

minds of most of us west of the iron curtain will be easily or quickly removed by a few diplomatic notes. These fears were indeed engendered not by words but by deeds.

"But it would be equally wrong and dangerous to think that the suspicions and fears which at present divide the world can never be overcome. If the Soviet rulers are sincere in their desire for collective security, then I am confident that they will not find the Governments and peoples of the Western democracies unwilling to listen to any serious overtures they may make. We will persist in our determination to meet any genuine overture for peace halfway, and indeed more than halfway...."

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#### THE BUDGET

the people of that Province may reduce their national tax liability. I consider that any such principle is completely unacceptable.

"If a credit up to 15 per cent of the federal tax were accepted, it would appear to be difficult in principle to later deny full credit for, say, a 30 per cent, a 60 per cent or even a 100 per cent provincial tax. If a province had the suggested constitutional priority in the field of direct taxation, then nothing short of the right to reduce federal tax by 100 per cent would be the stopping point. This would imply that a provincial government without imposing any additional burden on its own taxpayers could secure to its own treasury the full amount which would otherwise be payable by its people to their national Government."

#### DOOR IS OPEN

He said the Premier of Quebec would always find the door open for "full and frank discussion in the hope of finding a mutually satisfactory solution".

Touching on the international economic situation he said, in part:

"The growing strength of the North Atlantic Alliance has done much to reduce the dangers of armed aggression, but fundamental solutions are still denied us. A just settlement of these questions requires the free world to continue to improve its defensive position in order to negotiate from strength. We cannot yet afford to relax.

"In the economic sphere, 1953 has been a much better year. Industrial and agricultural production in almost all countries has continued to expand, and consumption has risen. Supplies of many products entering into international trade are becoming more plentiful, and international markets more competitive. The recovery of Germany and Japan has contributed to this development. It is becoming increasingly evident that after many years of

scarcity and inflation we are returning to more normal competitive conditions.

"It is encouraging to note the further improvement which has taken place in trade and payments relations between the dollar and the non-dollar countries. The clearest indication of this is the substantial increase in the gold and dollar reserves of overseas countries. During 1953 the sterling area achieved a substantial overall surplus with the rest of the world and the central reserves held by the United Kingdom rose by \$670 million during 1953. As a result of these favourable developments the position of the sterling area has strengthened considerably. A substantial improvement in the overall balance of payments and exchange reserves has also been experienced by most European countries."

Following are excerpts from Mr. Abbott's references to the Canadian economy:

"The first thing to observe is that the real income of the Canadian people has been expanding at a rapid rate for a number of years. The fact that the economy in 1953 was able to achieve further gains of the magnitudes I have sketched suggests to me that we should not feel unduly concerned with a temporary slowing down of this rate of advance. Indeed, in the dynamic kind of economy we have in Canada an occasional hesitation in its forward movement may well be one of the consequences of the buoyant character of our economic growth."

"Most of the elements which supported the growth in national product in 1953 are still present, and I believe that the forces of long-term expansion will soon reassert themselves. But some readjustments in production, in costs and in pricing policies are necessary, and are indeed going on...."

#### INCREASE IN IMPORTS

"The increase in imports, especially of those kinds of things that we make in Canada in reasonable volume, and the decline in our exports, small though these changes may be, inevitably raise the question of our efficiency and of our cost and price structure. I do not agree with the suggestion occasionally heard that Canada has become a high cost economy. That may be true of some few sectors, but it is not true of our basic industries. But it is true that for seven or eight years business has been travelling along a comparatively easy road...."

"I do not believe that the current slowing down of expansion will be serious or prolonged. Inventory accumulation is a volatile factor in an economy as dynamic as ours but if we bear in mind that the total of demand both at home and abroad is being well sustained, the present situation should be quickly self-correcting...."

"So far as exports are concerned the outlook is a little less certain. In the last few