

The upswing which followed the recession of 1954 reached its peak in late 1956 and early 1957. Early in 1957 the economic trend was reversed and the North American Continent moved into a relatively short, but difficult, period of recession, which continued until the summer of 1958. During the next year we moved along the road to recovery, slowly at first, but since last spring with rapidly increasing momentum. The period of recovery from the recession is now past, and Canada has entered upon a period of rapid economic expansion. All signs point toward a continuation of this expansion and growth. The scale of expansion has been so great as to create financial strains, now reflected in problems of credit.

The problem which confronts us at the moment is, how may we sustain expansion without inflation? This is the question which Canadians ask, and are entitled to ask. All realize that it is not possible to ensure a completely even and unbroken course of growth. Most people recognize that in a period of such rapid economic expansion the dangers of inflation can become more threatening. It is a time for calm appraisal, careful study and analysis, constant vigilance and courage.

Let me review the steps which the Government has taken to meet the rapidly changing economic problems which have confronted Canada. We took prompt action in the summer of 1957 by such means as were within our power to offset the decline in business activity. We gave strong support to new housing construction; we increased substantially our own direct expenditures on capital projects; we reduced our own resources to increase those of the provinces and municipalities; we sustained and enlarged the general purchasing power of the Canadian public both by tax reductions and increases in pensions and other welfare payments. As the result of these and other governmental measures in the fiscal field, both the depth and the length of the recession in Canada were greatly reduced. Inevitably we incurred in the fiscal year 1958-59 a large deficit, -- not so large, however, as any of the estimates and prophecies concerning it.

By the summer of 1958 the recession had passed its low point, and the tide turned. Recovery by degrees gathered steady momentum. By the spring of 1959 the Government again adapted its fiscal policy to meet these rapidly improving conditions. It was not yet a time for a severe application of fiscal restraint, but the situation did require a reduction in the stimulus which Government fiscal policies had injected into the economic stream. We took a firm course designed to combat the perils of inflation and to preserve the purchasing power of the Canadian dollar without retarding the forces of recovery. Accordingly we raised taxes moderately and curtailed the expansion in Government expenditure. We announced a fiscal programme which would cut the cash deficit of the preceding year almost in half and would come close to producing a balanced budget