

THE BUDGET SPEECH

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"The growth of our economy in recent years has revealed itself in a number of other ways besides the improvement in our balance of payments. In fact ... key economic statistics adjusted for normal seasonal trends show that our record is better than that of either of our major trading partners, Great Britain and the United States. From 1957 to the end of 1961 industrial production in the United States went up by 15 per cent, while in Great Britain it increased by 12 per cent; in Canada it grew by more than 16 per cent. During this same period total British exports rose less than 8 per cent and total United States exports less than 6 per cent; Canadian exports in the same period surged forward by more than 30 per cent. Employment in both Great Britain and the United States increased by about 3 per cent; employment in Canada grew by almost 8 per cent. At the same time prices increased less in Canada than in either Great Britain or the United States.

NO MATTER OF CHANCE

"This marked improvement in our economic situation has not happened by chance. In my Budget Speech last June, I said that the cyclical recovery which was beginning to appear at that time was likely to be weak and unsatisfactory unless there was some positive government stimulus. I affirmed that an appropriate blending of fiscal, financial and commercial policies was required to impart an impetus to the economy, to employ unused productive capacity, to stimulate growth, to increase trade and thus to expand employment opportunities for our people. Since then we have witnessed a major expansion. The vigour of the expansion that has occurred is due in no small measure to the blend of sound, strong policies we have introduced. While many of these policies have been directed towards particular situations of a specific nature, they have been part of a coherent and co-ordinated approach to the broad objective of improving the performance of the Canadian economy in both the short run and the long run.

"In the short run we had as our objective the expansion of domestic demand to take up the slack in the productive resources of the country. To this end we planned and incurred a substantial fiscal deficit. As I explained to the House in my last Budget Speech, by means of such a deficit the Government places in the hands of the public more purchasing power than it draws from it. The increased demand thus generated encourages higher levels of production and employment.

"A deficit appropriate in size to economic circumstances such as we have confronted may result from a variety of fiscal measures. Tax cuts, increases in direct expenditures by the Government on goods and services, and increases in transfer payments to persons or to other levels of government, may be used singly or in combination. This Government has, as you know, made significant tax cuts in order to stimulate consumer demand. Generally speaking there have been only moderate increases in total

direct government expenditures on goods and services. Total expenditures on goods and services by the Federal Government have been a smaller proportion of Gross National Expenditure in 1961 than they were in 1956. Our most important contribution to the expansion of purchasing power, demand and economic growth, throughout the length and breadth of the country, has been through increases in welfare payments and in transfer payments to provinces and municipalities. We have greatly increased payments to meet the needs of old persons, of veterans, of the unemployed. We have constantly chosen to augment the incomes of these people. We have also provided large sums of money for the income maintenance of both farmers and fisherman. Similarly, this Government has greatly aided provincial and municipal governments in finding the funds to provide adequate services in their areas of responsibility. Consequently we have given priority to their needs over increases in our own direct federal expenditures. Payments out of the Federal Treasury to individuals increased by 65 per cent from \$1,224 million in 1956 to \$2,014 million in 1961. Payments out of the Federal Treasury to provincial and municipal governments rose over 130 per cent from \$485 million in 1956 to \$1,123 million in 1961. These increased payments provided a significant stimulus to the whole economy as well as enormous assistance to the other two levels of government in this country.

"The stimulation of demand is a desirable objective when there are pools of unused productive resources in the country. But in the long run more is required than mere expansion of demand. People must steadily become more skilled and versatile in order to compete in this increasingly complex world of technological revolution. And they must have at their disposal modern plants and equipment, efficient transportation, abundant fuel and power, all provided at reasonable cost. Our policies have been designed to meet these requirements. In co-operation with the provinces, we have encouraged and heavily financed basic and advanced training in technical and vocational schools. We have greatly increased our financial assistance to universities in support of higher education for a greater proportion of our young people. During the fiscal year ended March 31, we have spent on these programmes alone about \$80 million, four times more than was spent five years ago. As already announced, we shall be adding substantially to these contributions in this new fiscal year.

"Parallel to this policy of improving the technical skills of our people, we have encouraged the modernization and diversification of our industry. Special capital-cost allowances for re-equipment and modernization and double depreciation allowances for products new to Canada or new to designated areas of surplus manpower were introduced in the last two budgets to stimulate expenditures on plant and equipment. The establishment of a Productivity Council and the introduction last year of special incentives to private research are improving the output of Canadian industry...

"The Government has pursued a vigorous policy of developing Canadian resources in all parts of the country. The National Oil Policy has, by providing

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