

One reason may be that a larger proportion of our capital spending has gone into the development of facilities for our greater comfort and enjoyment, rather than into an increase in productive facilities.

It is evident also that through pursuing an excessive rate of growth a quantity of business investment in new enterprises or for expansion has been undertaken in too much of a hurry, at high cost, in directions which perhaps should not have been exploited at all, or not until the following year or later years, with the result that a certain amount of capacity remains under-employed because it is in excess of market requirements, or was established before adequate markets could be developed, or is unable to operate at prices competitive with producers in other countries.

Clearly, not all capital spending contributes to sound growth, or to any growth. If we can afford out of our own resources capital spending that does not assist growth--that, at best, provides some desirable but not economically essential facility or service--well and good. But a rate of capital spending that requires large increases in foreign debt and that creates inflationary pressures and mis-allocation of economic resources, is clearly undesirable and harmful.

The Minister of Finance has urged that "we must all avoid doing those things which are likely to encourage a forced and excessive growth in spending". Similar sentiments have been expressed by chancellors of exchequers and secretaries of treasuries in many other countries, because it is in the national interest of any country to avoid such excesses.

In Canada, the Minister said of the Federal Government: "Our aim ... will be to avoid expenditures that are not strictly necessary now and to bring Government revenues and expenditures into better balance". The Minister said that the provinces, municipalities and business would be assisted in meeting their borrowing problems by restricting federal borrowing. The borrowing problems of provinces and municipalities would of course be much easier if these bodies reduced the magnitude of their borrowing as a result of restricting their own spending. There are also considerable differences among provinces and municipalities in their level of taxation and other revenues. Those that borrow the most may not be the best managed, the most frugal, or the most prudent.

At any rate, the fact is we have not increased our production commensurately with the increase in our spending. We have not overcome the factors making for a large continuing annual increase in our foreign debt. Our export have increased, but our imports have increased more.