

with prices tending slightly downward, and employment slightly upward.

A minister of finance must always remind the house that forecasts of this nature are beset with uncertainties. But under our parliamentary system, where both programs of expenditure and programs of revenue must be presented and approved in advance for a specified twelve months period, such estimates of the future have to be made. To some extent our expenditures, and to a much greater extent our revenues, will fluctuate with expanding or contracting business activity and with rising or falling prices.

However difficult, forecasts must be made. My forecast and my fiscal program for 1950-51 are based on the expectation of sustained high levels of production and employment, and can be summed up simply in an estimate that the gross national product, which is in fact the economic tax base, will be about one or two per cent higher in 1950 than in 1949.

Government Accounts: 1949-50

In turning to review our revenue and expenditure for the fiscal year now closing and to forecast revenue and expenditure for next year, may I again call the attention of hon. members to the detailed accounts provided in the white paper to which I have referred.

A year ago I forecast for the current fiscal year expenditure of \$2,390 million and revenue, after tax changes, of \$2,477 million, leaving a prospective surplus of \$87 million. In re-introducing the budget measures on October 20 last I revised the expenditure figure to \$2,460 million, including in it in this case the Newfoundland debt we had taken over, and I revised upwards the forecast of revenue, setting it at \$2,545 million, after taking into account the small additional tax changes then proposed. This left practically unchanged my earlier forecast of the budgetary surplus. We have not yet reached the end of our year, and on the expenditure side in particular it is always difficult to estimate the payments to be made during the closing weeks. It now appears, however, that actual expenditures for the year will be about \$2,438 million--about one per cent less than our last forecast--and revenue about \$2,549 million--just a shade more than our October estimate. On this basis our budgetary surplus should be about \$111 million. It is possible, however, that the actual out-turn when all the accounts are closed may differ slightly from this, but not by very much. In operations of the magnitude and complexity of the government's financial activities, an error amounting to only about one per cent of our expenditure appears to me to reflect exceedingly accurate estimating.

On the revenue side, the notable feature is still the remarkable buoyancy in our direct taxes, notwithstanding the successive reductions in rates that have been made. Direct taxes accounted for half our total revenue, and a large part of the indirect taxes that provide forty per cent of our revenue is levied upon things the purchase of which is usually some evidence of ability, as well as willingness, to pay.

Our non-tax revenue continues high. The Post Office is paying its way, when we include the wartime increase made in letter rates, and I hope that we can continue to cover the growing cost of postal services by charges for them. It