

we borrow. For instance, the Province of Manitoba pays 5½ per cent on money it could have borrowed two years ago for 3½ per cent. The Province of Ontario is also paying 5½ per cent; the Hydro-Electric Power Commission of Ontario pays 5¾ per cent; and various companies are paying as high as 5¾ per cent on \$100 bonds discounted at \$98. In other words, the cost of money has practically doubled in the past three or four years.

One hears it said that there will be a good deal of building done in Canada this year. That is simply not so, because capital is not available. The money will go for other purposes, which will yield a more profitable return.

I would like to say something here about the effect of inflation on our trade, for this is the real economic problem facing the people of Canada. Some people tell us that the Government is taking over the control of money; that other countries are investing large sums here and things will turn out all right. That philosophy has been preached for the past two years, but the inflationary trend continues. I intend to give some figures which will indicate the effect of the inflationary climb on the production of our goods and their sale in world markets.

Let me discuss briefly our deficit in trade with other countries. In a speech I made in the first session last year I complained about this unbalanced trade picture. My friend the honourable senator from Ottawa (Hon. Mr. Lambert) pointed out that huge sums of money were being invested in Canada and suggested this was compensation for the trade deficit. But let us look at the trade picture as of the end of November, 1956. The figures for the first eleven months of 1956 indicate that our imports from the United States exceeded our exports to it by \$1,225 million. And on world markets, during the same period, we bought \$880 million more in goods than we sold.

Now, it is all very well to say that a vast amount of money is coming into Canada, but let me point out that a lot of it is being used to buy oil which is shipped back to the United States and sold at a profit there. It is to the benefit of that country to spend money here to buy our natural resources. On the other hand, we are unable to sell our manufactured goods to the United States, because our costs are too high. Whether the costs are high because of interest rates, capital profits or for some other reason, I do not intend to discuss this afternoon; the important point is that because of high costs of production our goods cannot compete in the United States market. I have given the figures for the first eleven months of 1956,

and I am sure the month of December would show an even worse result.

A situation similar to that between Canada and the United States exists between Canada and other trading countries of the world. Whatever the cause may be, we are not facing up to it. But I point out that no country has ever been able to live for long under those conditions. A country which allows its trade deficit to persist will eventually be wiped out. Great Britain, for instance, is in economic trouble today because of her trade deficit. I am reminded of the fellow who when he was earning \$5 a day and spending \$4, was rich; but when he was earning \$5 and spending \$6, he was poor. As long as we are spending more than we make we are going to be poor. That is just the situation in which we find ourselves.

Hon. Mr. Euler: May I ask my friend a question? What makes this country so prosperous?

Hon. Mr. Haig: There is no prosperity in Canada today.

Hon. Mr. Euler: Is there not?

Hon. Mr. Haig: Just a minute now. There is prosperity in the sense of a money prosperity on paper. For instance, I noticed in a newspaper the other day that some of the stock of a prominent Canadian insurance company was sold to United States interests for \$1,975 a share.

Hon. Mr. Hardy: A very lucky man.

Hon. Mr. Haig: I did not mention any names. A lot of the shareholders did that. Now, people in the United States are sending their money over here because they think they can invest it in this country, maybe on account of—

Hon. Mr. Hugessen: Our prosperity.

Hon. Mr. Haig: No. Maybe because there is a capital gains tax over there and we have no such tax in this country. We do not know why they are doing it. But the point is this, that we cannot go on pursuing our present policy and win out; we cannot continue to sell less goods to the world than we buy and then borrow money to make up the deficit. That cannot be done by an individual or a family, and it cannot be done by a nation. You cannot cite me one case where that course was followed and did not end in bankruptcy.

Hon. Mr. Crerar: May I ask my honourable friend a question? Admitting there exists the danger that he is so eloquently describing at the moment, which I myself do not admit, what suggestion has he to offer for curing the trouble?