

NEWS RELEASE

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BUSINESS COUNCIL URGES GOVERNMENT
TO RESIST MASSIVE STIMULUS OF ECONOMY

OTTAWA - The Business Council on National Issues today urged the federal government to resist calls for massive stimulus of the economy through heavy government expenditures.

"While we have no doubts that this advice is offered by individuals sincerely dedicated to achieving a rapid resolution of the economic crisis, we are convinced that massive stimulus or even considerable stimulus now with no regard for its impact on the deficit, could have disastrous consequences for Canadians," the Council said in a letter of presentation to Finance Minister Lalonde.

The letter was presented to the Finance Minister at a meeting of the Council's Policy Committee in Toronto.

The Business Council is composed of the chief executive officers of 150 leading Canadian corporations.

The Council asked the Minister to address four targets in his forthcoming budget:

1. focus on productive infrastructure that can be put in place in 1983 and 1984;
2. implement an effective program that will assist labour market adjustments, in particular re-training and placement;
3. encourage industry to acquire and put in place state-of-the-art technology;
4. ensure that 1983 is a strong year for housing.

"As we have pointed out, these recommendations carry with them some cost implications. We leave to your discretion the choice of instruments through which you will channel recovery efforts having a direct financial impact. Our greatest concern and our most insistent request is that you finance whatever steps you take from monies you are able to recapture through the process of reallocation. This step on your part will be a most convincing action in support of a fiscally responsible, stable recovery."

In ensuring that existing and limited financial resources are put to work for recovery, the Council asked the government to re-open immediately the issue of universality of certain social programs. "In particular, we ask you to consider a contraction in benefits to high income families with children through a combination of reductions in the child tax-exemption and Family Allowances. This request on our part is based on a long-held conviction on the part of the Business Council and many middle and upper income Canadians that social benefits should be channelled more equitably and more selectively towards those who need the benefits most."

The Council also proposed that the federal government reduce its operational costs.

The Council submitted that its alternative to massive economic stimulus provides the most appropriate response to the current situation. It carries with it the lowest level of risk and offers the best opportunity to achieve inflation-resistant recovery.

"The choice rests with you and the government. It is a critical choice that calls for strong nerve and a cool head. Above all it demands that the national interest and the long term health of Canada supercede any temptation on the part of those who would wish to win short term political favor."

The Council urged the government, in preparing the forthcoming Speech from the Throne opening a new session of Parliament later this year, to signify its continuing commitment to combat both inflation and unemployment. "Inflation, and not unemployment, is the number one enemy of those on fixed incomes outside the workforce - especially the aged. To downplay the fight against inflation is to turn attention away from people who need it most."

The Council urged the government to continue to foster support for national goals that are consistent with wage, salary and price stability, and supportive of productivity improvement. It also called for fresh initiatives in accordance with the spirit of the government's restraint program to reduce more quickly the rates of increases in those administered components of the consumer price index that have been most resistant to market pressures.

The Council reconfirmed its support of the Bank of Canada's monetary policies in reducing inflation and interest rates, and added that it would welcome whatever downward pressure the Bank can exert on interest rates consistent with maintaining a correct anti-inflationary stance and the integrity of the dollar.

The Council asked the government to focus its attention in the coming months exclusively on economic recovery.

The Council urged the government to reaffirm in the forthcoming budget its commitment as outlined in Mr. Lalonde's economic statement of October 27 "to rely primarily on the dynamism and creativity of the private sector as the engine of growth in Canada."

"In building an environment in which business will be encouraged to be creative and to accept risk, we ask you to redouble efforts to ease the burden of regulation, and to ensure as much consistency as possible on the part of government policies. We also urge you to continue to welcome into Canada foreign capital and active foreign investment."

In its presentation, the Council called for an end to federal-provincial warfare which has cost the country far more, in economic terms alone, than most Canadians realize. It proposed a meeting of federal-provincial First Ministers to develop a joint strategy for recovery.

The Council noted that one element of the program of economic recovery and post-recession reconstruction requiring urgent attention is the need to renew the vitality of the country's two most important resources - the workforce and physical assets.

The Council said it was distressed by the fact that there is not yet an emerging consensus on how to deal with the process of industrial renewal.

"Precious months are passing by and yet no clear initiative is apparent to deal with the imminence of this issue. We are advising you, therefore, of our intention to ask the Chairman of the Royal Commission on Canada's Economic Prospects to convene the Commission and address on an emergency basis the issue of industrial renewal with the goal of tabling interim recommendations at the earliest opportunity."

If the Royal Commissioners for any reason are unwilling or unable to address this issue immediately, the Council proposed that the federal government appoint a special task force with top level private sector representation to study the question, and produce an interim report by September 1, 1983.

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