 1976, but then the pace slackened here as elsewhere in the industrial world. As a result the number of new jobs created—209,000—was less than anticipated.

The most disturbing element in our performance has been the recent increase in unemployment. I am particularly troubled by the unemployment among the young people of this country. While the rate among adult men has remained well below 5 per cent, and is 7 per cent among adult women, it is above 14 per cent for young people. Moreover, the burden of unemployment has fallen much more heavily in the Atlantic Provinces and Quebec than elsewhere. The unemployment situation clearly requires not only some general measures of economic stimulus, but also specific initiatives directed at these structural problems.

[English]

Slack demand in 1976 led to a significant fall in profit margins. Many firms faced inadequate liquidity and rising debt-equity ratios. The low level of share prices made it difficult to raise additional funds in this form. All these factors contributed to the problem of financing the rapidly increasing costs of new investment projects.

Economic growth in 1976 was led by consumer demand and housing construction while government expenditure on goods and services grew more slowly. Real business investment actually declined despite strength in the energy field. We need renewed growth of business investment and a continuing improvement in exports to create jobs and lay the basis for sustained growth in the future.

The deficit in our balance of payments has increased in recent years, partly as a result of the deeper recession in other countries, partly from our rising bill for interest, dividends and foreign travel, and from our shrinking energy surplus. But it is also the result of the difficulties our own inflation has created for Canadian producers in competing at home and abroad.

The recent decline in the Canadian dollar reflects lower interest rates in Canada, but it also reflects a sense of uncertainty about Canada's future among foreign investors. The decline will help to offset the higher costs incurred by Canadian firms. It will provide them with new opportunities to compete. These benefits are ours to seize, but only if we keep our domestic costs and prices firmly in check. The immediate impact of a lower dollar is to increase the prices of goods and services to Canadian consumers. If this leads Canadians to demand higher money incomes, the opportunity for a lasting

[Mr. Macdonald (Rosedale)]

improvement will be lost. Further depreciation would then be needed to offset still higher costs. We must avoid this downward spiral.

#### OUR ECONOMIC OBJECTIVES

Our goals are clear.

Our first objective must be to maintain the underlying trend to lower inflation.

Our second objective must be to encourage a steady and non-inflationary growth in the economy, in order to provide jobs and reduce unemployment.

I want to emphasize that the federal government recognizes and accepts its responsibility for action to help achieve these goals. But responsibility for the economy rests on others as well. Both political and economic power are widely dispersed in this country, reflecting Canada's diversities and protecting our fundamental liberties. All those who share power also share the responsibility that goes with it for the attainment of our economic goals.

This is well illustrated in the recent record of economic and fiscal cooperation between the federal and provincial governments. That record provides reassuring evidence of the continuity and flexibility of our Confederation while contributing directly to the solution of our economic problems.

Responsibility also rests with our business leaders. It is private firms which employ most of our workers, make most of the investment decisions in our economy, and develop the markets and the new technologies that enhance our standard of living.

An important responsibility also rests with the leadership of the labour movement at every level in this country, for jobs are at stake. Indeed, all Canadians share the responsibility for setting prices, wages and other incomes so as not to impair our opportunities for employment.

We set out in the discussion paper entitled *The Way Ahead* our views on how responsibility will have to be shared in the post-control society. We will realize the full economic potential of this country only if we develop a greater understanding of what we can realistically hope to achieve.

Mr. Speaker, I want to refer to five areas of public policy at this time, before I outline the specific measures proposed in this budget.

● (2020)

[Translation]

#### ENERGY POLICY

First, Mr. Speaker, energy. We no longer have ready and assured access to cheap energy supplies at home or abroad. In these new circumstances our objectives must be to increase our domestic supplies and to cut our energy demands. Restraint on the price of domestic oil and subsidies on imported oil can provide only temporary assistance to consumers, to provide time to adjust to the new realities. This spring, we will have to set the amount of the next price increase. Our challenge will

be to achieve a balance between longer-term energy objectives and the capacity of the economy to absorb further price increases at a time when we are facing unemployment, inflation, and severe international competition.

We will press on with our policy of developing energy supplies. But we must all develop better conservation practices. Canadians must face up to the prospect of higher prices. While it would be unwise to pay more than others do for oil and gas, it would be imprudent to expect that for long we can pay less. The best way for Canadian consumers to protect themselves against higher energy prices is to use less energy.

[English]

#### CONTROLS PROGRAM

A second major policy area concerns the controls over prices and incomes. They have helped to bring down the rate of inflation, but their job is not yet done.

If controls were suddenly removed now, there is a danger that rates of cost and price increase would begin to escalate again. This would put in jeopardy the sustainable growth of output and employment. The federal government is not prepared to let that happen.

Mandatory controls over prices and incomes, however, cannot become a permanent feature of the economic life of this country. We need to create the conditions in which controls can be phased out without interrupting progress towards our economic goals.

We have advanced a number of options for decontrol and they have been widely discussed. The government believes that the best approach would be the phased approach based upon the timing of pay agreements and fiscal years. This is generally favoured by the provincial governments. It will be described in full in a discussion paper to be issued in the near future. The paper will also make proposals for a post-control monitoring agency, and suggest structural improvements in the economy. Included here will be a discussion of labour-management relations and public sector compensation policy. The paper will outline proposals for consultation between the government and the provinces, and business, labour and other interest groups. The objective will be to reach the broadest possible understanding of action needed to keep inflation coming down during the process of decontrol and in the post-control period.

Within this framework, there will be a particular need to consider a possible date for beginning the decontrol process. On the basis of all the factors at work, the government believes that a starting date prior to the second anniversary of the program on October 14, 1977 would not be feasible or desirable. A recent initiative on the part of business and labour groups, however, has raised the prospect of sufficient support emerging for a program of voluntary restraint as to warrant consideration of a somewhat earlier date. That could affect the question of timing. This prospect will be fully explored in the further round of consultations intended to follow the publication of the discussion paper. In the meantime, I advise all parties to proceed with wage and price determination in the

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expectation that controls will continue in effect for some time unless replaced by firm understandings which produce similar results. There is no room for any expectation that a time is coming when inflationary claims upon the national income can once again be made.

#### JOB CREATION

A third important policy area is job creation.

We have given high priority to direct job creation programs, especially for young people and in regions of highest unemployment.

The employment strategy featuring the major new programs of Canada Works and Young Canada Works has already been launched. Their impact will build up rapidly through the summer and into next winter. We have had a good response from the first call for proposals from public and private groups. This means that jobs will be created quickly. I wish to announce a \$100 million expansion of our job-creating programs to boost employment further, where it is most needed. This expanded \$458 million commitment for 1977-78 will create 600,000 man-months of employment. It will have significant impact in reducing the number of unemployed. My colleague, the Minister of Manpower and Immigration (Mr. Cullen), will be announcing details in the budget debate.

#### EXPENDITURE CONTROL

The fourth policy area is the government's continuing program of expenditure control.

We are now seeing the solid results of our commitment two years ago to get government expenditure growth below the growth rate of GNP. Our expenditures for the fiscal year just concluding are estimated at some \$750 million less than the forecast contained in the budget of last May.

Our target for outlays in 1977-78 is \$44,450 million, or \$650 million less than the expenditure plan announced last month by the President of the Treasury Board. Part of this \$650 million saving is a reduction in the reserves for Supplementary Estimates to make room for the tax reductions I am announcing tonight. Part is due to general success of the restraint policy, which is bearing down on every department of government.

On a fully comparable basis, expenditures in 1977-78 will be about 9.8 per cent higher than in the year just ending. That rate is lower than the expected growth of GNP and lower than the 11 per cent increase predicted in the last budget. This means, of course, that many useful and desirable programs are having to be delayed or curtailed.

[Translation]

#### MONETARY AND FISCAL POLICY

Finally, Mr. Speaker, a fifth broad area of government action is monetary and fiscal policy.

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The essential task of both monetary and fiscal policy in present circumstances is to encourage a growth of demand consistent with the expansion of employment and the winding down of inflation. In the case of monetary policy, it is the strategy of the Bank of Canada progressively to moderate the growth of the money supply. While the overall fiscal strategy has not been formulated in terms of a numerical guideline, here too the advantages of avoiding wide swings in the stance of policy are recognized. For some time, our policy has entailed a sizeable deficit. As the slack in the economy is taken up, the deficit will be reduced. However, to attempt to cut deficits too soon would threaten the recovery. Indeed, with present levels of unemployment, further stimulus is required.

In considering the extent of this further stimulus I have kept in mind the interrelated objectives we have set for ourselves. We cannot pursue rapid growth at the expense of more inflation and a worse balance of payments situation.

I have also been anxious to avoid placing too much pressure on the capital markets. This is to be avoided when we are seeking to encourage new private investment, and when other borrowers may be looking to the domestic capital market for an increasing portion of their financing needs.

In considering the type of fiscal stimulus to be provided, my starting point has been the commitment to expenditure restraint. Within this restraint we have been able to allocate further resources to creation of new jobs. Beyond that, we have turned to the reduction of taxes.

● (2030)

[English]

BUDGET MEASURES

The measures proposed in this budget will create employment, encourage investment and foster regional growth. They will improve the equity market and improve the cash flow of business as sources of funds for expansion. They will give more help to small business and venture enterprises. They will help sustain consumer spending and provide further tax relief, particularly to Canadians with modest incomes. All of these measures will lead to more jobs.

INVESTMENT AND REGIONAL GROWTH

I wish to announce a series of measures with respect to capital investment and regional growth.

Since 1975 the 5 per cent investment tax credit has proved to be an important incentive supporting our manufacturing and resource industries. I propose that the credit, due to expire June 30, be extended for an additional three years. Also the credit will be expanded in two important ways.

First, recognizing the importance of maintaining a vigorous research effort in Canada, I propose that capital and operating expenditures on scientific research and development be eligible for the credit.

Second, the credit will be increased in slower-growth regions designated under the Regional Development Incentives Act. In

Saskatchewan, Manitoba, Northern Ontario and all designated regions in Quebec other than the Gaspé the rate of the credit will be raised to 7 ½ per cent. In the Atlantic Provinces and the Gaspé region the rate will be raised to 10 per cent.

In addition, the budget contains tax incentives directed toward increased exploration for oil and gas in frontier areas and toward improvements in rail transport facilities, particularly for the movement of grain and coal in Western Canada.

EQUITY INVESTMENT AND BUSINESS FINANCE

I am proposing further action to assist the financing of business investment. One of my particular concerns is the financing of investment through new equity issues. The market for such issues has not been very receptive in recent years. Moreover the equity base of many corporations has been reduced to a level which does not permit the further borrowing needed for business expansion.

I would like to propose therefore a major increase in the dividend tax credit. Starting January 1, 1978, dividends received from taxable Canadian corporations will be grossed-up by one half, as opposed to one third currently, and taxpayers will be allowed to claim against their tax a credit equal to this higher amount.

This will provide benefits in a progressive manner and make it more attractive for investors in all income brackets to participate in the equity market.

The increase in the dividend tax credit, and the maturing of the capital gains tax introduced in 1972, make it possible to abandon many of the complex rules designed to prevent surplus stripping, that is, the avoidance of tax on the distribution of corporate surplus. The present rules very often hamper constructive business reorganization and expansion. The rules will be eliminated or greatly simplified. Efficiency of business operation should be improved through the removal of artificial impediments to decision-making. It will be particularly beneficial to small business.

Other measures designed to improve the equity and financial markets will double the amount of capital losses which a taxpayer can set off against other income, and include capital gains in the present \$1,000 exemption for interest and dividends. As well, stock dividends received from publicly listed corporations will not be taxed until disposed of, and then only at capital gains rates. Finally, the exemption from non-resident withholding tax for interest on government and long-term corporate bonds will be extended to the end of 1982.

Many concerns have been expressed about the effects of inflation in distorting the measurement of income reported on financial statements. We are co-operating with a number of groups in a search for a comprehensive inflation accounting system. Consideration of any comprehensive tax measures in this area should await the results of this work. However, the liquidity problems facing business are urgent and require an immediate response.

I am proposing at this time a deduction in calculating business income each year of 3 per cent of the opening value of qualifying inventories. The adjustment will be allowed for fiscal periods which commence after December 31, 1976, and will be available to both incorporated and unincorporated business.

This measure will provide tax relief of \$300 million a year and enhance the flow of internally generated funds available for business expansion. It will be simple to use and require no fundamental change in accounting practices.

[*Translation*]

#### SMALL BUSINESS

Mr. Speaker, the government attaches great importance to the contribution small business makes to the Canadian economy. The venture capital review I announced in the last budget was devoted in part to the search for solutions to the financing problems of small business. This analysis revealed that no single tax measure could resolve them. Indeed, many of the problems of the small businessman are a part of the larger problem to which the measures announced earlier are directed. Substantial benefits will flow to small business from the proposals for the extension and increase of the investment tax credit, the increase in the dividend tax credit, the inventory adjustment and the other measures directed towards investment. But we can do more.

A particular problem for small business is the difficulty of matching higher salaries offered by larger enterprises. I propose to introduce a special tax treatment for stock option plans established for employees of Canadian-controlled private companies. The difference between the option price paid for the shares and their sale proceeds will be taxed as a capital gain and then only when the shares are disposed of. This will permit a company to reimburse its employees in a way that does not impair its working capital.

A serious impediment to venture capital investment is tax uncertainty. Certain investors face the possibility that their gains will be taxed fully as ordinary income rather than as a capital gain. Provision will be made for ordinary taxpayers to protect themselves from this risk.

● (2040)

[*English*]

A question which has been much discussed in past budget debates has been the handling of capital gains, particularly with respect to farm and small business properties.

When a commercial business is sold in the course of a move from the centre of a city, or when a farmer sells his farm and buys another, any capital gain is now subject to tax, even if the funds received are used to purchase similar assets in the same business. Tax will be deferred on any capital gain that arises from such voluntary sales after tonight to the extent that the proceeds are reinvested in similar assets.

Other measures of interest to the small businessman will include a relaxation of rules dealing with taxation of intercor-

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porate dividends, and measures relating to conversion to the metric system.

#### PERSONAL INCOME TAX MEASURES

Turning to personal income taxes, a series of steps in recent months has improved the disposable income of Canadians. These have included the reduction in personal income taxes as a result of indexation and the reduction of unemployment insurance contribution rates, I believe we need further action to sustain personal expenditure and to provide some relief to Canadians who are particularly affected by higher prices of necessities.

#### FEDERAL TAX CREDIT

First, I propose to enrich the existing credit against federal tax. The rate of the credit was recently changed from 8 per cent to 9 per cent as a result of the new fiscal arrangements with the provinces. The maximum credit is \$500 per taxpayer and the minimum of \$200 ensures that the greater benefit from the credit goes to taxpayers of modest incomes.

For the 1977 and subsequent tax years, taxpayers will be allowed to claim an additional credit of up to \$50 for each dependent child under 18 years of age resident in Canada.

For example, a taxpayer with two children, whose current tax credit is \$350, will be able to claim a full additional credit of \$100. The limit of \$500 will continue to apply, so that most of the benefit will be reserved for taxpayers with larger families and modest incomes. This measure is estimated to save taxpayers \$275 million for the 1977 taxation year.

[*Translation*]

#### EMPLOYMENT EXPENSE DEDUCTION

A further major income tax reduction will benefit millions of working Canadians. The employment expense allowance is now established at 3 per cent of wage and salary income with a maximum deduction of \$150. The limit will be increased to \$250 effective for 1977 and subsequent years. This measure is estimated to reduce federal taxes by \$115 million this year.

The combined effect of these two measures will be to eliminate completely the federal tax on married taxpayers with two children and earnings of less than \$7,360. The comparable income level for a family with four children is \$8,295.

These measures will make a tangible contribution to the personal disposable incomes of many Canadians.

[*English*]

#### RHOSPs

More than 400,000 Canadians have established Registered Home Ownership Savings Plans. These plans help taxpayers accumulate savings for the purchase of a home. However, the rules have been criticized for allowing families to contribute to a RHOSP as it is commonly called, even though they currently own a home or have no intention of acquiring one. I propose

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changes to prevent misuse of the plan. A taxpayer will not be permitted to make a contribution to a RHOSP if the spouse with whom the taxpayer is living already owns a home. Home furnishings will be excluded after this year from property eligible for RHOSP funds. Several relieving changes will be introduced to deal with particular problems that taxpayers have experienced with RHOSPs.

## OTHER TAX CHANGES

A number of other changes deal with structural problems in the income tax and the sales tax. In order to close a loophole in the income tax, there will be a change in the rules relating to Registered Retirement Savings Plans established for a spouse. There will be important changes in the taxation of life insurance companies and policyholders. Also, starting January 1, 1978 the rate of interest applied to refunds and late payments of tax will be increased.

In the sales tax the exemption for small manufacturers will be increased from \$3,000 to \$10,000. It is also our intention to exempt certain producers of craft products which are of significance to Canadian culture and heritage. Consultation with the crafts industry will be necessary before determining which groups will be exempted. Also, some additional energy conserving items will be exempted.

Finally, I want to refer to the Discussion Paper on Federal Sales and Excise Taxation. The issue here is whether the tax should be shifted from the manufacturer's level to the wholesale level. The matter requires further consideration. The report of the Commodity Tax Review group will be tabled shortly in the House. I have asked the President of the Privy Council to refer the report to an appropriate standing committee of the House for its assessment.

## TARIFF CHANGES

I come now to tariffs. I am proposing to extend for another year most of the current temporary reductions on a wide range of consumer products. The reductions were first made in 1973 in order to moderate upward pressures on prices and they were scheduled to expire on June 30.

I am also proposing to implement certain tariff concessions for imports from developing countries. These result from discussions held in Geneva during the multilateral trade negotiations. The purpose was to see if something could be done for products of special interest to developing countries in advance of the completion of the negotiations.

I would like to mention two other tariff changes.

First, I propose that the 2½ per cent British Preferential rate be withdrawn on certain machinery and related equipment imported from Britain and Ireland. This action is necessary because of serious difficulties facing Canadian manufacturers. These goods will become subject to the 15 per cent Most-Favoured-Nation rate immediately. Second, I am proposing to restrict the free entry accorded goods imported by Canadians returning from extended periods of residence

[Mr. Macdonald (Rosedale).]

abroad. In order to prevent abuse, free entry in future will be limited to articles valued individually at \$7,500 or less.

I also intend to ask the Tariff Board to study the coverage of two tariff matters upon which I have received many representations. The first is the item which provides duty-free entry for a wide range of goods imported by or for public hospitals and religious, educational and scientific institutions. The second reference relates to the treatment accorded to hobby equipment, antiques and other collectors' items.

Finally, in principle, I favour allowing recognized ethno-cultural groups to import traditional costumes free of duty. However, we need more time to consider the precise scope of any provision and we will be consulting with interested parties.

**Some hon. Members:** Oh, oh!

• (2050)

**Mr. Macdonald (Rosedale):** As the President of the Privy Council (Mr. MacEachen) points out, if we import kilts, he will be the first person to be consulted on this question.

## ECONOMIC AND FISCAL OUTLOOK

Mr. Speaker, I am confident that the measures contained in this budget will help to quicken the pace of our economic recovery. Consumer spending will be sustained and investment stimulated. With renewed growth in the economies of our trading partners, we can expect a further improvement in our trade balance and a reduction in our current account deficit. Output in Canada will begin to rise again at the annual rate of 5 per cent or more needed to bring down the rate of unemployment. Given the time lags involved, this may not happen at once, but the rate of growth is expected to pick up during the course of the year.

For 1977 as a whole, the gross national product is likely to be about 4 per cent or more higher in volume and 11 per cent higher in value than in 1976. Employment is expected to be about 150,000 higher on average this year than last, but the increase between late 1976 and late 1977 could be as high as 250,000 jobs.

The proposals in this budget will reduce the federal taxes of Canadian individuals and corporations by \$1.17 billion in the fiscal year 1977-78. This comes on top of the reduction of \$900 million in federal personal income tax resulting from indexation and the quarter of a billion reduction in unemployment insurance premiums.

I now estimate that our financial requirements excluding foreign exchange will amount to \$5.4 billion in 1976-77. They are forecast to increase to \$6.4 billion in 1977-78. The deficit on the National Accounts basis is expected to rise from \$4.5 billion to \$5.7 billion.

Mr. Speaker, I would like to table the usual supplementary tables on the government's accounts and ask that they be appended to today's *Hansard*.

**Mr. Speaker:** Is this agreed?

**Some hon. Members:** Agreed.

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

[*Editor's Note: For tables referred to above see Appendix*

*A.*]

**Mr. Macdonald (Rosedale):** I would also like to table the Ways and Means Motions, which set out all of the statutory changes in taxes and tariffs I am proposing, and ask that they be appended to *Votes and Proceedings*.

**Mr. Speaker:** Is this agreed?

**Some hon. Members:** Agreed.

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

[*Editor's Note: For notices of ways and means motions, see today's Votes and Proceedings.*]

**Mr. Macdonald (Rosedale):** Further information on some of the proposed changes in the income tax, the sales tax and the Customs Tariff is provided in the supplementary information. I am also making available a document which contains an elaboration of the analysis and policies of the budget.

#### CONCLUSION

To sum up. We in Canada are not alone in struggling with the difficult task of bringing down the rate of inflation, restoring high levels of output and employment, and improving our balance of payments. From an international perspective, the performance of the Canadian economy, though far from satisfactory, has remained among the top three or four of the world's industrial nations. The incomes of Canadians have continued to grow, in real terms, faster than almost any other country. The program launched in October, 1975, is succeeding in bringing down the rate of inflation and checking the erosion of our competitive position. But recovery from the excesses of inflation is unavoidably slow, because the damage wrought continues to emerge well after inflation has begun to recede.

We have been fortunate that the majority of Canadians, deeply worried by inflation, have supported and co-operated with the government in its general anti-inflation policies. The controls program in particular has continued to command their support, despite the objections raised against it. But the months ahead will be a severe test, as unavoidable increases in prices of food and energy and the impacts of the decline in the exchange rate make themselves felt. These impacts cannot help but slow the gains in average real incomes. It will be crucially important for us all to accept this hard reality, continue to moderate our income demands, and persevere in the effort to beat inflation.

At the same time the pause in the economic recovery and the rise in unemployment has posed a severe problem. Clearly the economy needs stimulus. The budget seeks to provide it in the form and in the degree that will do the most good. Measures are proposed to increase the total demand for goods

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and services, expand direct job creation, encourage investment and risk-taking on a national basis, and strengthen regional growth.

We have arrived at a stage in the evolution of our program when the temptation to seek quick and easy solutions will be great. We will be urged to spend our way out of our problems, to provide even greater stimulus, to provide protection against the realities of international competition and to withdraw controls before their job is done. These temptations must be resisted if we are to restore the confidence of Canadians and others in the future of our economy and achieve our economic and social goals.

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

**Mr. Sinclair Stevens (York-Simcoe):** Mr. Speaker, the Minister of Finance (Mr. Macdonald) has spoken and we have this shocking document before us. Before the Minister of Finance spoke, the Prime Minister (Mr. Trudeau) spoke. Ten days ago the Prime Minister told some startled university students that if they were dissatisfied with job opportunities in Canada they should go to another country.

**Some hon. Members:** Shame!

**Mr. Stevens:** Clearly the Minister of Finance got the message, judging from his budget tonight. The budget in effect proposes one million unemployed in Canada this year and next year.

**Some hon. Members:** Shame!

**Mr. Stevens:** This Minister of Finance apparently has given up full employment budgeting and has substituted one million unemployed budgeting in its place. To those Canadians who say they do not like that kind of budgeting, to use the Prime Minister's words, find another country.

The budget says 150,000 jobs will be created this year, but the labour force is going to go up by 225,000. There will be 225,000 more people looking for work this year. Clearly the budget anticipates 75,000 more people being added to the 932,000 people now out of work.

**Some hon. Members:** Shame!

● (2100)

**Mr. Stevens:** In last year's budget the administration said it was relying on foreign countries, the United States in particular, to provide our growth. This year the administration is going one better. Not only are they relying on friendly countries to provide our growth but the Prime Minister suggests that those same friendly neighbours should provide homes for our jobless. It would appear that the administration is virtually giving up.

At one time we were told by the government that growth was slow here because it was slow in other countries. Now it is suggested we should go to those same other countries to seek out jobs. What a pathetic attitude. Given the privilege of governing the people, this administration tells the people to go