as the economy regained a normal high level of employment and incomes. As I said in my Budget Speech on April 9: "There are times when a substantial deficit is clearly the right policy; there are times when the Budget should be in balance; and there are times when some provision should be made for the orderly retirement of debt." If, as all the current signs indicate, we continue to progress rapidly toward a high level of employment and income, and as capital expansion in the private sector resumes its accustomed rate of growth, we look forward to the time when the Government will cease to be a net borrower. This is a matter of deliberate aim on the part of the Government, and its achievement should materially assist the provinces, municipalities and business in meeting their borrowing problems.

I based the Budget on an estimate that our Gross National Product in 1959 would be approximately seven per cent higher than in 1958. This estimate was greeted by many with some surprise, indeed, in a few quarters, with derision. It is now evident that some of those who are responsible for directing business policies were not prepared for such a rate of growth and seriously under-estimated the demands that would be placed upon them. Indeed, it now seems clear that our 1959 GNP will exceed the estimate I made six months ago.

This growth, and the fact that it was under-estimated by not a few persons in positions of responsibility in business, have produced some stresses and strains, particularly in the demand for and the supply of credit. On January 5th of this year, speaking in this building, I expressed the hope that recovery in 1959 instead of taking the form of a sudden boom would proceed at a steady and sure pace, and thus assist the Government to curb inflationary forces in the economy. A major expansion, however, has set in with all its attendant financial strains.

Money, Credit and Interest

In some respects money and credit are like any commodity: their price responds quickly to major changes in supply and demand. The price of credit is the level of interest rates. When the supply of credit is ample or the demand is slack interest rates fall; and when this situation is reversed interest rates rise. But interest rates also reflect the quality as well as the quantity of supply and demand. If lenders or investors develop doubts about the wearing or the lasting quality of the securities they are offered they will be reluctant to buy except at a lower price, that is to say, at higher rates of interest.

It is in this respect that money and credit are so very different from commodities, in that any excessive increase in the supply is almost certain to deteriorate the quality. We have all learned in recent decades that a persistent increase in