

The Budget—Mr. Benson

make at this juncture. Last June I forecast a budgetary surplus of \$250 million. In the Budget Papers tabled February 27 I estimated the surplus at \$455 million for the current fiscal year. The difference from the budget arises mainly from the more rapid growth in our tax revenues. Total revenues are expected to be some \$245 million above the earlier forecast; expenditures, \$40 million above. Since the Budget Papers were printed, the government has decided that the very serious excess of wheat stocks in Canada must be drastically reduced by emergency action. Consequently, Parliament has been asked to appropriate immediately a sum of \$100 million to enable Prairie farmers to reduce their acreage planted to grains this year and enable them to adjust to a system of wheat delivery quotas intended to move the existing stocks off the farms. We are proposing to charge this appropriation to this current fiscal year's accounts, increasing budgetary expenditures to \$11,915 million in 1969-70, and reducing the budget surplus to \$355 million.

Last June I foresaw cash requirements for non-budgetary purposes, apart from exchange transactions, of some \$650 million, before allowing for the offset to the write-off of the Expo deficit to expenditures. It now appears that our non-budgetary requirements will be much less than was forecast at that time. A figure of \$365 million is implied in the Budget Papers. This figure will be reduced by \$100 million, representing a contra non-budgetary credit to the budgetary charge for the appropriation for the wheat inventory reduction program, since the funds will not be disbursed until after the year-end. Other changes in expected year-end items have involved a further reduction to a total net non-budgetary requirement of only \$105 million. To this we must add an amount on account of exchange transactions of about \$310 million up to the present, somewhat more than was recorded earlier in the Budget Papers. Offsetting these cash requirements on non-budgetary account against the budgetary source of cash, we anticipate that our net over-all cash requirement for the fiscal year ending March 31 next will have been about \$60 million. I have already explained that our marketable bonds in the hands of the public decreased slightly. However there was a net increase in Canada Savings Bonds outstanding of \$374 million, and small increases in treasury bills outstanding, and in non-marketable securities held by the Unemployment Insurance Commission. These were more than enough to meet the net cash requirements,

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and should result in an increase in our Canadian dollar cash balances of about \$400 million, to a figure which I now forecast at about \$1 billion at the year end; that is March 31.

Economic Prospects

Let me turn now to the year behind. I shall speak first of the prospects for the economy and of the fiscal outlook under these circumstances. Then I shall turn to policy issues and proposals.

With the pace of economic activity now somewhat reduced, I expect that the economy will continue to move upward in 1970, but at a lower rate than in 1969. In terms of volume of output, the rate of growth in 1970 may well be $1\frac{1}{2}$ or 2 percentage points lower than last year's 4.8 per cent. Employment will continue to rise, but more slowly than in 1969, and I anticipate some increase in unemployment. There will also be difficult wage negotiations. Some of these negotiations may issue in strikes—perhaps prolonged ones—before settlements are reached. Profits, which have already begun to fall, are likely to fall further in the coming year, in total dollars and per unit of output.

Mr. Speaker, we have a hard task ahead of us in bringing about a significant reduction in the rate of rise of prices and costs. It is the policy of the government to restrain the growth of total spending in the economy, for that is a necessary condition for achieving our primary economic objective. We shall continue to support the work of the Prices and Incomes Commission which is striving to engage business, labour, consumers and governments in a united resistance against inflation. To the extent they succeed, the objective can be reached with less severe fiscal and monetary measures than would otherwise be necessary.

To translate a 3 per cent growth of real output in 1970 into value terms requires a forecast of the success to be achieved in all our efforts to stem inflation. This is particularly hazardous this year. We just cannot tell how soon or how far the slowing of growth in demand and in production will bring about a slowing down in price increases. In forecasting revenues we assumed that prices will increase slightly less than last year. But if we could cut the rise in prices to say three-quarters of the rate last year, and if as the year progresses this trend is clearly evident, we shall