

*The Budget—Mr. Benson*Current Economic Setting

The current economic setting for this budget has been set forth in part I of the White Paper. The Canadian economy continues the expansion that began in 1961, that ran to excess in 1965 and 1966, that slowed down in adjusting for these excesses in 1967, and that has accelerated moderately again this year. We are in a period of widespread prosperity, but it is prosperity with problems. The increase this year in production, in national income, in exports, in housing investment, and in industrial productivity has been encouraging. On the other hand, we are troubled both by the extent of unemployment and by the rate at which prices are increasing. Our balance of trade has been better than expected, but our capital markets continue to be subject to serious strains. These are reflected not only in high interest rates but in problems for many borrowers and for those who sell securities.

In the international economic field, we have in recent years made great advances in freeing trade. We are still engaged in implementing agreements by legislative action. Tonight I shall lay before you some 200 pages of tariff items which implement our part of these international arrangements, together with a resolution asking approval for a new bill on anti-dumping duty which will follow consideration of our white paper on this subject by a committee of this house. These are important and constructive measures. Together with related action by others, they should widen the markets and improve the productivity of Canadian industry. They should also provide to Canadian consumers the benefits of increased competition in domestic markets.

In monetary matters, the period under review has been one of many difficulties but has ended upon a most constructive note. For years the Canadian government, with other western governments, has been working out a plan to supplement gold and foreign exchange balances with new forms of international liquid reserves that could be expanded in accord with the needs of world trade and other transactions. After considerable debate this has now been achieved. Parliament will be asked to approve amendments to the Bretton Woods Agreements Act to carry out our part in these new and encouraging arrangements.

● (8:10 p.m.)

Before these new arrangements could be completed several major crises occurred during the past year in the international financial

[Mr. Benson.]

markets. Sterling was devalued. There was a prolonged crisis in gold markets which was only resolved by the working out of a new two price system for gold as well as by more stringent measures by the U.S. to safeguard and improve its balance of payments position.

During this period of stress in the international financial markets last winter there was a short but very sharp run on the Canadian dollar, despite an unusually strong position in Canada's current account balance of payments at that time. We were in danger of being forced into an inappropriate devaluation of our currency, which would have brought higher prices and costs to the Canadian economy and the Canadian consumer. Our position was strengthened by monetary and fiscal measures taken at that time. We were fortunate in being able to get from international institutions and from friendly monetary authorities and governments the temporary assistance that we needed to sustain us during this crisis. We also were able to work out with the United States Treasury arrangements which enabled us to safeguard our vital unrestricted access to the U.S. capital market while not endangering or worsening the U.S. balance of payments position. Subsequently we have been able to borrow substantial sums in Italy, in Germany, and in the United States to assist us in restoring our exchange reserves.

Medium Term Outlook

In looking ahead through the prospective life of this Parliament, we can be optimistic regarding both the resources that will be available to sustain vigorous growth in the Canadian economy and the markets that will be available for what we produce. We have a labour force that is growing more rapidly than that of any other industrial country. It is also increasingly well educated and trained for work in modern jobs. Our natural resources are the envy of others and the basis of much of our industry and wealth. We have a large industrial capacity, much of it now relatively modern and little of it in serious excess. We have access to a large supply of savings within Canada, since we save a high proportion of our income by comparison with others. Fortunately we also enjoy a preferred position in securing international capital, both direct investment associated with modern management, and loan capital in large amounts. At the same time we can look