

continuing to urge European countries to resist the growth of European tariff discrimination by extending their tariff reductions to other countries on a most-favoured-nation basis. We have found that our views are shared by many countries in other parts of the world, and particularly by those in the Commonwealth. The general tariff conference of the contracting parties to the GATT which is to be convened next September will provide an opportunity for a further reduction in world trade barriers and new opportunities for Canadian exporters.

"I have dwelt at some length on our external position because of the bearing which it has on our domestic situation. So long as our access to foreign markets is unimpaired and we are able to keep the costs and the quality of our products and services thoroughly competitive, we need have no fears for the future. The economic expansion which Canada is now experiencing is soundly based: incomes are rising and we have demonstrated a willingness to save; relative price stability seems reasonably assured; business confidence is high, and capital investment is expanding; our export prospects are bright. I expect that the forces of expansion will continue during 1960, and that the rates of increase we have experienced in 1959 should be maintained throughout the year. Within this framework I am basing my forecast of 1960-61 revenues on an increase in the gross national product in 1960 of about 6 per cent, or to a level between \$36.5 and \$37 billion dollars.

#### GOVERNMENT ACCOUNTS 1959-60

"...The House will recall that in my Budget speech last April I budgeted for revenues of \$5,267 million, expenditures of \$5,660 million and a deficit of \$393 million. On the basis of figures in the White Paper it is now estimated that our revenues for the fiscal year were \$5,301 million, our expenditures \$5,707 million and the deficit was \$406 million.

"Revenues, expenditures and the total deficit all were very close to forecast. Revenues were \$34 million or 2/3 of 1 per cent higher than last April's Budget estimate; expenditures were up \$47 million or 3/4 of 1 per cent more than forecast; and the deficit which was forecast at 7.5 per cent of revenues has turned out to be 7.7 per cent of revenues. Defence expenditures were \$175 million less than forecast but this was more than offset by increases of \$87 million for higher charges for interest on the public debt, \$50 million for larger subsidy and tax sharing payments to provinces and approximately \$55 million for various payments in connection with our agricultural and farm assistance programme.

"Over and above these expenditures that are charged to the budgetary accounts, we have, under the authority of Parliament, disbursed considerable sums for loans, advances and a

number of other essential purposes. These included loans of \$325 million to Central Mortgage and Housing Corporation, \$233 million to the CNR (which, however, repaid \$489 million on account of these and earlier loans from the proceeds of public issues of government guaranteed CNR bonds), \$30 million to the Farm Credit Corporation, \$23 million to the St. Lawrence Seaway Authority and \$21 million to the Northern Canada Power Commission. During the fiscal year these disbursements amounted in all to \$945 million. To meet these outlays \$942 million was available from the repayment of loans, net annuity insurance and pension receipts and other sources. Thus a net amount of \$3 million was required for all these non-budgetary transactions. This compares with a net cash requirement of \$664 million to finance our non-budgetary transactions in the previous fiscal year.

"The budgetary deficit of \$406 million and the net amount of \$3 million required for non-budgetary transactions have been financed by an increase of \$333 million in the Government's outstanding unmatured debt and by a decrease of \$76 million in our cash balances. Combining the net new issues of CNR guaranteed bonds, the net new issues of direct Government of Canada bonds and the reduction in our year-end cash balances, our total net cash requirements for the year have turned out to be \$900 million.

#### OLD AGE SECURITY

"At this point I should like to report briefly on the Old Age Security Fund. As honourable members know, the Old Age Security Act provides a pension of \$55 a month to every eligible person 70 years of age or over. Prior to last year these payments were financed by contributions of 2 per cent on corporate and personal incomes (with a maximum contribution of \$60 on personal incomes) and a 2 per cent sales tax. Under last year's Budget, these contributions were raised from 2 to 3 per cent to take effect January 1, 1959, for corporate incomes, July 1, 1959, for personal incomes (with a maximum contribution of \$90) and April 10, 1959, for the tax on sales.

"During 1959-60, pension payments from the fund totalled \$574 million and revenues credited to the fund amounted to \$550 million. The deficit of \$24 million for the fiscal year was covered by a temporary loan...

#### DOMINION-PROVINCIAL RELATIONS

"During the past year there have been important developments in our financial relations with the provinces. On July 6 and 7, 1959, the newly created Dominion-Provincial Committee of Ministers of Finance and Provincial Treasurers met in Ottawa to discuss a wide range of subjects connected with these financial arrangements and to make provision for their systematic study. This Committee met again in Ottawa on October 15 and 16 for