

But the rate of investment in Canada has been considerably higher than it has been in the United States and most other countries. Ever since 1948 the proportion of our gross national product devoted to investment has exceeded 20 per cent; this year it will amount to the very high figure of 25 per cent. These rates are considerably higher than the corresponding figures for the United States. There appears to be this difference between the recent character of investment in Canada and the United States -- that in our case a higher proportion of investment has gone into activities that either do not result directly in industrial output, such as pipelines and transportation, or into very long range projects which still are to be reflected in our production statistics such as oil, hydro-electric development, and so forth. It follows of course that a considerable share of the fruits of Canadian investment are still to be plucked.

Since the pause of 1954 the increase in output and investment in Canada has been very marked. Gross national product in value terms was 10 per cent higher in 1955 than 1954 and is currently running at a rate about 10 per cent higher than 1955. The increase in 1955 took up most of the slack which developed during the 1954 pause. The increase this year has absorbed more than the regular annual increase in the labour force resulting from population growth and immigration: good jobs have attracted more people into the labour force who would not be there under less buoyant conditions. The increase in gross national product this year includes a larger element of price increase than previously, and the current account deficit in our international payments has increased very substantially. Both of these developments reflect the growing pressure on our resources.

The current account deficits which have persisted with the exception of one year since 1950 are the focal point in our balance of payments. They represent the extent to which we have drawn on the rest of the world for goods and services to enable us to maintain levels of investment and consumption which are beyond our own immediate capacity.

The current account deficits ranged from \$400-\$500 million a year until 1955, but the deficit is now running at a rate in excess of one billion dollars a year. These are big figures by any standards, but it is worth remembering that as a percentage of total trade turn-over they are smaller than they have usually been in past periods of rapid expansion.

Current account deficits are no novelty in new countries. Frequently they arise because the pressure on resources is so great that goods and services are diverted from export markets to domestic expansion, with the result that exports fall or at least fail to achieve a normal growth. I should like to stress that this has not been the case in Canada. Exports are actually running at a rate nearly 50 per cent higher than in 1950. Indeed, to some extent the large increase in foreign demand for our exports has been the direct cause of internal expansion. The fact that we have been able to increase our exports so much while the expansion was going on must be attributed in part to a run of good luck for which we can claim no particular credit other than taking advantage of our opportunities. Since 1950 we have had the equivalent of between 8 or 9 normal wheat crops in seven years, with firm prices and good demand in all but a couple of years. Forest products have been almost continually in good demand -- newsprint has been at capacity demand or better since 1947.