

demand, or other such adjustments, without serious disturbance and unemployment. It also points to the fact that confidence in the future of the Canadian economy is widespread throughout Canada.

If we cast our minds back only six months or so to the situation that existed last winter, you will remember that there was a good deal of concern both in Parliament and throughout the country, about the problem of unemployment. A good deal of this unemployment was seasonal of course. This is one of the inevitable consequences of our climate, though it is also something we must all endeavour to keep to a minimum.

In this connection I should mention that the Government has discussed various aspects of this problem with the Provinces. For example, we have put forward proposals to the Provinces for Federal sharing of the costs of unemployment assistance. The proposals are being studied and so are the counter-proposals. We have also improved the benefits paid under the unemployment insurance system. We have also investigated measures to encourage more winter construction by governments and private industry so as to reduce the seasonal impact of unemployment in Canada, and my Colleague, the Hon. Mr. Winters has made some reference to this recently. Incidentally, I have heard it said that construction of houses and buildings is at an all-time high and that this is the cause of the present well-being of our economy. If so - and I'm not disagreeing - Mr. Winters is just showing another sign of Maritime efficiency.

During 1954, and particularly last winter, it is true that on top of the seasonal slump in business activity, there was in Canada and the United States an additional and undesirable amount of unemployment in some of our secondary manufacturing industries. To some people it looked as if the steady growth of production and employment that had been so market a feature of this continent in previous years had come to an end, at least temporarily.

Most of us did not share that pessimism. The troubles of the North American economy were not chronic or deep-seated. In the United States there was a problem of excessive inventories in the hands of manufacturers and distributors and the liquidation of these inventories meant, for the time being, less production, less investment in new plants, and therefore less employment.

This recession in the United States, if you can call it that - had some unfavourable repercussions on Canada, as any trouble in the United States is bound to do.

Of course, we also had some of the same problems of declining demand to contend with in Canada, and difficulties in some of our manufacturing industries which had had to cope with increased international competition. We had a decline in production in some of those manufacturing industries which had expanded so greatly since World War II and especially since the start of the Korean War. I refer to some defence production industries, textiles, automobiles, electrical goods and so on. And we had a poor harvest in the Prairie Provinces, which had some adverse consequences for the rest of the economy too.

The Budget Question

By the time of the Budget in April of this year, there was evidence of improvement in the economic situation.