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ADDRESS BY FINANCE MINISTER

In a speech to the Empire Club of Canada at Toronto on October 8, Mr. Donald Fleming, Minister of Finance, reviewed as follows the steps taken by the Government to meet the problems of a rapidly expanding economy:

"...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 prophesies concerning it:

"By the summer of 1958 the recession had passed its low point, and the tide turned.... By the spring of 1959 the Government again adapted its fiscal policy to meet these rapidly improving conditions.... 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 as the economy regained a normal high level of employment and incomes.... If...we continue to progress rapidly toward a high level of employment and income, and as capital expansion in the private sector resumes its accustomed rate of growth, we look forward to the time when the Government will cease to be a net borrower....

"I based the Budget on an estimate that our Gross National Product in 1959 would be approximately seven per cent higher than in 1958. This estimate was greeted by many with some surprise, indeed in a few quarters with derision. It is now evident that some of those who are responsible for directing business policies were not prepared for such a rate of growth and seriously under-estimated the demands that would be placed upon them. Indeed, it now seems clear that our 1959 GNP will exceed the estimate I made six months ago.

"This growth, and the fact that it was under-estimated by not a few persons in positions of responsibility in business, have produced some stresses and strains, particularly in the demand for and the supply of credit....

MONEY, CREDIT AND INTEREST

"In some respects money and credit are like any commodity: their price responds quickly to

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