

But in addition to such imports of capital goods, a further consequence of the excessive aggregate pressure on Canadian resources has been a rapid expansion in the importation of consumer goods including, of course, parts and materials for further assembly or manufacture in Canada. These have risen every year but one in the past ten years, and seem likely in 1960 to be at least 25 per cent higher than in 1956 and more than double the 1950 level.

In other words, we are incurring foreign debt to pay for both a level of capital spending and a standard of comfort which are higher than would be justified by our own earning capacity.

I have no doubt that our exports could be further increased and our imports could be reduced if we adopted a more moderate approach to capital spending in Canada.

If there were a substantial reduction in capital expenditures on the part of governments and business enterprises alike, and so in the demand for capital goods, imports of this character would be less.

Moreover, if so much of our own productive resources were not devoted to construction, more could be utilized in production for export and more could be devoted to production of various kinds of goods for the domestic market at competitive costs and thereby bring about a further reduction in the volume of imports.

It must be assumed that little could be done to reduce the net total of \$1 billion a year which we must pay by way of interest and dividends and for other non-merchandise purposes over and above our receipts of the same character. (A possible reduction in the net bill for some items would probably be offset by some continuing increase in the amounts paid out by way of interest and dividends. We could, however, if we bring to an end the process of heavy foreign borrowings each year, greatly reduce the rate of increase in the annual burden of net payments of interest and dividends to foreigners.)

If we were now to resolve to live within our means -- which includes paying out of current income the heavy interest charges on past foreign borrowings -- our merchandise balance would have to be rectified to the extent of \$1.5 billion a year, either by increases in our exports or decreases in our imports or by a combination of increased exports and decreased imports.

Living Within Our Means

Supposing we had been living within our means during the past five or six years, what would the difference in capital expenditures have been? This is a matter for conjecture and no doubt every person would have his own ideas on the subject. We must realize, however, that it would have meant that we would have built fewer houses and perhaps lower-cost houses (actually,