the hon. member speaking for one minute and three quarters or so.

[*English*]

Mr. Cecil Smith (Churchill): Mr. Speaker, it was not my intention to speak before six o'clock but the events of today have brought drastic consequences to the nickel mining industry of Canada. International Nickel has announced that effective January, 1978, in Sudbury and that area, 2,800 people will be laid off, and at Thompson, Manitoba, in my constituency, 650 people will be laid off before the middle of 1978.

I think this is only the beginning of what is going to take place in the mining industry. In the budget the government made no reference to stimulating the mining industry and I should like to ask that the Minister of Industry, Trade and Commerce (Mr. Horner), the Minister of Finance (Mr. Chrétien), and the Minister of Energy, Mines and Resources (Mr. Gillespie) immediately convene a meeting with the mining industry of Canada to see if we cannot keep the mining industry in business until such time as they at least have an opportunity to look at the projected layoffs.

Some hon. Members: Hear, hear!

The Acting Speaker (Mr. Ethier): It being six o'clock I do now leave the chair until eight o'clock p.m.

At six o'clock the House took recess.

● (2001)

AFTER RECESS

The House resumed at 8 p.m.

[*Translation*]

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, let me first express my warmest congratulations to the mover and seconder of the Address in Reply to the Speech from the Throne, the hon. members for Louis-Hébert (Mr. Dawson) and Malpeque (Mr. Wood). They performed their task with the excellence that is traditional in the Canadian Parliament.

This is my first speech to the House of Commons as Minister of Finance. I would like to thank members from all sides of the chamber for their good wishes on my appointment. I know they join me in extending my best wishes to my predecessor, the hon. member for Rosedale (Mr. Macdonald). He has set an example to all of us in his sense of duty and his service to this country.

I have been fortunate in being able to attend two major international economic conferences and to discuss the problems of the world economy with finance ministers from many other countries. We all face difficult problems at this time. I was also glad to meet with my provincial colleagues recently. We had a good, frank discussion and I thank them for their advice.

I want to use this occasion to speak on the economy, on controls and on taxes. This is the first possible opportunity to inform the House of my decisions and to get rid of uncertainty. I also want to give the House the opportunity to pass the incentive measures of the last budget and any additional measures that I will be proposing tonight as quickly as possible.

[*English*]

Let me report on the economic situation as I find it.

We have made some progress in bringing down the rate of inflation. Wage increases have slowed down. Increases in non-food prices have been reduced steadily since the start of the controls program. But there have been some setbacks this year because of higher food prices and a weaker Canadian dollar. We have a long way yet to go.

Output has not risen in the last few months as we had hoped. Even if we do much better in the second half of this year, total output in 1977 is only going to be about 2 per cent higher than it was in 1976. Independent forecasters are calling for gains of only 4 to 5 per cent next year. That is not enough to bring down the rate of unemployment.

More people are at work in Canada. Indeed we have already just about achieved the goal set in the last budget of 250,000 more jobs. But the numbers of Canadians wanting to work has increased even faster. Unemployment has risen to 8.3 per cent for Canada as a whole.

We must find more jobs. I will not be satisfied until everyone who really wants to work can find a job. But I cannot promise any miracle solutions. It will take time and effort to overcome our unemployment problems. No one should think that there are any easy answers.

Our balance of payments situation is unsatisfactory. It is true that our exports have risen as a result of the recovery in the United States and elsewhere. This is giving rise to a trade surplus of over $2 billion this year. But we need an even larger surplus. We have had a large increase in our tourist deficit. Furthermore, the deficits on interest and dividends and other services are large and growing. These facts have made the Canadian dollar vulnerable, and it has declined in value.

Finally, the revenues of the federal government are growing more slowly than expected. As a result, our cash deficits are now so large that room for manoeuvre is very limited.

These are the facts we have to face. They stand in sharp contrast to the potential for growth in this country. We have the resources, the land, the skills and the tradition of hard work. We have grown faster than most other countries in the past and there is no fundamental reason why we should not do so in the future.

I do not want a temporary surge which cannot last and which will start the process of inflation all over again. But I do want sustained growth of between 5 and 6 per cent in order to bring unemployment steadily down. The expansion should be led by exports and business investment. We need to improve our trade balance even further and to reduce our tourist deficit in order to put our balance of payments into better shape. The business community should be planning now the new factories which will be needed to produce more in the future.

Government spending should grow less rapidly, but consumer spending can and should grow in line with the economy as a whole. It is this growth, together with higher exports, which will reduce the excess capacity in the economy and create the demand for more capital investment.

What is holding us back? I think there are three things.

First, our markets abroad have not grown as fast as had been expected. World prices of wheat, wood pulp and base metals have been disappointing. All countries need to do what they can to get the world economy going again.

Second, we are paying the penalty for letting our costs get out of line.

This is part of the reason why imports have taken an increasing share of the domestic market away from Canadian producers, why there has been such a sharp fall in manufacturing jobs, why we have lost ground in tourism, why new plants are being built in the United States rather than in Canada. Wages are not the only source of these higher costs, but they are the larger part. With controls we have seen new wage increases come down from 20 per cent in 1975 to 8 per cent recently. So we are no longer losing ground compared to the United States. But we have not made up for the ground lost in the past.

We have had to give more protection to some of our weaker industries like textiles by restricting imports. But this is only a short-term solution. We need lower—not higher—trade barriers here and around the world if we are to build efficient manufacturing industries and increase our productivity. The drop in the value of the Canadian dollar has helped in restoring our competitive position. But this is not a fundamental solution to our problems. A falling exchange rate pushes up many costs and prices in Canada. The answer must be found in getting the rate of inflation down, in bringing our costs into line with those of our main competitors.

● (2010)

[*Translation*]

The third thing holding us back is a loss of confidence. In part this is a result of inflation, slow growth and high unemployment. But the present wave of pessimism seems to have gone too far. It gives too little weight to the progress we have made in wringing out the excesses of the past and building a better basis for future growth.

In part this is a result of political instability. People are concerned about whether Canada will remain a united country and that concern has added to our economic difficulties. I have no doubt whatever that the people of Quebec overwhelmingly believe that Canada is their country. Quebec will not separate from Canada. But until separatism is defeated, it will impede the economic progress not only of Quebec, but of the rest of the country as well.

I want to do all I can to dispel uncertainty—by speaking for a united Canada, by standing firm against inflation, by keeping down our spending and our taxes and by announcing clear-cut decisions on controls and the economy.

But I need the help of all Canadians. Government cannot do everything itself. A healthy economy is dependent upon a healthy private sector. Consumers must be able to spend more and the private sector must be able to plan its investments with more certainty.

As I have said, there are no miracle solutions to our economic problems. Progress will be slow and it will require hard work, more productivity, lower expectations and greater responsibility on the part of all Canadians.

To stimulate demand without increasing the danger of inflation, I am announcing tonight:

1. A phase-out of controls beginning on April 14, 1978.

2. A personal income tax cut of up to $100 for low and middle income taxpayers.

3. Further job-creation programs.

4. An employment credit for job creation.

5. The maintenance of strict restraint on government spending.

I turn now to a discussion of these proposals.

● (2012)

[*English*]

The key elements of the anti-inflation program launched two years ago were price and income controls, a gradual slowing down in the growth of the money supply, restraint of government expenditure and wide-ranging improvements to the structure of the economy.

We continue to give full support to the Bank of Canada in reducing the rate of growth of the money supply and we remain committed to expenditure control. It is our firm intent to keep the increase in our spending within the growth of the economy. We have achieved considerable success, as have the provincial governments.

Our expenditure ceilings are coming under very heavy pressure. Slower growth of the economy is costing us more in unemployment insurance, in payments to the provinces and in interest on the public debt. We are faced with higher outlays as a result of lower wheat prices and the very bad weather during this harvest. Despite these pressures, we will do whatever is necessary to stay within the ceilings set by my predecessor last March.

The controls on prices, wages and other incomes have contributed greatly to checking the inflationary spiral in our economy. But they should not be a permanent program because the government does not believe in excessive intervention in the marketplace. While controls cannot be removed immediately, phased decontrol will begin on April 14, 1978, two and one-half years after the program began.

The further period of control will enable us to make more progress in bringing down the rate of inflation and in reducing inflationary expectations. In the next few months we will