

no intention of defending the monetary policies of the present Canadian Government. I shall simply bring to your attention the principle that has been our guide and let the results of these policies speak for themselves.

In Canada, we have worked on the principle of the balanced budget. If a nation cannot pay its way in good times, it certainly cannot weather the leaner years. To keep the budget balanced at a time when defence expenditures account for almost every second dollar spent by the Federal Government, there is only one method -- taxes. And yet, when account is taken of Family Allowances payments, the net amount payable in Canada today by the average taxpayer is measurably less than in the United States -- except for those in the very high income brackets.

The Wall Street Journal recently discussed Canada's record expansion and referred to this country as a nation

"where a soundly developing economy and sound fiscal and monetary policies are coincident."

I would venture to suggest that the present healthy state of our currency is directly traceable to our allergy to red ink.

#### SOCIAL SECURITY AND PROSPERITY

I have referred to trade, investment and fiscal policy as significant factors in Canada's prosperity and development. It is less commonly realized that there is an important linkage between prosperity and responsible measures for social security.

It has required many years of patient work on the part of present and previous administrations to build up a comprehensive system of social security that has not only broad welfare implications but also important economic objectives. In this connection, it should be remembered that programmes like Family Allowances are just as much an instrument of fiscal policy as they are an expression of social justice.

On the economic side, social security payments have an important stabilizing influence by putting a floor under consumer expenditures. A large proportion of the social security payments made by the Canadian Government, in part on its own account and in part in conjunction with the provinces, serves to increase the incomes of individuals or families who without such aid either have no income at all or too little to meet all their essential needs.

Now what do people who have little or no income do with the social security payments they receive, such as old age pensions, family allowances or unemployment insurance?

Most of it goes to pay for the necessities of life -- food, shelter, clothing, medical and hospital bills. With a minimum of consumer spending assured by these continuing social payments, consumer expenditures in Canada should never again drop to the very low levels prevailing in the '30's. This does not mean that Government social security transfer payments are large enough to prevent any decline in consumer spending. They do, however, have a stabilizing influence and help to keep the bottom from dropping out. They stop recessions from growing into