

yours, and we are now about 13 per cent above the recession lows and 7 per cent above the 1953 high points. I believe your current figures are 3, or 4 per cent above your previous high.

This is not the occasion to explore in detail the bases of our great resilience. Two factors, however, can be mentioned: one, that we are going through a stage when the general trend of our rate of growth and expansion is somewhat greater than yours; another, that export trade overseas and especially with Europe plays a much larger role in our economy than in yours. And Europe, to the surprise of many people, has been almost completely unaffected by the North American recession.

Perhaps I might interject in passing that the divergence of recent economic trends in Europe and America may, as a useful by-product, contribute to somewhat more harmonious discussions in international economics. It had become the fashion to blame many, if not most, of the economic ills of the world on the alleged instability of the American economy. From 1949 to 1953 we heard a great deal about the grave effects on the rest of the world of even a 2 or 3 per cent decline in the economic activity in the United States. "If America sneezed," we were told, "Europe caught pneumonia."

We in Canada, like many of our friends in Europe, are not likely to forego our right to criticize or disagree with particular aspects of United States economic policies. But perhaps it is not a bad thing that neither we in Canada nor our friends in Europe can now so easily blame the instability of the American economy for all the world's economic ills.

Government policy in Canada met the recession in a variety of ways. Our policies, on the whole, were neither novel nor dramatic. I have even heard them criticized as being orthodox and dull.

We followed an easy money policy. Our 3-month Treasury Bill rate, which had been close to 2 per cent at the peak of 1953, dropped below 1 per cent in the first quarter of 1955. Five-year money fell from over $3\frac{1}{2}$ per cent to below $2\frac{1}{2}$ per cent and long-term rates from nearly 4 per cent to about $3\frac{1}{4}$ per cent. With the rapid acceleration of activity during the past six months, we have applied the monetary brakes to the extent that seemed desirable and short-term funds are now back just over the 2 per cent level.

Fiscal operations have also played their part. After 8 successive years of budgetary surpluses, we ran a deficit in 1954. It was not a large deficit, about \$150,000,000 or $3\frac{1}{2}$ per cent of our total expenditures. We, nevertheless, reduced some of our tax rates moderately for 1955. The tax structure we recommended to Parliament early this year was one which was designed to produce a balanced budget in a full year at high levels of activity. We had to prepare and deliver the budget at a time when evidence of accelerating recovery was not yet clear. We produced what I regarded as a conservatively optimistic and sensible budget. I forecast a deficit on this year's operations of about \$160 million. Events are turning out rather better than I expected and it now appears probable that the actual deficit for this fiscal year will be at least one-third less than I forecast.