

● (8:10 p.m.)

Information on business capital expenditures suggests that numerous projects planned for 1969 were postponed or cancelled in the latter part of the year. A fall in profits per unit of output accompanied this apparent change in investment plans. Manufacturers' inventories, especially of finished products, were also building up at a substantial rate in the final months of 1969. Housing starts reached 210,000 units for 1969 as a whole but they declined successively each quarter of the year. The government is now providing a substantially increased flow of funds for low-cost housing projects this coming year. This reflects the high priority we place on meeting the need for housing in general and for low-rental homes in particular.

In our foreign transactions we had in 1969 a rather substantial increase in the deficit on our transactions on goods and services—the current account of the balance of payments. Wheat sales were substantially lower. Other exports increased but at a slower rate than imports, which rose quite strongly early in the year. There was a large inflow of long-term capital including the foreign borrowings of provinces and some municipalities. Once again there was a significant outflow of short-term capital attracted by very high short-term interest rates abroad. The over-all impact of all of these transactions upon our reserves was a modest increase of some \$60 million (U.S.) during 1969. The value of the Canadian dollar in foreign exchange markets continues to be very strong, and our reserves have increased by \$318 million (U.S.) in January and February. I hope this will decry what many people have said about flights of capital due to our white paper.

Some hon. Members: Hear, hear!

Financial Markets

Mr. Benson: Financial markets reflected the restraining influence of the monetary authorities in Canada and elsewhere. Interest rates reached record levels by year-end. The growth of the assets of the banking system was about 5 per cent for 1969, and the liquid asset ratio of the banks was pushed to a record low. Net new issues of securities by Canadian borrowers were nearly \$850 million lower in 1969 than in 1968, though the issue of securities denominated in foreign currencies rose substantially. Apart from the very successful issue of Canada Savings Bonds the government of Canada was not a net borrower in the bond market in 1969. In fact, the

The Budget—Mr. Benson

amount of our marketable securities outside government accounts declined somewhat, and there was a reduction in the net public debt for the first time since 1957.

Some hon. Members: Hear, hear!

Mr. Benson: This feature of our operations helped the monetary authorities in their task of maintaining an appropriate degree of restraint. It also permitted other borrowers—provinces, municipalities and businesses—full access to the funds available. The funds accumulating in the Canada Pension Plan invested by my department in provincial and provincially guaranteed long-term bonds exceeded the total net new marketable bond issues of all kinds taken up by the Canadian bond market. This fund has been a lifesaver in meeting the needs of provinces, municipalities, school boards and other public authorities during a difficult period.

Regional Aspects

Although the various regions of the country had different rates of economic growth in the past year, all of them suffered higher prices. In this sense all regions feel the problem of inflation. Our fiscal and monetary policies have been directed to this general and widespread problem. The government has explicitly recognized, however, that the total spending pressures have not been equally distributed across the country. Accordingly, we have adopted certain measures that differentiate between regions of higher and lower employment. Our tax measure concerning depreciation charges on costs of commercial construction is one example. The request to the chartered banks to have special regard for borrowers in the less prosperous areas of the country is another. In addition, in our expenditure policy, we have given high priority to certain programs which attack specific economic problems of regions of slow growth. Among such programs are those of the Department of Regional Economic Expansion, the Manpower Training Program, the Farm Credit Program and the Wheat Inventory Reduction Program. Equalization grants to the provinces of slower growth amounted to \$750 million in the past fiscal year, an increase of 16 per cent over the previous year.

The Fiscal Position in 1969-70

I turn now to the fiscal position for the year 1969-70. Of course, there are some weeks remaining in the fiscal year so that the results I present are the best estimates we are able to