

BUSINESS COUNCIL ON NATIONAL ISSUES

Telephone: (613) 238-3727
Telex: 053-4483
Telecopier: (613) 236-8679

Royal Bank Centre
90 Sparks Street
Suite 806
Ottawa, Canada K1P 5B4

NEWS RELEASE IMMEDIATE

January 31, 1984

PRE BUDGET STATEMENT BY ROWLAND FRAZEE, CHAIRMAN OF THE BUSINESS COUNCIL ON NATIONAL ISSUES; THOMAS d'AQUINO, PRESIDENT OF THE BUSINESS COUNCIL ON NATIONAL ISSUES; AND DARCY McKEOUGH, CHAIRMAN OF THE TASK FORCE ON NATIONAL FINANCE, BUSINESS COUNCIL ON NATIONAL ISSUES

* The Business Council on National Issues is composed of the chief executive officers of 150 leading Canadian corporations. Its principal goal is to contribute to the development of public policy and to the shaping of national priorities.

The corporations which make up the Business Council administer in excess of \$580 billion in assets which produce annually more than \$190 billion in revenues. The member companies employ some 1.5 million Canadians.

** Rowland Frazee is the Chairman and Chief Executive Officer of The Royal Bank of Canada. Darcy McKeough is the President and Chief Executive Officer of Union Gas Limited.

PRE BUDGET STATEMENT
BUSINESS COUNCIL ON NATIONAL ISSUES

January 31, 1984

On February 15, 1984, the Minister of Finance of the Government of Canada will table a budget. Given the critical stage of the economic recovery, we ask the Minister of Finance to take the following advice into account as he shapes the budget's thrust.

We recognize that there is growing concern in some quarters that the pace of economic recovery is slowing and that the strong economic growth performance experienced throughout most of 1983 cannot be sustained. It is true that recent indicators suggest that the rate of economic growth has declined somewhat following the impressive 7 percent average recorded in the first three quarters of last year. But we expect growth in 1984 to continue at a sure and steady pace, in the range of 4 percent. And given both an appropriate Canadian policy environment and satisfactory performance in the United States, there is no reason to assume that acceptable levels of economic growth cannot be attained in 1985 and beyond.

On the positive side, we are pleased to note that the economy has recouped almost all the decline in output from the pre-recession peak level. The absolute number of job holders also increased by 3.8% during the year as some 413,000 jobs were created. On the inflation front, remarkable progress has been made, and there is reason to believe that the recovery will continue without precipitating significant upward pressure on the CPI. The profits of our companies have improved but are still below pre-recession levels and must continue to grow if the recovery is to be built upon through productive investment.

Of continuing concern, however, is that the recovery is uneven. Many industrial sectors and some geographic regions are experiencing difficulty. Our progress in reducing inflation, while impressive, is overshadowed by superior performance in the United States. Of particular concern is the unacceptably high level of unemployment. Total employment remains about 200,000 below the pre-recession peak. Some 1.3 million Canadian workers are without jobs and thousands of others are too discouraged to join the labour force. And particularly worrisome is the fact that Canada has not reduced unemployment as quickly as the United States.

PRE BUDGET STATEMENT
BUSINESS COUNCIL ON NATIONAL ISSUES

January 31, 1984

Our concern for the jobless of Canada is a deep and sincere one. The real issue, we suggest, is what concrete and effective steps can be taken to improve their chances of finding permanent work once again. The answer does not lie in quick fixes - but rather in the tenacious pursuit of sound policies aimed at very significantly improving the climate for growth in Canada.

The Business Council's proposed strategy for dealing with the current situation contains the following points.

1. First, we ask the federal government for consistency in its overall fiscal and monetary stance. The course established in the April 1983 budget should be continued. Expenditure restraint should be maintained. Bank of Canada policies should be endorsed.
2. Second, we call on governments and all Canadians to continue the fight against inflation. Let there be no mistake about it, the battle against unemployment and inflation is inseparable. Inflation continues to be the greatest underlying threat to jobs and to the income security of pensioners, the poor and the disadvantaged. We ask the federal government to provide leadership by setting a national inflation target of 4 percent or less in 1984-85, and that public sector salaries, wages, and where possible prices not exceed 4 percent, nor levels set in the private sector. Such a regime would allow for a return to responsible collective bargaining, and to more flexible economic arrangements that would encourage the rewarding of exceptional productivity and competitive performance. In absolute terms, our inflationary target should be zero - and it is towards this goal that we must move in the period 1985 and beyond if we wish to maintain high standards of living for Canadians.
3. Third, we invite the leaders of organized labour to join with us in constructing a new partnership for prosperity as we continue to re-build the economy. The recently established Canadian Labour Market and Productivity Centre, with federal and provincial government support, is a good start.

PRE BUDGET STATEMENT
BUSINESS COUNCIL ON NATIONAL ISSUES

January 31, 1984

4. Fourth, we ask the federal government to act more vigorously in addressing the deficit problem. We readily recognize that the recession has exacerbated this problem significantly, and that with improved economic performance, upward pressure on the deficit will ease. However, entrenched attitudes and spending habits linked with public authorities at all levels in Canada present a formidable obstacle to deficit reduction. At the federal level we urge the government to deploy two key instruments in attacking the deficit. One is reallocation of expenditures already approved; the other is selective cutting of expenditures having a lesser priority. We urge the adoption of a more realistic approach to some statutory programs where universality might give way to more selective targetting of assistance to those who need it most. The savings from deficit reduction could be a vitally important stimulus to private sector savings and investment, economic growth, and job creation.

These four fundamental components of the Business Council's strategy for growth and job creation are all related. Action on all four fronts, in our view, is imperative. The most intractable problem, of course, is the challenge of deficit reduction. In this regard, we are pleased to announce that the Business Council Task Force on National Finance has launched a study of deficit reduction, the results of which we will be pleased to share with governments and all Canadians when the work is completed.

For reference, see letter to Right Honourable Pierre Trudeau, P.C., M.P., Prime Minister of Canada, Perspectives on the Canadian Economy, October 4, 1983 signed by Messrs. Frazee, d'Aquino and McKeough.