It is a boom of unprecedented proportions even though the public does not seem to be aware of it -- thanks largely, I suppose, to the abnormal way in which the usual barometer, the stock market, has been acting. Our gross national production has increased from $11.6 billion in 1945 to over $13 billion last year -- in 1938 it was $5.1 billion. Personal expenditure on consumer goods and services increased from $6.8 billion to $8.7 billion in the last two years. In 1947 the grand total of new capital investment in Canada, including investment by industry, institutions, governments, farmers and housebuilders reached the unprecedented total of $2.4 billion. A recent survey, based on current intentions, forecasts a comparable figure for 1948 at $2.8 billion. To convert into your terms, these figures would have to be multiplied by about 18.

Activity of this degree of intensity naturally exerts a severe strain on our economy and on our cost and price structure. Particularly in the case of labour, materials and equipment used in capital goods expansion, the pressure of demand has been and still is intense. This level of demand is not too concerned about price and therefore not too inclined to resist the upward trend in costs and prices. Capital expansion and high industrial activity in Canada always mean heavy imports of U.S. machinery, equipment and materials -- chiefly coal, cotton and petroleum products. High incomes in Canada similarly mean heavy importation from the U.S. of consumers' durable goods and many luxuries or semi-luxuries. When this happens at a time when we are financing a substantial portion of our exports to Europe on credit, the inevitable result is a drain on our exchange reserves. We still have, I should emphasize, an over-all surplus in our current account with all countries, a very large one in 1946 and one not so large in 1947, but in both cases this current account surplus was not as large as the volume of our exports financed on credit or given away. We have, as you know, put into operation a comprehensive program to correct the drain on, and to replenish, our reserves, and that program, I am glad to be able to report,-is working -- much better indeed than we had expected. However, it is pertinent for our present purpose to note that the effect of the import restrictions which form an important part of the program is to exert still further pressure upon prices.

In the face of the developing postwar boom, we have tried to adapt and develop our fiscal and monetary policies in such a way as to restrain excesses without endangering full employment and maximum production. Never before has there been so great a world need for the maximum output of this Western Hemisphere and our problem, it has seemed to us, is to keep the productive car rolling along at optimum speed, avoiding both the reckless speed that would soon lead to disaster and the too sudden or too drastic braking that would skid the car into the ditch. This type of consideration was primarily responsible for the gradualness and orderliness with which we dismantled our wartime price controls, which I have already described. It has had an equally important influence on our policies in the field of credit and finance.

In so far as fiscal policy is concerned, we have consciously followed a policy of maintaining taxes at such a level as would produce substantial surpluses in our Government accounts. True, our rates of tax on personal incomes have been cut substantially from the very high levels of wartime because