

expenditures for new construction and for machinery and equipment. The rate of such new investment is higher in Canada than in most other countries, higher than in the United States, for example, and higher than our own level of annual savings could sustain. It is probable that our rate of saving out of gross national product is also higher than in the United States, but not so much higher as in the case of investment. At all events, investment has for several years exceeded saving in Canada; the deficiency has been made up from the outside world, and particularly from the United States, where saving exceeds domestic investment. Physically the deficiency is covered by an excess of imports of goods and services over exports, and the financial counterpart is an inflow of capital sufficient to pay for the excess of imports. Although the short-fall seems large in amount, over \$600 million in 1955, it must be remembered that total new investment in fixed assets in Canada last year was \$6,230 million, so that domestic savings provided about 90% of the total.

The fact that the combined total of consumption and investment in Canada in recent years has been greater than our own economic output does not necessarily mean that either consumption or investment is too high, though it might mean that, and opinions may well vary on that point. Some may feel that consumption is too high and that we should be saving more, though in fact our national rate of saving is already high by comparison with most other countries.

Others may feel that investment is too high, that we should not be using so much non-resident capital, that we should not have so large a surplus of imports over exports; it must be recognized, however, that if we do not want to see these things, and do not save more, we must be content with a smaller rate of growth than that of recent years, and probably a different distribution of growth among the various industries.

In a free economy, growth in the form of new investment is not a pre-determined imperative, either in total amount or in the proportions of the different kinds of investment that make up the total. These matters depend on the independent decisions of millions of individual savers and investors. Part of total investment is, of course, a community activity carried on by governments, in the form of schools, hospitals, roads, urban services, and so on, but even in such cases the governments concerned, to the extent that they want to obtain voluntarily the savings of Canadians and others, must have regard to the views of the lenders and conditions in the capital market where other would-be borrowers are also active.

One important feature of a free economy, therefore, is that there is no uniformity or set pattern in the matter of investment; first one kind of investment and then another will go ahead faster than the average or overall rate, and similarly at times one kind and then another may decrease or lag behind. Opportunities for capital development vary from time to time, and the views of persons with savings to lend or invest also vary as to where they want to put their money, as between, for example, natural resource development, heavy industry, secondary industry, housing, social capital, public utilities, the service industries, and so on.