

*The Budget—Mr. Abbott*

the act? How much of the butter that has been purchased is not up to the grade that it was when it was put in storage?

**Mr. Gardiner:** We will get all that for you.

**Mr. Charlton:** Will the minister say he will answer those questions?

**Mr. Gardiner:** Yes, I will.

Section agreed to.

Bill reported, read the third time and passed.

At six o'clock the house took recess.

**AFTER RECESS**

The house resumed at eight o'clock.

**THE BUDGET**ANNUAL FINANCIAL STATEMENT OF THE  
MINISTER OF FINANCE

**Hon. Douglas Abbott (Minister of Finance):** Mr. Speaker, as I indicated last week, I hope I may have unanimous consent to move that the house go into committee of ways and means to consider certain resolutions, and that the hour for private bills be deferred until the completion of what I have to say and the customary brief remarks of my hon. friend the financial critic of the opposition.

**Mr. Drew:** I do not wish to raise any question about the procedure, Mr. Speaker, but I suggest that the position simply be that by consent the minister proceed at this time.

**Mr. Abbott:** I am in the hands of the house, Mr. Speaker. I move:

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

In proposing this annual motion and in opening my budget for the year upon which we are about to enter I begin as is customary by reporting to the house on the general economic situation in which we are operating, and upon the economic prospects for the coming year.

The three years 1946, 1947 and 1948 were years of active and expanding business and employment in almost every part of the world. The work of physical, social and economic reconstruction not only created very high levels of employment and activity, but placed severe strains upon the available resources of manpower, equipment and materials in almost every country. These determined efforts to do so much in so short a time resulted in widespread shortages of various kinds and in open or suppressed inflation of varying degrees of intensity.

[Mr. Charlton.]

The year 1949 saw a considerable change in this balance of demand upon resources, and the improvements in output and in organization have lessened some, though not all of the economic difficulties with which the world is faced. In looking through the figures published by the United Nations I find that in those countries of Europe for which information is available the volume of production increased about 10 per cent during 1949, and that output as a whole is nearly 20 per cent above 1937. In Canada industrial output in 1949 was about two per cent above 1948, but more than 70 per cent above the 1937 level. In passing, I may add that Canada's increase in production over pre-war levels is greater than that recorded for any other country.

These improvements in production have had their effect on price levels and inflationary pressures. The December 1949 price levels in most countries of western Europe were less than five per cent above December 1948. It should be added that conditions of suppressed inflation continue to be a danger in some countries, and in most countries the effects of the September devaluations had not been fully reflected in their price levels by the end of December. Canadian wholesale price levels at the turn of the year were about two per cent below a year ago.

These increases in production have also resulted in a considerable improvement in the balance of payments position of western Europe as a whole. Over the past three years the current account deficits of ERP countries have been reduced from \$7½ billion to just under \$4 billion, and their trading deficit with the dollar areas has been reduced from about \$7 billion to \$3.8 billion. This improvement in their total deficit has been the result of a five per cent increase in total imports and a 40 per cent increase in total exports, though in respect of the dollar areas the deficit has been reduced by a drop of one-third in imports and an increase of one-quarter in exports. Reductions in imports by European countries were made possible by their improvements in home production and hence their reduced need for the abnormal volume of imports which was essential just after the war, but are also the result of deliberate administrative measures designed to keep their imports within the dollar resources that are available to them.

Hon. members will realize, of course, that while these improvements are very considerable, Europe still has a difficult road to traverse before viability at a tolerable level can be reached. Hon. members will also realize that, while we stand to benefit very substantially in the longer run by the restoration of a sound balance in world trade, in the shorter run we shall have posed to us in Canada a number of difficult problems, and



























