

or unable to continue to produce for the domestic market at prices competitive with the products of other countries which have pursued a more balanced and prudent course.

An unhealthy, unsustainable expansion based to an excessive degree on borrowed money, whether domestic or foreign, will--as recent experience has shown--make the ensuing recession all the more severe, and attempts to mitigate it more difficult.

To distort all economic relationships in order to pursue the single objective of an extraordinary and unsustainable rate of growth for a short time may be necessary in war-time. In peace-time it is an aberration which has led and must lead to inefficiency, misdirection of effort, and waste of resources in projects which prove to contribute little or nothing to efficient productive growth. Moreover, attempts at excessive or misdirected growth are always followed by a period of contraction or much reduced growth, with consequent unemployment among those whose livelihood has become dependent upon construction and the production of capital goods, as well as for many others who have been drawn into employment in activities which could not continue on the scale previously achieved.

In our country, pursuit of an excessive and unsustainable rate of capital expenditure since the war has not only contributed to the unstable cycle of short-lived boom followed by recession but has also been responsible for a growing deficit in our international balance of payments, a large excess of imports of goods and services over our exports, increasing reliance on foreign resources to finance (directly or indirectly) both capital projects and consumption, and a great increase in our foreign debt and in the annual burden of debt charges. It has also produced a higher level of interest rates than might otherwise have appeared, and recurrent periods of tight money and difficulties in the field of bank loans and bond markets.

### Price Stability

A further lesson of many countries since the war, as well as the lesson of our own experience, is that substantial and steady employment and growth cannot be achieved and continued without price stability and public confidence that price stability will be maintained.

The prevention of inflation is essential for the maintenance of steady growth at the maximum rate that can be sustained without the excesses that lead down the path to dissipation of foreign currency reserves, and the incurring of such a degree of foreign debt as to produce in the end a foreign-exchange and foreign-trade crisis which would seriously harm a country's economic structure for years following.