

ing all that time they were borrowing large sums of money from Europe but in every year up to 1873 they had an unfavourable balance of trade. The reason is not far to seek. The States were making investments in Europe; securities were being sold; it was a favourable opportunity because of exchange for the purchasing of merchandise, and merchandise and capital flowed into the United States. The same thing is true of this country since confederation. Will anyone say that during the years of unfavourable balances of trade when Sir John A. Macdonald's administration was in power we had bad times continuously in Canada? Take the years from 1904 to 1911 under the administration of Sir Wilfrid Laurier; I do not think that up to that time there had been a period of like prosperity. And yet during that period there were unfavourable balances of trade. Canada was borrowing largely and was importing large amounts of merchandise. The very prosperity of the country at the time helped to account for the condition of trade. The essential point is this: If a favourable balance of trade is brought about by the expansion of trade then there may be something to boast about in a favourable balance; but if it is brought about by the restriction and contraction of trade then there is nothing to boast about. That is the difference in the policies of hon. gentlemen opposite and ourselves. They make a sort of fetish of "a favourable balance of trade." They focus their attention on bringing about a favourable balance of trade, but they bring it about by restricting trade, by doing whatever is to be done in the interests of one class, the manufacturing class, in order to retain the home market for its members. They forget about the primary industries, the great basic industries such as agriculture, lumbering, mining and fishing, and the result is that not only do these great primary industries suffer but the very manufacturing industry which they are trying to help is forced to suffer.

Take the period during the Liberal administration when we were face to face with a situation very similar to that faced by this country at the present time. Our currency was below par in another country, there was considerable depression. The government of the day took this position: We will first balance the budget, then we will reduce the duties on the instruments of production and on some of the articles which enter into the necessities of life; we will increase the preference and we will do what we can to expand trade. Having adopted those policies we had

[Mr. Mackenzie King.]

seven successive years not only of favourable balances of trade but of the largest trade which this country has ever known.

The next sentence in the speech from the throne reads as follows:

The provisions made at the last session of parliament for unemployment and farm relief are proving effective.

That is one statement with which I wish to take issue. If by proving effective my right hon. friend means that the unemployment condition is improving, then I dispute that statement and I do not think I need enter into any argument concerning it. I will take with it the following sentence:

You are successfully meeting difficult domestic problems. Conditions are gradually improving.

Let me give the facts which my right hon. friend must have known when he penned those sentences for the speech from the throne. What was the position in 1930? In 1930 the government found it necessary to borrow \$100,000,000. What happened this year? They borrowed not \$100,000,000 but floated a Dominion national service loan of \$223,000,000. That does not look as though conditions were getting better. The first loan was borrowed in New York at four per cent while this last loan pays five per cent. Yet in the speech from the throne the Prime Minister says that conditions are getting better.

Mr. RYCKMAN: The right hon. gentleman is wrong about the four per cent, but I do not think it matters.

Mr. MACKENZIE KING: What is the percentage?

Mr. RYCKMAN: I think it was 4.38 per cent.

Mr. MACKENZIE KING: I think my hon. friend will find that it was four per cent, but I will take his correction. Taking the percentage on that as 4.38, we find that the loan of this year returns 5.25 per cent.

In order that the country may obtain some appreciation of what this sum of money amounts to, may I point out that the total government expenditure in any one year during the time Sir John A. Macdonald was in office never exceeded \$62,000,000. During the time Sir Wilfrid Laurier was in power the government expenditure in any one year never exceeded \$133,000,000. This year this country has had to borrow \$223,000,000. My right hon. friend says that conditions are improving. The deficit for the fiscal year ended March 31, 1931, amounted to \$83,847,977. What is the estimated deficit for the present year? Only