

new houses completed in the past five years exceeded net family formation, including immigration, by 250,000 units). This would have meant a smaller consequential expenditure on streets, sewers, etc. by municipalities. We would also have built fewer miles of new high-cost highways, and would have tried to finance more of various expenditures by governments and government enterprises out of revenue instead of out of borrowing. We would have had somewhat less in the way of natural-resource development (some obvious cases will occur to everyone)--would have needed less hydro-electric development (particularly if some part of such development had to be financed out of increased revenues instead of borrowing) and would, of course, have had somewhat less spending on public buildings and other public facilities. In consequence of the lower level of capital expenditures in these more obvious fields, there would have been other sectors of private business which would not have expanded so much so soon.

It may be argued by some that a lower level of capital expenditures would not necessarily, considering the structure of our economy, have assured a balanced position in our international payments. Other conditions might have had to be different than they were if we had resolved to avoid further foreign borrowing on balance. But certainly a major essential would have been that capital expenditures should not have exceeded our capacity and willingness to provide for them out of our own savings out of income and production each year.

Not all capital expenditures, whether public or private, have in the past been necessary or productive. Some have been misdirected or premature. Some provided us with a higher standard of comfort or public amenities, which were of course good things to have but not at the expense of increasing our foreign debt.

#### Effect on Employment

It must be emphasized that the scale of capital spending need not be forced or permitted to rise at the rate of recent years in order to maintain total employment in Canada. Indeed, it must be obvious that the excess spending in Canada which forced a large excess of imports went to maintain employment outside Canada. Moreover, other countries with a more moderate rate of expansion have had just as good or better a record in regard to employment and unemployment. By attempting an excessive rate of expansion, we encouraged employment in particular fields of activity to rise to a level which could not be sustained and prevented other more stable types of activity from expanding their employment opportunities. This was not contributing to the maintenance of stable employment conditions. Our heavy reliance on capital spending and on the inflow of foreign