

One year ago we were budgeting for a period of recovery. Our problem was to strike a balance. It was not yet a time for a severe application of fiscal restraint, but the situation did require a reduction in the stimulus which government fiscal policies had injected into the economic stream. We took a firm course designed to ward off the perils of inflation and to preserve the purchasing power of the Canadian dollar without retarding the forces of recovery.

In 1960 we have neither recession nor incipient recovery. We are in the midst of a period of marked expansion in the Canadian economy. We welcome it, but we do not wish to see it mushroom into a boom which would set loose the forces in inflation. What we must all desire is orderly growth without inflation. That must be the goal of policy in this year of expansion 1960.

To this end our aim, as I have stated in recent utterances, will be to avoid expenditures that are not strictly necessary now and to bring government revenues and expenditures into better balance. In this way we are deliberately seeking to assist the provinces, municipalities and business in meeting their borrowing problems by restricting our own federal borrowing operations.

There is always a high degree of interest on the part of the public and in the press at this season of the year as to the trend and volume of government expenditure in the coming year. That interest seems to be particularly evident this year. Some people speak as though it were a simple and easy matter for the Government to make sweeping slashes in expenditure. Let me assure you that it is not.

It is well to remember that the Government's responsibilities do not remain static from year to year. Increases in population necessitate higher expenditures and providing government services at the same level. The cost of most of our social security programmes is on a per capita basis, rising automatically with population increases, which have been averaging 400,000 per annum. Much of the annual expenditure is already of a statutory nature, thus vastly reducing the area of expenditure which is subject to the pruning handiwork of the Treasury Board. Moreover, there are elements of government expenditure which are related directly to the growth of the national income. Furthermore, we are spending more government money on research, as we should. Our payments, both conditional and unconditional, to the provinces under existing programmes are bound to rise substantially in the coming year. Hopeful as we are for agreed disarmament, it has not yet arrived, and in the meantime the cost of modern arms and equipment for our defence forces is constantly rising, ...

Let me add that I believe very simply that governments must practise what they preach to their people. They must set their faces against waste and search tirelessly for efficiency.