has turned out to be much less, for several reasons as I have previously noted. A number of our lending programs, such as those for farm credit and international development, as well as the investment programs of our Crown companies, required less than we forecast. These changes, together with the substantial budgetary surplus, reduced our net cash requirements to an unexpected but welcome low level.

We cannot expect a similar reduction this year. While our estimated non-budgetary requirements include some allowance for contingencies, as they should, they also reflect increases in a number of firmly established programs of high priority. Among these increases are the following:

—nearly $150 million more for loans to Central Mortgage and Housing Corporation to assist in offsetting an expected decline in the flow of private funds into financing housing, to give more emphasis to low-cost rental housing, and to finance more municipal sewage plants urgently needed to reduce pollution;

—about $25 million more in mortgage funds for farm credit, chiefly to assist prairie farmers in readjusting to meet the new outlook for grains;

—about $40 million more for Atomic Energy of Canada to invest in advanced power plants and a large heavy water plant to meet the urgent shortage of that important material;

—about $40 million more for loans to less developed countries as part of our external aid program;

—about $50 million more for loans for regional economic expansion, on which all of us place high priority.

As a result, the forecast total of our lending programs, net of repayments, will be increased from about $1,150 million in 1969-70 to about $1,675 million in 1970-71.

These loans are important uses of the nation's savings for investment purposes. However, their economic impact must be assessed, and they must be budgeted as carefully as expenditures. Moreover, they have important effects on our government financing program, and on the management of monetary policy.

Taking the projected budgetary surplus and net non-budgetary requirements together, our net cash requirements for the year 1970-71 are expected to be some $475 million—excluding amounts that may be required to finance foreign exchange transactions.

[Mr. Benson.]

• (8:30 p.m.)

In terms of the national income accounts, as compiled by the Bureau of Statistics in recent years and used by economists, we estimate that the federal government sector, excluding the Canada Pension Plan, has had a surplus of $570 million in 1969-70 and, on the forecasts I have given, would show a surplus of $180 million in 1970-71.

General Policy

It is evident that the federal government's fiscal position as a whole in 1970-71 will be exerting somewhat less restraint on the economy than in this year. In part this will be due to the emergency wheat inventory reduction program. I am satisfied that the measure will be in the interest of the nation as well as in the long-term interest of the wheat producers in Canada. In part the change in our fiscal position is due to expenditures, particularly the transfers to the provinces for health and education, rising somewhat more rapidly than revenues. It is also due to our increased lending programs for housing and farm credit where the capital market is not providing an adequate flow of private funds to meet the needs of balanced growth and development. In general, the fiscal effects of our operations will be better distributed regionally than last year. Our regional expansion expenditures, revenue equalization grants and other payments will be higher in the areas of less inflationary pressures. Our revenues, of course, are growing more rapidly where incomes are increasing more rapidly.

These forecasts are based upon expectations of lower rates of growth in employment and production, and an economy operating at a lower percentage of capacity than during 1969-70. If we could be concerned only with the pressure of total demands upon our productive capacity and markets, further action would not be necessary. However, there has been no slowing down in the rate of increase of prices and wages and other incomes. Costs continue to push prices up. Slower real growth has not yet reduced inflation. I sincerely expect it will do so as the year proceeds. The code of price behaviour arranged between the Prices and Incomes Commission and representatives of business and the professions, should assist materially in bringing about some reduction in the rate of price increases. We must give it a chance to take effect. We must also give organized labour time to decide whether and how it should join