efforts and create together the institution which will guarantee our country an important rôle in the field of space communications.

It appears to me opportune to comment here, marginally to the Speech from the Throne, on our economic situation. Perhaps never since its existence as a nation has Canada known such a desirable economy as in 1966. Providence was particularly favourable to all of us, even if we had to undergo a mild form of inflation. Peaks were reached in numerous sectors, and generally it is not an exaggeration to say we had our best economic year. These results coming after so many good years have given us a feeling of continued stable security.

Our economy had been progressing at so fast a pace that it became necessary many months ago to apply the brakes. Actually, our progress was more rapid than that of all the great industrial countries except one. This is a great testimonial to the efforts made freely by free people who work in a competitive economy.

But, as always, the price of a rapid increase brought again the surging danger of inflation and its hideous results. The occurring situation was and is being dealt with quite effectively by the Government in order to avoid a feared unbalanced economy.

Now, however, our situation has somewhat changed. It is good to know that the Government intends to table measures to broaden the scope of the Area Development Incentive program, and to promote industrial development in the Atlantic region. Effectively, this will help regulate some of the slow-ups in our industries, prevent further increases in unemployment, and better cope with the economic problems of certain areas.

In my appreciation, honourable senators, there is also now an urgent need to encourage new modernizations in our industries, and to call again on the practical intelligence of capital and labour to adapt themselves now to these unavoidable technical changes.

There are presently other challenges. As it was said yesterday, we must work to obtain a higher Canadian level of employment, and we must continue to increase our Canadian production potential. This will require not only the combined efforts of Canadian labour and Canadian capital, but of our Government. The review of relationship between industry, labour, and government is, I believe, a step in the right direction.

May I say that I am glad to find that there was no substantiation of a rumour of discontinuance of depletion allowances because there are great uncertainties involved in natural resources developments. There are very high costs and, what are not often mentioned aloud but which are of major importance, the attractiveness of the rewards and the reliefs from taxation offered in certain promising countries for the development of mining and oil industries. The removal of depletion allowances in Canada would, I venture to say, cause material reallocation of exploration efforts.

The Canadian economy is potentially capable of a more rapid advance than that of most other industrial nations. We have abundant natural resources. We need new houses, and new legislative facilities to provide them are being proposed. We have a rapidly growing labour force which can be further easily increased through our immigration policies. It will be helped by constructive legislation.

We have easy access to the technology of the great industrialized countries. There are the possibilities that large amounts of capital could, with proper government policies, yield a long-term rate of growth in the volume of Gross National Product of more than 7 per cent per annum, and again these possibilities will come before us for our study and consideration.

We noted with satisfaction in the speech these words:

> While the Government is conscious of the desirability of a greater degree of domestic control of our resources and our key industries, it is also aware of the continuing importance of inflows of foreign investment in order to ensure an optimum development of the economy.

In my opinion, in the foreseeable future any earmarking of capital for the purpose of buying back American investments would have disastrous effects. It would take off billions of dollars greatly needed for the normal expansion of our young nation and the assurance of its short and long-term progress. We are a young nation. We need capital for our expansion. By ourselves we have been unable to assure our economic expansion with the proper monentum.

I feel Canada should lead the way in promoting internationalism as the best rewarding Canadian policy. Two-thirds of Canada's net liabilities to foreigners take the form of direct investments. Recently one of this continent's ablest economists affirmed that to do away