

slightly reduced its own outlays on goods and services, but increased its transfer payments to the other levels of government.

"With the general improvement in business, there was no longer any liquidation of inventories, such as had taken place in 1958; instead businessmen added to their stocks to keep pace with rising sales. In 1958, the liquidation of business inventories had amounted to \$323 million, while last year there was a net accumulation of \$355 million, a reversal which increased demand by a total of \$678 million.

"Reflecting all these and other influences, the gross national product in 1959, according to present preliminary estimates, rose to \$34.6 billion compared with the estimate of \$34.5 billion upon which I based last year's Budget. Accompanying this rise in production was an increase in employment of 2.7 per cent over 1958. Honourable members have seen the recently published February employment figures. The number of persons with jobs was 116,000, or 2 per cent, higher than at the same date a year ago, but as the result of an unusual increase in the number of persons estimated to be in the labour force, the estimate of the numbers without jobs and seeking work was 18,000 higher than a year ago, I am confident, however, that employment will rise as the coming of spring opens up new job opportunities and as the economy continues its upward trend.

"The past year was notable for a welcome absence of speculative excesses in production, demand and inventories. I stress this because often in the past such excesses have provided a major cause of recession. Our economic growth has been orderly and balanced. New investment in plant and equipment has been broadly based. Increases in consumer expenditure have moved in line with personal disposable incomes and personal saving was maintained at the 1958 level.

"Average *per capita* wages and salaries of workers in trade and industry reached a new record of \$3,773, an increase of 4 per cent over 1958 and of 10 per cent over 1956. Since the consumer price index was only 1 per cent higher than in 1958, there was a very satisfactory gain of 3 per cent in real income.

"The balanced nature of our economic growth has contributed to price stability, and price stability, in turn, to balanced growth. Like the consumer price index the wholesale price index for 1959 was about 1 per cent higher than in 1958.

"Private savings, both personal and corporate, totalled some \$6.6 billion, \$260 million higher than in 1958 and more than \$500 million higher than in 1957.

"The high level of Canadian savings has, however, been more than matched by the level of capital investment. During 1959 the equivalent of one quarter of our gross national production went into investment. This proportion is one of the highest among all western countries.

"Our capital requirements in 1959, and over the past several years, have necessitated a substantial inflow of foreign capital to supplement our domestic savings. The initiative for this inflow has come in part from our own people who have borrowed abroad, and in part from foreign investors attracted by the nature and the diversity of our resources. This direct investment by foreign entrepreneurs, not only from the United States but also from the United Kingdom and from Europe, is a reflection of strong confidence in our economic prospects and brings into Canada not only capital funds, but also technical know-how, and often also brings with it an assurance of export markets. All told the net inflow amounted to \$1,460 million in 1959, about \$400 million higher than in 1958, and only slightly above the previous peak of 1957.

"This increase in the inflow of capital was, of course, interrelated with the increase in our balance of payments deficit on current account. I wish to comment on this subject. Our current account can be divided into two parts - goods and services - and the movements of these two parts are quite different. In the goods sector our deficit amounted to about half the size of the record deficit of 1956. This improvement reflects the fact that imports were more affected by the intervening recession than were exports, while the recovery of 1959 saw sizeable increases in both. In contradistinction, our deficit on account of services has steadily increased, reflecting higher dividend payments on successful investments by non-residence in Canada, higher interest payments, business fees of one kind and another, and increased travel and expenditure by Canadians abroad. In 1959 this deficit exceeded one billion dollars.

"Putting goods and services together, they add up to the total of \$1,460 million. This deficit is reflected by, and is a reflection of, substantial continuing imports of capital. I do not mean to say that we use all of the money we borrow abroad to import machinery and other forms of capital equipment. We produce domestically many of the goods and materials used in our investment programme, and the composition of our imports reveals only a partial picture of that programme. What is significant is the use we make of all our resources, including the product of our own labour and equipment and what we obtain as a result of our foreign transactions. What is important is that a substantial portion of these resources should be put into new capital investment, rather than into consumption, and that this new investment should be of a character that will promote the efficiency and productivity of our country. Broadly speaking, I believe that these objectives are being attained.

"...Any inflow of capital raises questions as to ownership and control of Canadian industry and resources, and also the question of the servicing of debt. As to ownership and