lower. As a result of all these forces, combined with the effect on Canada of rising interest rates abroad, especially in the United States, bond prices declined and interest rates rose from January to August. Since then short term rates have declined substantially and longer term rates remained steady until recently when they showed a downward trend.

The general public, attracted by higher interest rates and increasingly confident in the determination and ability of the government to combat inflation, provided the savings necessary to meet a large part of these and other demands for capital. Private savings, both personal and corporate, totalled some $6.6 billion, $260 million higher than in 1958 and more than $500 million higher than in 1957.

The high level of Canadian savings has, however, been more than matched by the level of capital investment. During 1959 the equivalent of one quarter of our gross national production went into investment. This proportion is one of the highest among all western countries.

Our capital requirements in 1959, and over the past several years, have necessitated a substantial inflow of foreign capital to supplement our domestic savings. The initiative for this inflow has come in part from our own people who have borrowed abroad, and in part from foreign investors attracted by the nature and the diversity of our resources. This direct investment by foreign entrepreneurs, not only from the United States but also from the United Kingdom and from Europe, is a reflection of strong confidence in our economic prospects and brings into Canada not only capital funds, but also technical know-how, and often also brings with it an assurance of export markets. All told the net inflow amounted to $1,460 million in 1959, about $400 million higher than in 1958, and only slightly above the previous peak of 1957.

This increase in the inflow of capital was, of course, interrelated with the increase in our balance of payments deficit on current account. I wish to comment on this subject. Our current account can be divided into two parts; goods and services, and the movements of these two parts are quite different. In the goods sector our deficit amounted to about half the size of the record deficit of 1956. This improvement reflects the fact that imports were more affected by the intervening recession than were exports, while the recovery of 1959 saw sizeable increases in both. In contradistinction, our deficit on account of services has steadily increased, reflecting higher dividend payments on successful investments by non-residents in Canada, higher interest payments, business fees of one kind and another, and increased travel and expenditure by Canadians abroad. In 1959 this deficit exceeded one billion dollars.

Putting goods and services together, they add up to the total of $1,460 million. This deficit is reflected by, and is a reflection of substantial continuing imports of capital. I do not mean to say that we use all of the money we borrow abroad to import machinery and other forms of capital equipment. We produce domestically many of the goods and materials used in our investment program, and the composition of our imports reveals only a partial picture of that program. What is significant is the use we make of all our resources, including the product of our own labour and equipment, and what we obtain as a result of our foreign transactions. What is important is that a substantial portion of these resources should be put into new capital investment, rather than into consumption, and that this new investment should be of a character that will promote the efficiency and productivity of our country. Broadly speaking, I believe that these objectives are being attained.

However, as my colleague the Minister of Trade and Commerce has said, we must not be complacent. Basically our attention must be directed to our spending and investing habits. Our standard of living has increased to a level undreamed of a generation ago. Our people have demanded social security, services and facilities from all levels of government on an expanding scale. Along with our investment program, this scale of expenditures has required a heavy outlay of resources, both physical and financial. In spite of a rate of saving which is higher than that of almost any other country in the western world, we have not been able to supply all these resources ourselves. The inflow of capital and the accompanying balance of payments deficit reflect this underlying situation.

Any inflow of capital raises questions as to ownership and control of Canadian industry and resources, and also the question of the servicing of debt. As to ownership and control, this government's position is clear. We welcome capital into Canada if, when here, it is willing to act as if it were Canadian and not as if it were foreign. During the past two years there has been increasing evidence, in many quarters, that foreign capital in this country is becoming increasingly conscious of its Canadian responsibilities. This is a subject that has been vigorously brought to the attention of foreign investors by the Prime Minister and others. It would be better if the desired result were achieved by such persuasion than by legislation.