

transport commissioners for an inquiry into Bell Telephone Company rates. The government is not required to take any action in order to set an inquiry in motion, and does not propose to do so.

Mr. CHURCH: I should like to hear from the Minister of Labour.

Mr. SPEAKER: Order.

Mr. ROGERS: My answer is the same.

Mr. CHURCH: If the minister will look at the return he will find that as yet no inquiry has been started.

Mr. SPEAKER: Order.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, in these years the task of a Minister of Finance in preparing a national budget is not an enviable one. Even if only domestic factors had to be considered, the difficulties would be great enough for a country still in the process of recovering from the effects of prolonged depression. But to-day domestic problems are enormously aggravated by the turmoil and confusion of the outside world, and "the best laid plans" of government and business may be suddenly upset by dramatic events elsewhere or incalculable shifts in world trends. We are an organic part of a troubled and seemingly crazy world, and the impact of that world affects us abnormally by reason of the instantaneous transmission of news and rumours by means of the radio, telegraph and telephone.

Like its predecessor but in even more striking degree, the year which I have now to review has been packed with drama and tension. One international crisis has crowded upon the heels of another. Naked aggression has caused a grim procession of tragedies and repeatedly altered the map of Europe. Brute force has been publicly acclaimed by some statesmen as the only philosophy for the guidance of international relations. The word of great nations has been plighted only to be broken, almost before the ink was dry on the document. Every small nation of Europe has lived in perpetual fear of its own safety. The mills of industry have everywhere been frantically speeded up to grind out the weapons of destruction. Economic autarchy has spread over a larger portion of the earth's surface and trading between nations which should be

[Mr. Howe.]

a cooperative process has tended to degenerate into economic warfare. A tense public has turned its attention more and more to diplomatic and military affairs and less and less to the normal business of living. Although at times the tension has been relaxed, these interludes have been all too short and the recurring crises do not diminish in severity.

Inevitably this reversion to political and economic barbarism has cast a dark shadow over economic life which has impeded recovery not only in Europe but on this continent as well. Recovery has on several occasions raised its head only to be buried again in a new wave of fear and uncertainty. Confidence and courage are essential for the effective working of any economic system based on individual liberty and private enterprise. These qualities are difficult to develop in the world of to-day but at least in Canada there is more chance for their exercise and development than in most other countries.

Our fiscal year opened last April with a recession in business under way in most of the larger countries. While most severe in the United States it was substantial in Great Britain as well, and only a few areas escaped. The recession, while sharp, was short-lived and by the fall revival was under way in most countries. Canada was one of the first to show a substantial upturn in industry, and our revival has been more natural than that of most other countries. Undoubtedly the levels of production and incomes in Europe are due very largely to the ever quickening pace of rearmament. On this continent spending for defence purposes has played as yet only a minor part in economic life, so that our business and employment are not dependent as yet to any important extent upon this artificial stimulus.

The Canadian economy has shown a remarkable degree of strength and recuperative power in the face of the external pressures to which I have referred. We entered the past fiscal year still burdened with the effects of our disastrous crop failure of 1937 and depressed both by the drastic recession in the United States and the uncertainty following the annexation of Austria. Nevertheless our previous recovery had been a sound one and our industry and trade were not handicapped by excessive inventory accumulation, by grandiose expansion of productive facilities, or by excessive rises in wages in capital goods or export industries. Nor had our security markets been pushed to inflated levels by an extravagant use of credit. For these and other reasons our domestic situation was basically sound and the recession was checked before it had gone very far.

