

in which slackness may develop, there are also likely to be powerful offsetting factors, including the deferred demand for highways, housing and many civic utilities, the probable intensification of the various developments resulting from the continuing success of the search for oil and gas, and, not least, the construction of the St. Lawrence Seaway and Power Project, which Canadians hope to be able to start in the coming year.

Post-War Fiscal Policy

It was in the light of this developing background that the Government of Canada had to formulate its fiscal, financial and commercial policies during the post-war period. As envisaged at the end of the war, the task of public policy was in general to assist in (1) smoothing the transition from war to peace, (2) restoring and maintaining a free enterprise economy of a dynamic and flexible character, (3) promoting a high and rising level of employment and income, and (4) "containing" the inflationary potential latent in huge war-deferred demand and high consumer liquidity. Later, the task of controlling inflation became even more important, as heavy defence requirements were superimposed on an economy already stretched by the requirements of the heavy capital-investment programme. In keeping with our North American tradition of freedom, these general aims were to be sought not by control and regimentation but rather by fostering the right climate, by offering appropriate incentives, by guiding, steering or coaxing the economy in the desired direction.

To ease the post-war transition as well as to provide improved machinery and greater driving power for a dynamic economy, a series of legislative measures were enacted as the war drew to its close. Authority was taken to set up an Industrial Development Bank to make sure that no sound industrial enterprise should lack the ability to raise sufficient funds to get started or to finance rapid growth merely because it was small or new or unknown to investors. A Farm Improvement Loans Act was passed to provide, through the device of a limited-pool guarantee of intermediate-term loans made by the commercial banks, ample funds to enable farmers to re-equip their farms and to construct or modernise farm homes and buildings. A Central Mortgage and Housing Corporation was established with ample funds to administer a comprehensive housing programme, chiefly by participating in joint loans made by private lending institutions. An Export Credits Insurance Corporation was set up to promote export trade by insuring exporters, on a self-supporting basis, against some of the special risks involved in foreign trading. Further, in order to assist some of our traditional customers to purchase Canadian products and more rapidly re-establish their war-shattered economies, Parliament gave the Minister of Finance authority to grant export credits in very large volume, including a \$1½ billion loan to the United Kingdom on the same terms and conditions as the \$3½ billion loan made by the United States about the same time.

Whatever these measures may have contributed, it is a fact that Canadian industry converted from war to peace with an amazing rapidity and smoothness. It must be remembered, of course, that there was a strong demand abroad for the things we produced and that several of the dynamic forces I have listed were already beginning to