entitled to use the advance poll. For that reason I think there is room for improvement in the present act.

The purpose of the elections act is to allow as many people as possible to exercise their franchise. We want as many people as possible to have the right to vote. In spite of the people who are on holidays, who may be ill or who may be working at some occupation other than those stipulated in the present act, in my riding a large percentage of the voters vote; the percentage is in the eighties. I think that speaks very well for the people of my riding, for the interest they take in elections and in the exercise of their franchise.

The present section came into force, as I believe the hon. member for Port Arthur (Mr. Fisher) stated, in 1920. Since that time many changes have taken place. It is much more customary now for people to go away on holidays; more people go away. It is also customary for them to stay away longer. This does not apply to any particular time of the year; it applies at all times of the year. As changes take place with the lapse of time it is necessary to bring our laws up to date. As to the principle of extending the right to use the advance poll to some people, I think it is a worth-while one.

Mr. Fisher: Would the hon. member permit a question?

Mr. Thompson: Yes.

Mr. Fisher: Is the hon. member aware that on second reading approval is given in principle? Since he approves in principle, if he does not sit down and allow the question to be put to a vote we shall not have this bill approved in principle; and he has already indicated that he approves.

Mr. Thompson: If the hon. member would allow me to finish what I have to say, maybe we can bring the matter to a vote. I have one other observation I want to make. It has to do with the cost. At the present time we have advance polls. We are faced with this extra expense and we have very few people who are able to take advantage of them. For a little extra cost we could give a greater number of people the same advantage. Actually the cost factor would not make much difference. We could do it without much additional cost. As I say, Mr. Speaker, I support the principle of this bill but there are some provisions of it which I cannot support, and I should like to deal briefly with them.

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. Donald M. Fleming (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, I am deeply sensible of the privilege of presenting this Canadian budget for the year 1958. I approach this task tonight in a spirit of deep humility and dedication in recalling, as did some of those who have preceded me in delivering their first budget speech, that this honour has fallen in times past to the lot of some very great Canadians. The task has been filled with challenge.

There is much that is associated with the annual budget which is traditional. I have the healthiest respect for sound tradition, and I have, I hope, in the preparation and presentation of the budget faithfully followed the best traditions of our parliamentary practice. There is one practice associated with the presentation of the budget in the Canadian parliament, however, which I shall not describe as a tradition, from which, if hon. members will bear with my acknowledged limitations, I intend deliberately to depart tonight.

A careful review of all the budget speeches delivered in the Canadian parliament since confederation has disclosed that in no case has any portion of the budget speech ever been delivered in the French tongue. It is surprising to me that in a parliament with two official languages enjoying complete equality every part of the budget speech has always been delivered in English. It is true that on three occasions, December 7, 1867, April 28, 1868, and May 7, 1869 respect was shown for the rights of the French language. These were the days before the *Hansard* report of the debates of the house, but the scrapbooks on the proceedings in the house in the early days after confederation are available in the library of parliament. They indicate that on these three occasions following the budget presentation in English by the Hon. John Rose, Sir Georges Etienne Cartier followed in French with an explanation or abstract of the statements of the minister of finance.

At the outset I should like to acknowledge with deep gratitude my indebtedness to the officials of the Department of Finance and the Department of National Revenue for the service that they have rendered in the preparation of this budget as well as in the performance of their other duties. They have demonstrated an exemplary devotion to public duty and have worthily maintained the highest traditions of the Canadian public service.

I must mention one in particular. I know it is a matter of regret on the part of all hon. members that Dr. A. Kenneth Eaton, assistant deputy minister and director of the tax division of the Department of Finance is retiring from the public service on July 15th. Dr. Eaton has played a very important role in the preparation of every Canadian budget in the last quarter of a century. He has achieved an international reputation as an expert in public finance and taxation. Many of the sound and enduring features of the Canadian tax system are the result of his expert knowledge and advice. For my own part, I should like to record my appreciation to Dr. Eaton for his willingness to continue beyond the intended date of his retirement to assist me in the completion of this year's budget.

ECONOMIC REVIEW

During the past 18 months Canada shared with most of the rest of the world some slackening in the pace of economic growth. Business activity declined in the United States, and the rate of expansion slowed in western Europe. In Canada unemployment emerged as a serious problem and declining business capital investment as a significant developing tendency. Nevertheless, it would be a mistake to forget that there were solid achievements on the economic side and developments which augur well for the future.

Foremost among the factors which we must keep in mind in reviewing the year 1957 is the record population increase of 552,000, an increase which brought our population at year-end to 16.9 million. About half of this growth was the result of natural increase and about half was due to the exceptionally high level of immigration. Some idea of the economic importance of this great increase can be gained from the fact that there are only three Canadian cities with a population in excess of half a million people. It is as though we had added during 1957 another city almost the size of metropolitan Vancouver, or a new province nearly as populous as New Brunswick.

Population growth of itself does not ensure progress, but in a country such as ours it has a special significance. It provides a greater market for our agricultural produce and for the products of our factories and reduces our vulnerability to changes in external demand. It brings us a greater diversity of talent and the means of employing it to better advantage. It reduces the per capita cost of supplying essential services in this great land. There can be no doubt that the population growth of the post-war period has had these effects.

The second factor which I would mention is that during 1957 Canadians added $7.4 billion in plant, equipment and housing to an already large stock of physical capital while a further $1.4 billion was added by governments to our social capital. From these important increases, the largest in any year in Canadian history, will flow future increments to income and to well-being and national productivity.

There is another factor to which I should like to call attention—the trend in foreign investment and the balance of payments. The great bulk of the large capital investment I have mentioned was matched by Canadian saving, but there were substantial capital inflows and an increase in our foreign indebtedness. This net capital inflow was the other side of our balance of payments deficit which amounted to $1.4 billion, practically unchanged from 1956. But while our deficit on current account was little different for 1957 as a whole than for 1956, there was a marked difference in trend. A substantial part of the deficit in both years arose because of the intensity of our investment boom which led to greatly expanded imports of machinery and equipment from the United States. As the boom lost momentum in the latter part of 1957, these commodity imports declined very rapidly so that a much smaller deficit is indicated for the current year.

It is apparent, therefore, that a number of developments of 1957 can be sources of strength and improvement. We ended the year richer in numbers, in skills and experience, with a larger and more productive stock of capital and consequently somewhat less dependent on foreign markets or sources of supply. These are developments on which we can safely base an abiding faith in our future.

The budget white paper, tabled yesterday, reviews in considerable detail the economic forces in operation through 1957 and early 1958. All I need do this evening is to highlight the main developments as they bear upon the formulation of our budget policies.

The rate of economic growth slowed noticeably during 1957 as the forces which underlay the great surge of 1955 and 1956 spent themselves. For the year as a whole gross national product amounted to $31.4 billion, and was 4 per cent higher than in 1956. However, most of the increase of 4 per cent was due to higher prices. There was a moderate gain of one per cent in the volume of nonagricultural production, but agricultural output declined as a result of the smaller western grain crop.

Some slowdown in economic activity was to be expected after the excessive pace of 1955 and 1956, a pace which was straining our resources of men and materials despite very large borrowing abroad.

The most important change which emerged during 1957 was the decline in the importance of business capital investment as a dynamic force in our economy, particularly investment in our resource industries. A somewhat larger decline in capital investment occurred in the United States. This declining importance of capital expenditure as a stimulus in our economy should be examined in the light of the developments of the last few years. During a great part of the post-war period perhaps the most notable characteristic of the Canadian economy has been the rapid rate of investment and particularly investment in increased capacity in the resource industries. This strong growth factor has been based not only on world demand for many Canadian raw materials but on the rapid growth at home of population and incomes. Following the recession of 1953-54 there was a new period of expansion characterized by rapidly rising demand for basic industrial materials, and this expansion was in evidence throughout the western world. As a result, world capacity in metals, fuels and forest products was enlarged much more rapidly than demand, and Canada, an important source of these materials, experienced the full force of this expansion.

Early in 1957 many commodity markets moved into a position of over-supply. The doubts created by these particular developments began to affect the plans for further expansion. In particular, this began to make itself felt in the resource industries, and as a mood of caution began to develop it spread to other industries. By mid-1957 the value of large capital projects being started began to run behind the value of projects being completed.

These were the developments which have led to an important change in the role of capital expenditure and to the change of emphasis within the capital program.

At the same time, the strongly inflationary conditions and the mood of optimism fostered a very rapid rate of inventory accumulation which placed a further strain on the economy in 1956 but was withdrawn as 1957 progressed. In 1956 capital expenditure rose by 30 per cent and together with increased inventory accumulation accounted for almost one-half the very large increase in total demand. In 1957 there was a much more moderate rise of 9 per cent in capital expenditure. More important was the fact that during 1956 capital expenditure was rising at a rapid rate while in 1957 investment outlays as a whole first levelled out and then declined slightly. The slow-down in the rate of capital investment was accentuated by the inventory liquidation which developed toward the end of the year. This reduction in inventories continued into the first quarter of 1958, which has meant that to some extent the demand for goods is being met out of stocks rather than giving rise to new production.

Although business capital investment ended the year on a weaker note than it had begun, the reverse was true of housing. The expansion of housing investment had come to an end in the middle of 1956 when the keen competition for loan funds resulted in a shortage of mortgage money and brought about a decline in home-building. During 1957, however, the competition for loan funds became less active as the year progressed and, more important, in August and again in December government funds in a total amount of $300 million were made available to augment the loan funds supplied by insurance companies, banks and other private lenders. At the same time new stimulus was given to the demand for housing by reducing down-payments on homes financed under the National Housing Act and by lowering income eligibility requirements.

These measures were the major factor contributing to the sharp rise in house-building during the second half of the year. This improvement has continued into 1958, and for the first four months of the current year housing starts have been about 80 per cent higher than they were for the same period in 1957.

Consumer expenditure was an important sustaining force in 1957, and at the end of 1957 was running about 4 per cent higher than a year earlier. Expenditure on durable goods, however, showed practically no increase over the previous year, reflecting in part the slower growth of incomes but also the rapid expansion in 1955 and 1956 which was based upon large increases in consumer credit.

Government expenditures contributed to the maintenance of economic activity. At all three levels of government they rose by almost seven per cent despite some decline in defence expenditures. Transfer payments especially rose rapidly and for the latter half of the year they were an important element in sustaining and increasing personal income and consumer demand. The largest elements in this increase were the greatly increased payments from the unemployment insurance fund, larger payments to the aged, the blind and the disabled, larger veterans allowances and pensions and increased family allowances.

Export trade, which is so important to the livelihood of so many of our people, was well maintained in 1957. There was some weakening in the demand for forest products and base metals, but there were other products which made noteworthy gains. For the year as a whole, exports were 1½ per cent higher than in 1956. Uranium exports were three times as large as in 1956, and petroleum exports rose by one-third. Our exports of iron and steel, nickel, and beef cattle were substantially higher. Wheat sales although lower for the year as a whole began to pick up in the last quarter and since December they have forged ahead on a year-to-year comparison.

I have reviewed the main changes in the strength of the underlying economic forces during 1957. The reduction of the pressures and demands which characterized 1956 led to a mood of greater caution with regard to new capital ventures and was reflected in a declining rate of increase in job opportunities. Despite these conditions, there were more people at work in each month of 1957 than in the comparable month a year earlier. The increases over the preceding year became smaller as the year progressed and in January, February and March of 1958 employment was slightly lower than a year earlier. However, by April 1958 employment was again higher than a year earlier. For 1957 as a whole the number of people with jobs averaged 135,000 or 2.4 per cent higher than in 1956, an increase which compares quite well with the increases in employment during 1955 and 1956.

It was something of a coincidence that this period of adjustment should have occurred simultaneously with the largest expansion of the labour force that this country has ever known. The labour force increased by 210,000, about double the average annual rate of the preceding five years. About half of this increase was due to the unusual rate of immigration and the remainder to natural increase and a further rise in the proportion of the population seeking employment. The combination of somewhat less favourable employment opportunities with a rapidly expanding labour force resulted in an increase in unemployment. As employment was higher through 1957 than through 1956, so also was unemployment.

For 1957 as a whole the average number of persons without jobs and seeking work was 254,000, an increase of 75,000 over 1956. As a percentage of the labour force, unemployment in 1957 averaged 4.3 per cent, equalling the rate in 1954. Once again the latest figures are encouraging, showing a rapidly narrowing gap in the percentage of unemployed as compared with a year ago.

From October to December there was a pause in the upward movement in aggregate labour income, although for the year as a whole the rise in labour income amounted to 7½ per cent, but early in 1958 the upward trend in aggregate labour income reasserted itself. The average annual earnings per paid worker rose by four per cent during 1957 although there was a decline in the average hours worked per week.

Despite the much lower grain crop in the west, farm cash income supported by substantial liquidation of inventories declined only slightly in 1957. Returns from livestock and from dairy products were substantially higher.

Corporate profits declined by 11 per cent as costs rose and markets became more competitive. Other investment income, which includes rentals and bond interest, rose by 11 per cent.

As we have seen, the expansion in Canadian income during 1957 was less rapid than in 1956. Nevertheless, the total savings out of current income were almost as high as in 1956 and amounted to about $6 billion. The largest part of the nation's saving arises from funds set aside by business enterprises, either as depreciation allowances or as undistributed profits. In 1957 business saving as a whole was little changed from 1956, accounting for about three-quarters of total saving. Personal saving was down about 5 per cent and accounted for almost one-quarter of total saving.

In 1956, and again in 1957, a substantial part of our investment program was financed from abroad. The deficit on current account in 1957 amounted to $1.4 billion. This deficit was financed to some extent by direct U.S. investment in Canada but sales of securities, as in the previous year, were the major source of external capital. A good part of the rapid rise in imports which took place in 1956 and early 1957 was the result of heavy imports of machinery, equipment and industrial materials connected with our capital program. The importation of these items helped us to escape some of the pressures connected with the high level of domestic investment. The converse of this situation is that the decline in investment in machinery and equipment has fallen to a very considerable extent on imports which have shrunk markedly in the last few months.

To some extent the pressures generated in 1956 did not have their full effect on prices until 1957. Thus, the consumer price index, which began to rise in mid-1956, continued upward until last October, and experienced another short period of increase in the first four months of this year. Wholesale prices, on the other hand, reached a peak in January 1957, declined 1.4 per cent during the succeeding ten months, and have risen again moderately since November. The rise in consumer prices offset about half the increase in average wage rates so that advance in real income during the year was about two per cent.

In the absence of immediate inflationary pressures I would not expect any general increase in prices during the balance of 1958. But this is not something we can take for granted. It is the duty of all groups and classes in our society to ensure that the prospects for a sound recovery are not dimmed by a spiralling of costs or that efforts to stimulate recovery do not lend strength to a new inflation. Inflation remains a very real danger against which we must remain guard.

(Translation):

I have dealt with some of the more significant economic trends which have developed over the past several months—with the declining strength of business capital investment and with the consequences from an employment standpoint of the slackening of demand. The natural economic effects of these tendencies have been softened and reduced by government action on a number of fronts. I have already referred to the large amount of money made available for housing. In addition, in line with the government's intention to proceed with a comprehensive program of national development and at the same time to alleviate current unemployment, a major program of public works is now being implemented. In this connection I indicated to this house last January that our desire for a balanced budget would not take precedence over the necessity to provide jobs for the unemployed.

Additional financial assistance being given to the provinces will enable them to proceed with needed capital improvements in the provincial and municipal fields. Social security benefits have been substantially increased during the past year. Benefits under the Unemployment Insurance Act have been expanded. The Unemployment Assistance Act was amended so that the federal government now participates equally with each province in the cost of assistance to those not drawing unemployment insurance.

Taxes were lowered. The exemption for children receiving family allowances was raised from $150 to $250 and for other children from $400 to $500. There was as well a reduction in the rate of personal income tax. The special excise tax on automobiles was lowered by one-quarter and small businesses were benefited by an extension of the corporate income bracket subject to the 20 per cent tax rate from $20,000 to $25,000. The total reduction in taxes amounted to $178 million in a full year.

(Text):

Monetary policy also changed in the latter part of 1957. The money supply was expanded rapidly after mid-August, and partly for this reason and partly because of a reduction of demand in certain credit fields, monetary conditions in Canada generally became easier and interest rates declined substantially. Banks have now for some time been in a position to meet all credit-worthy demands for commercial and personal loans. Market rates of interest in almost all categories of borrowing have declined substantially.

The value of the Canadian dollar in terms of the United States dollar rose to a high of $1.06 in August 1957 and then declined steadily to a low of $1.01 in January 1958. Recently the Canadian dollar has been somewhat stronger and the premium in terms of United States funds has recently been around 3¾ per cent. It is often said that a decline in the exchange value of the Canadian dollar would contribute to the profitability of our export industries and, at the same time, improve the position of those producers who are most exposed to import competition. It is true that some benefits of this sort would accrue to some industries, but at the same time we would lose certain advantages which a strong exchange rate gives us. The weakening of our exchange rate would turn the terms of trade against us and to this extent we would pay more for our imports and receive less for our exports. Prices of imported raw materials, machinery, equipment and tropical foods would tend to rise in Canada. In other words, a change in the external value of the Canadian dollar brings gains to some Canadians and losses for others. The exchange rate is determined by the interplay of forces operating in the exchange market through their effect on the supply of and demand for United States and Canadian dollars. While our exchange fund is used to limit the effect of short-run fluctuations in these forces, we do not attempt to reverse persistent market trends. Indeed, it is doubtful if the exchange fund could be successfully employed for this purpose over any extended period of time.

I can conclude this analysis of our economic situation by saying that there are hopeful signs that we have reached the end of the recent decline. Moreover, the problem has moved more clearly into the domestic field. Although the influence of external demand was important as one of the origins of the current adjustment, the direct effect of the decline in certain basic exports has been less significant than the indirect effects on business capital investment. Now that capacity in a number of industries has overtaken or exceeded current demand it seems obvious that relatively less of our energies will for a time be directed to creating new capital facilities in the business sector. As a result we shall be able to devote more of our energies to filling some of the gaps which have developed over the last few years in housing, in municipal services and in other requirements for social capital in Canada, and in laying the basic foundations for the new period of business expansion which will not be long delayed. The policies of this government are assisting the growth in housing and social capital. The expanded role of social capital is illustrated in the 1958 Outlook for Private and Public Investment published by my colleague the Minister of Trade and Commerce. Present investment intentions of business for capital outlays in 1958 are about 11 per cent below the 1957 level. Planned outlays for housing, government departments and institutional services on the other hand are 14 per cent higher.

With these factors in mind and with due regard for the resourcefulness of the Canadian people and the determination of this government I have no hesitation in budgeting on the basis of a resumption of the rise in incomes and production. Assuming normal crops, stable prices and no untoward external events, I am basing my revenue forecasts on a gross national product of $32 billion, which is about 2 per cent above the level achieved in 1957.

GOVERNMENT ACCOUNTS, 1957-58

I propose now to review briefly the government's accounts for the fiscal year that ended on March 31. Comprehensive statements of these accounts are contained in the white paper which I tabled yesterday and hon. members will find further details in it. These figures are preliminary and subject to revision.

In my financial statement last December I accepted my predecessor's forecast of revenues for 1957-58 of $5,170 million, which after taking into account the tax reductions I announced then would have resulted in net revenues of $5,144 million. As I was budgeting for expenditures of $5,064 million, a prospective surplus of $80 million was indicated. Although the fiscal year ended some weeks ago the books for the year have not yet been closed and some entries have still to be made. On the basis of the figures in the white paper which I tabled yesterday revenues were $5,047 million, expenditures were $5,086 million and there was a deficit for the year of $39 million.

The decrease in revenues of $97 million below forecast is less than two per cent and reflects the earlier decline in the general level in economic activity which only began to show its effect on revenue collections in the January figures which became available early in February. Expenditures, at $5,086 million, were $21 million or less than one-half of one per cent higher than I had forecast last December.

Each year in addition to the expenditures for government services that are included in the budgetary accounts, the government disburses substantial sums for loans, advances and a variety of other essential purposes. During 1957-58 these disbursements amounted to $571 million, and included $108 million to Central Mortgage and Housing Corporation, $95 million to the St. Lawrence seaway authority, and $71 million to the Northern Ontario Pipe Line Crown Corporation. To meet these outlays substantial sums amounting in all to $447 million were available from the repayment of loans, net annuity, insurance and pension account receipts and from other non-budgetary sources. Details of these will be found in the white paper.

It has been possible to finance this budgetary deficit of $39 million and the net amount of $124 million required to cover the excess of disbursements over receipts in our non-budgetary operations, without any net increase in the government's outstanding unmatured debt, by reducing our cash balances by $163 million.

Our public debt operations during 1957-58 included the redemption and refinancing of a very large volume of government securities. Net sales of Canada savings bond series 12 amounted to $1,177 million and other new securities amounting to $1,350 million were issued, in addition to the refunding of treasury bills which matured weekly. During the fiscal year outstanding securities amounting to the very large sum of $2,650 million, including $1,050 million of previous Canada savings bond issues, were redeemed. After taking into account the net sales of securities amounting to $123 million from our securities investment and sinking fund accounts the unmatured debt held outside these government accounts was almost exactly the same at the end of the fiscal year as it was at the beginning.

During the first five months of the fiscal year interest rates generally as in the previous period continued to rise, reaching a peak in August. Thereafter the rates began to fall and this downward trend continued to the end of the fiscal year. The average interest rate paid on the government's unmatured debt was 2.98 per cent at the end of the fiscal year compared with 3.05 per cent at the beginning of the year. Treasury bill rates reflected a similar but more pronounced trend. The yield on the first issue in the fiscal year was 3.69 per cent. In August the yield rose to a high of 4.08 per cent, falling thereafter to a low of 2.27 per cent on the last issue of the fiscal year, and the most recent issue was at 1.76 per cent.

I should like also to report briefly on the operations of the old age security fund during 1957-58. Pensions of $55 a month are paid from the fund, the monthly allowances having been raised from $40 to $46 as from July 1, 1957, and from $46 to $55 as from November 1, 1957. Payments from the fund during the year amounted to $474 million. Revenues of the fund are derived from the proceeds of the two per cent taxes on sales, corporation profits and personal incomes and in 1957-58 these amounted to $372 million. The deficit for the year of $102 million was financed by a temporary loan from the Minister of Finance, and parliament will be asked for authority to charge this deficit, together with $1½ million representing the remainder of the 1956-57 deficit, to expenditures in 1957-58.

INTERNATIONAL TRADE AND ECONOMIC RELATIONS

I should like next to review some of the main developments in our international trade and economic relations. The importance which the present government attaches to a healthy and balanced expansion of our foreign commerce requires no special emphasis or repetition. The important initiatives we have taken in this field and the constructive results already achieved are well known. We shall continue to pursue this task with energy and determination.

Our broad objectives have been clearly stated by the Prime Minister on appropriate occasions. In brief, they may be described as follows:

1. To achieve expansion, diversification, better balance, and greater stability in our trade with all countries;

2. To extend and strengthen Canada's trade and economic relationships with the commonwealth;

3. To support and promote a regime of law, order and morality in the field of international trade; to respect the spirit and intent of international commitments; and to stand ready to defend our rights and interests if they are challenged or ignored;

4. To recognize the legitimate needs of Canadian producers; and to safeguard them against unfair trading practices;

5. To promote the balanced growth of all sectors of Canadian industry and agriculture.

To implement this program fully will require sustained co-operative effort by the Canadian government, Canadian business and the Canadian people. We have already witnessed a successful demonstration of such co-operation in the trade mission to the United Kingdom which was led by my colleague the Minister of Trade and Commerce (Mr. Churchill), last autumn and in the return visit of a distinguished group of British businessmen this spring.

I have already referred to Canada's balance of payments position and the main changes in our external trade and investment accounts. I should like now to comment upon the recent trends in our commodity trade.

The value of Canada's merchandise exports in 1957 increased by $73 million to the record level of $4,936 million. On the other hand, imports declined by $82 million to $5,623 million. Our deficit on commodity trade was thus reduced from $842 million to $687 million, or by almost one-fifth.

This trend towards a smaller deficit on trade account has continued into 1958. For the first four months of this year exports have held steady at about the same level as a year ago, while imports have substantially declined, and the deficit in this four-month period has been cut from $406 million to $174 million, a drop of more than 50 per cent.

The changes which occurred in the geographic pattern of Canada's external trade during the period under review are no less significant. The United States continues to be by far Canada's largest trading partner, accounting in 1957 for about 60 per cent of our total exports, roughly the same proportion as in 1956, and for about 70 per cent of our imports, which was significantly less than the 73 per cent in the previous years. This change resulted from a small increase in our exports and an appreciable decline in our imports. Although our trade deficit with the United States was reduced by about 20 per cent it still exceeded $1 billion. This trend towards reduction in our deficit in trade with the United States has been accelerated in 1958, with imports falling off much more sharply than exports.

Both import and export trade with the United Kingdom on the other hand moved in the opposite direction. In 1957 the United Kingdom took some 15 per cent of our total exports as compared with 17 per cent in 1956;

on the import side the United Kingdom supplied 9.3 per cent of our import requirements, somewhat better than the 8.5 per cent achieved in 1956. As a consequence, the United Kingdom deficit with Canada on trade account declined from $333 million to $220 million or by roughly one-third. This trend, too, has continued into 1958. Canada's trade with the rest of the commonwealth moved in a similar direction, resulting in a minor deficit in 1957 as compared with a small surplus in 1956. Finally, our trade with Europe increased modestly in both directions, leaving a surplus in Canada's favour of $244 million, approximately the same as in 1956.

To summarize, let me say that in 1957 the value of our exports exceeded all previous records; imports declined significantly; our trade deficit with the United States was reduced; and our trade with the United Kingdom, the commonwealth and the rest of the world moved in the direction of more balanced relationships. Broadly the same trends continued into the first part of 1958, and while exports are on balance being maintained, imports, particularly from the United States, have been falling sharply. Indications to date are that the over-all deficit on trading account will be sharply reduced in the current year, accounted for very largely by a very much smaller deficit in our commodity trade with the United States.

The most striking feature of Canada's external trade in recent years has been its heavy concentration on the United States and the large imbalance of our trade with that country. About two-thirds of our total external trade has been with the United States. During the past five years the average total deficit on current account with the United States has been in excess of $1 billion per annum. These huge deficits, accompanied by heavy increases in our long-term indebtedness to the United States, carry serious implications for the future health and economic independence of our country.

I appreciate that the very large deficits that we have been incurring in recent years can be attributed in no small measure to the rapid development which has been taking place in the Canadian economy, particularly in the resource industries. Canada's rapid economic growth of recent years could not have been sustained by Canadian resources alone, and the large capital inflows and the accompanying large trading deficits, reflect the extent to which we have had to draw on foreign resources to accomplish our spectacular economic progress. I am confident that with more stable rates of growth and the increased production which will flow from our recent large investment we shall have the capacity, to an increasing extent, to meet our investment needs more nearly out of our own resources. At the same time I should remind hon. members that Canada has incurred substantial trade deficits with the United States even in years when our over-all external accounts have been in balance. The chronic nature of our massive trade imbalance with the United States requires, in our judgment, energetic corrective measures.

If the world in which we live were characterized by free convertibility of currencies and the absence of restrictions and discriminations on trade and payments, we would on economic grounds have less to fear from a situation of large imbalances with individual countries. But actual trading conditions in the world today are far removed from the ideal, and countries which have trading deficits with us are under constant pressure to endeavour to reduce them. We are frequently reminded in trade discussions that we must buy more from them if they are to maintain their volume of purchases from us. The implications of this for the stability of our exports, and our bargaining position in seeking wider outlets for our exports to these countries do not require elaboration.

Furthermore the heavy concentration of our trade on the United States means that the Canadian economy is vulnerable to changes in the United States economic and political climate and to shifts in its trading policies. Because of the vital place that external trade occupies in the Canadian economy, and the large proportion of this trade which is concentrated on the United States, changes in the terms of access to the United States market, even where they may be of minor importance in the United States scheme of things, often have a critical significance for our country, a fact which unhappily is not always appreciated in that country.

While access to the United States market has been improved in the last decade, and its tariffs have been significantly reduced, entry into that market remains difficult and uncertain for many classes of goods produced in Canada. In many cases, especially on fully manufactured goods, tariff rates are almost prohibitive. Quite apart from the tariff, their customs laws and administration often impose serious additional barriers. Perhaps most troublesome of all are the uncertainties arising from the many escape clauses in United States legislation and administrative practices. Hon. members do not need to be reminded of the recent restrictions imposed against Canadian oil and the continuing threat to our exports of lead, zinc and copper—notwithstanding firm trade agreement obligations.

In addition, United States agricultural policies continue to be severely damaging to Canadian interests. Apart from direct restrictions imposed on Canadian agricultural products, we suffer severe harm from United States surplus disposal activities. Massive United States disposals of wheat and other grains on give-away or subsidized terms have done serious damage to Canadian exports in some of our best commercial markets. Despite frequent and energetic Canadian complaints these harmful practices have continued. We find it difficult to understand why the United States should treat its best customer and friendly neighbour in this way. We have made it clear to the United States authorities that measures which add to our difficulties in selling in the United States market or in third countries cannot but impair our ability and willingness to import from them.

This brief examination of the nature of our trading problems with the United States points up the need for vigorous action of a constructive nature. We intend to press for wider access on reasonable terms to the United States market; and we will continue to oppose with all the means at our disposal any threat to impose greater obstacles against Canadian exports to that market. We will encourage the United Kingdom, the commonwealth and other overseas countries to seek out wider opportunities to supply Canadian import requirements in the expectation that much can be achieved on the basis of normal market forces. At the same time we will continue to foster the growth and diversification of efficient Canadian industries so that a constantly larger supply of our requirements may be met economically from domestic production.

At this point I should like to say a few words about the important trade developments which have been taking place in Europe. Hon. members know that six European countries—France, Germany, Italy, The Netherlands, Belgium and Luxembourg—have agreed to form a customs union. The treaty establishing the European economic community signed in Rome in 1957 and subsequently ratified by the parliaments of the six countries, provides that over the next fifteen years tariffs and other barriers to trade within the community will be progressively eliminated. At the same time the six will establish a common tariff on trade with the outside world.

Related to this development is the initiative of the United Kingdom for the establishment of a European free trade area. Under this proposal tariffs between western European countries and the United Kingdom would be gradually but progressively eliminated, while individual countries, participating in the free trade area, would keep their own tariffs on trade with the outside world. This proposed free trade area is complementary to and not a substitute for the common market of the six.

The Canadian government is following with sympathy and interest these European efforts to integrate their economies and to develop a broader and more competitive system of production. The countries of the six together would make up an economic unit comparable in population to that of the United States. The looser free trade area group would be very much larger. On the basis of these enlarged internal markets European countries can be expected to achieve stronger and more efficient economies. We attach high importance to the economic and political strength of western Europe as a safeguard of world peace and prosperity. Europe, however, has extensive trade and economic links with the rest of the world. In our view it is vital that efforts to solve European regional problems should not weaken these wider connections. We have been disturbed about certain recent tendencies lest they convert Europe into an inward-looking regional trading bloc fenced off from the rest of the world by high tariffs, trade restrictions and other barriers. Such a development we fear would defeat the essential constructive purposes of the common market and free trade area projects.

The trading arrangements being worked out in Europe are of fundamental importance to Canada. More than a quarter of our total exports are absorbed by the United Kingdom and the countries of Western Europe. For commodities such as wheat, coarse grains, aluminum, certain chemicals and others, the United Kingdom and European markets are of paramount importance to Canada. While a strong, prosperous, outward-looking Europe would result in an expansion of trade with Canada, a regional restrictionist system of trade in Europe would have very serious implications for our export trade.

The Canadian government has therefore maintained a close watch on these developments and seizes every occasion to impress upon our European friends the desirability of ensuring that their new trade arrangements take fully into account Canada's essential export interests. With respect to the common market countries we have directed our efforts at keeping the common tariff at a moderate level, at minimizing the use of import restrictions, and assuring that the special arrangements for trade in agricultural products take into account our traditional exports to them.

With regard to the proposed European free trade area we have received firm assurances from the United Kingdom that our interests in that market will be fully safeguarded. We have given urgent attention, among other things, to the retention of our position in the United Kingdom for agricultural exports, and to the rules concerning the origin of goods entitled to tariff-free treatment. This problem of origin, though highly technical, is of particular importance to the tariff treatment which will be accorded to the products of Canada's mines, mills and forests in the markets of the United Kingdom and Europe.

We have also welcomed recent assurance from the government of the Federal Republic of Germany that it will support outward-looking policies for the common market and for the European free trade area.

Hon. members will, of course, wish me to report on the preparations for the all-important commonwealth trade and economic conference to be held in Montreal next September. The development of close trade and economic links with commonwealth countries holds a central place in the government's external economic policy.

(Translation):

It will be recalled that last September the finance ministers of the commonwealth met on Canadian soil for the first time at Mont Tremblant, in the province of Quebec. On behalf of the Canadian government I proposed that a commonwealth trade and economic conference be held in 1958 and indicated that Canada would be honoured to be host at such a conference. The unanimous and enthusiastic support which our proposal has received from all commonwealth governments has been a good augury for the success of the conference which will meet in Montreal, again in the province of Quebec, in September.

(Text):

May I say immediately that the 1958 commonwealth trade and economic conference cannot closely follow the lines of the 1932 conference. The world in which we live is very different from the world of 1932. The commonwealth itself has been greatly changed since that time. In these twenty-six momentous years the commonwealth has expanded in membership, has matured in its political relationships, and has become much broader in embracing more diverse interests. The commonwealth trade agreements which were entered into in 1932 made an invaluable contribution to solving many of the difficulties confronting all of us at that time. The issues facing us today, however, are very different from those of 1932. They require equally energetic and imaginative solutions, but along rather different lines.

We are not proposing a new system of commonwealth preferences. But we propose to maintain the existing system of preferences, and we are convinced that the wide variety of skills and resources of the old and the new members of the commonwealth, applied with energy and imagination to our common problems, can greatly contribute to the growth and prosperity of all. Our objectives can be summed up simply. They are these.

In the first place we aim to expand the opportunities for mutually profitable trade between Canada and the other countries of the commonwealth. We hope that progress can be made in removing restrictions and discriminations which are imposed against us.

Second, we would like to explore with our commonwealth partners ways and means of making more rapid progress towards currency convertibility and a freer system of world trade and payments. We appreciate that this poses a complex of difficult problems. We would like to see steps taken to increase world liquidity in the means of international payments. We shall support constructive steps to promote appropriate trade and financial policies on the part of the principal creditor nations, and the development of sound relationships with the new trade groupings now being set up in Europe. All of this cannot be accomplished by the commonwealth acting alone. But we should concert our commonwealth efforts and in this way encourage other countries to move along parallel lines.

Third, it is desirable to promote measures which will assist in the economic development of commonwealth countries, particularly the newer members which are less industrially advanced, and to improve their standards of living. Finally, we wish to extend and deepen our commonwealth institutions so that they can contribute more effectively to our joint economic and political strength and in all these ways, by our example and by our achievements, defeat the threatening inroads of communism.

As hon. members know, a conference of this magnitude and importance requires the most careful and intensive preparations. These preparations are now well in hand, and I am confident that the Montreal conference will bring lasting benefits to Canada, to our partners in the commonwealth, and to the world at large.

EMERGENCY GOLD MINING ASSISTANCE ACT

I should like to outline the government's program of assistance to the gold mining industry.

The serious problems of adjustment confronting this industry, going back as far as the war years, have adversely affected the northern mining communities which are dependent on it. In recent years these difficulties have become more acute as a result of rising production costs and a higher exchange rate for the Canadian dollar. Since 1952 more than one-quarter of the hard rock gold mines then in operation have closed down. Many more would have suffered this fate but for the Emergency Gold Mining Assistance Act.

The world price for gold is fixed at $35 per ounce in United States currency. With the appreciation of the Canadian dollar in recent years the return to Canadian mines has been proportionately reduced. An increase in the price of gold would, of course, provide the best solution to the problem. Notwithstanding our best efforts, however, there is no evidence that the United States intends to raise the price of gold under present conditions. Much has been done by the gold mines themselves to improve their position. Substantial capital outlays on exploration and for the installation of new equipment have led to more efficient operation. Notwithstanding these commendable efforts most mines have experienced a substantial fall in their net incomes.

My colleague the Minister of Mines and Technical Surveys (Mr. Comtois), has already announced that the Emergency Gold Mining Assistance Act will be extended to apply to the calendar years 1959 and 1960. I wish now to announce that the bill to be introduced by him to extend the act will increase the scale of assistance by 25 per cent of the amount payable under the present act. This increased assistance will be applicable not only to the years 1959 and 1960 but to the full calendar year 1958 as well. The recommended increase in aid will amount to about $2½ million for 1958, and raise the total to about $12 million. It is my hope that this measure will contribute to maintaining the level of gold production in Canada and in this way promote the well-being of our northern gold mining communities.

GOVERNMENT ACCOUNTS, 1958-59

I turn now to the budgetary outlook for the current year. Early in this session I tabled the main estimates for 1958-59 totalling $5,179 million, and two weeks ago I tabled the first supplementary estimates for the year in the amount of $58 million. The house therefore has before it expenditure proposals totalling $5,237 million. In addition there will be further statutory expenditures as well as the usual final supplementary estimates.

On the basis of the presently expressed intentions of the provincial governments I expect we shall be paying out close to $70 million in this fiscal year under the provisions of the Hospital Insurance and Diagnostic Services Act. We shall also be required to meet the increased deficit in the old age security fund which will be about $190 million in this fiscal year. The C.N.R. deficit for 1958 will be considerably larger than that reported for 1957. We must also expect some payments under the Agricultural Stabilization Act, though I hope that market conditions will be such that these will not be large.

On the other hand we propose to eliminate the balance remaining in the national defence equipment account. This account was set up in 1950 when NATO was being organized, and to it was credited the value of all equipment given by Canada to our NATO allies. At its peak there was about $310 million in this account. The former government drew on this account from time to time by charging to it, and not to budgetary expenditures, the cost of replacing such equipment. On the basis of past practice there would be about $165 million in this account at the end of this year. We believe that in the interests of good accounting practice and the maintenance of proper parliamentary control of expenditures this account should be liquidated during the current year.

After studying all the available data most carefully and taking account of possible lapsings and our continued search for economies, I have come to the conclusion that our budgetary expenditures for the fiscal year ending March 31st, 1959 will be approximately $5,300 million. This figure is $215 million higher than our expenditures last year.

Admittedly this is a substantial increase but it includes all the new expenditures on health and welfare introduced by this government such as the increases in old age pensions and veterans' benefits and the initial cost of hospital insurance.

It also includes large expenditures for national development which will improve our productive capacity and efficiency and in due course add to our collective wealth and income.

Furthermore, all these expenditures to which I am referring, by providing employment and sustaining private incomes, will help to maintain the level of the national income during this temporary period when export demand for certain of our staple products has been softening and during the pause which this has caused in some sectors of capital investment.

I emphasize that with respect to all government expenditure we shall continue to search for economies and to eradicate inefficiency, waste and extravagance wherever we find them. I appeal to all members of parliament, regardless of party, to assist us in tracking down waste and extravagance wherever they may be. I can assure all hon. members, and indeed every citizen of Canada, that every good suggestion leading to economy and efficiency will be sincerely welcomed and carefully considered.

I am asking that the public accounts committee should make a special study of the new printing bureau to ascertain why the cost of that building has been so grossly in excess of the estimates originally given to parliament.

On the revenue side, forecasting in times like these presents an even more difficult problem. I have already said that assuming normal crops and no change in the general price level I expect a gross national product of $32 billion, a 2 per cent increase over 1957.

After reviewing very carefully all the evidence and trends I have concluded that our present tax structure will yield revenues of $4,660 million in the current year. This is $387 million less than our revenues in 1957-58. Of this reduction more than half is the result of tax reductions made last year, and less than half is due to a decline in our tax base, and almost all of this reduction is the result of a falling off in corporation profits.

For the convenience of hon. members may I insert in *Hansard* at this point a table summarizing what we may expect in revenues from the tax structure as it now stands?

Mr. Speaker: Has the hon. minister leave to insert this table in *Hansard*?

Some hon. Members: Agreed.

Mr. Fleming (Eglinton): The table is as follows:

TABLE I

Forecast of Revenues before Tax Changes
(in million)

	Preliminary 1957-58	Forecast 1958-59
Personal Income Tax	$1,499	$1,370
Corporate Income Tax	1,235	1,020
Non-resident Tax	64	70
Succession Duties	72	65
Sales Tax	703	705
Other Excise Taxes and Duties	549	550
Customs Duties	498	450
Other Taxes	2	2
Total Taxes	4,622	4,232
Non-Tax Revenue	425	428
	$5,047	$4,660

Having forecast budgetary revenues at $4,660 million and budgetary expenditures at $5,300 million, I would expect, in the absence of any change in the tax laws, a budgetary deficit of $640 million.

But before I proceed to discuss the appropriate tax policy in our current and prospective circumstances, I must bring to the attention of the house our large cash requirements over and above or outside the budgetary figures.

Each year the government makes large loans to or investments in a considerable variety of public undertakings. These are not budgetary expenditures because in all, or almost all cases, such undertakings pay interest and eventually repay the principal of these loans.

Similarly, each year we collect large amounts of cash which are not revenue, the principal items being moneys paid to the government for the purchase of annuities, insurance or superannuation benefits, and moneys received in repayment of loans made in earlier years.

During the current year 1958-59 we will require about $400 million for housing loans, about $250 million for the C.N.R.'s capital investment and refunding programs, nearly $250 million of cash advances to the St. Lawrence seaway, the northern Ontario pipe line and to other crown companies and agencies; and other non-budgetary cash requirements, including the liquidation of the defence equipment account, will be about another $240 million.

Against this we shall have available in this fiscal year some $50 million in our securities investment account, about $65 million from the repayment of loans made in earlier years, and we can expect to receive net about $240 million of cash into our various annuity and superannuation accounts.

The net requirement of cash for these non-budgetary transactions, excluding the exchange fund account, is thus about $775 million, and this we shall need to borrow. We shall also need to borrow the funds to cover our budgetary deficit of $640 million, and our net new cash requirements in this fiscal year will therefore be of the order of $1,400 million.

In addition to this, some $1,950 million of our marketable funded debt will be maturing during this fiscal year, and these maturing securities will require to be paid off by an equivalent amount of new borrowing. In other words, during this fiscal year we shall need to sell bonds or other securities in a total amount of close to $3,400 million. This is a major financial operation and will require the closest co-operation between the Department of Finance, the Bank of Canada, the chartered banks and all investment institutions and dealers.

We have already made a good beginning. Since April 1 we have sold issues totalling $950 million, of which $350 million was new cash. We still have before us the need to refund $1,350 million of maturing bonds and to raise more than $1,000 million of new cash.

We shall be making every effort to promote a good sale of Canada savings bonds next autumn, but whatever net new cash we obtain from that source will still leave us with a very large financing task.

Government policy regarding the management of the public debt cannot follow any rigid formula; it must be adapted to economic conditions and to market requirements. While I do not propose to place an undue burden on the longer term bond market, it is most desirable to keep our maturing debt reasonably spread out over the years. To refinance maturing issues chiefly in the short term market would only build up greater difficulties for ourselves two or three years hence. It will be our aim to offer acceptable volumes of longer term bonds whenever suitable opportunities occur, and to spread the remainder sensibly between short and mid-term maturities.

While the prospective increase in our debt will be quite substantial during the next year or two, the net burden of the public debt will remain well below what we carried quite easily only a few years ago. To illustrate this point may I insert here a table showing our gross national product, our net debt and their percentage relationships over selected years from 1926 to the present.

Mr. Speaker: Does the house agree that the proposed table be inserted in *Hansard* at this point?

Some hon. Members: Agreed.

Mr. Fleming (Eglinton): The table is as follows:

TABLE II

Public Debt and Gross National Product
(in billions)

	Calendar Year G.N.P.	Net debt as of March 31 of the following year	Net debt as a percentage of G.N.P.
1926	$ 5.2	$ 2.3	44
1938	5.3	3.2	60
1945	11.8	13.4	113
1946	11.8	13.0	110
1947	13.2	12.4	94
1948	15.1	11.8	78
1949	16.3	11.6	71
1950	18.0	11.4	63
1951	21.2	11.2	53
1952	24.0	11.2	47
1953	25.0	11.1	44
1954	24.9	11.3	45
1955	27.1	11.3	42
1956	30.2	11.0	36
1957	31.4	11.0	35
1958 (est.)	32.0	11.7	37

A perusal of this table will show that while our net debt at the end of this year will be somewhat higher than it was at any time during the past ten years, its burden when measured as a percentage of our gross national product will be significantly lower than it was as recently as three years ago.

TAX POLICY

I come now to discuss what our appropriate fiscal policy should be in these circumstances. There has been wide public discussion of these matters in recent months. Most of this discussion has centred around the relative merits of tax reductions, public investment programs and income maintenance policies. It has seemed to me, if I may say so, that too many of the protagonists of these various policies tend to take up rather doctrinaire and exclusive positions.

The advocates of tax reductions argue that by leaving more money in the hands of individuals, consumer spending will be stimulated and more savings will be available for productive capital investment. But I believe experience has shown that while this may happen to some extent, unless other stimulating measures are taken much of the tax saving to many taxpayers tends to lie idle. It is neither wholly spent nor put into productive investment.

A program of public investment has the obvious advantage of providing employment for idle or under-employed manpower and equipment. But it cannot be a complete answer. In a country as large and as economically diverse as Canada it takes time for some programs to exert their maximum benefit upon the under-employed resources of the secondary industries and of many districts.

The third approach to the problem—the extension of income maintenance policies—has the essential value of relieving hardship and somewhat equalizing the burdens of recession, but apart from maintaining a reasonable level of consumer spending, such measures make a limited positive contribution to the resumption of healthy economic expansion.

My own view is that just as there is no single remedy for the problems of inflation, so there is no one way to meet the problems of recession. We need to use all the effective means available to us. The essence of sound policy lies in using the right balance or the best "mix" of the various means, and to apply them in a timely fashion.

This I believe we have done. Last December we introduced tax reductions which are saving the taxpayers of Canada $178 million in 1958. We have introduced new programs of public investment in housing, in resource development and in improvements to transportation that add up to many hundreds of millions of dollars, and the provinces and municipalities under the much easier money conditions are proceeding with further hundreds of millions of dollars' worth of social capital investment. By increasing old age pensions, improving veterans' benefits, extending unemployment insurance benefits and developing programs of farm income maintenance we have put additional hundreds of millions of spending power into the hands of those who would otherwise have been most harshly affected by the forces of recession.

I believe, moreover, we have done all these desirable things at about the right time. We took action on housing last August and again in December. We took action on farm incomes, on old age pensions, on veterans' benefits and on unemployment insurance in November, December and January. We have taken more action on housing, on unemployment insurance and on hospital insurance in the month that this new house has been in session, and we have further constructive measures on the sessional program.

As a result of such timely action the recession has taken a much more moderate course in Canada than in other comparable countries. On a seasonally adjusted basis our retail sales are running ahead of last year; in the United States they are down about 6 per cent. Industrial production in Canada has declined about 5 per cent from its peak; in the United States the drop is 12 or 13 per cent. Total labour income in Canada has hardly declined at all; in the United States it is down about 3 per cent. I do not take any satisfaction in these somewhat greater declines in the United States, for nothing could benefit Canada more quickly than an early resumption of business expansion in the United States. But we are entitled to take some satisfaction, and perhaps some credit, for the relatively stronger economic position in Canada.

These actions and policies of tax reduction, public investment and income maintenance now find their financial expression in the budgetary figures I have placed before the house this evening.

With a budgetary deficit of $640 million, and a total cash requirement of about $1,400 million, it is not in my judgment necessary for economic reasons to propose any further major tax reductions. The stimulating effect of the policies that we have already and promptly put into effect should, in the absence of any further adverse external events, sustain economic activity and provide the economic climate for an early resumption of economic expansion. Moreover, the main factor in bringing about the slackening in our rate of expansion has been the decline in the export demand for some of our basic resources, and at this stage further general tax reductions would not improve the external markets for our forest products or our base metals.

To go still further into deficit financing at this time could create conditions in which overt inflation of a degree very difficult to control might re-emerge. Indeed even now we have the somewhat paradoxical situation of simultaneous symptoms of both recession and inflation. If we go too far in the measures we take to combat what is, after all, a fairly mild recession, we might find that we had planted an inflationary time bomb which might later go off with a dangerously explosive effect. Admittedly, it is not an easy matter to judge just the right degree or balance in these matters; but in the present circumstances, it seems to me that we have, for the time being at least, a fairly sensible balance of fiscal policy, investment policy and income maintenance policies.

While I am not recommending to the house any major tax changes, I shall now put before you, Mr. Speaker, a fairly large number of particular tax proposals. None of these taken separately will have a material effect on the balance of ways and means, but each of them will be significant to the particular groups or persons affected; and collectively they will constitute a considerable measure of improvement in the equity and the efficiency of our tax system.

INCOME TAX CHANGES

First of all in the field of income tax I am bringing forward numerous amendments which I am sure the house will recognize as long overdue.

Commencing tomorrow the cost of drugs purchased under prescription may be included in the deduction for medical expenses. Expenses for eyeglasses will also qualify. Likewise the use of an ambulance will count as a medical expense. Other items such as laboratory and diagnostic charges may also be included in future. These provisions are, I think, eminently sensible. They will go a long way to correct the unfairness which in the past has been the source of so much complaint about this section of the income tax law.

The period within which refunds of tax may be claimed will in future be four years instead of two, and interest allowed on overpayments of tax will be increased from 2 per cent to 3 per cent.

A proposed amendment will allow a deduction for amounts paid for support of a dependant upon order of a court, for example, by a family court, even though there is no divorce or written separation agreement. The payer, however, may not claim the recipients as dependants. The person receiving such payments must include them in income and may then claim a deduction for any dependant in respect of whom the payment order was made. This provision will resolve many awkward tax situations which arise under the present law.

At present when a wife's income just passes the $1,000 mark the husband's exemption in respect of his wife drops abruptly by $250. In future the decrease in his exemption