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CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE D. C. ABBOTT

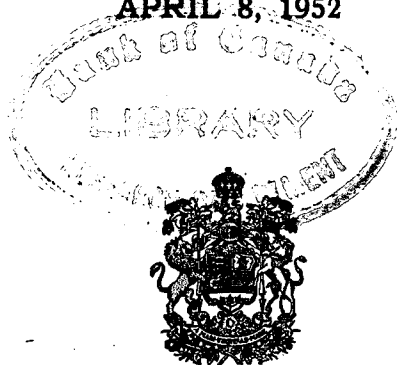
MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

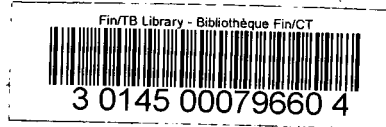
IN THE

HOUSE OF COMMONS

APRIL 8, 1952



EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952



INDEX

	PAGE
Economic Trends	1
Government Accounts	4
Forecast of Revenue and Expenditure 1952-53	7
Tax Policy	8
Income Tax Changes	9
Customs Tariff Changes	12
Commodity Tax Changes	14
Summary of Tax Changes	15
Revised Forecast of Revenues 1952-53	16
Resolutions	16
Budget Papers	
Part I Economic Review of 1951	56
Part II	85

BUDGET SPEECH

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HON. D. C. ABBOTT
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, APRIL 8, 1952

Hon. Douglas Abbott (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: Yesterday, Mr. Speaker, I made a slight departure from usual practice by tabling the budget white paper which hitherto it has been customary to table during the course of the budget speech; and I would hope that the house would give me unanimous consent to have it printed as part of today's *Hansard*.

I did this for two reasons. The first was to give all hon. members an opportunity to examine the basic facts and figures more carefully and in a more leisurely fashion, and to do so in an atmosphere free from the distractions that perhaps accompany the annual statement of proposed tax changes. My second reason was that by transferring to the white paper the greater part of the general economic review, which is an essential introduction to the budgetary proposals, it will not be necessary for me to take up so much of the time of the house traversing this ground orally. In these general matters I shall limit myself this evening to drawing some of the implications and indicating the probable trend of events in the year ahead of us, in so far as they impinge upon budgetary problems.

ECONOMIC TRENDS

We can look back upon the past year with a considerable degree of satisfaction. It has not been an easy year, but it has been a year of solid achievement. We have passed through one critical period, but equally serious dangers still lie ahead. Although we and our friends of the free world are now somewhat better prepared to meet them, there is no room for complacency. We still have the more costly part of our defence program immediately ahead of us. However, if we are equally resolute, energetic and fortunate during this year and the next, there is good prospect of achieving in the not too distant future, perhaps not a world of genuine peace and good will, but at least a position of reasonable

confidence and security that can be maintained at a somewhat lower cost than we are now compelled to carry.

Our major difficulties are international in their origin. We are playing a full and constructive part in all worth while endeavours to build the foundations of a safe and peaceful world. We are co-operating in those aspects of the work of the United Nations where useful progress is possible. We are participating effectively in the Colombo plan, and our role in building up the strength and the health of the north Atlantic community is commensurate with our interests and capacity. On the broad principles of these policies we are a united country, and I am sure I am expressing the thoughts of all groups and parties in this house when I pay tribute to the work of our Prime Minister (Mr. St. Laurent) whose leadership, moderation and good sense have played an important part in world affairs during the past three or four years.

For the Canadian economy 1951 was a good year. Its first half was dominated by strong inflationary pressures, but as the year progressed these pressures became less severe, and by the end of the year they had been brought under control.

Gross national output in 1951 was 17 per cent higher than in 1950. About two-thirds of this increase was due to higher prices and about one-third to increased real output.

Capital investment in 1951 once again reached record levels, and was probably at or close to the limits of our present physical capacity to expand plant and equipment without materially reducing our production of consumer goods. Government policy has played its part in guiding or steering an increased proportion of this new investment into lines which made the best contribution to our defence potential and to the enlargement of the foundations of our future progress.

Like my colleague the Minister of Trade and Commerce (Mr. Howe) I am satisfied that

the deferred depreciation regulations have played an important part in restraining a good deal of capital investment that would have been of a less essential character in our present context, and in directing investment toward currently more essential ends. No changes in the principle of these regulations are presently contemplated, but I can assure the house that we do not like regulations of this sort and that we shall be most happy to modify or withdraw them when the proper time comes.

A year ago I stressed the importance of greater savings if we were to carry through our essential investment programs for defence and for resource development without increased inflationary pressures. In 1950 personal savings had fallen to about \$700 million or less than 6 per cent of disposable personal incomes. In 1951 I am glad to report that despite higher income taxes and higher prices personal savings nearly doubled, reaching a total of almost \$1,400 million, or more than 9 per cent of disposable personal incomes. To some extent the high rate of savings in 1951 was the counterpart of the low rate in 1950. The rate of saving was low in 1950 because of the heavy wave of consumer buying after Korea, and was high in 1951 because many purchases had been anticipated and quite a few consumers had to save more in 1951 to complete payments on goods purchased the year before. Higher interest rates and the more attractive terms of the sixth Canada savings bond series undoubtedly had some influence toward increased savings. I should also like to thank the National Council of Women and their affiliates in all parts of Canada for the excellent thrift campaigns they have been sponsoring during the past six months. Thrift and saving are still virtues, and I urge Canadians to keep up in 1952 the good record they made in 1951.

The restraints placed on consumer credit have also played an important part in reducing inflationary pressures and in improving the current savings ratio. These regulations were admittedly severe, but the inflationary pressures were such that strong measures were needed. As these pressures eased we were able to relax the regulations to some extent. I keep these matters under frequent review, and as soon as it seems sensible to do so we shall relax them again.

Preliminary estimates of net farm income in 1951 indicate a record level of more than \$2,100 million, an increase of nearly 40 per cent over 1950. Excellent crops in all parts of Canada and higher prices for most farm products combined to produce this result. Due to unseasonable weather on the prairies not all this income was realized in cash, but the cash will flow in as the harvesting is

completed this spring. Farmers are continuing to invest heavily in efficient modern labour-saving machinery. Farm implement purchases to the value of \$137 million were financed under the Farm Improvement Loans Act, an increase of 35 per cent over 1950. These increasing investments in machinery and equipment are largely offsetting the decline in the numbers of farm workers, and given normal growing conditions I would expect farm crops and farm incomes to be well maintained in 1952.

The outbreak of foot-and-mouth disease in a small area of Saskatchewan has been an unfortunate event, and has temporarily upset the movement of livestock and meats to their normal markets. Prompt and vigorous measures have been taken to eradicate the disease, and so far these have been successful in confining the outbreak within a very small area. To ensure that the disease is completely eradicated quarantine and other control measures will have to be continued for some time.

The government is compensating those whose animals or other property have to be destroyed and is prepared to use the Agricultural Prices Support Act to assist the livestock industry in this difficult period. It is expected that normal movements of meats and freer movements of livestock within Canada will be resumed very soon, except in the areas directly affected. The resumption of normal export business is still uncertain but it is hoped that it will be not too long delayed.

When I brought the budget down a year ago we were in the midst of a strong inflationary movement. At that time I described at some length the measures we were taking to bring this inflation under control. I referred to the economies in the government's nondefence spending, the reductions in the numbers of employees in the civil service and the increase in the civil service hours of work. I told the house we were determined to follow a fully pay-as-we-go fiscal policy. I referred to the actions taken to restrain credit expansion, both consumer credit and bank credit. I announced new regulations relating to deferred depreciation, and I made a special plea to all Canadians to raise their productive efficiency and to increase the volume of savings. I pointed out that while we could not wholly insulate ourselves from price increases in the outside world, we could and should control the inflationary forces generated within our own borders. I concluded by saying that the measures we proposed went to the root of the matter, but that in their nature they would take time to operate and could not produce dramatic results overnight.

I feel justified this evening in saying that our policies have proved to be wise and right. Events showed that the inflationary virus in our economic blood-stream had taken a stronger hold than I had anticipated, and that the price increases that occurred before our measures took full effect were about 5 per cent greater than the forecast on which the budget was based. Looking back now we can see that the rapid rise in wholesale prices began to moderate in April-May, the peak point was reached in July, and since then each month has shown a small but steady decline. The February, 1952, index was nearly 5 per cent below the July peak and $2\frac{1}{2}$ per cent below the February, 1951 level.

The cost of living index normally parallels the wholesale index, but moves more gradually and lags a few months behind. The rapid rise in the cost of living index began to ease off in the late summer, though the highest point was touched just at the end of the year. In three of the last four months the index has declined. It is now back to the August, 1951, level, and is about $1\frac{1}{2}$ per cent below the peak.

Inflationary pressures have also waned in the United States, but they remain uncomfortably strong in most of the rest of the world. As I have told the house on many past occasions we can hardly expect to have much less inflation than exists in the United States—our economies are too closely intermingled and theirs is so much larger—but unless we manage our affairs well we could have a great deal more. The return of our dollar by normal market forces to parity with the American dollar—at present indeed to better than parity—has also had its moderating effect on Canadian prices.

In 1951, Canada's foreign trade reached the highest level in our history, both in quantity and value. Our total exports during the past year rose by 9 per cent in quantity and by 25 per cent in value over 1950. There was a large increase in exports to overseas markets, with sales to the sterling area one-third greater than in the previous year. Imports from all countries also were sharply higher, and for the year as a whole exceeded exports by \$120 million. However, during the past six months imports have tended to fall from the previous peak while exports have continued at a high level so that we have had a trading surplus in each of these months.

In the past year there was a sharp deterioration in the balance of payments of the sterling area. The United Kingdom and other sterling area countries have taken strenuous measures to right the situation. I am hopeful that these measures will bring

about a fundamental improvement in the position of this great trading area. These developments are inevitably affecting our trade, and the markets for some of our products have been reduced. However, as my colleague the Minister of Trade and Commerce indicated, there is good reason to believe that our exports as a whole to the United Kingdom during 1952 will be larger than in the previous year.

While our balance on international current account showed an excess of payments over receipts amounting to well over \$500 million, nevertheless there was a small increase during 1951 in our exchange reserves resulting from a continued heavy inflow of foreign capital into Canada, chiefly from the United States. Our net capital inflow in 1951 was about \$560 million, as compared with over \$900 million in 1950. About one-half of this inflow may be said to have been initiated in Canada, in the sense that the funds were borrowed by Canadians, chiefly provinces and municipalities. Most of the rest was an inflow initiated from abroad in the form of investment in new developments or the expansion of established projects previously financed from abroad. I am not one of those who view with alarm a considerable amount of foreign investment, but I welcome the fact that such a high proportion of our new investment was financed by our own people. Of our tremendous new capital investment program in 1951, the highest in volume ever reached, about nine-tenths was financed out of the savings of the Canadian people.

During the past three months our official holdings of gold and United States dollars have shown little change. On March 31 they stood at \$1,787 million, or \$8 million more than on December 31, and \$134 million more than a year ago. Between January and August last year our reserves declined about \$180 million. In the remaining four months of the year they went up by more than \$200 million, and since then they have shown little variation from week to week. I may say, in passing, that I expect that the 1951 report of the foreign exchange control board will be ready for distribution immediately after the Easter recess. Since foreign exchange control terminated on December 14 last, this will be the final report of the board.

Employment and earnings have reflected both the impact of the defence program and the hesitations in the civilian sector of the economy. Taken as a whole employment and labour income have never been higher. Industrial employment averaged 220,000 above 1950, and unemployment averaged 60,000 below 1950. Total labour income was up by 17 per cent. Average weekly earnings in December

1951 were 12 per cent above 1950, and hourly earnings were 15 per cent higher. The average number of hours worked per week during the year declined by 1 per cent, from 42.3 to 41.8. During the past six months pockets of unemployment have developed, and during the past winter total unemployment was somewhat higher than a year ago, though lower than two years ago. As in the United States and elsewhere unemployment of greater than seasonal magnitude has occurred in textiles and in consumer durables, in both cases largely due to heavy anticipatory buying twelve to eighteen months ago and to consumer reluctance to pay higher prices. Price reductions in both these fields have resulted in some pick-up in buying during the past two months and I would hope that this trend will continue.

I have already described the past year as one of solid achievement. We have made substantial progress in our defence program, and the inflationary spiral has been brought to a halt. There remains, however, a strong inflationary potential, and any series of events that sharply increased either international or industrial tensions could revive these direct inflationary pressures and put our economic defences to a renewed test.

The present prospects for 1952 are for continued high levels of employment and business activity, but with some unevenness in their distribution. Some lines and some regions may experience demands that will fully or more than fully tax their available resources. Other lines and other regions may find their resources less than fully employed.

I expect 1952 to show further increases in total output. Last year our gross national output reached \$21.2 billion. For budget purposes I am assuming that output in real terms will advance another 4 or possibly 5 per cent and that prices will lie somewhere between no change from 1951 and 2 per cent higher. If one takes the lower of both these assumptions, that is a 4 per cent increase in output and no change in prices, gross national product in 1952 will reach \$22 billion. If one takes the higher of both, that is a 5 per cent increase in output and a 2 per cent increase in price, our gross national product will be about \$22½ billion. All these estimates assume good average crops, continued increase in general productive efficiency and no serious or prolonged industrial work stoppages. In the light of presently observable trends, I am basing my budget on an expected gross national product that will closely approach \$22½ billion.

GOVERNMENT ACCOUNTS, 1951-52

In reporting on the results of the past year I should point out that although the fiscal year ended a week ago it will be some time before the final figures will be available, and the figures I shall use tonight are necessarily preliminary and subject to revision. A great deal of detail is given in the white paper I tabled yesterday, and this evening I shall touch only on the main trends and highlights. But before I do so, may I first say something about the general problem of forecasting revenue and expenditure, and explain how these forecasts are compiled.

We have heard a good deal from some quarters in recent months about bad budgeting. Year by year my Conservative friends opposite have charged me with being too optimistic. The hon. member for Greenwood (Mr. Macdonnell) not so long ago, when I was budgeting for a \$20 million surplus, gravely rebuked me for being reckless. Only a moderate worsening of conditions, he warned me, would plunge the national treasury into a deficit. But year after year as we approach the end of our fiscal period these same hon. members join in quite a different chorus—we have overtaxed the Canadian people! Let me say quite plainly, Mr. Speaker, that so long as we have such years of rising prosperity as we have experienced while I have been Minister of Finance I am not going to apologize for having a surplus and making some reductions in the deadweight of our huge national debt.

I shall not repeat the figures which I have given and which my parliamentary assistant has given to the house on several occasions; but I will say, with all due modesty, that no minister of finance, provincial treasurer or any head of a national treasury with anything like comparable tasks has made as consistently good a record of forecasting of revenue and expenditure as has the Canadian minister of finance in the past five years.

How are forecasts made? First, take expenditures. Estimates have to be compiled by the departments in the autumn, six to eighteen months before the expenditures are to be made. Some of our operations are standardized and can be readily forecast from year to year. Such are family allowances or the interest on the national debt. In other cases, for example, compensation for the slaughter of diseased animals, payments on construction projects, or the deficit of the C.N.R., the disbursements to be made twelve or eighteen months hence are very difficult to forecast. However, experience has shown that it is usually possible to forecast total expenditures within 2 or 3 per

cent. An exception, of course, is large scale defence procurement such as we are now undertaking. Last year we planned, and parliament authorized, defence expenditures in the total amount of \$1,725 million. Actually we have spent about \$1,441 million, or a shortfall of \$284 million. How could this come about? Let me give an example. We had planned and expected to spend about \$210 million on major defence construction projects; but because of difficulties of design and construction, and shortages of labour and materials we have found it possible to spend only about \$165 million on these projects before the end of the year. The acquisition of machine tools, and of military equipment and its components in the United States poses exceptionally difficult problems of estimation as to final cost, delivery dates and dates of payment. In the year just ended the story has been one of unavoidable delays and postponements. This year it may be that deliveries will come forward much more rapidly than we now expect.

Considering all the difficulties, no one can be surprised that our total expenditures for the year just closed should turn out to be about $1\frac{1}{2}$ per cent below what I forecast a year ago.

On the revenue side the problems of forecasting are closely tied to general economic trends which are not easy to predict. Practically all our revenues are from taxes which are in terms of percentages of incomes, of imports or of sales. To forecast the yield of the personal income tax we have to look ahead over the next twelve months and estimate how many people will be employed month by month, whether and to what extent wages and salaries will go up, the prevalence of much overtime or much shorttime, the dividend policies of corporations, and the aggregate profits or losses of half a million farmers, tradesmen and professional men who are self-employed. A year ago I thought that there would be an increase of possibly 12 per cent in salaries and wages during the year and consequently I budgeted for an increase of \$218 million in revenue. In fact, wages and salaries increased by 17 per cent, and personal income tax collections went up \$328 million, or \$110 million more than I had forecast.

Corporation income tax yields are still more difficult to estimate because, as is well known, corporation profits fluctuate much more widely, up and down, than do personal incomes. Last April I had expected to take in an additional \$177 million under this head during the year. In fact our receipts increased by \$335 million or \$158 million above expectations. There is a special technical difficulty in forecasting corporate income tax yields.

Each year the forecast has to be made on such facts as are available by the middle of March, at a time when most Canadian companies have not yet published their annual statements. Last year the preliminary March estimates of total profits in 1950, based on the limited evidence then available, turned out to be 12 per cent below the revised figures published by the dominion bureau of statistics many months later. The fact that I was forecasting from a base 12 per cent too low accounts for a considerable part of what proved to be a 16 per cent underestimate in this tax.

The yield of the customs tariff depends on the volume, the prices, the nature and the source of our imports. Our excise tax yields depend upon the ups and downs of prices and upon how much and in what form people will decide to smoke during the coming year, or how much they are going to spend on cars, radios, or a hundred and one other things. In the whole field of commodity taxes my forecasts a year ago have proved to be twelve per cent too low in the case of customs duties and 6 per cent too high for excise taxes and duties. On the sales tax I was almost exactly right. Grouping together all commodity taxes and non-tax revenues our receipts were just about $1\frac{1}{2}$ per cent above the forecast. That, I should say, was a very close estimate.

All our tax yields, both income and commodity taxes, are directly affected by changes in the price level. If prices go up, our tax yields fall, if they go down our tax yields fall. To show how sensitive revenues are to even small price changes let me give the following illustrative figures. Our present federal tax structure produced a revenue last year equal to about 19 per cent of the gross national product; but a general increase in incomes would yield more than 19 per cent of added revenue because our tax structure as a whole is progressive. In the year just ended gross national product was \$1.2 billion greater than my forecast, and total revenue was \$273 million more than I had originally expected. In other words, with an increase of 6 per cent in national product we took in $7\frac{1}{2}$ per cent more revenue.

Every hon. member will agree, I hope, that it is not possible to predict with certainty the level of prices during any future twelve months to within one per cent. Yet on a GNP of \$20 billion the difference between a one per cent rise and a one per cent fall in prices during the year is a difference of \$400 million in GNP. Under our present tax structure, such a slight change in price could produce a difference of \$80 to \$85 million in our revenues.

Coming back now to our accounts for the year just ended, the over-all results are that

our total revenues have been \$4,003 million which, as the result of conditions I have just explained, is \$273 million or 7½ per cent higher than I forecast a year ago. Our total expenditures were \$3,647 million, that is, \$53 million or 1½ per cent lower than I had estimated. Our actual budget surplus for the year is, therefore, \$356 million instead of the \$30 million estimated last April.

There is little that I need add to what I have already said about revenues, but I should like to speak briefly about our policy in regard to expenditures—about economy. Since the outbreak of hostilities in Korea the government has felt a special obligation to restrict severely its demands on labour and materials for non-defence purposes, and to make more than usual efforts to secure economy in its operations and expenditures. We have been striving to apply this policy during a period of buoyant prosperity in the nation as a whole, when businesses and consumers alike were spending on a scale never equalled before. During this time the Canadian people, and nearly all of us here representing them in parliament, have demanded expanded services and functions from the government, just as expanded services have been demanded of business. These demands have brought about expansion in our services and our expenditures, ranging from such simple business-like matters as postal operations to such major developments of national policy as the new old age security pensions. We have had further expansions in scientific research, in our immigration program, in our diplomatic service, in the work for the education and improved health of our Indians, in the surveying and development of resources—to name some of the outstanding cases where it has been the wish of parliament to expand. In other cases we have had to grow, along with the country and the volume of its business.

It has been against this trend, and in the face of rising levels of prices and wages, that we have had to seek economy and retrenchment, to make room for expansion in our defence effort. The results of our efforts are to be found in the details of our programs and expenditures and of the estimates for next year. Members who examine the tables of expenditure in the budget white paper will find many instances of reductions as compared with the previous year, notwithstanding an increase of about 10 per cent in the level of salaries and other costs. Allowance for this price factor will reveal more cases where the real content of expenditure is reduced. In other cases we have arrested an upward trend or natural growth. The results of these efforts, and of the more efficient carrying out of our continuing operations, have been overshadowed

in the total expenditure figures, by the increase in the levels of costs, and by those major decisions to which I have referred above.

The main problem in controlling our total expenditures lies with us right here in this house—and on both sides of it—in exercising restraint upon the constant demands for additional government services. It is much more a matter of broad issues of policy than of administration, important as that is. The scale of our defence budget is determined by policy developed in the light of the international situation. In its application there are of course real problems in securing economy and efficiency, especially when we must compete for men and for administrative ability with prosperous private industry. Apart from direct defence costs, our direct operating budget for this year is approximately \$580 million, and our expenditures of a capital nature on government construction and equipment, including replacement of many buildings, ships and works worn out or outgrown, are only \$157 million. Perhaps parliament can find items in these two categories where further economies can be made—and we shall seek them in day to day administration even after parliament votes the funds. But above and beyond these direct costs of government operations and facilities, we have now about \$900 million in social security payments, \$180 million for subsidies and tax rental payments to provinces, \$440 million for interest, and over \$100 million in contributions, grants and subsidies, including those to international agencies and programs. Any major reductions in expenditures can come only in some of these areas, or in defence. I believe that most Canadians want the government to do these things and are willing to pay what they cost. I wish to emphasize, however, that we cannot have all these and reduced budgets too. Canada is now a highly productive country and can afford these things we are doing—but only at the cost of forgoing expansion or improvement somewhere else. Just now there are more good, sensible things to be done in this country—by business, by governments and by individuals—than can be done all at once while the defence program goes on. Trying to do them all will only result in inflation. We must all hold some of our projects and programs in reserve, even though they are sensible or indeed profitable. For the government to share properly in this policy of self-restraint, it needs forbearance on the part of all those who have demands to make on the government for service, assistance, or public projects.

Because our budget surplus for the year was \$365 million our net debt has been

reduced by that amount. This is the sixth successive year in which we have had a surplus, and it brings to the very large and gratifying total of \$2,344 million the amount by which we have been able to reduce the net debt of Canada since April 1, 1947. Applying the current average interest rate of 2.65 per cent on our outstanding debt, this represents interest savings of more than \$62 million a year.

After adjusting the budgetary surplus for non-cash items and taking into account cash receipts from non-budgetary sources, we had sufficient cash available to meet essential non-budgetary cash outlays and provide for some reduction in funded debt. The non-budgetary cash outlays, all of which are of course authorized by parliament, totalled \$653 million, and included such items as the following: advances of about \$70 million to Central Mortgage and Housing Corporation for house construction and housing loans; loans of \$139 million to the Canadian National Railways for necessary capital expenditures, including the refunding of securities; advances of \$200 million to the exchange fund to finance the increase in our foreign exchange reserves consequent upon the flow of investment capital into Canada from abroad; and \$95 million used to acquire materials essential to our defence program and held as current assets until charged as expenditures when embodied in finished goods.

After making these cash disbursements and drawing down our cash balances by \$66 million, which left us only about \$20 million cash on hand at the fiscal year end, we were able to retire outstanding funded debt to a total amount of \$300 million as well as to acquire and withdraw from the market \$156 million of our own securities, mainly for the unemployment insurance fund and the securities investment account.

The public debt operations of the government during the past year again included the redemption or refinancing of a large volume of matured or called bond issues in addition to the usual refunding of short-term securities. Funded debt payable in Canada amounting to \$2,762 million matured during the year. Of this, \$2,100 million was refinanced by refunding or conversion into new issues, and \$362 million was covered by new money obtained from the very gratifying response to the Canada savings bonds campaign last fall. The remaining cash required—\$300 million—came from our cash surplus. After taking into account certain minor non-cash transactions, the funded debt was reduced by a total of \$324 million during the fiscal year.

FORECAST OF REVENUE AND EXPENDITURE, 1952-53

I turn now to a survey of our revenue and expenditure prospects for the new fiscal year. On March 19 I laid before the house the main estimates for 1952-53 providing for expenditures of \$4,336 million, of which \$2,106 million was for defence, \$1,908 million for non-defence, and \$322 million for old age security pension payments. These pensions, of course, are paid out of the old age security fund and consequently lie outside the scope of the budget proper, but they have been included in the estimates for purposes of record. The estimate of \$2,106 million for defence is \$665 million or 45 per cent more than our actual expenditures for that purpose last year. The estimates for our non-defence budgetary requirements are not comparable with last year's figures for they do not include provision for payments under the new tax rental agreements with the provinces which have not yet been concluded. If the eight provinces which came into the previous agreements all enter into the new agreements, as now appears probable, total payments under this head will amount to about \$150 million in addition to the amounts shown in the estimates.

On the other hand, the estimates do include a number of items, such as the grant for assistance under the Colombo plan, which in the previous year were covered by supplementary estimates. Nevertheless, as in the past, some supplementary estimates must be expected, including provision for some items the nature of which is known but for which firm amounts are not yet available or final policy decisions have not been taken—the deficit of the Canadian National Railways, the grants to universities, and the subsidy on the movement of feed grains after the end of the current crop year, are examples of what I have in mind. I should also expect to make some further provision in our accounts for such items as the reserve against our active assets and the deficiency in the civil service superannuation account.

In line with past experience I expect there will be a shortfall of expenditures below the amounts provided by parliament in the appropriation votes. The amount of savings is difficult to estimate, particularly with respect to a defence program of the magnitude we are now engaged in. I should remind hon. members that the defence program necessarily involves very large long-term commitments, and the rates of expenditure under such contracts may be more or less rapid than we are presently estimating. My judgment, however, is that we are likely to have some shortfall rather than overrun, and I am budgeting on that basis.

All in all, I have concluded that I must expect total budgetary expenditures of \$4,270 million, which excludes payments to be made from the old age security fund.

On the revenue side, forecasting is, as usual, difficult and subject to many uncertainties. However, on the premise that our gross national product for 1952 will approach \$22½ billion and assuming no tax changes, I should expect that our total revenue, including old age security tax receipts, would be \$4,630 million. The old age security receipts which I estimate at \$235 million are, of course, earmarked for the old age security fund, leaving me about \$4,395 million to cover our purely budgetary expenditures. I have had prepared the usual table showing a comparison of the revenue forecast for 1952-53 with the preliminary figures for 1951-52 for the convenience of hon. members. I would ask the consent of the house to have this incorporated in the record without my taking time to read it.

Forecast of Revenues
(Before tax changes)

	Fiscal year 1952-53 (Forecast)	Fiscal year 1951-52 (Actual) Preliminary)
	(in millions of dollars)	
Personal income tax	1,240.0	980.0
Non-resident income tax ..	60.0	55.5
Corporation income tax ...	1,257.0	1,134.0
Excess profits tax .....	....	2.2
Succession duties	43.0	38.0
Customs import duties ...	370.0	353.0
Excise duties	240.0	222.0
Sales tax (net)	540.0	583.0
Other excise taxes	340.0	316.0
Miscellaneous taxes	5.0	5.3
Total tax revenue	4,095.0	3,689.0
Non-tax revenues	275.0	276.9
Total ordinary revenues	4,370.0	3,965.9
Special receipts and credits	25.0	37.2
Total budgetary revenues	4,395.0	4,003.1
Old age security taxes		
2% sales tax	135.0	19.0
2% individual income tax	52.0	....
2% corporation income tax	48.0	2.0
	4,630.0	4,024.1

With estimated expenditures of \$4,270 million and prospective revenues of \$4,395 million, it would appear that in the absence of any tax changes we would have a budgetary surplus of \$125 million in 1952-53. However, before dealing with the tax changes which I shall propose to the house, it is essential to consider not only the budgetary position but also our prospective cash position

We shall require about \$90 million for housing loans, possibly \$125 million for advances to the Canadian National Railways, \$40 million for financing the acquisition of materials for the defence production revolving fund, and smaller amounts for other loans, investments and advances. There may also be outlays on replacement of military equipment in excess of the value of equipment transferred to our NATO allies in the current year and charged to appropriations.

Offsetting these will be cash receipts, including repayments of loans and advances and the net cash receipts of the various annuity, pension and other accounts which the government holds and administers. Taking all these factors into consideration, I should expect that apart from any transactions in our own securities, and any advances to or repayments by the exchange fund resulting from increases or decreases in our exchange reserves, the total of the cash required for our non-budgetary disbursements will be somewhat greater than the cash available from our non-budgetary receipts.

On the other hand the budgetary expenditures include items which do not require the immediate outlay of cash, and consequently the burden on our cash resources will be correspondingly reduced. My general conclusion is that unless there is a substantial change in the amounts advanced to the exchange fund our over-all cash surplus will correspond fairly closely with our budget surplus.

TAX POLICY

From the figures I have given as the best estimates that can be made at this time of expenditure and revenue for the coming year it is clear that there is not much room for tax abatement. That this would be the case has been evident to me for many months, and I have done my best on every occasion to warn the public against undue optimism and against irresponsible and misleading interpretations placed upon the interim monthly surpluses reported during the course of the year. In this house and elsewhere hon. members opposite have used these monthly figures to criticize the government's tax policy without apparently making the slightest effort to check the reasonableness of their inferences. For example, they have repeatedly quoted the fact—and it is a fact—that the monthly statement showed an interim surplus on December 31 of \$722 million.

in order to make a proper appraisal of the outlook for the coming year.

They have implied that on this basis the final surplus was likely to be almost \$1 billion. My hon. friends knew, or should have known, that such an inference was wholly unwarranted. Almost at the beginning of our annual public accounts there are three pages of tables and charts explaining in detail the seasonal nature of our revenues and expenditures. Hon. gentlemen opposite are in the habit of expressing great interest in the public accounts, but apparently in their study of them they have not got through the first six or eight pages. If they had they would have learned that the final surplus is normally about half the interim surplus as of December 31. A year ago, in the face of an extremely uncertain situation, I put forward what I described as a provisional tax program. This was done in the expectation that the outlook at home and abroad would become clearer. While the future is not free of uncertainty, the prospects are now sufficiently clear to justify moving toward a more stable pattern in our tax structure. The main essentials in a tax structure necessary to carry the civilian and the defence programs are that it should be adequate, efficient, fair and reasonably stable. To be adequate it is clear that I cannot offer any large net reductions in taxes this year. To be efficient and to be as fair as possible I shall be proposing quite a number of modifications, which on balance will provide some net reduction in tax revenues, though in certain instances adjustments in consumption may partly offset the adjustments in the tax rates. These modifications in tax rates, and some rearrangements in the grouping of tax commodities, will I believe put our tax structure into an orderly balance and, in the absence of substantial changes in the pattern of expenditure, provide some promise of reasonable stability in our tax structure for the immediate future.

Our total program of expenditure now consists, in round figures, of just over \$2 billion for defence, nearly \$1 billion for social security and pensions of various kinds, about \$650 million for interest on the debt and payments to the provinces, and about \$650 million for general administration and all the other varied activities of government. To this broad pattern of expenditures all parties in the house have subscribed in principle. While we will continue to press for maximum economies the only reasonable expectation we can have of real reductions in tax load must lie either in a lesser need

for defence expenditure or in the steady increase in the wealth and incomes of our people, so that the present actual weight of taxation becomes a relatively lighter burden.

INCOME TAX CHANGES

Coming now to specific proposals I shall deal first with the corporate income tax. At present corporations pay, under the federal income tax law, fifteen per cent on the first \$10,000 of profits and 38 per cent plus twenty per cent of 38 per cent (the defence surcharge) on profits in excess of \$10,000. This results in an effective rate of 45.6 per cent on profits over \$10,000. In addition, corporations have been paying five per cent in the eight provinces with which we have had tax agreements, and seven per cent in Ontario and Quebec. Some time ago it was announced that the eight provinces would be asked to drop these five per cent corporate income taxes. They will be replaced by a five per cent increase in the federal rate. Concurrently provision will be made for a five per cent tax credit against the federal tax in respect of profits earned in Ontario and Quebec where provincial corporate taxes presumably will still be in force. This change will be essentially one of form rather than substance, and is designed to simplify administrative procedures. There will be no net increases in the taxes paid by corporations since the additional amount paid to the federal government will be only what they would have paid to the provinces. Our tax receipts will go up by \$35 million on a full year basis, but our payments to the provinces will go up by an equivalent amount.

After this consolidation the federal rate on the first \$10,000 will be twenty per cent with 50.6 per cent as the rate on the remainder. In the process of re-arrangement which will be effective as from January 1, 1952, the 50.6 per cent will be rounded off to an even 50 per cent. The revenue loss from this minor adjustment will be about \$12 million in this fiscal year.

In considering the over-all tax position of corporations under this new structure it should be remembered that there is an additional two per cent tax on all corporate income imposed under the old age security act. To sum up then, the top corporate tax rate in Canada will be 52 per cent in eight provinces and 54 per cent in Ontario and Quebec.

Quite frankly, I am concerned that conditions make it necessary to maintain in our tax structure rates as high as this on business profits. My main concern is not with the current year or even possibly with next year. The ill effects of too high taxes can perhaps be endured for a year or two. But as I said

last year, excessive rates of tax on corporate incomes if long maintained can do grave damage to the economy as a whole, and I say quite candidly that if I had more leeway for tax abatement it is to income taxes, both corporate and personal, that I would give first consideration.

The house will recall that in my budget speech a year ago, I expressed special concern over the effect of our present high corporate tax rate on certain public utility companies which are forced by the nature of their business and their franchises to raise large amounts of capital to finance expansion of services required to be performed for the public, and which because of public control of rates are allowed to earn only a modest return on their capital. At that time I had in mind that we would be able to work out the details of a formula which would give such companies substantial relief from the 20 per cent surcharge I was then proposing. After a great deal of investigation we found it impossible to devise a practicable formula of the type I had in mind and so the whole idea had to be dropped.

During the past year much further study has been given to the problem and I have now decided to recommend a change in our law which I believe can be administered and which will grant a measure of relief to certain of these companies as long as the present very high corporate tax rate continues to apply. This relief will apply to companies whose main business is the distribution to, or generation for distribution to, the public of electrical energy, gas or steam, and will take the form of a deduction from the tax otherwise payable of an amount sufficient to reduce to 43 per cent the tax payable under the Income Tax Act on that part of a corporation's taxable income that is derived from such distribution or generation. This, it will be recalled, is the group of companies in respect of which the government of Canada now turns over to the appropriate provincial governments half of its collections of tax on the specified income, after deduction of certain types of tax paid directly by the same corporations to provincial governments. It is also, generally speaking, the group of companies which for a variety of reasons finds the greatest difficulty in securing adequate income to attract the heavy volume of capital required to keep pace with public demand.

I am well aware that the degree of relief which I find it justifiable to grant may prove disappointing to those concerned but I do hope that it will make a real contribution to a solution of a problem we all recognize. It was only with the greatest reluctance that I reached a decision to apply a reduced rate of tax to a named class of companies and I decided it should be done only as a temporary

expedient. Hon. members will have noted from the explanation I have given that as the corporate tax rate drops from its present 50 per cent level (that is, excluding the old age security tax) the formula I am proposing will result in a lessening measure of relief to this special class of companies and when the rate falls to 43 per cent, the formula will cease to operate.

There will be some revenue loss from this proposal but the net effect will be relatively small, as an amount equal to half of the tax abatement would otherwise, under present arrangements, have been turned over to the provincial governments.

An interesting change I am proposing under the corporation income tax is that those crown corporations of the federal government which are designated as proprietary corporations, and hitherto have been exempt from tax, will in future pay corporate income tax to the federal government in the same manner as any privately-owned corporation. "Proprietary corporations" are those so designated under the Financial Administration Act, and generally speaking are companies which are carrying on business operations similar to and in competition with private business. One desirable result of this proposed action will be to make the financial statements of these crown companies more comparable with private industry, and make it easier to assess the relative efficiency of their operations. I do not expect this change to have appreciable net revenue effects. It will increase our tax receipts and reduce our non-tax revenue. All crown company profits eventually find their way into the treasury, and many of them already remit all or the greater part of their profits year by year.

Other proposals under the corporation income tax include the extension for an additional year of the allowances now granted for mineral and petroleum exploration expenses, including the so-called "deep-test" well allowance, the addition of another year to the period during which new mines may qualify for the three year exemption, and various technical amendments of lesser importance which will be covered in the bill to amend the Income Tax Act.

In the personal income tax field a new rate schedule will be introduced. Into this new schedule I propose to incorporate most of the weight of the present 20 per cent surcharge. There will be some over-all abatement although in saying this I should remind the house that the two per cent income tax imposed by parliament last session under the Old Age Security Act will be coming into force on July 1 of this year.

The house will recall that one of the criticisms quite properly directed at the 20 per cent surcharge method of increasing the personal income tax was that it increased in a distorted manner the rate of progression in the income tax schedule. For example, it resulted in levying a tax of more than 100 per cent in certain circumstances. Everyone would agree that such a result is quite wrong, and in modifying the rate structure this anomaly has been removed and a more reasonable scale of progression has been established. I expect the revenue loss as a result of these changes to be about six per cent in a full year and this loss in revenue is a general indication of the average gain to the individual taxpayer. In other words, the average taxpayer will pay six per cent less than he would otherwise have done under the income tax law as it now stands. With the consent of the house I should like to insert in *Hansard* at this point tables showing the effect of the new taxes on taxpayers at various levels of income.

Present and Proposed Income Tax
Single Taxpayer

Income	Tax for 1952		Tax in 1952	
	at Present Rates	in Full Year at New Rates	Percentage Reduction from Present Rates	6 months at new rates)
\$	\$	\$	%	\$
1,000	.....	.....	.....	.....
1,200	36	34	6	35
1,500	90	85	6	88
1,800	144	136	6	140
2,000	180	170	6	175
2,250	231	218	6	225
2,500	282	265	6	274
2,750	333	313	6	323
3,000	384	360	6	372
3,500	498	470	6	484
4,000	612	580	5	596
5,000	840	800	5	820
7,500	1,524	1,450	5	1,487
10,000	2,352	2,250	4	2,301
20,000	7,152	6,750	6	6,951
30,000	12,792	11,950	7	12,371
50,000	26,177	24,354	7	25,195
75,000	44,717	41,554	7	42,965
100,000	64,457	60,004	7	61,960
200,000	151,697	141,404	7	145,880
400,000	339,737	318,344	6	327,570

Note: (1) In calculating the above taxes it has been assumed that all incomes up to \$30,000 are entirely earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total. No account has been taken of the 10 per cent tax credit for dividends from Canadian corporations.

(2) The Old Age Security tax of 1% on taxable income (maximum tax \$30) in 1952 and 2% of taxable income (maximum tax \$60) thereafter is not included in the above amounts.

Present and Proposed Income Tax
Married Taxpayer—No Children

Income	Tax for 1952		Tax in 1952	
	at Present Rates	in Full Year at New Rates	Percentage Reduction from Present Rates	6 months at new rates)
\$	\$	\$	%	\$
2,000	.....	.....	.....	.....
2,250	45	43	4	44
2,500	90	85	6	88
2,750	135	128	5	132
3,000	180	170	6	175
3,500	282	265	6	274
4,000	384	360	6	372
5,000	612	580	5	596
7,500	1,236	1,175	5	1,206
10,000	1,992	1,900	5	1,946
20,000	6,612	6,250	5	6,431
30,000	12,192	11,400	6	11,796
50,000	25,517	23,754	7	24,565
75,000	43,997	40,904	7	42,280
100,000	63,677	59,304	7	61,220
200,000	150,857	140,604	7	145,060
400,000	338,837	317,484	6	326,690

Note: (1) In calculating the above taxes it has been assumed that all incomes up to \$30,000 are entirely earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total. No account has been taken of the 10 per cent tax credit for dividends from Canadian corporations.

(2) The old age security tax of 1 per cent taxable income (maximum tax \$30) in 1952 and 2 per cent of taxable income (maximum tax \$60) thereafter is not included in the above amounts.

Present and Proposed Income Tax
Married Taxpayer—With Two Children Eligible for Family Allowances

Income	Tax for 1952		Tax in 1952	
	at Present Rates	in Full Year at New Rates	Percentage Reduction from Present Rates	6 months at new rates)
\$	\$	\$	%	\$
2,300	.....	.....	.....	.....
2,400	18	17	6	18
2,500	36	34	6	35
2,750	81	77	5	79
3,000	126	119	6	123
3,500	221	208	6	215
4,000	323	303	6	313
5,000	544	514	6	529
7,500	1,157	1,100	5	1,129
10,000	1,898	1,810	5	1,854
20,000	6,450	6,100	5	6,275
30,000	12,012	11,235	6	11,624
50,000	25,319	23,574	7	24,376
75,000	43,781	40,709	7	42,075
100,000	63,443	59,094	7	60,998
200,000	150,605	140,364	7	144,814
400,000	338,567	317,226	6	326,426

Note: (1) The above figures show the actual income tax liability of a taxpayer with family allowance children but in order to arrive at his true net position the amount of family allowances received for his children must be offset against his tax liability.

(2) In calculating the above taxes it has been assumed that all incomes up to \$30,000 are entirely

earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total. No account has been taken of the 10 per cent tax credit for dividends from Canadian corporations.

(3) The old age security tax of 1 per cent taxable income (maximum tax \$30) in 1952 and 2 per cent taxable income (maximum tax \$60) thereafter is not included in the above amounts.

As I mentioned earlier, no change has been made in the levy on personal incomes already enacted as a contribution toward the cost of old age security. This charge will apply at an effective rate of 1 per cent on taxable income for 1952 and at a 2 per cent rate thereafter, and will be in addition to the ordinary income tax. I am proposing that tax deductions under the new schedule will commence on July 1, concurrently with the commencement of deduction of the old age security tax. The tax liability for the full year 1952 will be determined in accordance with a special schedule of rates which will in effect represent the average of the rates now in force and the rates under the new schedule.

I think I should make clear that the reductions in income tax which I have announced will not be sufficient, for most taxpayers, to offset the effect of the old age security tax.

As a result of this change I anticipate that in the fiscal year which has just commenced revenue from personal income tax will be reduced by some \$40 million from the amount of \$1,240 million I estimated earlier that I would receive from this source.

I am proposing several other amendments of lesser importance affecting the personal income tax.

The existing maximum limits on the amount of medical expenses that may be deducted were established some time ago and there is evidence that these limits are imposing undue hardship in many instances of prolonged or serious illness, especially in cases where certain new and more expensive kinds of treatment are required. I am, therefore, proposing that these limits now be doubled. The effect of this change will be to raise from \$750 to \$1,500 and from \$1,000 to \$2,000 the amount which may be deducted in a year for persons having single and married status respectively, with corresponding increases in the allowance granted where there are dependents. The law also now requires that medical expenses be both incurred and paid in the same twelve month period to be eligible. I am proposing in the future to recognize expenses paid in the period no matter when incurred.

I gave most careful consideration to the suggestion contained in the resolution passed by this house that the provisions of the law limiting the deductible medical expenses to

those in excess of 4 per cent of income should be removed. However, I feel strongly that the normal personal and living expenses of a taxpayer should never be deductible from income for taxation purposes. The requirement that only medical expenses in excess of 4 per cent of income are deductible will be retained, therefore, as a means of limiting, and I think properly so, the application of this provision to medical expenses of an unusual degree in accordance with the original purpose.

Some further technical changes will be made in the special tax system introduced for the armed forces last year. Experience with this new system has revealed certain problems which can be overcome by modifying its details in some minor respects. These will be discussed in detail when the amendments to the Income Tax Act are before the house.

The legislation governing pension plans will be amended to allow a deduction for payments under so-called terminal funding plans, and to introduce greater flexibility into the provisions governing the deductibility of employer's contributions in respect of employee's past services. Other minor technical amendments affecting the personal income tax will also be proposed in the amending legislation.

A word might be said here about the Succession Duty Act. Our law needs overhauling and I had hoped before now to have been able to bring forward a revision of the law for the consideration of the house. The fact is, however, that pressure of other matters has made this impossible. There are a few amendments of a technical nature that need immediate attention. They are not matters of policy and the effect will be merely to clarify certain provisions and remove anomalies. These will be found in the amending bill which will subsequently be introduced.

CUSTOMS TARIFF CHANGES

The budget resolutions relating to the customs tariff which I am tabling contain proposals to carry out certain recommendations of the tariff board and to provide for reductions which have been requested in certain duties to achieve economies in costs of productions. In a number of cases I am proposing changes in wording and classification which would remove anomalies and administrative difficulties which have arisen. I am also proposing to bring into the customs tariff a number of items which have been accorded reduced rates of duty for some time by order in council.

I am tabling with the budget resolutions four reports I have received from the tariff

board. These reports are the result of references which I sent to the board during the past several years on plastics, glass, architects' and engineers' plans, and iron or steel shot and grit. In each of these cases I thought it desirable to have a thorough inquiry by the board, under the terms of the Tariff Board Act, before recommending any action.

In 1937, when the board last reported on the tariff schedule covering synthetic resins and plastics, it recommended that these schedules be reviewed from time to time in order to keep the classifications and rates of duty up to date. During the past decade the Canadian plastics industry has undergone a striking development both in the magnitude and range of its operations. As a result the classification, wording and rates of duty pertaining to the plastic items in the tariff have become obsolete. After an exhaustive inquiry into this highly complex and technical subject the board has proposed a revised classification and has recommended adjustments in rates of duty in order to bring the tariff items in line with the present position of the industry.

Last year the board presented certain interim recommendations on the plastic items which I tabled with my budget a year ago. The report which I am now tabling contains the final results of the board's inquiry and incorporates the interim recommendations which were implemented by parliament last year. The board's recommendations, which are now complete, regarding the structure of rates for the plastic items involve some increases and some decreases from existing rates of duty. The reasons which led the board to recommend these re-adjustments are fully set out in its report.

The second tariff board report which I am tabling relates to the tariff items covering glass in its various forms. The board has recommended reduced rates of duty on such widely used items as window glass, plate glass, certain forms of safety glass, and mirrors. The board has come to the conclusion, also, that if the recommended reductions are implemented, the drawback provisions granted to the mirror and safety glass industries are no longer necessary.

In 1946 parliament, upon the recommendation of the Minister of Finance, established a tariff item which provided for the duty free entry of certain engineers' plans, drawings or blueprints. Subsequently I received a number of representations asking for the restoration of the former rates of duty. I referred the matter to the tariff board for inquiry and report. The board heard extensive evidence from the interested parties and after careful

study has recommended that duty free entry under the item in its present form should be continued.

The remaining report of the tariff board deals with the customs duty on iron or steel shot and grit. The item is now duty free. The board has recommended the imposition of a duty of five per cent on one classification of this item.

The first budget resolution relating to the customs tariff which I am submitting includes proposals to carry out all the tariff board recommendations respecting plastics and glass. I wish to consider further the recommendation for the imposition of a new duty on iron or steel shot and grit.

The second customs tariff resolution contains proposals for lower rates of duty on a list of items that enter into the costs of production of certain manufacturing and primary industries. A number of reductions are proposed in rates of duty on certain specialized equipment used in the mining industry. In respect of items used in agriculture there are several proposals for lower rates of duty, including some items of equipment used in the dairy industry, propane gas for use in tractors, clarification of the position of tractor tires and certain tractor accessories to ensure continued free entry, and ball and roller bearings for the repair of agricultural implements and machinery. I am also proposing that provision be made for the free entry of complete aircraft and engines of types and sizes not made in Canada. This is designed to be of particular assistance to the considerable number of smaller air transport companies which are anxious to re-equip with more modern aircraft. I am also proposing to widen the limit allowed from five dollars to ten dollars for the free entry of casual donations sent by persons abroad to friends in Canada.

In addition, the resolution contains a considerable number of proposals for improvements in wording and classification to remove anomalies and to keep the items in line with recent developments. The schedule pertaining to automobile parts has been extensively re-written to bring it up to date with the present position of the automobile industry. The rates of duty proposed for automobile parts have generally been in effect for some time as a result of trade agreements negotiated under the general agreement on tariffs and trade. On the whole these rates are appreciably lower than the existing statutory rates.

Under the third customs tariff resolution I am tabling it is proposed to bring into the permanent tariff a number of items on which reduced rates of duty have been granted temporarily by order in council on materials used in Canadian manufactures. Authority for

such temporary reductions is granted in section 284 of the Customs Act. Many of the items have been in effect for several years and experience has shown that it is desirable to place them in the permanent tariff.

I would expect no net change in our customs revenue as a result of all these amendments.

COMMODITY TAX CHANGES

Turning to commodity taxes, my purpose here as elsewhere is to make a number of adjustments and regroupings which will have the effect of reducing some tax rates, without seriously reducing our total revenues. They will also enable us to get back to the three broad groups of domestic commodity taxes which have become our accepted objective of a well-balanced, relatively simple, yet highly productive revenue system in this field.

Hon. members will recall that our commodity taxes fall into three main categories: first, there is the so-called general sales tax, of which the rate is 8 per cent with an additional 2 per cent levied for old age security; second, there are the special excise taxes, in general applicable in addition to the sales tax, which are now levied on a wide range of consumer goods at a rate which, with a few exceptions, is presently 25 per cent; third, there are the taxes and duties on liquor and tobacco products, both traditional and productive sources of revenue in the federal tax system.

Except for minor additions to the list of exempt goods, details of which will be found in the resolutions, I am not proposing to touch the sales tax. For reasons which I have discussed fully in the past I am satisfied that in its present form, with the numerous and extensive exemptions granted under it, the sales tax is a fair levy. We are constantly striving to make it even more so, and will continue to do so in the future.

The second broad group of taxes, the special excises, apply to a range of goods most of which are in the class of consumers' durables and are less essential in the sense that in most cases their purchase and enjoyment may be postponed without serious sacrifice. In 1949 we revised our rate structure so that on most goods the rate was 10 per cent. In the fall of 1950, after the invasion of Korea, we raised the general level to 15 per cent, and a year ago, when it appeared that our defence effort would make still heavier demands upon us, we raised the rate of broadest application to 25 per cent and brought three types of household appliances under tax at a 15 per cent rate. An exceptional instance in

this group was soft drinks, which we raised to 30 per cent in the fall of 1950 and have retained at that rate since.

One reason for attempting a year ago to reduce the current purchases of most of the items in this tax group was that we were facing the prospects of acute shortages in steel and other essential materials which go in large volume into these articles. Due in part to reduced production of these consumer durables, but even more to the rapid increase in steel producing capacity and improved supplies of other critical materials, we no longer face these difficulties to the same acute degree, although I should add that that statement would have to be qualified if we had prolonged work stoppages in the steel industry either in this country or in the United States.

We can ill afford much loss of revenue, and I have given much personal study to this question. In this I have been helped by a considerable number of carefully prepared and thoughtful briefs from consumers, dealers and manufacturers. I am satisfied that a lower rate of tax will now meet our requirements, and I am proposing that effective from midnight tonight, the tax on all goods now bearing the 25 per cent rate under the Excise Tax Act will be reduced to 15 per cent, that the household appliances now taxed at 15 per cent will be exempted from this special excise, and that the 30 per cent rate on soft drinks be reduced to 15 per cent. In this connection the tax on carbonic acid gas will also be reduced, and products competitive with soft drinks, known as dry-powder drinks, will be made taxable at a 15 per cent rate. The tax on candies, which was reduced last year to 15 per cent, will continue to be taxed at that rate.

The details of the goods affected by these changes are given in the resolution, but for the information of the house I mention that included in the group on which the rate is reduced from 25 per cent to 15 per cent are automobiles, the smaller electrical household appliances, firearms, motor cycles, radios and phonographs, tires and tubes, golf clubs and balls and fishing rods and reels, cameras and supplies, lighters, cigars, luggage, pens and pencils, jewellery, ornaments, toilet articles, clocks and watches, and furs. The household appliances taxed at 15 per cent, and now to be exempted, are stoves, washing machines and refrigerators.

The net reduction in revenue from the changes just proposed is estimated at \$78 million in the fiscal year.

Turning to the third main group of commodity taxes—those on alcoholic beverages and tobacco—the principal problem I have had to deal with has been the cigarette tax, and there is no subject upon which I have received more free advice. Hon. members will recall that a year ago taxes were increased on both cigarettes and cut tobacco, and the tax on cigarette papers and tubes was repealed. I had then expected that there would be a net increase in revenue of \$28 million as a result of all these changes. Actually the increased revenue has turned out to be only \$5 million, made up of a decrease of \$1 million on cigarettes and an increase of \$13 million on cut tobacco offset by the \$7 million of taxes abolished on cigarette papers and tubes.

In the case of cigarettes only I had forecast an increase of \$21 million and I experienced a decline of \$1 million. There are of course a number of reasons for this decline. I had expected that the higher prices resulting from the higher tax would affect consumption to some extent, but when they were combined with additional price increases announced by the manufacturers a little later, the effect on consumption was much more pronounced.

Then our tobacco taxes are paid when the products are shipped from the factory and there were heavy but quite legitimate shipments from the factories in the several weeks preceding the budget. Further there was a prolonged strike during the summer in the plant of one large manufacturer. There has also been a considerable increase in the importation of American cigarettes, both legal and illegal, though in my opinion the volume of smuggling has been greatly exaggerated in much of the public discussion.

After saying all this, the real situation is that when the various provincial taxes on cigarettes and the manufacturers' price increases are added to the federal taxes we seem to have reached a point of diminishing returns. I therefore propose, effective immediately, to move the cigarette tax back to where it was a year ago, that is, a reduction of \$1.50 per thousand, or three cents on the standard package of 20. As a result of this change and the consequential price reductions I would expect some recovery in cigarette sales, and I estimate the net reduction in revenue at \$10 million.

The tax on raw leaf tobacco will be reduced by the amount of last year's increase. In recent years the use of tobacco in this form has been decreasing, and I have been impressed by the evidence that the present tax is unduly burdensome to the growers.

A minor technical change that will be made in the case of manufactured and raw leaf

tobacco will be to modify the charges now imposed, to vary with the exact amount of tobacco in a package rather than to apply at a flat amount per ounce or fraction of an ounce.

In the case of alcoholic beverages no changes of any consequence are proposed. Minor adjustments under the Excise Act will include the repeal of the duty on spirits used in fortifying wines or in any product that is subject to a special excise tax. It is proposed to change the duty on beer made from substances other than malt from 45 cents to 42 cents per gallon in order to give the two forms of product equality of treatment. The revenue effects of these latter changes will be unimportant.

As usual I give public notice that no claims for refund arising out of tax reductions in respect of goods on which tax has been paid will be entertained by my colleague, the Minister of National Revenue.

SUMMARY OF TAX CHANGES

I am now in a position to summarize the effects of all the proposed tax changes, and in doing so I ask leave of the house to insert in the record the two usual tables, one showing the effect of the proposed tax changes on revenue, and the other giving a revised forecast of total revenue after giving effect to the tax changes.

Effect on Revenue of Proposed Tax Changes

	Reduction in fiscal year 1952-53	Reduction in a full year
	(In millions of dollars)	
Personal income tax—		
Incorporation of 20 per cent surtax into rate structure ..	40	65
Corporation income tax—		
Reduction due to .6 per cent adjustment in tax rate	12	18
Increase due to incorporation of 5 per cent provincial corpora- tion income tax into federal tax structure	+25	+35
Excise taxes—		
Reduction of 25 per cent rate to 15 per cent	58	64
Reduction in tax on soft drinks from 30 per cent to 15 per cent	10	11
Repeal of 15 per cent tax on refrigerators, stoves and washing machines	10	11
Reduction in cigarette tax	10	11
Other miscellaneous changes ..	1	1
Total	116	146

Revised Forecast of Revenues for Fiscal Year 1952-53 Taking Account of Tax Changes

	Forecast of revenue from Existing Taxes	Increase or Decrease (—) in Revenue From Budget Proposals	Revised Forecast of Revenue for 1952-53
(In millions of dollars)			
Personal income tax	1,240.0	-40.0	1,200.0
Non-resident income tax	60.0		60.0
Corporation income tax	1,257.0	13.0	1,270.0
Succession duties	43.0		43.0
Customs import duties	370.0		370.0
Excise duties	240.0		240.0
Sales tax (net)	540.0	-1.0	539.0
Other excise taxes	340.0	-88.0	252.0
Miscellaneous taxes	5.0		5.0
Total tax revenues	4,095.0	-116.0	3,979.0
Non-tax revenues	275.0		275.0
Total ordinary revenues	4,370.0	-116.0	4,254.0
Special receipts and credits	25.0		25.0
Total budgetary revenues	4,395.0	-116.0	4,279.0
Old Age Security taxes			
2 per cent sales tax	135.0		135.0
2 per cent individual income tax	52.0		52.0
2 per cent corporation income tax	48.0		48.0
	4,630.0	-116.0	4,514.0

The tables show that the net reductions in taxation during this fiscal year will amount to \$116 million. Hon. members will recall that earlier in my speech I estimated the prospective surplus before tax changes, at \$125 million. After giving effect to my proposed tax changes budgetary revenues are estimated at \$4,279 million, expenditures at \$4,270 million, and consequently an estimated surplus of \$9 million. What I am really doing, of course, is budgeting for a balanced budget, since the \$9 million surplus is less than one-quarter of one per cent of revenues, and less than the normal mathematical margin of error in the estimates themselves.

A year ago, Mr. Speaker, I concluded my budget speech by saying that it would be too bold to hope that by this time circumstances would permit any reductions in tax rates, and the best hope I could hold out would be for no further increases in tax rates. I am glad that conditions have so turned out that I have been able to do a little better than I expected. I have not proposed any increases in tax rates, and I have been able to propose some downward adjustments.

Unless conditions at home exceed even my generous expectations, and unless the clouds that overhang the international scene lift more rapidly than we now have a right to expect, my hope for next year is the same

as that I expressed a year ago—an expectation of no increases in tax rates, but not much likelihood of substantially lower rates. If we can do as well next year in bettering these expectations, as we have this year, I for one would be content, and I am sure that the house and the country, knowing full well the great and serious responsibilities that we in Canada carry in partnership with others, would fully share that sense of satisfaction.

Mr. Speaker, I shall now table the resolutions which I shall move when the house is in committee.

INCOME TAX ACT

Resolved that it is expedient to introduce a measure to amend the Income Tax Act and to provide, amongst other things:

1. That for the 1953 and subsequent taxation years there be substituted for the graduated rates of tax and the defence surtax that are at present applicable to the income of individuals, the following graduated rates of tax:

(a) 17 per cent of the amount taxable if the amount taxable does not exceed \$1,000,

(b) \$170 plus 19 per cent of the amount by which the amount taxable exceeds \$1,000 if the amount taxable exceeds \$1,000 and does not exceed \$2,000,

(c) \$360 plus 22 per cent of the amount by which the amount taxable exceeds \$2,000 if the amount taxable exceeds \$2,000 and does not exceed \$4,000,

(d) \$800 plus 25 per cent of the amount by which the amount taxable exceeds \$4,000 if the amount taxable exceeds \$4,000 and does not exceed \$6,000,

(e) \$1,300 plus 30 per cent of the amount by which the amount taxable exceeds \$6,000 if the amount taxable exceeds \$6,000 and does not exceed \$8,000,

(f) \$1,900 plus 35 per cent of the amount by which the amount taxable exceeds \$8,000 if the amount taxable exceeds \$8,000 and does not exceed \$10,000,

(g) \$2,600 plus 40 per cent of the amount by which the amount taxable exceeds \$10,000 if the amount taxable exceeds \$10,000 and does not exceed \$12,000,

(h) \$3,400 plus 45 per cent of the amount by which the amount taxable exceeds \$12,000 if the amount taxable exceeds \$12,000 and does not exceed \$15,000,

(i) \$4,750 plus 50 per cent of the amount by which the amount taxable exceeds \$15,000 if the amount taxable exceeds \$15,000 and does not exceed \$25,000,

(j) \$9,750 plus 55 per cent of the amount by which the amount taxable exceeds \$25,000 if the amount taxable exceeds \$25,000 and does not exceed \$35,000,

(k) \$15,250 plus 60 per cent of the amount by which the amount taxable exceeds \$35,000 if the amount taxable exceeds \$35,000 and does not exceed \$50,000,

(l) \$24,250 plus 65 per cent of the amount by which the amount taxable exceeds \$50,000 if the amount taxable exceeds \$50,000 and does not exceed \$75,000,

(m) \$40,500 plus 70 per cent of the amount by which the amount taxable exceeds \$75,000 if the amount taxable exceeds \$75,000 and does not exceed \$100,000,

(n) \$58,000 plus 75 per cent of the amount by which the amount taxable exceeds \$100,000 if the amount taxable exceeds \$100,000 and does not exceed \$150,000,

(o) \$95,500 plus 80 per cent of the amount by which the amount taxable exceeds \$150,000 if the amount taxable exceeds \$150,000 and does not exceed \$250,000,

(p) \$175,500 plus 86 per cent of the amount by which the amount taxable exceeds \$250,000 if the amount taxable exceeds \$250,000.

2. That for the 1952 taxation year the graduated rates of tax applicable to income of individuals be the average of the present rates (including defence surtax) and the rates set out in paragraph 1.

3. That with respect to income of corporations earned on and after January 1, 1952, the present rate of tax shall be increased from 15 per cent to 20 per cent on the first \$10,000 of taxable income and from 38 per cent to 50 per cent on taxable income in excess of \$10,000, and that the defence surtax be repealed.

4. That there may be deducted from the amount of income tax otherwise payable by a corporation for a taxation year in respect of income earned on and after January 1, 1952,

(a) the amount of income tax payable to the government of a province for that taxation year in respect of income earned on and after January 1, 1952, as a result of its operations in that province, or

(b) 5 per cent of the taxable income of the corporation of that taxation year under the Income Tax Act that is earned on and after January 1, 1952, as a result of its operations in that province, whichever is less.

5. That for the 1952 and subsequent taxation years the maximum amount in respect of medical expenses that may be deducted in computing taxable income, be increased

(a) to \$2,000 in the case of a person who may at present deduct a maximum of \$1,000,

(b) to \$1,500 in the case of a person who may at present deduct a maximum of \$750, and

(c) to \$500 for each dependent in respect of whom a maximum of \$250 may at present be deducted, subject to a maximum deduction of \$2,000 by a husband and wife between them or by a person in respect of all his dependents; and that there be included in the medical expenses that may be deducted in computing taxable income those medical expenses that at present are not included by reason only that they were not incurred in the appropriate twelve-month period in which they were paid.

6. That crown corporations that are classed as proprietary corporations in the Financial Administration Act shall pay tax on income earned on and after January 1, 1952.

7. That the special deduction from income to a taxpayer whose principal business is the production, refining or marketing of petroleum or petroleum products or the exploring or drilling for oil or natural gas or mining or exploring for minerals, be allowed for expenses incurred in the 1955 operations on the same basis as for expenses incurred in the operations in the years 1951 to 1954.

8. That the special deduction from income and taxes of a taxpayer whose principal business is production, refining or marketing of petroleum or drilling for petroleum be allowed for expenses incurred in respect of deep-test oil wells in 1953 operations on the same basis as for similar expenses in operations of the years 1950 to 1952.

9. That the exemption of the income from a metalliferous or industrial mineral mine for the first three years of production now applicable to mines coming into production during the years 1946 to 1954 be extended to mines coming into production during the year 1955.

10. That a corporation resident in Canada whose gross revenue for a taxation year ending on or after January 1, 1952 derived from the distribution to or generation for distribution to the public of electrical energy, gas or steam is more than one-half its total gross revenue for the same period shall be entitled to a deduction from the tax otherwise payable by it under the Income Tax Act to the extent necessary to reduce to 43 per cent the

rate of tax payable by the corporation under that Act on that part of its taxable income for that taxation year that is derived on and after January 1, 1952, from such distribution or generation.

EXCISE TAX ACT

Resolved that it is expedient to introduce a measure to amend the Excise Tax Act and to provide:—

1. That the excise tax on goods enumerated in Schedule I of the Act that are at present subject to the rate of twenty-five per cent be reduced to fifteen per cent.

2. That the excise tax on furs and articles manufactured of fur be reduced from twenty-five per cent to fifteen per cent.

3. That the excise tax on soft drinks be reduced from thirty per cent to fifteen per cent and that there be assessed, levied and collected an excise tax of fifteen per cent on preparations for household use in making soft drinks.

4. That the excise tax on stoves, washing machines and refrigerators be repealed.

5. That the excise tax on carbonic acid gas be reduced from fifty cents to twenty-five cents per pound.

6. That the excise tax on cigarettes be reduced from two and three-quarter cents to two cents for each five or fraction of five cigarettes contained in each package.

7. That the excise tax on manufactured tobacco be changed from five cents per ounce or fraction of an ounce to eighty cents per pound.

8. That the excise tax on Canadian raw leaf tobacco be reduced from one and one-quarter cents per ounce or fraction of an ounce to eight cents per pound.

9. That the sales tax on the following goods be repealed:

- (a) drinks prepared from milk or eggs;
- (b) preserved fruits;
- (c) cooking oils and salad oils but not including mayonnaise or salad dressing;
- (d) baling wire for baling farm produce;

- (e) steel pens for farm animals;
- (f) preservatives for use exclusively in treating nets, ropes and lines used in the fishing industry;
- (g) clays and earth for use exclusively as filtering materials in the refining of petroleum oils;
- (h) goods enumerated in Customs Tariff items 411a, 437, 476b.

10. That any enactment founded upon this Resolution be deemed to have come into force on the ninth day of April nineteen hundred and fifty-two.

EXCISE ACT, 1934

Resolved that it is expedient to introduce a measure to amend the Excise Act, 1934 and to provide:—

1. That the duty of excise on spirits distilled from wine produced from native fruits and used in the treatment of domestic wine be repealed.

2. That the duty of excise on spirits used directly in the manufacture of goods subject to excise tax under schedule I of the Excise Tax Act be repealed.

3. That the duty of excise on beer or malt liquor brewed in whole or in part from any substance other than malt be reduced from forty-five cents to forty-two cents per gallon.

4. That any enactment founded upon this Resolution be deemed to have come into force on the ninth day of April nineteen hundred and fifty-two.

DOMINION SUCCESSION DUTY ACT

Resolved that it is expedient to introduce a measure to amend the Dominion Succession Duty Act to correct certain anomalies, to clarify the application of certain provisions and to make certain technical amendments.

CUSTOMS TARIFF

1. Resolved, that Schedule A to the Customs Tariff be amended by striking thereout tariff items 216d, 216e, 216f, 231d, 231e, 237(a), 237(b), 237(c), 237(d), 238(1), 238(2), 238(3)(i), 238(3)(ii), 238(4)(i), 238(4)(ii), 238(5)(i), 238(5)(ii), 238(6)(i), 238(6)(ii), 238a, 238b, 238c, 238d, 238e, 238f, 238g, 318, 319, 320, 321, 322, 322a, 323 and 324, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:—

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
318	Sheet glass, transparent, not further processed than cut into rectangles.....	Free	7½ p.c.	17½ p.c.	Free (a) Free (a) Subject to 50 p.c. drawback under Schedule "B"	10 p.c. (a) 20 p.c.	15 p.c. (a) 25 p.c.
319	Plate glass, ground and polished on both surfaces, not further processed than cut into rectangles.....	Free	5 p.c.	15 p.c.	(b) Free (b) Free (b) 17½ p.c.	(b) 10 p.c. (b) 20 p.c. (b) 25 p.c.	(b) 25 p.c. (b) 25 p.c. (b) 35 p.c.
320	Glass, rolled or cast, not further processed than cut into rectangles.....	Free	5 p.c.	15 p.c.	(b) Subject to 50 p.c. drawback under Item No. 1014 Schedule "B" and 99 p.c. drawback Item No. 1067 of Schedule "B". (c) Free	(c) 20 p.c.	(c) 25 p.c.
321	Sheet glass, plate glass, cast glass, and rolled glass, n.o.p.....	Free	7½ p.c.	17½ p.c.	(c) Subject to 50 p.c. drawback under Item No. 1014 of Schedule "B" and 99 p.c. drawback under Item 1067 of Schedule "B". (d) Free (d) Subject to 50 p.c. drawback under Item No. 1014 of Schedule "B". (e) 17½ p.c.	(d) 20 p.c. (d) 25 p.c.	(d) 25 p.c. (d) 25 p.c. (e) 35 p.c.
322	Laminated glass, of sheet glass or plate glass, or both:—				(e) Subject to 50 p.c. drawback under Item No. 1014 of Schedule "B" and 99 p.c. drawback under Item No. 1067 of Schedule "B".		
	(a) Not further processed than cut into rectangles..	5 p.c.	12½ p.c.	22½ p.c.	17½ p.c.	25 p.c.	35 p.c.
	(b) N. o. p.....	17½ p.c.	25 p.c.	35 p.c.	17½ p.c.	25 p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
323	Manufactures of laminated glass, n.o.p.....	17½ p.c.	25 p.c.	35 p.c.	17½ p.c.	25 p.c.	35 p.c.
323a	Mirrors of glass, bevelled or not, and framed or not, n.o.p.....	17½ p.c.	20 p.c.	30 p.c.	20 p.c.	22½ p.c.	35 p.c.
323b	Stained or ornamental glass windows.....	7½ p.c.	7½ p.c.	17½ p.c.	7½ p.c.	7½ p.c.	30 p.c.
901	(a) Synthetic resins without admixture, including scrap or waste:—						
	1. Phenol-aldehyde type.....	Free	Free	10 p.c.	Free	Free	Free
	2. Amino-aldehyde type.....	Free	Free	10 p.c.			
	3. Alkyd type.....	5 p.c.	5 p.c.	15 p.c.			
	4. Polyamide type.....	Free	Free	10 p.c.			
	5. Polystyrene type.....	7½ p.c.	7½ p.c.	17½ p.c.			
	6. Vinyl type, except vinylidene.....	5 p.c.	5 p.c.	15 p.c.			
	7. Resins derived from natural resins or tall oil, n.o.p.....	Free	Free	10 p.c.			
	8. Other type.....	Free	Free	10 p.c.			
	(b) Synthetic resins in the form of aqueous emulsions, aqueous dispersions or aqueous solutions, without admixture:—						
	1. Phenol-aldehyde type.....	Free	Free	10 p.c.	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
	2. Amino-aldehyde type.....	Free	Free	10 p.c.			
	3. Alkyd type.....	5 p.c.	5 p.c.	15 p.c.			
	4. Polyamide type.....	Free	Free	10 p.c.			
	5. Polystyrene type.....	7½ p.c.	7½ p.c.	17½ p.c.			
	6. Vinyl type, except vinylidene.....	5 p.c.	5 p.c.	15 p.c.			
	7. Resins derived from natural resins or tall oil, n.o.p.....	Free	Free	10 p.c.			
	8. Other type.....	Free	Free	10 p.c.			

	(c) Synthetic resins in organic solvents where the solvent is not more than 60 per cent by weight, without other admixtures:—					
	1. Phenol-aldehyde type.....	12½ p.c.	12½ p.c.	22½ p.c.	Free	Free
	2. Amino-aldehyde type.....	12½ p.c.	12½ p.c.	22½ p.c.	15 p.c.	25 p.c.
	3. Alkyd type.....	12½ p.c.	12½ p.c.	22½ p.c.	25 p.c.	30 p.c.
	4. Resins derived from natural resins or tall oil, n.o.p.....	12½ p.c.	12½ p.c.	22½ p.c.	or	or
	5. Other type.....	10 p.c.	10 p.c.	20 p.c.	20 p.c. and \$2 per gal.	20 p.c. and \$2 per gal.
					15 p.c.	17½ p.c.
					75 cts. per gal.	85 cts. per gal.
					15 cts. per gal. and 5 p.c.	15 cts. per gal. and 15 p.c.
					½ ct. per gal.	½ ct. per gal.
	(d) Synthetic resins, in powder or granular form, containing an ingredient to prevent caking in shipment, not in excess of 3 per cent by weight, but without further admixture:—					
	1. Amino-aldehyde type.....	Free	Free	10 p.c.	} 15 p.c.	17½ p.c.
	2. Other type.....	10 p.c.	10 p.c.	20 p.c.		
902	Synthetic resins, compounded with other materials, in any form, including scrap or waste, for moulding, casting, extruding, calendering, pressing, (moulding compositions or materials for processing into moulding compositions); synthetic resins compounded with other materials in the form of not fully cured preforms or not fully cured blanks for compression moulding:—					
	(a) Phenol-aldehyde type.....	10 p.c.	15 p.c.	25 p.c.	10 p.c.	20 p.c.
	(b) Alkyd type.....	5 p.c.	5 p.c.	15 p.c.	Free	Free
	(c) Polystyrene type.....	10 p.c.	10 p.c.	20 p.c.	15 p.c.	20 p.c.
	(d) Vinyl type, except vinylidene.....	10 p.c.	10 p.c.	20 p.c.	25 p.c.	25 p.c.
	(e) Other type.....	Free	Free	10 p.c.	or	or
					20 p.c. and \$2 per gal.	20 p.c. and \$2 per gal.
					15 p.c.	20 p.c.
					Free	Free
903	Synthetic resin glues or adhesives, composed of synthetic resins compounded with other materials....	15 p.c.	17½ p.c.	27½ p.c.	15 p.c.	17½ p.c.
904	Synthetic resin compositions, n.o.p.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	25 p.c.
					25 p.c.	30 p.c.
					or	or
					20 p.c. and \$2 per gal.	20 p.c. and \$2 per gal.
					Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
905	Synthetic resin plates, sheets, film, sheeting or strips, not less than 6 inches in width, n.o.p.; synthetic resin lay-flat tubing, not less than 6 inches in circumference, n.o.p. — (a) Phenol-aldehyde type, not further manufactured than cast..... (b) Acrylic type, not further manufactured than moulded or cast..... (c) Polyethylene type: 1. Plain, uncoated, undecorated..... 2. Other..... (d) Vinyl type, except vinylidene: 1. Plain, uncoated, undecorated..... 2. Other..... (e) Vinyl type, vinylidene: 1. Plain, uncoated, undecorated..... 2. Other..... (f) Other type: 1. Plain, uncoated, undecorated..... 2. Other.....	Free Free 10 p.c. 15 p.c. 15 p.c. 15 p.c. Free Free Free 10 p.c.	Free Free 10 p.c. 15 p.c. 15 p.c. 20 p.c. Free Free Free 10 p.c.	10 p.c. 10 p.c. 20 p.c. 25 p.c. 25 p.c. 30 p.c. 10 p.c. 10 p.c. 10 p.c. 20 p.c.	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
906	Synthetic resin plates, sheets, film, sheeting or strips, less than 6 inches in width, lay-flat tubing less than 6 inches in circumference, other tubing, blocks, bars, rods, non-textile monofilament, synthetic resin profile shapes produced in uniform cross-section and imported in lengths: not further manufactured than moulded, cast, calendered, extruded or pressed, n.o.p. — (a) Phenol-Aldehyde type, cast..... (b) Acrylic type..... (c) Vinyl type, except vinylidene..... (d) Vinyl type, vinylidene..... (e) Other type.....	Free Free 15 p.c. Free 15 p.c.	Free Free 15 p.c. Free 15 p.c.	10 p.c. 10 p.c. 25 p.c. 10 p.c. 25 p.c.	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
907	Foamed and expanded synthetic resins, in logs, blocks or boards, or in flakes, granules or powder...	Free	Free	10 p.c.	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
908	Manufactures of synthetic resins, n.o.p.	15 p.c.	20 p.c.	30 p.c.	15 p.c.	20 p.c.	25 p.c.

909	(a) Esters or ethers, or combinations thereof, of cellulose (but not including water soluble cellulose esters or ethers), without admixture:—						
	1. Cellulose nitrate containing not more than 12.2 per cent by weight of nitrogen..... 2. Cellulose acetate..... 3. Cellulose acetate butyrate..... 4. Cellulose propionate..... 5. Ethyl cellulose..... 6. Methyl cellulose, water insoluble..... 7. Other.....	Free Free Free Free Free Free Free	Free Free Free Free Free Free Free	10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c.	1½ cts. per lb. Free	2½ cts. per lb. Free	2½ cts. per lb. Free
	(b) Cellulose nitrate containing not more than 12.2 per cent by weight of nitrogen, when wet with not more than 35 per cent by weight of alcohol.....	Free	Free	10 p.c.	1½ cts. per lb.	2½ cts. per lb.	2½ cts. per lb.
	(c) Esters or ethers, or combinations thereof, of cellulose, in organic solvents, where the solvent is not more than 60 per cent by weight, without other admixture:—						
	1. Cellulose nitrate containing not more than 12.2 per cent by weight of nitrogen, except as provided for under (b) above..... 2. Cellulose acetate..... 3. Cellulose acetate butyrate..... 4. Cellulose propionate..... 5. Ethyl cellulose..... 6. Methyl cellulose..... 7. Other.....	10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c.	10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c. 10 p.c.	20 p.c. 20 p.c. 20 p.c. 20 p.c. 20 p.c. 20 p.c. 20 p.c.	15 p.c. 25 p.c. or 20 p.c. and \$2 per gal. 75 cts. per gal. 15 cts. per gal. and 5 p.c.	20 p.c. 25 p.c. or 20 p.c. and \$2 per gal. 85 cts. per gal. 15 cts. per gal. and 15 p.c.	25 p.c. 30 p.c. or 30 p.c. and \$3 per gal. \$1.25 per gal. 20 cts. per gal. and 30 p.c.
910	Esters or ethers, or combinations thereof, of cellulose compounded with other materials, in any form, including scrap or waste, for moulding, casting, extruding, calendering, pressing, (moulding compositions or materials for processing into moulding compositions).....	Free	Free	10 p.c.	Free	Free	Free
911	Compositions of esters or ethers of cellulose (except water soluble esters or ethers of cellulose) with other materials, n.o.p.....	10 p.c.	10 p.c.	20 p.c.	15 p.c. 25 p.c. or 20 p.c. and \$2 per gal.	20 p.c. 25 p.c. or 20 p.c. and \$2 per gal.	25 p.c. 30 p.c. or 30 p.c. and \$3 per gal.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
912	Cellulose plastics plates, sheets, film, sheeting or strips, not less than 6 inches in width, n.o.p.; cellulose plastics lay-flat tubing, not less than 6 inches in circumference, n.o.p.....	Free	Free	10 p.c.	Free	Free	Free
913	Cellulose plastics plates, sheets, film, sheeting or strips, less than 6 inches in width, lay-flat tubing less than 6 inches in circumference, other tubing, blocks, bars, rods, non-textile monofilament; cellulose plastics profile shapes produced in uniform cross-section and imported in lengths not further manufactured than moulded, cast, calendered, extruded or pressed, n.o.p.:—				10 p.c.	25 p.c.	40 p.c.
	(a) Cellulose nitrate.....	Free	Free	10 p.c.	20 p.c.	25 p.c.	35 p.c.
	(b) Other.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
914	Foamed and expanded cellulose plastics in blocks or boards, granules or powder.....	Free	Free	10 p.c.	Free	Free	Free
915	Manufactures of cellulose plastics, n.o.p.:—				20 p.c.	25 p.c.	35 p.c.
	(a) Cellulose nitrate.....	10 p.c.	20 p.c.	30 p.c.			
	(b) Cellulose nitrate cinematograph and moving picture films, negatives, n.o.p.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	25 p.c.	40 p.c.
	(c) Other.....	15 p.c.	20 p.c.	30 p.c.	20 p.c.	25 p.c.	40 p.c.
916	Laminated moulded plastics products, n.o.p., having synthetic resins or cellulose plastics as the chief bonding (impregnating) agents.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
917	Reinforced or supported synthetic resins or cellulose plastics plates, sheets, sheeting, strips, tubing, blocks, bars, rods, in which is incorporated a layer of paper, fibreboard, or textile fabric, or a core of fibres whether matted or otherwise arranged, n.o.p.:—				20 p.c.	25 p.c.	30 p.c.
	(a) Interlined sheet stock, composed of sheets of cellulose plastics cemented to cotton fabric.....	10 p.c.	15 p.c.	25 p.c.	17½ p.c.	25 p.c.	35 p.c.
	(b) Other.....	15 p.c.	15 p.c.	25 p.c.	17½ p.c.	17½ p.c.	25 p.c.
					10 p.c.	15 p.c.	17½ p.c.
					15 p.c.	20 p.c.	25 p.c.

918	(a) Regenerated cellulose, in sheets or strips.....	15 p.c.	20 p.c.	30 p.c.	20 p.c.	25 p.c.	35 p.c.
	(b) Regenerated cellulose sponges.....	15 p.c.	20 p.c.	30 p.c.	17½ p.c.	22½ p.c.	35 p.c.
	(c) Manufactures of regenerated cellulose, n.o.p.....	15 p.c.	20 p.c.	30 p.c.	20 p.c.	25 p.c.	35 p.c.
919	Protein plastics sheets, strips, tubing, blocks, bars, rods; other protein plastics profile shapes produced in uniform cross-section and imported in lengths: not further manufactured than moulded, extruded or pressed.....	Free	Free	10 p.c.	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
920	Manufactures of protein plastics, n.o.p.....	15 p.c.	20 p.c.	30 p.c.	15 p.c.	20 p.c.	25 p.c.
921	Materials of a kind not produced in Canada for use only in the manufacture of goods enumerated in tariff items 901, 902, 903, 904, 905, 906, 907, 909, 910, 911, 912, 913, 914, 916, 917, 918(a), 918(b) and 919, but not including goods themselves enumerated in tariff items 901 to 920, inclusive.....	Free	Free	10 p.c.	Free	Free	Free
922	Phenol for use only in the manufacture of synthetic resin glues.....	Free	Free	10 p.c.	Free	Free	Free
923	Phthalic anhydride, adipic, abietic, maleic and succinic acids, hexamethylene diammonium adipate, hexamethylene diammonium sebecate, hexamethylene diamine, caprolactam, and ethylene glycol, when imported by manufacturers of synthetic resins, for use exclusively in the manufacture of synthetic resins, in their own factories.....	Free	Free	10 p.c.	Free	Free	Free

2. Resolved, that Schedule A to the Customs Tariff be amended by striking thereout tariff items 98, 105c, 156(a), (b), (c), (d), (e) and (f), 203a, 203b, 206a (1), 206c, 211b, 225, 236b, 263b, 270, 275, 409m, 409r, 410a (iii), 410f, 410n, 427b, 428g, 436, 438b, 438c, 438d, 438e (1) (a) and (b), (2), (3) and (4), 438h, 438i, 440l, 440n, 442, 442d, 443a, 445m (i) and (ii), 445o (ii), 461, 462a, 462b, 463, 478, 479, 482, 499a, 522e, 563, 618b, 657, 690a, 696 and 848, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:—

79f	Pollen.....	Free	Free	Free	15 p.c.	20 p.c.	25 p.c.
90g	Dried herbs in a crude state, not advanced in value or condition by grinding or refining or by any other process of manufacture, viz.:—Basil, bay laurel (<i>larus nobilis</i>), marjoram, mint, oregano, rosemary, sage, savory, terragon and thyme.....	Free	5 p.c.	25 p.c.	Free (mainly)	15 p.c. (mainly)	25 p.c. (mainly)
98	Bananas..... per one hundred pounds	Free	50 cts.	\$1.00	Free	50 cts.	\$1.00 per stem or bunch
105c	Olives, sulphured or in brine, not bottled..... On and after July 1, 1953	Free 10 p.c.	Free 17½ p.c.	30 p.c. 30 p.c.	10 p.c.	17½ p.c.	30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
156	(a) Whiskey.....per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
	(b) Gin, n.o.p....per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
	(c) Rum, n.o.p....per gallon of the strength of proof	\$4.50	\$6.00	\$10.00	\$4.50	\$6.00	\$10.00
	(d) Brandy.....per gallon of the strength of proof	\$4.00	\$4.00	\$10.00	\$4.00	\$4.00	\$10.00
	(e) Liqueurs.....per gallon of the strength of proof	\$4.50	\$4.50	\$10.00	\$4.50	\$4.50	\$10.00
	(f) Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; spirituous or alcoholic liquors, n.o.p.; absinthe, arrack or palm spirit, artificial brandy and imitations of brandy, n.o.p.; cordials of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, and alcoholic bitters or beverages, n.o.p.; and wines, n.o.p., containing more than forty per cent of proof spirit						
	.....per gallon of the strength of proof	\$5.00	\$10.00	\$10.00	\$5.00	\$10.00	\$10.00
	<p>Provided, (1) that when the goods specified in item 156 are of greater or less strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased or decreased in proportion for any greater or less strength than the strength of proof.</p> <p>Provided, (2) that bottles and flasks and packages of gin, rum, whiskey and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength) viz.:—</p>						

Bottles, flasks and packages, containing not more than one-eighth of a gallon per dozen, as one-eighth of a gallon per dozen;

Bottles, flasks and packages, containing more than one-eighth of a gallon but not more than one-fourth of a gallon per dozen, as one-fourth of a gallon per dozen;

Bottles, flasks and packages, containing more than one-fourth of a gallon but not more than one-half of a gallon per dozen, as one-half of a gallon per dozen;

Bottles, flasks and packages, containing more than one-half of a gallon per dozen but not more than three-fourths of a gallon per dozen, as three-fourths of a gallon per dozen;

Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen;

Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallons per dozen, as one and one-half gallons per dozen;

Bottles, flasks and packages, containing more than one and one-half gallons but not more than two gallons per dozen, as two gallons per dozen;

Bottles, flasks and packages, containing more than two gallons but not more than two and four-fifths gallons per dozen, as two and four-fifths gallons per dozen;

Bottles, flasks and packages, containing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen;

Bottles, flasks and packages, containing more than three gallons but not more than three and one-fifth gallons per dozen, as three and one-fifth gallons per dozen.

Provided, (3) that bottles or phials of liquors for special purposes, such as samples not for sale to the trade, may be entered for duty according to actual measurement, under regulations prescribed by the Minister.

197f Carbon tissue paper for use in the manufacture of carbon paper.....

Free

7½ p.c.

25 p.c.

15 p.c.

22½ p.c.

25 p.c.

199h Pots, boxes, bands, collars or protectors, of flexible paper or fibreboard, for use exclusively in growing plants for transplanting purposes, or for protecting plants while growing.....

Free

Free

10 p.c.

17½ p.c.

25 p.c.

35 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
203a	Chemical compounds composed of two or more acids or salts soluble in water, adapted for dyeing or tanning.....	Free	Free	10 p.c.	Free	10 p.c.	10 p.c.
203b	Aniline and coal tar dyes, adapted for dyeing, in bulk, or in packages of not less than one pound weight.....	Free	Free	10 p.c.	Free	10 p.c.	10 p.c.
206a	(1) Sera and antisera, toxoids, viruses, toxins and antitoxins; virus and bacterial vaccines, bacteriophage and bacterial lysates; allergenics, liver extracts, pituitary extracts, epinephrine and its solutions, insulin, with or without zinc, globin or protamine; all of the foregoing when imported for parenteral administration in the diagnosis or treatment of diseases of man.....	Free	Free	Free	Free	Free	Free
	(3) Blood plasma or serum of human origin, or fractions thereof, extenders or substitutes therefor; all of the foregoing when imported for parenteral administration.....	Free	Free	Free	Free 17½ p.c.	Free 20 p.c.	Free 25 p.c.
206c	Bottles, tubes, bail bands, labels, corks, stoppers or other closures, for use with bottles, whether or not assembled into units partially filled with anti-coagulating solutions or not; filters, drop counters, clamps; all of the foregoing, when imported to be used exclusively for the collection, preparation, storage, transportation or administration of human blood (whether whole or in the form of liquid or dry serum or plasma) and extenders or substitutes therefor; component materials to be used exclusively in making the foregoing articles, anti-coagulating solutions and extenders or substitutes...	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 27½ p.c.

211b	(1) Andalusite, kyanite, sillimanite, crude or calcined, but not further processed than ground...	Free	Free	25 p.c.	Free 15 p.c.	Free 20 p.c.	25 p.c. 25 p.c.
	(2) Mullite, not further processed than ground...	Free	Free	25 p.c.	Free 15 p.c.	Free 20 p.c.	25 p.c. 25 p.c.
220d	Chemical preparations, dry, compounded of more than one substance, when imported by manufacturers of fluorescent lamps or electronic tubes for use exclusively in coating the inside of fluorescent lamps or electronic tubes, in their own factories....	Free	5 p.c.	25 p.c.	Free 15 p.c.	5 p.c. 20 p.c.	25 p.c. 25 p.c.
225	Wax, vegetable, and mineral (not isolated from petroleum) and mixtures thereof.....	5 p.c.	7½ p.c.	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
263b	Methyl ethyl ketone, diethyl ketone, furfural, methyl normal propyl ketone and methyl isobutyl ketone, for use only in the refining of oils.....	Free	Free	25 p.c.	Free Free	Free 15 p.c.	25 p.c. 25 p.c.
269c	Reclaiming agents or plasticizers of petroleum origin, for the reclaiming or plasticizing of rubber.....	Free	Free	Free	Free ½ ct. per gal.	10 p.c. ½ ct. per gal.	10 p.c. 1 ct. per gal.
270	Oil for use in the concentration of ores.....	Free	Free	Free	Free (various)	Free (various)	Free (various)
275	Liquefied petroleum gases when imported in containers:—						
	(a) for heating, cooking or illuminating purposes....	10 p.c.	12½ p.c.	25 p.c.	10 p.c.	12½ p.c.	25 p.c.
	(b) n.o.p.....	10 p.c.	12½ p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
295d	Cast shapes of melted basalt rock compounded with other materials or not.....	Free	5 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
388g	Rails (track), of iron or steel, other than railway rails, further manufactured than hot rolled, with other sections, arched or not, welded thereto or not.....	Free	12½ p.c.	35 p.c.	10 p.c. 17½ p.c.	22½ p.c. 25 p.c.	35 p.c. 40 p.c.
409m	(1) Internal combustion tractors and accessories therefor; parts of all the foregoing.....	Free	Free	Free	Free 15 p.c. (various)	Free 22½ p.c. (various)	Free 35 p.c. (various)
	(2) Traction attachments designed to be combined with automobiles in Canada for use as traction engines and parts thereof.....	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
409r	Milk evaporators and milk driers for dairying purposes and parts thereof.....	Free	7½ p.c.	25 p.c.	Free 10 p.c.	10 p.c. 22½ p.c.	25 p.c. 35 p.c.
410a	(iii) Diesel-powered self-propelled trucks, mounted on rubber-tired wheels or on rubber-tired wheels and half-tracks, side or rear dump, having a rated capacity, by struck volume, of not less than 9½ cubic yards and, by payload weight, of not less than 15 tons, and complete parts thereof, for off-highway use in carrying minerals, ores, rock, stone, sand, gravel and other excavated materials at mines, quarries, gravel and sand pits or at construction sites.....	Free	7½ p.c.	27½ p.c.	Free Free	7½ p.c. 17½ p.c.	27½ p.c. 27½ p.c.
410f	(1) Machinery and appliances of iron or steel, of a class or kind not made in Canada, and elevators, and machinery of floating dredges, for use exclusively in alluvial gold mining.....	Free	Free	Free	Free	Free	Free
	(2) Dredges and parts thereof for the development of mineral deposits.....	Free	Free	25 p.c.	15 p.c. (various)	25 p.c. (various)	25 p.c. (various)
410n	Diamond drills and core drills, not including motive power, electrically operated rotary coal drills, and coal cutting machines, n.o.p., and parts of the foregoing, for use exclusively in mining operations..	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
427b	Ball and roller bearings, and complete parts thereof:—						
	(1) For the repair of agricultural implements and agricultural machinery specified in tariff items 409, 409a, 409b, 409c, 409d, 409e, 409f, 409h, 409j, 409k, 409l, 409m, 409n, 409o and 409q.....	Free	Free	Free	Free Free	Free 17½ p.c.	Free 35 p.c.
	(2) N.o.p.	Free	17½ p.c.	35 p.c.	Free	17½ p.c.	35 p.c.

427j	Machinery, apparatus, equipment and parts thereof for the manufacture of biologicals and bacteriologicals for parenteral use and for the manufacture of antibiotics, hormones and steroids.....	Free	Free	Free	10 p.c. Free	22½ p.c. 7½ p.c.	35 p.c. 35 p.c.
428g	Fuel injection pumps and nozzles, and parts thereof, for diesel and semi-diesel engines.....	Free	Free	Free	Free Free	Free 20 p.c.	Free 30 p.c.
431j	Photogrammetric instruments and equipment for use in the interpretation of photographs and in the preparation of maps and plans from photographs, including the following: stereoscopes, binoculars for use with stereoscopes, parallax bars, height finders, contour finders, sketchmasters, slotted template equipment and accessories for use with any of the foregoing; stereoscopic plotting instruments and equipment of either optical-mechanical or projector type, including such accessories as plotting and tracing tables whether electrically, mechanically or remotely operated, optical instruments for preparing diapositive plates, voltage regulators and electrical transformers, cooling systems, lamps, spectacles, filters, height gauges, principal point selectors and other components for use with the foregoing equipment; all the foregoing of a class or kind not made in Canada and parts and fitted carrying cases for any of the foregoing...	Free	5 p.c.	20 p.c.	15 p.c.	20 p.c.	25 p.c.
436	Locomotives and railway passenger, baggage and freight cars, being the property or under the control of railway companies in the United States, running upon any line or road crossing the frontier, so long as Canadian locomotives and cars are admitted free under similar circumstances into the United States, under regulations prescribed by the Minister..... Provided, however, that if such locomotives and railway rolling stock are used temporarily in the transportation of goods from a place in Canada to another place in Canada they shall not be entitled to free entry but shall be subject to duty on the rental value or charge made by the United States owner for their use in Canada, under regulations prescribed by the Minister.	.....	Free	Free	.....	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
438b	Bearings, ball and roller; Bearings, clutch release; Bearings, graphite; Bearings, steel or bronze backed, with non-ferrous metal lining, parts and materials therefor; Bearings, steering knuckle thrust; Bushings, graphited or oil impregnated; Ceramic insulator spark plug cores not further manufactured than burned and glazed, printed or decorated or not; without fittings; Collars, crankshaft thrust; Compressors and parts thereof, air; Commutator copper segments, Commutator insulating end rings; Tapered discs of hot rolled steel, with or without centre hole, for disc wheels; Diaphragms for fuel and vacuum pumps; Distributor rotors and cam assemblies; Door bumper shoes; Electric wiring terminals, sockets, fittings and connectors and parts and combinations thereof, including brackets and fittings permanently attached thereto, but not to include battery terminals; Gaskets of any material except cork or felt, composite or not, parts and materials therefor; Ignition contact points; Keys for shafting; Auxiliary driving control kits, designed for attachment to motor vehicles to facilitate their operation by physically disabled persons, and parts thereof; Lenses of glass for motor vehicle lamps and for light reflectors; Lock washers; Magnetic plugs;						

438c

Piston ring castings in the rough, with or without gates and fins removed;
 Propeller shaft tubes of steel bonded by rubber;
 Rails of lock seam section, corners, locks and catches, unplated ventilators and parts thereof, the foregoing being of metal other than aluminum, for the manufacture of window sashes for bus bodies;
 Steel bolts, studs, plugs, rivets or nuts, capped with stainless steel, and parts thereof;
 Switches, relays, circuit breakers and solenoids and combinations and parts thereof, including starter switch assemblies;
 Shift control, electric, for two speed rear axles;
 Vacuum, hydraulic or air control assemblies and parts thereof;
 Vulcanized fibre in sheets, rods, strips and tubings;
 Parts of all the foregoing;

All of the foregoing for use in the manufacture or repair of the goods enumerated in tariff items 424 and 438a, or for use in the manufacture of parts thereof:—

1. When of a class or kind not made in Canada..

2. When of a class or kind made in Canada.....

Ammeters;
 Arm rests and wheel housing lining of indurated fibre, pressed to shape;
 Axle housings, one piece welded, machined or not, including parts welded thereto;
 Carburetors;
 Chassis frames and steel shapes for the manufacture thereof;
 Cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base;
 Control ventilator gear box;
 Cylinder lock barrels, with or without sleeves and keys thereof;
 Dash heat indicators;
 Engine speed governor units;
 External ornaments unplated, not including finish or decorative mouldings;
 Fluid couplings with or without drive plate assemblies;
 Gauges, gasoline, oil or air;
 Grilles not plated, polished or not before assembly, and parts thereof not plated or polished, not to include added finish or decorative mouldings;
 Hinges, finished or not, for bodies;
 Horns;
 Instrument bezel assemblies; Instrument board lamps; Instrument panel, glove compartment, luggage compartment, hood compartment and door step lamps and wire assemblies;

Free
 Free

Free
 17½ p.c.

30 p.c.
 30 p.c.

Free
 Free

Free
 17½ p.c.

30 p.c.
 30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
	Locks, electric ignition, steering gear, transmission, or combinations of such locks; Mouldings of metal, with nails set in position, lead filled or not; Oil filter parts, viz.:—perforated filter refill oil board bodies, refill and discs, and roll-seam perforated tubes; Ornaments and identification plates of metal unplated, not including finished or decorative mouldings; Pipe lines of tubing, rigid, covered or not, with or without fittings, and tubing therefor; Purifiers for gasoline, including brackets and fittings therefor; Radiator shutter assemblies, automatic; Radiator water gauges; Radiator shells not plated nor metal finished in any degree; Shackles, bearing spring; Speedometers; Spring covers of metal and closing strips or shapes therefor; Steering wheels, rims and spiders therefor; Sun visor blanks of gypsum weatherboard; Tachometers, with or without tachographs, both electric and gear driven; Thermostatic controls; Throttle, spark, choke, and hood lock release assemblies, including buttons therefor; Torque converters; Auxiliary transmission overdrive units and controls therefor; Universal joint ball assemblies; Windshield and window wipers; Parts of all the foregoing, including brackets, fittings and connections therefor; Stampings, body, cowl, fender, front end, hood, instrument board, shields and baffles, of metal in the rough, trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree;						

All of the foregoing when for use in the manufacture or repair of the goods enumerated in tariff items 410a (iii), 424 and 438a, or for use in the manufacture of parts therefor.....

Free

17½ p.c.

30 p.c.

Free

17½ p.c.

30 p.c.

(1) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity of not more than ten persons each) enumerated in tariff item 438a, whose total factory output during the year in which importation is sought, does not exceed ten thousand such complete passenger automobiles, and provided that not less than forty per cent of the factory cost of production of such automobiles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....

Free

Free

25 p.c.

Free

Free

25 p.c.

(2) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 438a, whose total factory output, during the year in which importation is sought, exceeds ten thousand, but does not exceed twenty thousand such complete passenger automobiles, and provided that not less than fifty per cent of the factory cost of production of such automobiles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....

Free

Free

25 p.c.

Free

Free

25 p.c.

(3) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 438a, whose total factory output, during the year in which importation is sought, exceeds twenty thousand such complete passenger automobiles, and provided that not less than sixty per cent of the factory cost of production of such automobiles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....

Free

Free

25 p.c.

Free

Free

25 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
	(4) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances, and hearses, or chassis for same, as enumerated in tariff items 410a (iii), 438a and 424, whose total factory output of such vehicles during the year in which importation is sought, does not exceed ten thousand such vehicles, and provided not less than forty per cent of the factory cost of production of such vehicles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....	Free	Free	25 p.c.	Free	Free	25 p.c.
	(5) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances and hearses, or chassis for same, as enumerated in tariff items 410a (iii), 438a and 424, whose total factory output of such vehicles during the year in which importation is sought, exceeds ten thousand units, and provided not less than fifty per cent of the factory cost of production of such vehicles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....	Free	Free	25 p.c.	Free	Free	25 p.c.
	(6) Provided, that if the above articles are of a class or kind not made in Canada and are for use in the repair of the goods enumerated in tariff items 410a (iii), 424 and 438a, or are for use in the manufacture of repair parts therefor, the rates of duty under this item shall be.....	Free	Free	25 p.c.	Free	Free	25 p.c.
	(7) Provided, that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.						

438d Front and rear axles;
 Brakes;
 Brake drums;
 Clutches;
 Fuel pumps for engines of 260 cubic inches and over in displacement;
 Hubs;
 Internal combustion engines;
 Steering gears;
 Magnetos;
 Rims for pneumatic tires;
 Tandem axle suspensions, not to include springs;
 Transmission assemblies;
 Hydraulic or fluid couplings;
 Drive shafts;
 Universal joint;
 Steel road wheels;
 Power dividers or transfer cases;
 Parts of the foregoing;

All of the foregoing when of a class or kind not made in Canada, and when imported only for the manufacture of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, and the chassis for same.....

(1) Provided, that if the above articles are imported for use as original equipment for motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, or for chassis for same, by a manufacturer of the goods enumerated in tariff items 410a(iii), 424 and 438a, and provided also that during the year in which importation is sought, not less than forty per cent of the factory cost of production of such vehicles and chassis therefor, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be..

(2) Provided, that if the above articles when of a class or kind not made in Canada are for use in the repair of motor trucks, motor buses, fire fighting vehicles, ambulances, hearses and electric trackless trolley buses, or for chassis for same or for use in the manufacture of repair parts therefor, the rates of duty under this item shall be.....

(3) Provided, that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.

Free

17½ p.c.

27½ p.c.

Free

17½ p.c.

27½ p.c.

Free

7½ p.c.

27½ p.c.

Free

7½ p.c.

27½ p.c.

Free

7½ p.c.

27½ p.c.

Free

7½ p.c.

27½ p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
438e	(1) Parts, n.o.p., electro-plated or not, whether finished or not, for automobiles, motor vehicles, electric trackless trolley buses, fire fighting vehicles, ambulances and hearses, or chassis enumerated in tariff items 438a and 424, including engines, but not to include wireless receiving sets, die castings of zinc, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber.....	Free	25 p.c.	35 p.c.	Free	25 p.c.	35 p.c.
	(2) Brake linings, and clutch facings whether or not including metallic wires or threads:—						
	(a) When made from crude asbestos of British Commonwealth origin.....	Free	25 p.c.	35 p.c.	Free	25 p.c.	35 p.c.
	(b) When made from crude asbestos, n.o.p.....	15 p.c.	25 p.c.	35 p.c.	15 p.c.	25 p.c.	35 p.c.
438i	Body bottom cross members and steel shapes for the manufacture thereof; Bumpers, front and rear, including spring steel bumper plates; Casket tables or platforms for hearses; Destination and route sign assemblies, illuminated or not; Direction signals, illuminated or not; Door and step mechanism, hand, vacuum or air operated; Door locks and catches; Electric switches, buzzers, bells, push buttons, fuse assemblies; Forward drive control conversion assemblies; Lamps of all kinds, illuminating and indicating, including sockets, flanges, terminals, glassware, lenses and gaskets therefor, assembled or not, but not to include lamp bulbs, sealed beam units, and electric head lamps; Metal stampings, oiled and primed or not, and assemblies thereof; Rubber fenders; Seat operating mechanisms; Ventilators, including motor driven fan type, and grilles; Window operating mechanisms;						

	Parts of all the foregoing: All of the foregoing when imported to be used only in the manufacture or repair of motor truck bodies, motor bus bodies, electric trackless trolley bus bodies, fire fighting vehicles, ambulances and hearses.....	Free	Free	20 p.c.	Free	Free	20 p.c.
4401	Aircraft and complete parts thereof, n.o.p. not including engines, under such regulations as the Minister may prescribe:— 1. When of types and sizes not made in Canada on and after July 1, 1955 2. When of types and sizes made in Canada.....	Free Free Free	Free 15 p.c. 15 p.c.	Free 27½ p.c. 27½ p.c.	Free Free	15 p.c. 15 p.c.	27½ p.c. 27½ p.c.
440n	Engines, when imported for use only in the equipment of aircraft:— 1. When of types and sizes not made in Canada on and after July 1, 1955 2. When of types and sizes made in Canada.....	Free Free Free	Free 15 p.c. 15 p.c.	Free 27½ p.c. 27½ p.c.	Free Free	15 p.c. 15 p.c.	27½ p.c. 27½ p.c.
442	Articles and materials which enter into the cost of manufacture of the goods enumerated in tariff items 409, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409h, 409i, 409j, 409k, 409l, 409m, 409n, 409o, 409q and 439c, when imported for use in the manufacture of the goods enumerated in the aforesaid tariff items, or in the manufacture of parts therefor, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free	Free
442d	Materials, including all parts, wholly or in chief part of metal, of a class or kind not made in Canada, when imported by manufacturers of goods entitled to entry under tariff items 410g, 410l, 410n, 410o, 410p, 410q, 410s, 410u, 410v, 410w, 410x, 410z, 411, 411a, 411b, 427b, 427c, 427f, 428c, 428e, 440k and 447a, for use in the manufacture of such goods in their own factories, under such regulations as the Minister may prescribe.....	Free	Free	10 p.c.	Free (various)	5 p.c. (various)	10 p.c. (various)
443a	Ovens, of a class or kind not made in Canada, for use in commercial bakeries; complete parts of the foregoing.....	Free	7½ p.c.	30 p.c.	Free	10 p.c.	30 p.c.
443c	Automatic pilots, thermostatic controls, thermostatically-operated controls, hydrostatically-operated controls, and parts of the foregoing, of a class or kind not made in Canada, for use in the manufacture of gas water heaters.....	Free	10 p.c.	30 p.c.	15 p.c.	22½ p.c.	30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
445m	(1) Flameproof electric switchgear, for use in mines in which inflammable gases exist, and complete parts thereof.....	Free	20 p.c.	30 p.c.	Free 15 p.c.	20 p.c. 22½ p.c.	30 p.c. 30 p.c.
	(2) Flameproof electric transformers, rectifiers, cable-connecting devices, trailing cable extensions with couplers moulded on, junction boxes, and complete parts of the foregoing, when of a class or kind not made in Canada and for use in mines in which inflammable gases exist.....	Free	10 p.c.	37½ p.c.	Free 15 p.c. 15 p.c.	10 p.c. 22½ p.c. 22½ p.c.	37½ p.c. 37½ p.c. 30 p.c.
445o	(ii) Metal powders; etched aluminum foil; textile fabrics, coated with aluminum; alloy resistance wire having a diameter of less than .005 inch; spring-drive motors for record turntables; automatic record-centering mechanisms with tone arm, not including motors or turntables; metal cabinet escutcheons with crystals, plain or finished; when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 445d, 597a, and other apparatus using radio tubes, or for use in the manufacture of parts therefor.....	Free	Free	30 p.c.	Free 20 p.c. Free	Free 25 p.c. Free	30 p.c. 35 p.c. and 4 cts. lb. 20 p.c.
445r	Apparatus for the receiving and transmitting of photographs by wire.....	Free	Free	30 p.c.	Free	20 p.c.	30 p.c.
447c	Steel rolls, filled or surfaced with paper or cotton, for use exclusively in the manufacture of paper.....	Free	Free	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
461	(1) Safes including doors; doors and door frames for vaults; scales, balances, weighing beams and strength-testing machines of all kinds, n.o.p.....	10 p.c.	20 p.c.	35 p.c.	10 p.c.	20 p.c.	35 p.c.
	(2) Parts of scales, finished or unfinished.....	Free	10 p.c.	35 p.c.	Free	12½ p.c.	35 p.c.

462a Photographic cameras and equipment, viz.:-

(1) Cameras and parts thereof for making negatives or positives $3\frac{1}{2}$ inches by $4\frac{1}{2}$ inches or larger, including carrying cases therefor.....

Free

Free

10 p.c.

(2) Accessories for cameras:—Exposure meters, range finders, lens hoods, lantern slide attachments, camera stands, camera tripods and tripod tops, vignettors, diffusion discs and holders, colour filters and holders, polarizing screens and holders, backgrounds, flash tubes for high-speed flash apparatus, flash guns; parts of the foregoing.....

Free

Free

10 p.c.

Free
 $2\frac{1}{2}$ p.c.
 5 p.c.
 $7\frac{1}{2}$ p.c.
 Free
 15 p.c.
 20 p.c.

Free
 15 p.c.
 $17\frac{1}{2}$ p.c.
 20 p.c.
 15 p.c.
 $22\frac{1}{2}$ p.c.
 25 p.c.

Free
 30 p.c.
 30 p.c.
 30 p.c.
 30 p.c.
 30 p.c.
 30 p.c.

(3) Contact printers, projection printers commonly known as enlargers for negatives or positives 4 inches by 5 inches and larger, temperature controls or heaters for photographic solutions, film and print driers, mounting presses, print washers, negative or sheet-film hangers, ferro-type plates, film and paper processors for strip photo-finishing, print straighteners, photographic timing devices, densitometers, tanks or trays for negative and positive processing; parts of the foregoing.....

Free

Free

10 p.c.

462b Cinematograph and motion picture cameras for use by professional motion picture producers having studios in Canada equipped for motion picture production; parts of the foregoing.....

Free

9 p.c.

15 p.c.

Free
 5 p.c.

9 p.c.
 $17\frac{1}{2}$ p.c.

15 p.c.
 30 p.c.

468 Animal cages of wire and metal parts thereof.....

10 p.c.

 $22\frac{1}{2}$ p.c.

35 p.c.

15 p.c.
 10 p.c.

25 p.c.
 $22\frac{1}{2}$ p.c.

30 p.c.
 35 p.c.

471b Wood split pulleys for power transmission, including interchangeable bushings.....

Free

 $7\frac{1}{2}$ p.c. $27\frac{1}{2}$ p.c.

15 p.c.

 $22\frac{1}{2}$ p.c. $27\frac{1}{2}$ p.c.

478 Artificial limbs; spinal and other orthopedic braces; parts of the foregoing.....

Free

Free

Free

Free
 15 p.c.

Free
 $22\frac{1}{2}$ p.c.

Free
 45 p.c.

479 Materials and articles for the manufacture of the goods enumerated in tariff item 478.....

Free

Free

Free

Free
 (various)

Free
 (various)

Free
 (various)

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
482	Ear-telephone sets and similar appliances, including batteries, battery chargers and battery testers therefor, for use by deaf persons; electronic ear-training apparatus, including microphones, head-sets, record-turning devices and tone arms, specially designed for use by, or for the training of, the deaf; parts of the foregoing; under regulations prescribed by the Minister.....	Free	Free	Free	Free 15 p.c. Free Free	Free 22½ p.c. 15 p.c. 20 p.c.	Free 30 p.c. 30 p.c. 30 p.c.
490a	Vanadium preparations for use as catalysts.....	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
499a	Nut shells; nut shell flour, wood flour, bark flour, and mixtures thereof.....	Free	Free	20 p.c.	Free 15 p.c.	5 p.c. 20 p.c.	20 p.c. 25 p.c.
522e	Cotton sewing thread yarn and crochet, knitting, darning and embroidery yarn, in hanks, or on dyeing or bleaching cores, when imported by manufacturers for use exclusively in their own factories in the manufacturing or spooling of cotton sewing thread and crochet, knitting, darning and embroidery cottons.....	5 p.c.	10 p.c.	20 p.c.	5 p.c. 15 p.c.	10 p.c. 17½ p.c. and 3 cents per pound.	20 p.c. 25 p.c. and 4 cts. per pound.
563	Fabrics of a class or kind not made in Canada, of any textile fibre, not made up, imported for use only for bolting or sifting materials or for the manufacture of screens for printing.....	Free	Free	Free	Free 17½ p.c. 22½ p.c.	Free 25 p.c. and 5 cts. per lineal yd. 25 p.c. and 30 cts. lb.	Free 45 p.c. and 10 cts. per lineal yd. 45 p.c. 40 cts. lb.
618b	Tires and tubes, wholly or in part of rubber:— (1) Specially designed and adapted for use only on internal combustion tractors.....	Free	Free	Free	Free	Free	Free
	(2) N.o.p.....	20 p.c.	22½ p.c.	35 p.c.	20 p.c.	22½ p.c.	35 p.c.

657	Mouthpieces in the rough, screws, aluminum fittings, pipe bowls moulded from briarwood dust, bowls of wood not further processed than frazed, corn cobs and corn cob bowls not further processed than shaped, when imported by manufacturers of tobacco pipes or cigarette holders for use in the manufacture of such articles in their own factories...	Free	Free	25 p.c.	Free 15 p.c. 15 p.c.	Free 22½ p.c. 20 p.c.	25 p.c. 30 p.c. 27½ p.c.
660	Moulding material consisting of a mixture of synthetic rubber and wax with a backing of aluminum not exceeding .006 inch in thickness, for use by electrotypers in the manufacture of electrotypes...	Free	7½ p.c.	30 p.c.	15 p.c.	22½ p.c.	30 p.c.
660a	Cellulose nitrate sheets with turned edges, for the production of engravings for use by printers.....	Free	7½ p.c.	30 p.c.	10 p.c.	25 p.c.	40 p.c.
681b	Residue, revert, or waste from chemical or metallurgical processes, containing aluminum oxide or other aluminum compounds mixed with other materials, imported by Canadian smelters or refiners for recovery of aluminum oxide and attendant by-products.....	Free	Free	10 p.c.	15 p.c.	20 p.c.	25 p.c.
690a	Casual donations sent by persons abroad to friends in Canada, or brought into Canada personally by non-residents as gifts to friends, and not being advertising matter, tobacco or alcoholic beverages, when the value thereof does not exceed ten dollars in any one case, under such regulations as may be prescribed by the Minister.....	Free	Free	Free	Free (various)	Free (various)	Free (various)
696	Philosophical and scientific apparatus, utensils, instruments, and preparations, including boxes and bottles containing the same; maps, charts, photographic reproductions and other pictorial illustrations, casts as models, animals as research or experimental subjects; living plants, seeds, cuttings, buds, scions, tubers, bulbs and root-stock; mechanical equipment of a class or kind not made in Canada. All articles in this item, when for the use and by order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any public hospital, college, academy, school, or seminary of learning in Canada, and not for sale, under regulations prescribed by the Minister.....	Free	Free	Free	Free (various)	Free (various)	Free (various)

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
708a	(1) Publications of the United Nations or any of its specialized agencies.....	Free	Free	Free	Free	Free	Free
	(2) Publications of the North Atlantic Treaty Organization or any of its specialized agencies.....	Free	Free	Free	Free	Free	Free
848	(1) All machinery and apparatus and parts thereof (including motive power) and drilling mud, for use exclusively in exploratory or discovery work in connection with, and development, depletion and production of petroleum or natural gas wells; seamless, lapwelded and electric welded iron or steel casing, tubing and drill pipe for use in connection with natural gas or oil wells.....	Free	Free	Free	Free	Free	Free
	(2) Materials for use in the manufacture of the goods enumerated in tariff item 848(1).....	Free	Free	Free	Various	Various	Various

74

3. Resolved, that Schedule A to the Customs Tariff be amended by striking thereout tariff items 54, 192a, 208w, 216g, 280, 326c, 326d, 379 (f), 383 (g), 498, 569c, 626, 658 and 664, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:—

54	Hominy grits, hominy feeds and brewers' corn grits..	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
54a	Corn grits for use in the manufacture of corn flour per one hundred pounds	Free	Free	30 cts.	Free	Free	30 cts.
54b	Corn grits, n.o.p.....	7½ p.c.	7½ p.c.	25 p.c.	7½ p.c.	7½ p.c.	25 p.c.
90h	Okra, sliced and salted.....	Free	5 p.c.	35 p.c.	Free	5 p.c.	35 p.c.
115a	Herring, fresh.....	Free	Free	Free	Free	Free	Free
158b	Mixtures of methyl alcohol and other ingredients, when imported by tanners for use exclusively as a solvent for dyes for the dyeing of leather in their own factories..... per proof gallon	5 cts.	5 cts.	20 cts.	5 cts.	5 cts.	20 cts.

192a	(1) Pulp board in rolls not less than nine one-thousands of an inch in thickness for use in wrapping rolls of paper.....	5 p.c.	7½ p.c.	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
	(2) Pulp board in rolls for use in the manufacture of wallboard.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
194a	Wholly or partially lithographed or printed sheets when imported by manufacturers of playing cards for use exclusively in the manufacture of playing cards in their own factories.....	15 p.c.	20 p.c.	35 p.c.	15 p.c.	20 p.c.	35 p.c.
202a	Twine or yarn of paper.....	Free	Free	Free	Free	Free	Free
202b	Paper matting.....	17½ p.c.	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
208w	(1) Theobromine, crude.....	Free	Free	Free	Free	Free	Free
	(2) Crude bromides for the production of bromine.....	Free	Free	Free	Free	Free	Free
	(3) Dimethyl sulphate.....	Free	Free	Free	Free	Free	Free
216g	Compounds or sheets, of which the chief organic component is shellac, imported for use exclusively in the manufacture of phonograph records.....	Free	5 p.c.	25 p.c.	Free	5 p.c.	25 p.c.
216i	Nicotinic acid when imported for use in the manufacture of nicotinic acid amide and when imported for use in the manufacture of diethylamide of nicotinic acid.....	Free	Free	25 p.c.	Free	Free	25 p.c.
219f	Riboflavin (also known as Vitamin B₂, Vitamin G, Lactoflavin) without admixture or mixed only with any necessary carrier or diluent when imported for use only in the manufacture of feeds for livestock, poultry or fur-bearing animals.....	Free	Free	Free	Free	Free	Free
254b	Lac, crude, seed or stick when imported by manufacturers of bleached shellac for use exclusively in the manufacture of bleached shellac in their own factories.....	Free	Free	Free	Free	Free	Free
280	(1) Foots, being the refuse of cotton seed or olives after the oil has been pressed out.....	Free	Free	Free	Free	Free	Free
	(2) Grease, rough, the refuse of animal fat, for the manufacture of soap and oils only.....	Free	Free	Free	Free	Free	Free
	(3) Inedible oils, without admixture, obtained from animal fat, for use in the manufacture of soap or oils.....	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to 1914 Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
282c	Grog, produced by calcining fire clay, or in the form of calcined dobbies, fire brick, or other refractory shapes, which have been broken, crushed, or ground, screened to size or not, but not further manufactured, when imported for use exclusively by manufacturers of refractory materials in the manufacture of such materials..... per ton	60 cts.	\$1.00	\$1.15	60 cts.	\$1.00	\$1.15
	Provided, that in no case shall the duty exceed.....	12½ p.c.	20 p.c.	22½ p.c.	12½ p.c.	20 p.c.	22½ p.c.
287a	Articles of chinaware when imported to be mounted by manufacturers of silverware in their own factories.....	12½ p.c.	17½ p.c.	22½ p.c.	12½ p.c.	17½ p.c.	22½ p.c.
291	White portland cement clinker for use in the manufacture of white portland cement..... per one hundred pounds.....	2 cts.	3½ cts.	6 cts.	2 cts.	3½ cts.	6 cts.
296f	Limestone, not further processed than crushed or screened.....	Free	Free	25 p.c.	Free	Free	25 p.c.
					15 p.c.	20 p.c.	25 p.c.
316b	Metallic elements and tungstic acid when imported by manufacturers for use only in their own factories in the manufacture of metal filaments for electric lamps.....	Free	Free	Free	Free	Free	Free
326c	(1) Blanks of uncoloured clear glass, when imported by manufacturers to be used exclusively in the manufacture of silvered mirror reflectors or acid-etched reflectors or refractors, for lighting systems.....	Free	9 p.c.	10 p.c.	Free	9 p.c.	10 p.c.
	(2) Blanks or shapes of uncoloured clear glass when imported for use in the manufacture of silvered, coloured or decorated Christmas tree ornaments.....	Free	Free	22½ p.c.	Free	Free	22½ p.c.
	(3) Single wall hollow shapes of glass, not silvered, when imported by manufacturers of vacuum insulated containers for use exclusively in the manufacture of such articles in their own factories.....	Free	5 p.c.	32½ p.c.	Free	5 p.c.	32½ p.c.

	(4) Glass plates or discs, rough cut or unwrought, for use in the manufacture of optical instruments, when imported by manufacturers of such optical instruments.....	Free	Free	Free	Free	Free	Free
326d	Beads, drops or other shapes of glass or cellulose acetate, when imported by manufacturers of imitation pearls, for use exclusively in the manufacture of such articles in their own factories.....	Free	Free	Free	Free	Free	Free
326j	Glass balls or marbles when imported by manufacturers of glass fibres or glass yarn, for use exclusively in the manufacture of such fibres or yarn in their own factories.....	Free	Free	Free	Free	Free	Free
346c	Zinc sheets, not planished, ground or polished, coated on one side with acid-resisting material, imported by planishers, grinders or polishers of zinc sheets to be used exclusively in the planishing, grinding, polishing or other processing of such sheets, ready for use by photo engravers.....	Free	Free	25 p.c.	Free	Free	25 p.c.
352d	Friction material of metal powders, compressed, sintered and welded or fastened to a solid metal or other backing for support, in strips, sheets, discs, rings, slabs, blocks, bars, rods, tubes and other primary shapes.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
383	Sheets, plates, hoop, band or strip, of iron or steel:— (g) Corrugated or pebbled, coated or not.....	10 p.c.	20 p.c.	25 p.c.	10 p.c.	20 p.c.	25 p.c.
386	(u) Hoop, band or strip, of steel of Bessemer quality, when imported by manufacturers of hinges, for use exclusively in the manufacture of hinges, in their own factories..... per ton	Free	\$4.00	\$8.00	Free	\$4.00	\$8.00
388f	Sash, casement or frame sections of iron or steel, hot or cold rolled, coated or not, not punched, drilled nor further manufactured, and similar material formed from hot or cold rolled iron or steel strip, coated or not, when imported by manufacturers of metal window sash, casements or frames for use in the manufacture of such articles, in their own factories..... per ton	Free	\$7.00	\$7.00	Free	\$7.00	\$7.00
398c	Seamless steel tubing, valued at not less than five cents per pound, when imported by manufacturers of roller bearings for use exclusively in the manufacture of such bearings in their own factories.....	Free	Free	30 p.c.	Free	Free	30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
402e	Speedometer flexible shafting, consisting of a steel centre wire around which two or more layers of steel wire are helically wound consecutively in opposite directions, in coils of not less than 1,000 feet, when imported by manufacturers of speedometers or speedometer parts, for use in the manufacture or repair of such articles.....	Free	Free	35 p.c.	Free	Free	35 p.c.
434d	Rolled steel wheels in one piece in the rough, not drilled or machined in any manner, for railway vehicles, including locomotives and tenders, when imported for use in the manufacture of steel wheels for use on railway rolling stock.....	Free	20 p.c.	30 p.c.	Free	20 p.c.	30 p.c.
438m	Composite frame and floor structure of metal in the rough for use in the manufacture of automobiles and motor vehicles.....	Free	Free	25 p.c.	Free	Free	25 p.c.
446n	Articles of iron, steel or nickel, or of which iron, steel or nickel are the component materials of chief value, of a class or kind not made in Canada, when imported by manufacturers of electric storage batteries for use exclusively in the manufacture of such storage batteries, in their own factories.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
454a	Materials, including all parts, imported for use only in the manufacture of purse frames.....	Free	Free	25 p.c.	Free	Free	25 p.c.
498	(1) Cane, reed or rattan, not further manufactured than split..... (2) Twine or yarn of grass when imported by manufacturers of furniture for use only in their own factories in the manufacture of furniture.....	Free Free	Free Free	Free Free	Free Free	Free Free	Free Free
506c	Staves and heading of wood, finished or unfinished, for use in the manufacture of tight barrels or kegs..	Free	Free	Free	Free	Free	Free
506g	(1) Wood handles, when imported by manufacturers of D shovel handles, for use only in the manufacture of such D shovel handles in their own factories.	10 p.c.	10 p.c.	15 p.c.	10 p.c.	10 p.c.	15 p.c.

	(2) Ten pin blocks of wood in the rough, when imported by the manufacturers of ten pins for use only in the manufacture of such articles in their own factories.....	5 p.c.	7½ p.c.	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
	(3) Wood shafts for handles of golf clubs not further manufactured than rough turned and wood golf heads not further manufactured than rough turned, when imported by the manufacturers of golf clubs and golf sticks for use only in the manufacture of golf clubs and golf sticks in their own factories.....	5 p.c.	5 p.c.	10 p.c.	5 p.c.	5 p.c.	10 p.c.
519b	Complete parts of cash registers, when imported by manufacturers of cash registers for use exclusively in the manufacture of such registers in their own factories.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	15 p.c.	25 p.c.
522g	(1) Yarns and warps, wholly of cotton, number eighty and finer, two-ply, gassed, of a class or kind not made in Canada, imported by manufacturers of woven fabrics for use exclusively in their own factories in the production of woven fabrics.....	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
	(2) Yarns, wholly of cotton, number forty and finer, not more advanced than singles, when imported by manufacturers for use exclusively in their own factories in the manufacturing of cotton sewing thread.....	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
535f	Waste portions of unused fabrics or used garments, imported to be used exclusively for disintegrating, or for manufacture into wiping rags, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free	Free
551f	Sliver strands in wrap form, wholly or in part of wool or hair, imported by manufacturers of braided mats and rugs, for use in the manufacture of such articles in their own factories.....	Free	Free	20 p.c. 17½ cts.	Free	Free	20 p.c. 17½ cts.
	.....and, per pound						
	(1) Hat braids, of a class or kind not made in Canada, whether woven, knitted or plaited, not exceeding six inches in width, imported for use exclusively in the manufacture of hat bodies or shapes, but not for use in the ornamentation or trimming of such bodies or shapes, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free	Free
	(2) Materials, of a class or kind not made in Canada, imported by manufacturers of hat braids, to be manufactured in their own factories into woven, knitted or plaited hat braids only.....	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
587a	Ground coke, when imported by manufacturers of electric batteries for use only in their own factories in the manufacture of such batteries.....	Free	Free	Free	Free	Free	Free
588c	Bituminous coal which enters into the cost of manufacture of synthetic rubber, when imported for use exclusively in the production of synthetic rubber..	Free	Free	Free	Free	Free	Free
588d	Coal, including screenings and coal dust of all kinds, imported to be converted into coke.....per ton	Free	Free	75 cts.	Free	Free	75 cts.
608a	East India kip leather, not further finished than tanned.....	Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c.
608b	Sheepskin and goatskin leather, not further finished than tanned, when imported by tanners for processing in their own factories.....	Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c.
658	Motion picture film, of 16 millimetre width and over, when imported by recognized processors of motion picture film having duly equipped laboratories for processing motion picture film in Canada, for the sole purpose of having reproductions made therefrom, and provided that the original is re-exported within six months from the date of importation, under such regulations as the Minister may prescribe.....per linear foot	Free	Free	3 cts.	Free	Free	3 cts.
663i	Phosphate rock, defluorinated, imported for use in the manufacture of animal or poultry feeds.....	Free	Free	Free	Free	Free	Free
664	(1) Crude glycerine, when imported by manufacturers for use only in their own factories in the manufacture of refined glycerine.....	Free	Free	Free	Free	Free	Free
	(2) Glycerine, when imported by manufacturers of explosives, for use exclusively in the manufacture of such articles in their own factories.....	Free	Free	Free	Free	Free	Free
681a	Smelter refinery or rolling mill residue or revert (not being scrap metal) imported by Canadian refiners or smelters for recovery of the metal content.....	Free	Free	Free	Free	Free	Free

4. Resolved, that Schedule B to the Customs Tariff be amended by striking thereout tariff items 1014 and 1067, the enumerations of goods and the rates of drawback of customs duties set opposite each of the said items.

5. Resolved, that any enactment founded upon the foregoing resolutions to amend Schedules A and B to the Customs Tariff shall be deemed to have come into force on the ninth day of April, one thousand nine hundred and fifty-two, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

BUDGET PAPERS

presented by

the Honourable D. C. Abbott, M.P.,

for the information of Parliament

in connection with the Budget of 1952-53

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1951, bringing together in one place and in convenient form some of the more comprehensive indicators of economic conditions prepared by the Dominion Bureau of Statistics and other Government Agencies, together with brief comments;
2. to present a preliminary review of the Government accounts for the fiscal year ending March 31, 1952.

PART I

ECONOMIC REVIEW OF 1951

	Page
1. General Review.....	57
2. National Accounts—	
National Income, Product and Expenditure.....	60
Personal Income and its Disposition.....	63
Source and Disposition of Saving.....	65
Investment and Capital Expenditure.....	68
Revenue and Expenditure of All Governments.....	71
3. Balance of International Payments.....	76
4. Employment and Earnings.....	79
5. Trend of Prices.....	81

The tables in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics and other Government Departments. Some of the figures appear for the first time; others have been published elsewhere. All 1951 estimates are preliminary and subject to revision.

Figures for Canada include Newfoundland for 1949, 1950 and 1951.

GENERAL REVIEW

The first part of 1951 was dominated by strong inflationary pressures, but as the year progressed these became somewhat less severe. The underlying inflationary potential is still high but for the time being, at least, it appears to be under control.

A brief review of the post-war years will put our present problems in perspective. The years 1946 to 1948 were a period of transition from war to peace. This transition was achieved more smoothly and with rather less disturbance than many Canadians had feared. In Canada, as in other countries, we experienced in this period a greater rise in prices than had been expected, but the redeployment of labour from the armed services and the war industries to the tasks of peace was accomplished with far less unemployment and industrial dislocation than most people had dared to hope.

By mid-1948 the reconversion of industry and the redeployment of labour had been largely completed, and for nearly two years, from the summer of 1948 to the late spring of 1950 Canada enjoyed a period of relative economic equilibrium at high levels of employment and income. Price levels remained stable and employment remained high, and not even the sharp United States recession of 1949 nor the devaluation crisis in September of that year seriously disturbed the balance of the Canadian economy.

The spring of 1950 saw the beginning of what seemed to be a new sustained upswing in Canadian economic activity, sparked by a rapid acceleration in the discovery and development of natural resources and re-enforced by the quick rebound in the United States from its recession of the previous summer. Even before the outbreak of hostilities in Korea, 1950 showed signs of developing a situation in which our resources would be fully extended in meeting the programmes of peaceful economic expansion which the Canadian people had set for themselves.

The Korean aggression, with the grave threats it exposed and the serious alarms it engendered, initiated a scramble for inventories all over the world. The world market prices of many staple raw materials—wool, tin, rubber, copper, lead, zinc, oils and fats, hides, cotton and chemicals—rose sharply, and within six months had gone up as much as 50, 100 and even 200 per cent.

The first phase of this new inflationary cycle was largely psychological, stemming as it did from a fear of shortages and higher prices and a consequent scramble for inventories and replacements. Consumers participated in this scramble, particularly in the field of cars and household equipment and appliances. But the real inflationary force created by Korea flowed fundamentally from the necessity and determination throughout the Western world to carry through a speedy and a heavy defensive rearmament programme. The magnitude of the defence programme adopted was clearly one that could not be inserted into an already fully extended economy. To accomplish this defence programme in the time allotted it was necessary simultaneously to restrain consumption, encourage savings, increase productive efficiency and capacity, forego less essential forms of capital expansion, and divert labour and materials to defence and to defence supporting industries.

In a free democratic country governments do not dictate the course of economic affairs, but governments can and should follow policies which guide or steer the economy in the right direction. The general import of government policies should contribute toward restraint where restraint is needed and toward expansion where expansion is needed.

Federal financial and economic policies have been designed to these ends. Consumer spending has been restrained by means of higher personal taxes and higher commodity taxes, especially on commodities that make heavy demands upon critical materials or other critical resources. Monetary policy has been such as to discourage the expansion of credit generally and consumer spending has also been restrained by the Consumer Credit Regulations. Greater savings have been encouraged directly through the more attractive terms of the sixth series of Canada Savings Bonds, as well as by the restraints on spending and by the increase in interest rates generally which has resulted from the rising demand for loan funds in the face of a limited supply.

Capital expansion in the form of new plant and equipment has been restricted in the case of projects which are less essential in the context of present conditions and encouraged in the case of projects related to the broad needs of defence. This selective approach has been made both through the priorities and allocations policies administered by the Department of Defence Production and through the operations of the "deferred depreciation" regulations administered by the Department of Trade and Commerce. In a limited number of cases essential expansion in defence industries has been facilitated by the granting of accelerated depreciation on specialized new plant and equipment, or by direct capital assistance with government funds.

The greater difficulty of borrowing and the higher level of interest rates generally have had a moderating influence on investment in new capital projects, particularly marginal projects, and on investment in inventories.

The following table summarizes some of the more significant monetary and credit statistics in recent years:

	Money Supply (Currency outside banks plus active bank deposits)	Bank Loans plus banks' investments in non-gov't securities	Consumer Credit Outstanding	Long term interest rate (Theoretical yield of a gov't 15 year bond)
	(millions)	(millions)	(millions)	(per cent)
1948 December.....	\$4,335	\$3,341	\$ 748	2.93
1949 December.....	4,422	3,419	892	2.75
1950 March.....	4,446	3,437	859	2.73
June.....	4,525	3,559	959	2.73
September.....	4,919	3,618	1,042	2.71
December.....	4,851	3,950	1,135	2.99
1951 March.....	4,669	4,101	1,097	3.25
June.....	4,750	4,133	1,107	3.25
September.....	4,765	4,112	1,068	3.24
December.....	4,843	4,085	1,090	3.50
1952 January.....	4,697	3,984	.....	3.54
February.....	4,730	3,930	.....	3.55

It will be observed that total money supply and bank loans, after a sharp rise in 1950, have levelled off or declined slightly during 1951, and this trend has been continued into the opening months of 1952. Consumer credit outstanding, which had increased by nearly 30 per cent in 1950, declined by about 4 per cent during 1951. Long term interest rates during the past 18 months have advanced about three-quarters of one per cent.

The following table relating to capital investment in business illustrates the degree to which less essential investment has been restrained and the more essential encouraged.

	1950	1951	1952 Intentions	Percentage change from 1950	
				1951	1952
	(millions of dollars)				
Primary and construction industries.....	\$ 697	\$ 853	\$ 859	+22	+23
Manufacturing.....	511	755	929	+48	+82
Utilities.....	720	916	1,130	+27	+57
Trade, finance and commercial.....	397	396	309	—	-22
Total.....	\$2,325	\$2,920	\$3,227	+26	+39

The Department of Trade and Commerce has further estimated that investment intentions for 1952 in the case of industries fully subject to "deferred depreciation" are 17 per cent below 1951, while in the case of industries eligible for normal depreciation they are 15 per cent higher.

The general economic position in the opening months of 1952 is that the inflationary pressures have been brought under control, but that at many points in the economy a strong inflationary potential still exists. Any series of adverse events which sharply raised the present international tensions could bring about a renewal of direct inflationary pressures that might seriously test our economic defences. But at the moment the prospects for 1952 indicate continued high levels of employment and general business activity, without any renewal of overt inflation, and with most of the increased output occurring in the defence and defence supporting sections of the economy.

The inflationary pressures that persist are not evenly distributed through the economy. At some points and in some regions the economy is likely to be fully or more than fully extended. At other points and in other regions the available resources are likely to fall short of full utilization. While these contrasting situations will not persist indefinitely, it may take time to adjust them since resources both in labour and in plant and equipment are not fully or easily transferable, either technically or geographically.

In the pages that follow the usual detailed tables and explanations are given showing the trends from 1948 to 1951 in the gross national product, personal incomes, saving and investment, the balance of international payments, employment and earnings, and the trend of prices.

THE NATIONAL ACCOUNTS

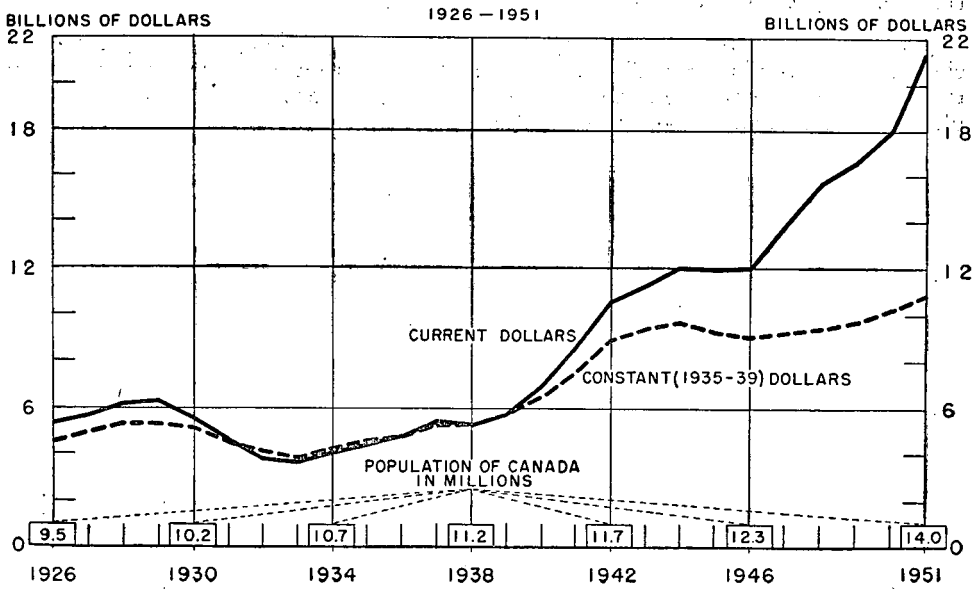
NATIONAL INCOME, PRODUCT AND EXPENDITURE

NATIONAL INCOME is the total of the annual earnings of Canadian residents from the production of goods and services. As such it includes salaries, wages and other forms of employee earnings in cash or in kind, as well as military pay and allowances. It includes corporation profits, interest, net rent, and the net income of farmers and others who are in business on their own account.

GROSS NATIONAL PRODUCT is the value at market prices of all the goods and services produced in a year by the labour, capital, and enterprise of Canadian residents. It is measured by adding together the costs of production. Part of these costs of production are the factor costs or, more simply, the earnings of the factors of production, labour, capital and enterprise; and the total of these factor costs is National Income. Indirect taxes and other costs such as depreciation allowances also enter into the cost of goods and services although they do not form part of the income of Canadians. They are, therefore, added to National Income to obtain Gross National Product. Subsidies on the other hand may be regarded as offsets to costs of production and are therefore deducted.

GROSS NATIONAL EXPENDITURE measures the same aggregate as Gross National Product but in a different way. The goods and services produced in a year are either sold at home or abroad or added to inventories. Thus Gross National Expenditure is obtained by adding together all sales and adjusting them for imports and changes in inventories. While Canadian expenditure on imported goods and services is included in the total sales to consumers, to governments, and to business for capital account, it is not part of the disposition of Canadian production and is therefore deducted. But since foreign expenditures on Canadian goods and services, *i.e.*, exports, form part of the earnings of Canadians in the Gross National Product, they are included in Gross National Expenditure.

GROSS NATIONAL EXPENDITURE IN CURRENT AND CONSTANT (1935-39) DOLLARS



NATIONAL INCOME AND PRODUCT

Gross National Product reached \$21,241 million in 1951, an increase of 17 per cent over 1950. After allowing for the upward movement of prices which amounted to 11 per cent, it is estimated that the real increase in product was rather more than 5 per cent.

Since the present estimates of change in real product are only approximate, they must be used with some caution in assessing the importance of the gain for a given year or in comparing it with other years. However, it appears that the percentage gain in real product for 1951 was greater than the increase during 1950 and comparable to the combined increases of the two years 1948 and 1949. A significant factor in the increase in product, and one which did not operate in 1950 was the growth in the employed labour force of about 2½ per cent. This was partly offset, however, by a decline of 1 per cent in average weekly hours worked.

A substantial part of the estimated 5 per cent increase in real product, perhaps one-quarter, was due to increased agricultural production, particularly the western grain crop. Because of poor weather, part of this crop remained unharvested in 1951 and thus constituted an involuntary addition to inventories. It is an increase in real product which remains to some extent in doubt, and one which had no positive impact on the economy in 1951. Elsewhere in the economy, although output was higher for the year as a whole, some significant changes occurred during the course of the year in both the pace and pattern of production. Thus while the index of industrial production averaged 212·0 for 1951, or 6·9 per cent above the average for 1950, it rose to a peak of 223·4 in May from which it declined to 200·3 in December. A very significant factor in this rise and decline was the change in demand for consumer goods, particularly durables and textiles which weakened greatly after the first four months of the year, and resulted in a sharp curtailment of production. The increase in expenditures for defence and resource development, which became more important as the year advanced, was not sufficient to offset the effects of reduced demand for consumer goods, so that the index fell at year end below the levels reached late

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1948 ¹	1949	1950	Prelim. 1951
(Millions of Dollars)				
1. Wages, salaries and supplementary labour income.	7,170	7,761	8,271	9,640
2. Military pay and allowances.....	82	115	137	201
3. Investment income.....	2,464	2,445	3,088	3,655
4. Net income of unincorporated business—				
(a) farm operators from farm production ²	1,518	1,504	1,547	2,138
(b) non-farm unincorporated business.....	1,326	1,369	1,512	1,595
5. National Income (1+2+3+4).....	12,560	13,194	14,555	17,229
6. Indirect taxes less subsidies.....	1,772	1,830	2,005	2,386
7. Depreciation allowances and similar business costs	1,276	1,437	1,607	1,763
8. Residual error of estimate.....	5	1	-45	-137
9. Gross National Product at Market Prices (5+6+7+8).....	15,613	16,462	18,122	21,241
10. Index of G.N.P. in Constant Dollars.....	100	103	108	114

¹ Excludes Newfoundland for which the Gross National Product in 1948 was about \$175 million.

² Includes undistributed Wheat Board trading profits, and inventory revaluation adjustment on a calendar year basis for grain held by Wheat Board.

in 1950. Real product for the year as a whole showed an increase over 1950 because of the steady advances in production for defence and resource development, and because the very heavy production of consumer goods in the first part of the year offset the declines in the last half.

Farm income showed a very large increase of 38 per cent. This was due to higher prices, particularly for livestock and to an increase in the volume of agricultural production. A very large factor in the increased production was the western grain crop, estimated at 30 per cent above 1950 and 35 per cent above the ten year average. A substantial part of this crop is still not harvested.

The earnings of wage and salary workers rose by 17 per cent during 1951, largely as the result of higher wage rates, although the number of paid workers was on the average about 6 per cent above 1950 levels. This gain in labour income is much larger than the increase of 7 per cent recorded between 1949 and 1950. Military pay and allowances increased by \$64 million or approximately 50 per cent.

Investment income increased by 18 per cent over 1950 compared with an increase of 26 per cent between 1949 and 1950. This somewhat more modest advance was due to the less rapid increase in corporate profits which constitute the bulk of investment income. In 1950, for example, corporate profits before tax rose by 28 per cent compared with an estimated increase of 16 per cent in 1951. In contrast to labour income, corporate profits were more responsive to the upsurge of inflationary pressure after the outbreak of war in Korea and rather more sensitive to the lessening of that pressure in the latter part of 1951.

NATIONAL EXPENDITURE

In addition to the estimated increase of more than 5 per cent in Canadian real product, imports of goods and services exceeded exports by \$534 million in 1951 compared with an excess of \$329 million in 1950. Taking both these factors into account, therefore, Canadians used about 6 per cent more goods and services in 1951 than in 1950.

This increased product went for defence and capital purposes, many of which were defense supporting, rather than for consumer expenditure. It is estimated that personal expenditure on consumer goods and services rose by 10 per cent during 1951 but that all of this increase was accounted for by rising prices.

TABLE 2
GROSS NATIONAL EXPENDITURE

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
1. Personal expenditure on consumer goods and services	10,112	10,963	11,862	13,062
2. Government expenditure on goods and services....	1,798	2,128	2,323	3,120
3. Gross domestic investment—				
(a) plant, equipment and housing.....	2,685	2,968	3,216	3,807
(b) change in inventories.....	605	231	1,005	1,650
4. Exports of goods and services ²	4,054	4,011	4,185	5,099
5. Imports of goods and services ²	-3,636	-3,837	-4,514	-5,633
6. Residual error of estimate.....	-5	-2	+45	+136
7. Gross National Expenditure at Market Prices (1+2+3+4+5+6).....	15,613	16,462	18,122	21,241
8. Index of G.N.E. in Constant Dollars.....	100	103	108	114

¹ Excludes Newfoundland.

² Minor adjustments have been made to the figures of current receipts and payments shown in Table 12 and in "The Canadian Balance of International Payments, 1926 to 1950", Dominion Bureau of Statistics, to achieve consistency with the other component series.

Of all expenditures, those made by the federal government for defence showed the largest percentage increase rising from \$493 million in the calendar year 1950 to \$1,160 million in the calendar year 1951. This increase claimed about one-half of the nation's total gain in real output for 1951.

While federal government defence spending showed the largest percentage increase, the increase in expenditure for gross domestic investment was equally significant in absolute terms. Investment in plant, equipment and housing increased by \$591 million, an increase of 18 per cent in value or about 7 per cent in volume terms. Investment for these purposes thus absorbed 18 per cent of the nation's total output in 1951, a proportion relatively unchanged from that of the previous year. In addition, inventory accumulation is shown at the record level of \$1,650 million or \$645 million higher than in 1950; but this figure needs qualification. Approximately \$370 million of the total change in inventories represents the value of the physical change in farm inventories. Of the balance, however, a very considerable part reflects an increase in the prices at which year-end inventories are valued rather than an increase in the volume of inventories held. In volume terms business inventories increased by 12 per cent in 1951 compared with 10 per cent in 1950.

PERSONAL INCOME AND ITS DISPOSITION

For the purpose of showing the relationship between the incomes, spending and saving of Canadians, Personal Income is a more useful concept than National Income.

Personal Income differs from National Income in a number of ways. It is defined as the sum of current receipts of income regardless of whether these receipts are earnings from production. Thus it includes only that part of corporation profits which is actually received by Canadian persons as dividends. Similarly deductions must also be made from employees' total earnings for unemployment insurance contributions or pension contributions which, although forming part of the compensation for services performed, are not actually received by the employee within the year. On the other hand, transfer payments such as family allowances, old age pensions, veterans' benefits and charitable contributions of corporations, are part of personal income although they are not payments for services and, therefore, do not form part of National Income.

TABLE 3
SOURCES OF PERSONAL INCOME

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income..	7,170	7,761	8,271	9,640
Deduct: Employer and employee contributions to social insurance and government pension funds	-224	-239	-259	-316
2. Military pay and allowances.....	82	115	137	201
3. Net income received by farm operators from farm production ²	1,627	1,600	1,446	2,191
4. Net income of non-farm unincorporated business...	1,326	1,369	1,512	1,595
5. Interest, dividends and net rental income of per- sons ³	1,058	1,157	1,290	1,454
6. Transfer payments to persons (excluding interest)—				
(a) from government.....	863	950	1,012	1,001
(b) charitable contributions made by corpora- tions.....	22	23	25	27
(c) net bad debt losses of corporations.....	19	21	23	25
7. Personal Income (1+2+3+4+5+6).....	11,943	12,757	13,457	15,818

¹ Excludes Newfoundland.

² Excludes undistributed profits of the Wheat Board and an inventory revaluation adjustment on a calendar year basis for grain held by the Wheat Board.

³ Includes all government debt interest paid to persons.

A special adjustment is necessary for farm income since the farmer does not receive full payment for his grain at the time it is delivered to the Wheat Board. An initial payment is made upon delivery and subsequent payments adjust for the full price realized by the Board. Thus for a time a part of the farmer's income accumulates with the Wheat Board. For purposes of national income, net farm income is shown in table 1 on an accrued basis and includes income accumulated with the Wheat Board on behalf of farmers. For purposes of personal income, however, an adjustment is necessary to exclude such accumulated income and to include only the disbursements of the Wheat Board whether in respect of current or prior years' deliveries.

Personal Income rose by \$2,361 million or 18 per cent during 1951. The largest part of this increase was due to the gain of \$1,312 million in salaries and wages net of employer and employee contributions to social insurance and government pension funds. Net income received by farmers rose very sharply by 52 per cent, while net incomes from other unincorporated business increased by only 5 per cent. The rise in farm receipts was accentuated by larger Wheat Board disbursements. Dividends paid out by corporations increased by 2 per cent. Transfer payments were the only source of personal income which fell below 1950 levels and the decline in these was slight. The gain in personal income on a per capita basis appears to have been greater than the rise in prices of consumer goods and services.

On the expenditure side, some significant changes took place during 1951. Personal direct taxes increased by \$281 million or 38 per cent owing to the combined effect of rising incomes and higher income tax rates.

In spite of higher taxes, however, disposable income, or personal income after payment of taxes increased by \$2,080 million or 16 per cent in 1951. Excluding the portion of this increase which is accounted for by the rise of \$370 million in farm inventories, the balance of \$1,710 million might have gone to swell the total of personal expenditure on consumer goods and services. In fact, however, \$641 million or 38 per cent of it went to increase the volume of personal saving. Thus personal saving, excluding change in farm inventories, increased from 5.7 per cent of disposable income in 1950 to 9.3 per cent in 1951, a ratio approximating those of 1948 and 1949. It appears that the rise in expenditure on consumer durables in 1950, which contributed substantially to the lower level

DISPOSITION OF PERSONAL INCOME

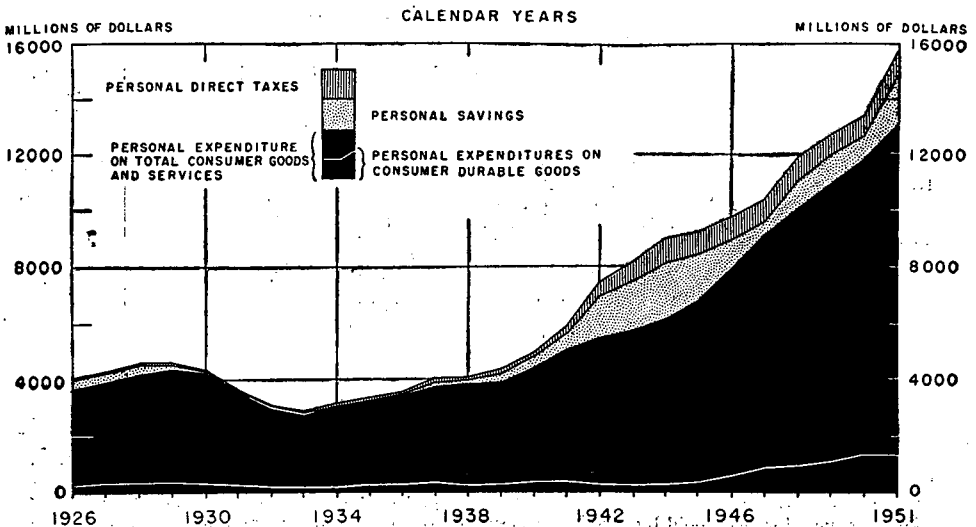


TABLE 4
DISPOSITION OF PERSONAL INCOME

	1948 ¹	1949	1950	Prelim. 1951
(Millions of Dollars)				
1. Personal direct taxes—				
(a) income taxes.....	717	677	612	890
(b) succession duties.....	58	55	63	63
(c) miscellaneous taxes.....	47	57	60	63
Total direct taxes.....	822	789	735	1,016
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable.....	6,461	6,799	7,115	7,864
(b) durable.....	914	1,084	1,320	1,318
Services.....	2,737	3,080	3,427	3,880
Total consumer expenditure.....	10,112	10,963	11,862	13,062
3. Personal saving—				
(a) personal saving excluding farm inventories....	1,074	1,077	729	1,370
(b) change in farm inventories.....	-65	-72	131	370
Total personal saving.....	1,009	1,005	860	1,740
4. Personal Income (1+2+3).....	11,943	12,757	13,457	15,818

¹ Excludes Newfoundland.

of saving in that year, was accompanied by a sharp increase in consumer debt; and that repayment of this debt in 1951 was an important factor in restoring the savings ratio to 1948-1949 levels.

The extraordinarily high level of consumer durable goods purchases in the first quarter of 1951 gave way during the rest of the year to greatly reduced spending so that expenditures on these commodities were for the year as a whole unchanged from 1950 in value and significantly below in volume. A combination of several factors appears to have been responsible for this trend. In some fields the backlog of post-war demand had been met and in others the market had been narrowed by advance buying in anticipation of shortages or higher prices. Heavier excise taxes and restrictions on consumer credit were further deterrents. In the non-durable group clothing purchases were reduced, but food consumption remained close to 1950 levels. Only in the case of services was there a greater volume of purchases and this increase was on a moderate scale. After adjusting for price changes, the level of total consumer expenditure seems to have remained unchanged in 1951. In per capita terms the preliminary estimates indicate a decline of about 2 per cent.

SOURCE AND DISPOSITION OF SAVING

Saving may be regarded as the source from which investment expenditure is financed. Income arising out of production may either be spent or saved. At the same time production will be absorbed either by consumption expenditure, or by investment expenditure at home for new plant, equipment, housing, or additions to inventory, or by investment abroad. Saving must therefore equal investment. It is, therefore, possible to construct tables which show, on the one hand, the sources of saving and, on the other, the use of these savings to finance gross investment at home or investment abroad.

In addition to personal saving which was mentioned there can be government saving and business saving. If, for example, governments have a surplus of revenue over expenditure, this surplus constitutes part of the nation's saving. If there are government deficits they are an offset to the total of private saving by individuals and businesses.

During 1951 the composition of saving changed substantially. Personal saving increased by \$880 million, government saving by \$371 million while business saving, including undistributed Wheat Board trading profits, declined by \$37 million. As a result business saving in 1951 was relatively less important as a source of funds for the rapidly growing investment demand at home. Less than 45 per cent of gross domestic investment was financed from business saving during 1951, compared with almost 60 per cent in 1950.

TABLE 5
SOURCES OF SAVING

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
Personal saving.....	1,009	1,005	860	1,740
Gross business saving—total.....	1,943	1,925	2,429	2,392
(a) Undistributed corporation profits.....	788	607	746	710
(b) Depreciation allowances.....	1,276	1,437	1,607	1,763
(c) Net bad debt losses of corporations.....	-19	-21	-23	-25
(d) Undistributed Wheat Board trading profits and inventory revaluation adjustment on grain held by Wheat Board.....	-109	-96	101	-53
(e) Inventory revaluation adjustment ²	7	-2	-2	-3
Adjusted government surplus (+) or deficit (-) ³	746	440	693	1,064
Residual error of estimate ⁴	5	1	-45	-137
Total.....	3,703	3,371	3,937	5,059

¹ Excludes Newfoundland.

² The adjustment has been made only to grain held in commercial channels.

³ See Table 10, footnote 2.

⁴ See Tables 1 and 2.

Personal saving of \$1,740 million in 1951 was equal to 12 per cent of personal income after payment of direct taxes. It constituted slightly less than 35 per cent of the nation's saving from all sources in 1951 compared with approximately 22 per cent in 1950, 30 per cent in 1949, and 27 per cent in 1948. Even excluding the large saving of \$370 million in the form of farm inventories, which was to some extent involuntary, personal saving showed a marked recovery from the low level of 1950. While a good part of the increase in saving took the form of a reduction in consumer debt, there was also some increase in liquid saving.

In 1951 more than 21 per cent of the nation's saving was made up of the combined surplus of federal, provincial and municipal governments, compared with less than 18 per cent in 1950. This government saving was largely the result of the federal surplus, since little more than 3 per cent of it was due to the surpluses of all provincial and municipal governments combined.

In 1951, as in 1950, there was an increase in net foreign indebtedness since imports of goods and services again exceeded exports. The deficit on current account was financed by a net inflow of capital, largely from the United States,

rather than by a reduction in Canada's reserves of foreign exchange. A good part of the capital inflow was the result of Canadian borrowing abroad. But to some extent the movement was initiated outside the country; and capital flowed into Canada in response to opportunities for direct investment, thus contributing to the deficit on current account while furnishing the funds to finance it. Looking at Canadian investment as a whole, the increase in net foreign indebtedness constituted a substantial offset to gross domestic investment in 1951.

TABLE 6
DISPOSITION OF SAVING

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
Gross domestic investment.....	3,290	3,199	4,221	5,457
Net increase in foreign assets (including foreign exchange) adjusted ²	418	174	-329	-534
Residual error of estimate ³	-5	-2	+45	+136
Total.....	3,703	3,371	3,937	5,059

¹ Excludes Newfoundland.

² Minor adjustments have been made to the figures appearing in Table 12.

³ See Tables 1 and 2.

Business saving consists for the most part of amounts set aside for depreciation and undistributed profits. In 1951 an increase of \$400 million in corporation profits before taxes brought the total to \$2,850 million. The rate of increase was much below the 28 per cent increase shown for 1950. While corporate profits increased by \$400 million during 1951 the liability for corporation taxes is estimated to have increased by \$421 million so that there was a reduction of 1 per cent in corporation profits after taxes. This, together with the increase of 2 per cent or \$15 million in dividends paid out during 1951, brought about a reduction of \$36 million or approximately 5 per cent in undistributed corporation profits.

TABLE 7
CORPORATION PROFITS, TAXES AND DIVIDENDS

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
Corporation profits before taxes ²	1,955	1,906	2,450	2,850
Deduct corporation taxes ³	-685	-731	-1,123	-1,444
Corporation profits after taxes.....	1,270	1,175	1,427	1,406
Deduct dividends paid out ⁴	-482	-568	-681	-696
Undistributed corporation profits ⁵	788	607	746	710

¹ Excludes Newfoundland.

² Includes depletion charges and is adjusted for losses, and for conversion to a calendar year basis.

³ Taxes paid or payable in respect of the calendar year's income. (See Table 10).

⁴ Includes charitable contributions made by corporations. (See Table 3 Item 6 (b)).

⁵ See Table 5.

INVESTMENT AND CAPITAL EXPENDITURE

Investment in plant, equipment and housing continued to increase and formed a slightly larger share of gross national expenditure in 1951. In construction, a shift to non-residential uses took place during 1951, leaving residential building at a physical level about 16 per cent below 1950. The value of new machinery and equipment showed a very great increase, rising about 30 per cent above 1950 levels. The increase in investment in inventories constituted an even larger amount in dollar terms. Apart from changes in farm inventories however, a very large part of the dollar figure shown represents a change in the prices at which year-end inventories are valued, rather than the value of the physical change. As indicated above the volume increase in business inventories is estimated at 12 per cent for 1951 compared with 10 per cent for 1950. The very heavy demand for inventory which characterized the early part of 1951 gave way in the third and fourth quarters to a more cautious policy. Consequently most of the inventory accumulation took place in the first and second quarters and the record holdings at year-end appear to have been to some extent, involuntary.

TABLE 8

GROSS DOMESTIC INVESTMENT

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
Housing, plant, and equipment—total ²	2,685	2,968	3,216	3,807
New residential construction.....	637	742	801	778
Other new construction.....	818	903	1,026	1,215
New machinery and equipment.....	1,230	1,323	1,389	1,814
Change in inventories—total.....	605	231	1,005	1,650
Grain in commercial channels ³	51	—16	60	—
Farm grain and livestock ³	—65	—72	131	370
All other inventories ⁴	619	319	814	1,280
Gross Domestic Investment⁵.....	3,290	3,199	4,221	5,457
Percentage of Gross National Expenditure.....	21.1	19.4	23.3	25.7

¹ Excludes Newfoundland.

² Includes private businesses and institutions, and publicly owned public utilities.

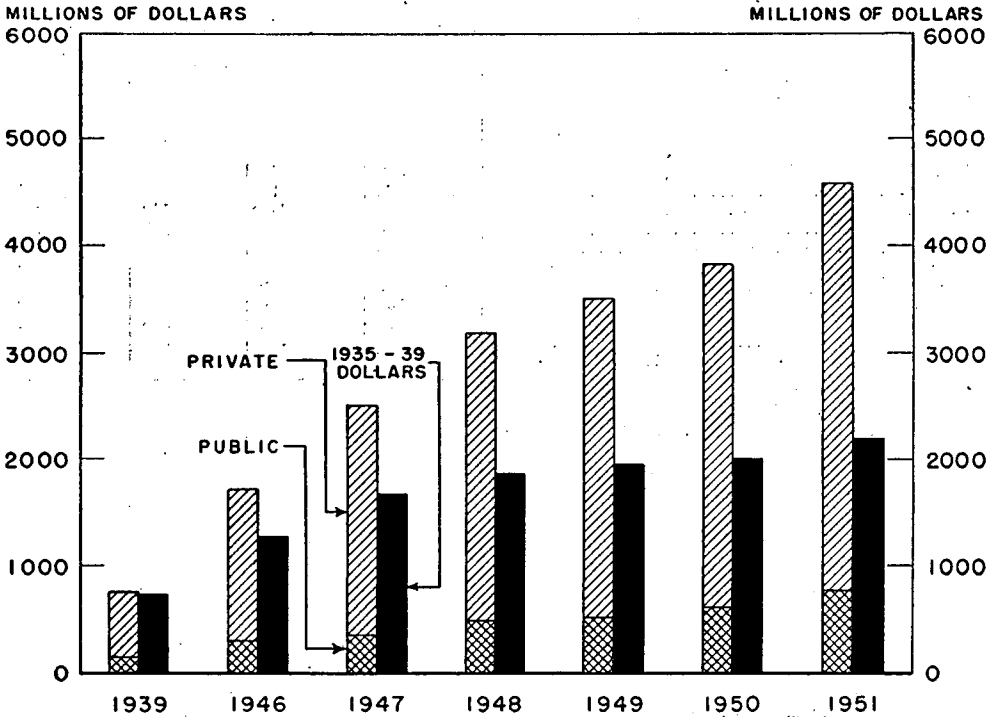
³ Value of physical change.

⁴ Change in value. Includes privately financed industrial and trade inventories.

⁵ See Table 2, Item 3.

Table 9 gives an industrial distribution of business capital expenditures and brings them together with public capital outlays included under government expenditure in Table 2. The total of public and private capital expenditure increased by \$766 million or 20 per cent during 1951. In real terms the increase is estimated at 9 per cent. The increase in both value and volume of capital expenditure during 1951 was more than double the increase experienced in 1950.

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



The pattern of investment during 1951 underwent a change in emphasis and was increasingly directed towards defence and defence-supporting industries. Well over two-thirds of the increase in total capital expenditure of \$766 million was undertaken by three groups: manufacturing, utilities and government departments. The outlay in manufacturing showed an increase for the first time since 1948, expanding by 50 per cent over 1950. Major contributions were made to this increase by heavy industries, particularly steel, aircraft and shipbuilding as well as the chemical group. Expenditures made by utilities including transportation and communications advanced by about \$200 million to a total of over \$900 million and accounted for almost 20 per cent of all capital investment. Capital expenditure by government departments was up by \$138 million or 31 per cent. About 70 per cent of this increase was accounted for by federal government outlays and went for defence purposes and capital assistance. Investment in the primary industries remained high in 1951, increasing by \$142 million or 23 per cent. The expansion in the development of oil and base metal resources and in woods operations was particularly noteworthy. The service sector underwent practically no change from the previous year, while the outlay for institutions increased moderately.

TABLE 9
PUBLIC AND PRIVATE CAPITAL EXPENDITURE

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
Agriculture and fishing.....	351	419	473	537
Forestry.....	28	26	34	65
Mining, quarrying and oil wells.....	105	122	119	166
Manufacturing.....	579	536	502	755
Electric power, gas and water works.....	248	338	369	485
Transportation, storage and communications.....	318	341	351	431
Construction industry.....	59	55	71	85
Trade, finance and commercial services.....	281	293	397	396
Institutions.....	145	190	208	237
Housing.....	668	776	845	840
Government departments.....	393	406	446	584
Total Capital Expenditure².....	3,175	3,502	3,815	4,581
Total Capital Expenditure as a percentage of Gross National Expenditure.....	20.3	21.3	21.1	21.6
Index of total Capital Expenditure in Constant Dollars.....	100	104	107	117

¹ Excludes Newfoundland.

² For reconciliation with Gross Domestic Investment in Table 8, see below

	1950	1951
PUBLIC AND PRIVATE CAPITAL EXPENDITURE—Table 9.....	3,815	4,581
DEDUCT:		
Provincial hospitals and schools, and municipal schools.....	-107	-126
Government housing exc. C.M.H.C. rental housing.....	-44	-62
Direct government department outlays.....	-446	-584
Other.....	-2	-2
ADD:		
Change in Inventories.....	1,005	1,650
TOTAL GROSS DOMESTIC INVESTMENT—Table 8.....	4,221	5,457

REVENUE AND EXPENDITURE OF ALL GOVERNMENTS

In Table 10 "Government Transactions Related to the National Accounts" an attempt is made to bring together in one statement and under uniform headings, the activities of all governments in Canada on a calendar year basis.

The table is designed to include only those transactions which have relevance for the National Accounts, and consequently the surpluses or deficits shown here do not agree with those shown in the various public accounts. It has been necessary to adjust the conventional accounting statements of fiscal year revenue and expenditure to exclude purely bookkeeping transactions such as those relating to reserves, write-offs, amortization, and other non-cash items, as well as the purchase and sale of existing capital assets; and to include the transactions of extra-budgetary funds such as unemployment insurance, workmen's compensation and government pension funds. Government loans and investments, and debt retirement, are not included in government expenditure.

In the federal accounts, some of the more substantial adjustments are as follows: elimination of reserve for possible losses on active assets, elimination of reserve for veterans' conditional benefits, elimination of expenditures charged with respect to the assumption of Newfoundland debt in 1949, elimination of expenditures charged with respect to shipment of World War II military equipment to N.A.T.O. countries, addition of expenditures out of Defence Equipment Replacement Account, elimination of write-down of active assets to non-active account, adjustment of corporation taxes to an accrual basis, inclusion of the change in inventories of government commodity agencies and the Defence Production Revolving Fund, and elimination of sales of war assets. In addition, the federal figures are adjusted to a calendar year basis by using the monthly figures published by the Comptroller of the Treasury.

Municipalities are for the most part on a calendar year basis but the provincial figures are based on the provincial fiscal years. Because of the lack of current information the 1951 figures for provincial and municipal governments involve a considerable element of estimation.

TABLE 10
GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1948 ¹	1949	1950	Prelim. 1951
(Millions of Dollars)				
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	822	789	735	1,016
Income and Excess Profits—				
Federal.....	717	674	612	890
Provincial and Municipal.....	—	3	—	—
Succession Duties—				
Federal.....	29	26	34	35
Provincial.....	29	29	29	28
Miscellaneous—				
Federal.....	6	7	7	6
Provincial and Municipal.....	41	50	53	57
Direct Taxes—Corporations.....	685	731	1,023	1,444
Income and Excess Profits—				
Federal.....	566	601	878	1,251
Provincial.....	119	130	145	193
Other Direct Taxes—				
Withholding taxes—Federal.....	41	47	54	56
Indirect Taxes.....	1,847	1,907	2,069	2,519
Federal.....	1,086	1,048	1,115	1,494
Provincial and Municipal.....	761	859	954	1,025
Investment Income.....	327	357	394	414
Federal.....	89	110	137	151
Provincial and Municipal.....	238	247	257	263
Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	224	239	259	316
Federal.....	129	141	158	206
Provincial and Municipal.....	95	98	101	110
Transfers from Other Governments—				
Provincial and Municipal.....	150	182	256	260
Total Revenue.....	4,096	4,252	4,790	6,025
Federal.....	2,663	2,654	2,995	4,089
Provincial and Municipal.....	1,433	1,598	1,795	1,936
Deficit (or surplus—).....	-746	-440	-693	-1,064
Federal ²	-762	-497	-686	-1,031
Provincial and Municipal.....	16	57	-7	-33
Total Revenue plus Deficit (or minus Surplus)...	3,350	3,812	4,097	4,961
Federal.....	1,901	2,157	2,309	3,058
Provincial and Municipal.....	1,449	1,655	1,788	1,903

¹ Excludes Newfoundland.

² For reconciliation with Public Accounts Surplus, see page 21.

TABLE 10—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1948 ¹	1949	1950	Prelim. 1951
	(Millions of Dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services.....	1,798	2,128	2,323	3,120
Federal—				
Defence.....	255	361	493	1,160
Non-defence.....	424	519	478	521
Provincial and Municipal.....	1,119	1,248	1,352	1,439
Transfer Payments.....	1,327	1,425	1,454	1,448
Federal.....	1,001	1,022	1,022	988
Provincial and Municipal.....	326	403	432	460
Subsidies.....	75	77	64	133
Federal.....	71	73	60	129
Provincial and Municipal.....	4	4	4	4
Transfers to Other Governments—				
Federal.....	150	182	256	260
Total Expenditure.....	3,350	3,812	4,097	4,961
Federal.....	1,901	2,157	2,309	3,058
Provincial and Municipal.....	1,449	1,655	1,788	1,903

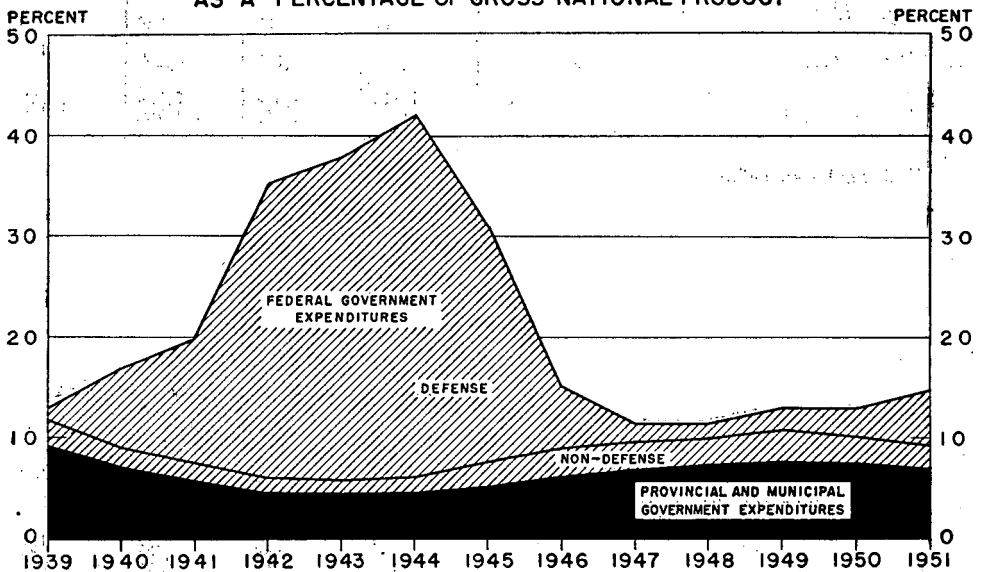
¹ Excludes Newfoundland.

	1948	1949	1950	1951
	(Millions of Dollars)			
Reconciliation with Public Accounts Surplus:				
Federal Government calendar year surplus for national accounts purposes.....	762	497	686	,031
Adjustments:				
Difference between calendar and fiscal year....	+36	+311	-122	-300
Difference between corporation tax accruals and government receipts.....	-35	-34	-183	-171
Revenue items omitted.....	+154	+62	+73	+67
Reserves, write-offs and non-cash items omitted from expenditure.....	-92	-154	-130	-167
Change in inventories of government commodity agencies.....	-18	+32	-19	-16
Shipment of military equipment to N.A.T.O. countries, less replacement.....	—	—	-57	-69
Extra-budgetary funds for pensions and social insurance (net).....	-78	-68	-56	-134
Other adjustments.....	-53	-50	-61	-30
Federal surplus for fiscal year as per public accounts.....	676	596	131	217
	(1947-48)	(1948-49)	(1949-50)	(1950-51)

Federal government expenditure on goods and services increased by \$710 million or 73 per cent in 1951. More than 90 per cent of this increase was due to accelerated defence spending. Although the increase in defence spending was not as great as had been planned, it absorbed about one-half of the nation's increased product for 1951. This increase does not reflect the full impact of the defence program on the economy since the larger part of the increase in private capital investment during 1951 was also directed to defence and defence supporting industries. Federal non-defence spending on goods and services, on the other hand, increased by less than 10 per cent and when account is taken of price increases, the use of the nation's product for these purposes was approximately unchanged. The increase in provincial and municipal expenditure on goods and services for 1951 is estimated at 6 per cent. Here too no increase in real terms is indicated when account is taken of prices.

The combined total of transfer payments for all levels of government remained approximately unchanged from the calendar year 1950, with decreases at the federal level more or less offset by increases in provincial and municipal transfers. The major declines were in payments to veterans and in unemployment insurance benefits while increases occurred in family allowances, old age pensions and provincial and municipal grants to hospitals.

GOVERNMENT EXPENDITURES ON GOODS AND SERVICES
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT



Although federal government expenditures were markedly higher because of the defence program, revenues rose even more sharply. This was due to a combination of higher rates and higher levels of prices and incomes with the influence of the latter factors predominating. Total federal revenues for the calendar year 1951 were \$1,094 million or 36 per cent higher than in 1950. The largest increase was in direct taxes on persons and corporations which were \$653 million or 41 per cent higher. The accrued liability for corporation taxes increased markedly because of higher corporation profits and the imposition of the defence surcharge of 20 per cent for the full year. It should be emphasized however that direct taxes on corporations are shown for purposes of the National

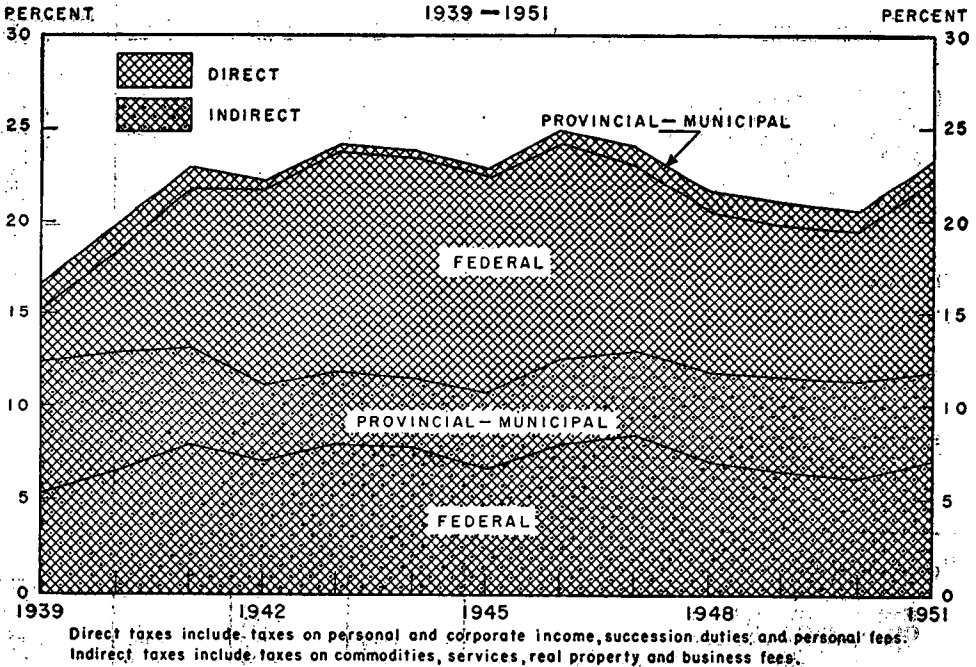
Accounts on an accrued basis to correspond with estimates of corporation income and hence are considerably higher for 1951 than actual receipts of revenue by the government.

For all levels of government, indirect taxes exceeded direct taxes by 19 per cent in 1948, 22 per cent in 1949 and 14 per cent in 1950; but in 1951 the two were approximately equal. This change was brought about by the heavier liability for federal direct taxes in 1951.

As calculated for National Accounts purposes, federal government revenues increased a great deal more rapidly during the calendar year 1951 than did expenditures. Consequently, the surplus increased from \$686 million in the calendar year 1950 to \$1,031 million in the calendar year 1951. This federal surplus constituted 20 per cent of the nation's total saving and was, therefore, a very substantial anti-inflationary factor. Combined provincial and municipal government revenue and expenditure on the other hand were more nearly in balance.

The federal surplus shown for National Accounts purposes differs substantially from the public accounts surplus, not only because of the difference between the calendar and the fiscal year, but because of other adjustments made to both revenues and expenditures to make the presentation consistent with figures shown for other sectors of the economy. A reconciliation table has, therefore, been appended to the government table which summarizes the major adjustments.

GOVERNMENT DIRECT AND INDIRECT TAXATION
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT
1939 — 1951



BALANCE OF INTERNATIONAL PAYMENTS

When goods are exported, unless they are given away, they give rise to payments or debts in favour of Canada. Similarly, when goods are imported they give rise to payments or debts in favour of the rest of the world. Other transactions such as interest and dividend payments, the tourist trade, freight and shipping charges, also give rise to similar payments or debts in either direction. The difference between the debits and credits arising from these current transactions is referred to as the net balance of international payments on current account. When total debits exceed total credits within a year, as was the case in 1950 and 1951, Canada goes into debt to the rest of the world or the rest of the world pays off some of its debt to Canada. When total credits exceed total debits as was the case for many years previous to 1950, the net position is, of course, reversed.

TABLE 11

BALANCE OF INTERNATIONAL PAYMENTS

ESTIMATED CURRENT ACCOUNT BETWEEN CANADA AND ALL COUNTRIES

(Millions of Canadian Dollars)

	1948	1949	1950	1951
CURRENT CREDITS—				
Merchandise exports (adjusted) ¹	3,030	2,989	3,139	3,950
Non-monetary gold.....	119	139	163	150
Travel expenditures.....	279	286	275	271
Interest and dividends.....	70	83	91	115
Freight and shipping.....	336	303	284	337
Inheritances and immigrants' funds.....	84	66	58	77
Other current receipts.....	229	211	233	276
Total Credits.....	4,147	4,077	4,243	5,176
CURRENT DEBITS—				
Merchandise imports (adjusted).....	2,598	2,696	3,129	4,103
Travel expenditures.....	133	192	226	280
Interest and dividends.....	325	390	474	447
Freight and shipping.....	279	253	301	347
Inheritances and emigrants' funds.....	50	53	58	67
Other current payments.....	310	306	384	456
Total Debits.....	3,695	3,890	4,572	5,700
NET BALANCE ON CURRENT ACCOUNT.....	+452	+187	-329	-524

¹ Aid to N.A.T.O. countries under Defence Appropriation Act has been excluded.

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT

(Millions of Canadian Dollars)

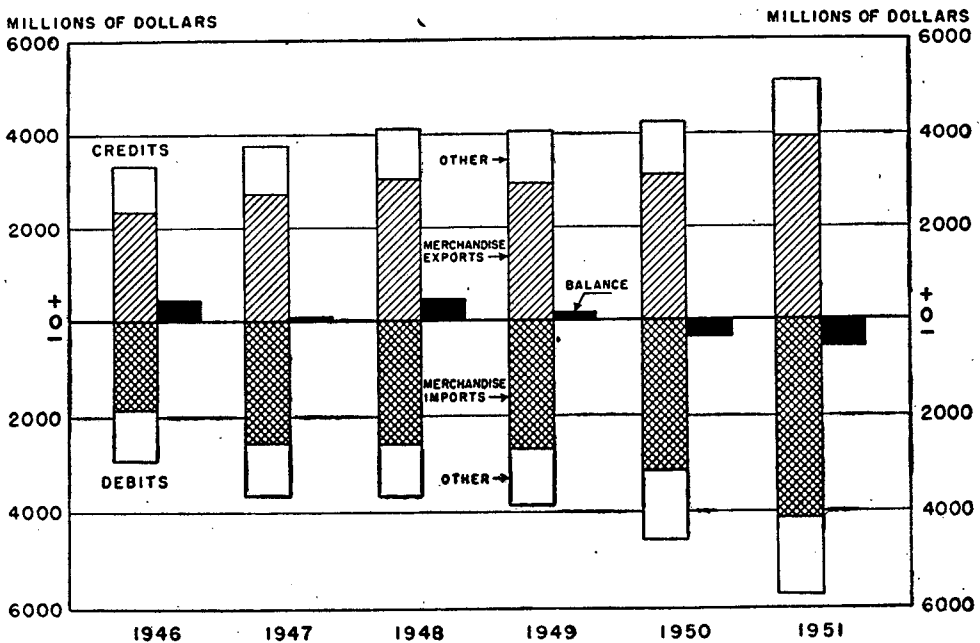
	1948	1949	1950	1951
Between Canada and—				
United States.....	-393	-589	-403	-955
United Kingdom.....	+486	+439	+28	+220
Rest of the Sterling Area.....	+129	+135	-23	-29
Other OEEC Countries.....	+227	+187	+109	+220
Other Countries.....	+3	+15	-40	+20
All Countries.....	+452	+187	-329	-524

During 1951, Canada's transactions on international account expanded greatly; exports of goods and services increased by 26 per cent and imports by 31 per cent over 1950. Largely because of the rapid rise of import prices in the first half of 1951, the annual index of import prices showed a slightly greater increase over 1950 than did the index of export prices. This is another way of saying that our imports were on the average a little more costly in terms of exports than they had been in 1950. However, the terms of trade, or the prices which we pay for imported goods and services in terms of our exports, moved very much in our favour during the latter part of the year. This is indicated by the fact that the index of export prices advanced more or less steadily throughout the year from 115.9 in January to 125.8 in December, while the index of import prices which rose rapidly from 119.9 in January to 129.9 in June, had declined by December to 121.6.

In volume terms exports advanced by 9 per cent and imports by 11 per cent. The growth in the excess of imports over exports in 1951 added about one-half of 1 per cent to the supply of goods and services available for Canadians. A large part of the increase in imports took the form of increased purchases of defence items and capital goods.

The deficit on current account for 1951 was \$524 million, or \$195 million more than the year before. Most of the change is accounted for in merchandise trade where the small favourable balance of 1950 was replaced in 1951 by a deficit of \$153 million. The deficit on merchandise account arose in the first six months of the year when imports were exceptionally heavy. In the last half of the year a decline in the value of imports coupled with a sharp rise in the value of exports produced a substantial merchandise surplus and this change in the situation appears to have carried forward into 1952. The change in the terms of trade in the last half of 1951 was an important factor contributing to this surplus. All other current account items gave rise to a net deficit of \$371 million in 1951 compared to \$339 million in 1950. The most important changes within these figures were a decline in our adverse balance on interest and dividend account of \$51 million and a reversal of our tourist account balance from +\$49 million to -\$9 million.

BALANCE OF INTERNATIONAL PAYMENTS



The geographical distribution of the net balance on current account changed substantially during 1951 and showed a reversal of the movement towards a closer balance with the principal trading areas which had occurred in the previous year. The increase in imports from the United States, far outstripped the increase in exports and the deficit on current account increased from \$403 million in 1950, to \$955 million in 1951. In contrast with the large deficit with the United States, Canada's overall export surplus with overseas countries rose by \$357 million to a total of \$431 million. Of particular importance was the sharp advance of \$228 million in exports of goods and services to the United Kingdom and of \$183 million to other O.E.E.C. countries. Transactions with the rest of the sterling area, although on a higher level compared to the previous year, resulted in little change in the net balance while a small credit vis-a-vis all other countries developed during 1951.

Despite the current account deficit, Canada's official reserves of gold and U.S. dollars rose by \$37 million. The capital inflow, largely from the United States, although considerably smaller than the capital inflow of 1950, was thus more than sufficient to offset the current account deficit. The available details of transactions on capital account in 1951 are compared in the following table with similar transactions in 1950:

	(Millions of Canadian dollars)	
	1950	1951
Loans to United Kingdom and other governments (gross)—		
Drawings.....	-50	—
Repayments.....	+74	+68
Net reduction in the U.S. dollar debt of the Government of Canada (expressed in U.S. dollars).....	-50	—
Increase (—) in official reserves of gold and United States dollars (expressed in U.S. dollars).....	-624	-37
Other capital, including exchange adjustments, errors and omissions...	+979	+493
Total*	+329	+524

*Equal in size but opposite in sign to net balance on current account.

TABLE 12
CANADA'S HOLDINGS OF GOLD AND U.S. DOLLARS
(millions of U.S. dollars)

	Exchange Fund Account and Bank of Canada		Other Government of Canada Accounts	Private ²	Total
	Gold	U.S. dollars	U.S. dollars	U.S. dollars	Gold and U.S. dollars
Sept. 15, 1939	204.9	33.8	22.4	132	393.1
Dec. 31, 1939	218.0	54.8	33.4	98	404.2
Dec. 31, 1940	136.5	172.8	20.8	2	332.1
Dec. 31, 1941	135.9	28.2	23.5		187.6
Dec. 31, 1942	154.9	88.0	75.6		318.5
Dec. 31, 1943	224.4	348.8	76.4		649.6
Dec. 31, 1944	293.9	506.2	102.1		902.2
Dec. 31, 1945	353.9	922.0	232.1		1,508.0
Dec. 31, 1946	536.0	686.3	22.6		1,244.9
Dec. 31, 1947	286.6	171.8	43.3		501.7
Dec. 31, 1948	401.3	574.5	22.0		997.8
Dec. 31, 1949	486.4	594.1	136.6		1,117.1
Dec. 31, 1950	580.0	1,144.9	16.6		1,741.5
Dec. 31, 1951	841.7	899.5	37.4		1,778.6

¹ Not including \$18.2 million in United States dollars borrowed by the Government of Canada in August, 1949, and set aside for the retirement on February 1, 1950, of a security issue guaranteed by it and payable at the holder's option in United States dollars.

² Exclusive of working balances.

EMPLOYMENT AND EARNINGS

Labour income during 1951 was estimated at \$9,640 million, 17 per cent above 1950. The annual average earned income per paid worker rose from \$2,316 in 1950 to \$2,551 in 1951.

Average weekly earnings in nine leading non-agricultural industries averaged \$49.61 in 1951 compared to \$44.84 in 1950. The December figure was \$52.41 for 1951 and \$46.63 in 1950. Hourly earnings in manufacturing were \$1.24 at the end of 1951 compared with \$1.08 a year earlier. These gains appear to have been sufficient to maintain the real value of weekly earnings.

Part of the increase in total labour income is accounted for by the higher level of employment reached during 1951. The number of people employed throughout the year averaged 5,175,000, an increase of 129,000, or 2.6 per cent over 1950. The increase was more pronounced during the first half than during the second half of the year. In manufacturing, for instance, between January and June, 1951, employment was 8.8 per cent higher than during the same period of 1950; between July and December, it was 5.4 per cent higher.

THE LABOUR FORCE

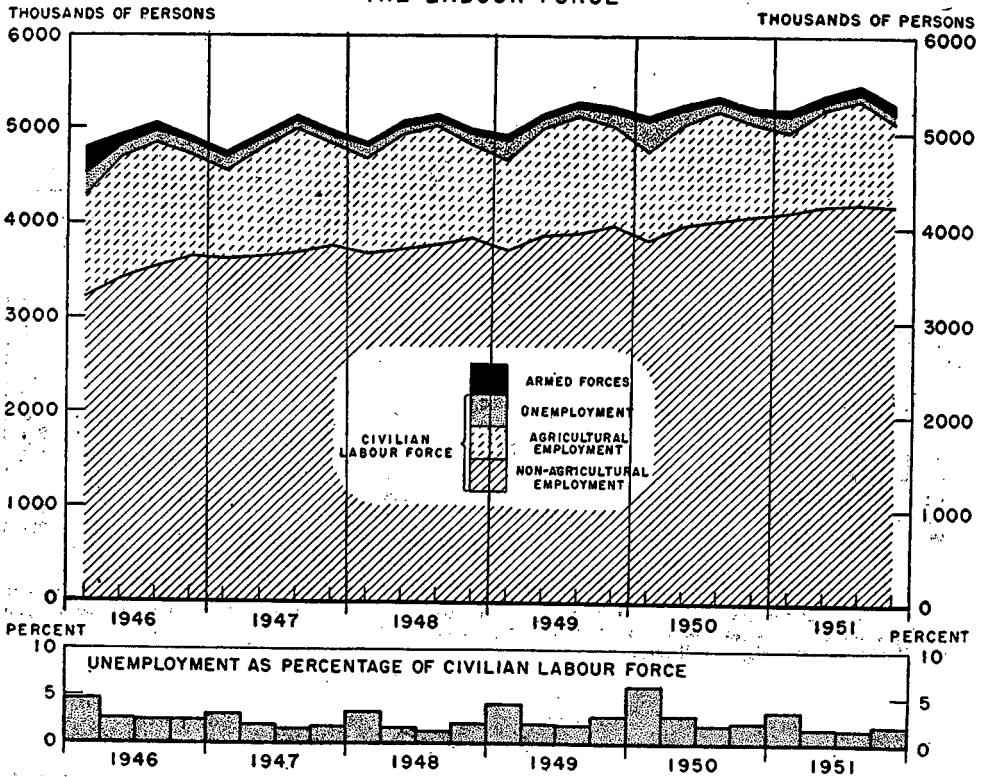


TABLE 13
THE CIVILIAN LABOUR FORCE

ANNUAL AVERAGES
(Thousands of Persons)

	1948 ¹	1949 ¹	1950	1951
Civilian Labour Force.....	4,982	5,090	5,217	5,284
<i>Exclusive of Newfoundland</i>	—	—	5,108	5,176
Male.....	3,919	4,002	4,099	4,134
Female.....	1,063	1,088	1,118	1,150
Non-Agricultural.....	3,882	3,996	4,178	4,324
Agricultural.....	1,100	1,094	1,039	957
Unemployed.....	103	133	171	109
Employed.....	4,879	4,957	5,046	5,175
In Non-Agricultural Industries.....	3,783	3,869	4,013	4,218
Paid Workers.....	3,238	3,325	3,459	3,678
Employers, own account workers and unpaid family workers.....	545	544	554	540
In Agriculture.....	1,096	1,088	1,033	957

¹ Excludes Newfoundland.

The easing in the demand for labour during 1951 was especially marked in certain consumer goods industries where it resulted in non-seasonal lay-offs and a shorter working week. In manufacturing, the average number of hours worked per week fell to 41.8 from 42.3. The percentage of the employed labour force working 35 or more hours per week declined slightly.

Short-time and non-seasonal lay-offs are reflected in the increase in the number of persons registered at National Employment Service offices. During January and February, 1952, unplaced applicants averaged 332,000 and 369,000 respectively. The comparable figures for January and February, 1951, were 273,000 and 302,000. This is the period of highest seasonal unemployment.

Persons without jobs and seeking work averaged 109,000, or 2.1 per cent of the labour force during 1951, compared to 171,000, or 3.3 per cent during the preceding year.

The civilian labour force, which includes both the employed and unemployed, averaged 5,284,000, 67,000 more than during 1950. The rate of participation in the labour force was the same in both years: 53.7 per cent of the non-institutional civilian population over 14 years of age. The number of persons in the agricultural labour force continued to fall during 1951. The loss of 79,000 persons, however, was more than offset by an increase of 146,000 in the size of the non-agricultural labour force. The sex composition of the labour force was substantially unchanged. During 1951, 218 out of every 1,000 workers were women; in 1950, 214 were women.

In addition to the civilian labour force there were 85,000 in the armed forces at the end of 1951 compared with 60,000 at the end of 1950.

PRICE TRENDS

After the outbreak of war in Korea the period of relative price stability which had prevailed for more than 18 months, gave way to rapidly rising prices. This was particularly true for the latter half of 1950 and the early months of 1951. In the whole period from the outbreak of war in Korea to the present time the wholesale price index rose by slightly less than 11 per cent and the cost-of-living index by almost 13 per cent.

For the year 1951 as a whole, wholesale prices averaged 13.7 per cent above 1950. The larger part of this rise, however, was confined to the first quarter. Subsequent small increases carried it to a peak in July from where it steadily declined. Thus, in December 1951, wholesale prices were only 2.3 per cent above those prevailing at the beginning of the year. This decline has persisted into 1952 with the wholesale price index for February a further 2.1 per cent below December 1951, and a full 2.5 per cent below February 1951. Prices of fully and chiefly manufactured goods followed exactly the trend of the total index. The index of Canadian farm products, however, showed a more rapid increase during the first quarter of 1951 and, in spite of some decline in the spring, reached a peak in July at a point more than 10 per cent above the beginning of the year. By February, 1952, it had once more declined to the level of January, 1951.

Except for a slight decline of 0.1 points during December, the cost-of-living index rose in each month of 1951. For the year as a whole the increase amounted to 11 per cent but most of the rise was confined to the first two quarters in which there was an increase of 9 per cent compared with an increase of 2 per cent in the last two quarters. The increase in the cost-of-living index during the last six months of 1951 was offset by declines in February and March of 1952 so that the index at March 1 again approximated the level of August, 1951.

TABLE 14
WHOLESALE PRICE INDEXES
(1935-39=100)

Monthly Averages	Total	Canadian Farm Products	Fully and Chiefly Manu- factured Goods
1939.....	99.2	92.6	101.9
1940.....	108.0	96.1	109.9
1941.....	116.4	106.8	188.8
1942.....	123.0	127.1	123.7
1943.....	127.9	145.4	126.9
1944.....	130.6	155.3	129.1
1945.....	132.1	166.4	129.8
1946.....	138.9	179.5	138.0
1947.....	163.3	192.2	162.4
1948.....	193.4	232.1	192.4
1949.....	198.3	228.7	199.2
1950.....	211.2	236.7	211.0
1951.....	240.1	265.1	242.5
1951-January.....	232.3	251.0	233.6
February.....	238.5	262.5	240.0
March.....	241.8	273.0	244.1
April.....	242.2	265.4	244.9
May.....	241.9	265.3	244.4
June.....	242.7	272.6	243.7
July.....	244.2	277.1	246.6
August.....	241.5	263.3	245.1
September.....	240.1	260.5	243.7
October.....	239.6	259.3	242.7
November.....	239.1	264.9	241.4
December.....	237.6	266.8	239.7
1952-January.....	236.8	263.1	239.7
February.....	232.6	251.2	236.2

NOTE:—1951 and 1952 indexes are preliminary.

CANADIAN WHOLESALE PRICES AND COST OF LIVING INDEXES

1926—1952

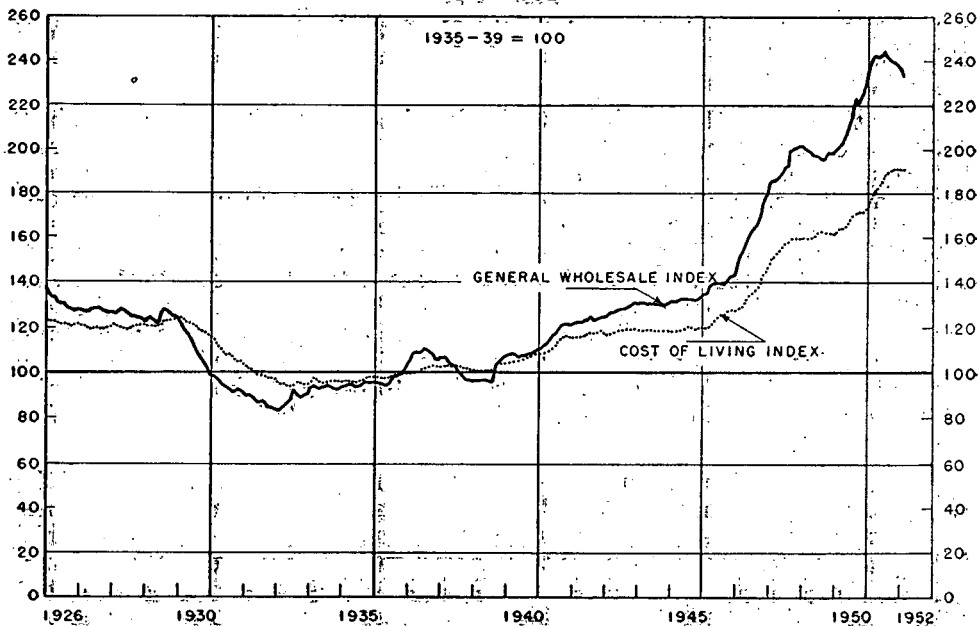


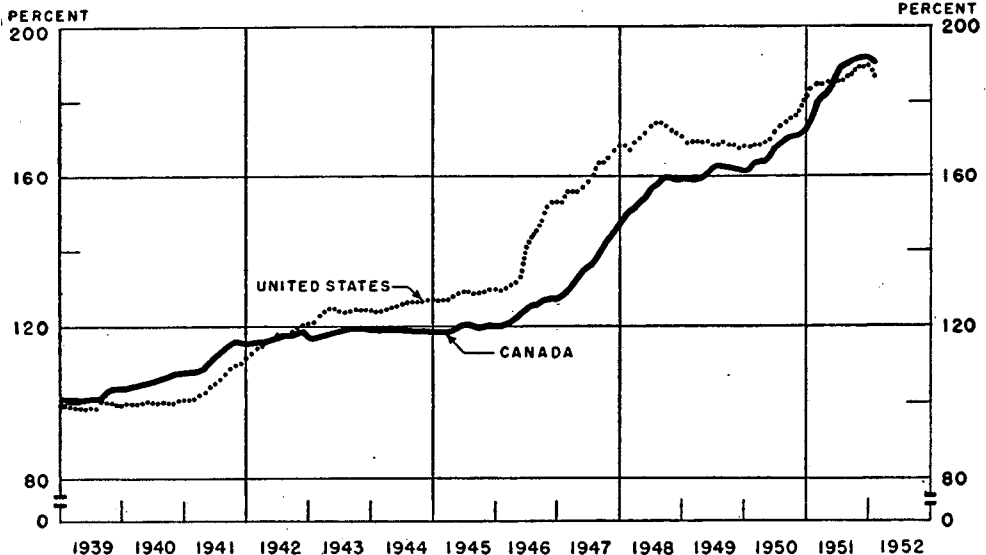
TABLE 15
COST OF LIVING INDEXE
(1935-39=100)

	CANADA		UNITED STATES	
	Total	Food	Total	Food
1939.....	101.5	100.6	99.4	95.2
1940.....	105.6	105.6	100.2	96.6
1941.....	111.7	116.1	105.2	105.5
1942.....	117.0	127.2	116.5	123.9
1943.....	118.4	130.7	123.6	138.0
1944.....	118.9	131.3	125.5	136.1
1945.....	119.5	133.0	128.4	139.1
1946.....	123.6	140.4	139.3	159.6
1947.....	135.5	159.5	159.2	193.8
1948.....	155.0	195.5	171.2	210.2
1949.....	160.8	203.0	169.1	201.9
1950.....	166.5	210.9	171.9 ¹	204.5 ¹
1951.....	184.5	241.1	185.6	227.4
1951—January.....	172.5	220.2	181.5	221.9
February.....	175.2	224.4	183.8	226.0
March.....	179.7	233.9	184.5	226.2
April.....	181.8	238.4	184.6	225.7
May.....	182.0	235.4	185.4	227.4
June.....	184.1	239.8	185.2	226.9
July.....	187.6	249.7	185.5	227.7
August.....	188.9	251.4	185.5	227.0
September.....	189.8	251.1	186.6	227.3
October.....	190.4	249.7	187.4	229.2
November.....	191.2	250.2	188.6	231.3
December.....	191.1	249.3	189.1	232.2
1952—January.....	191.5	250.0	189.1	232.4
February.....	190.8	248.1	187.9	227.5

¹ Adjusted series United States Consumers' Price Index from January, 1950, forward.
Source: Bureau of Labour Statistics.

COST OF LIVING

1935 - 39 = 100



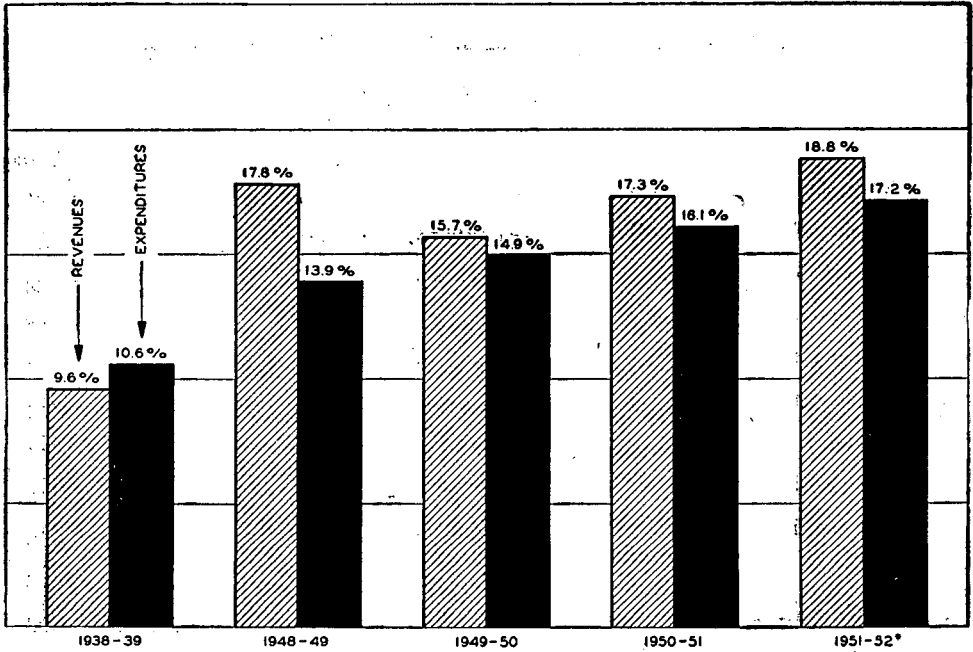
PART II

REVIEW OF GOVERNMENT ACCOUNTS 1951-52

TABLE OF CONTENTS

	PAGE
1. Introduction.....	87
2. Highlights of Governmental Financial Operations during 1951-52.....	87
3. Budgetary Accounts.....	88
A. Revenues.....	90
B. Expenditures.....	100
4. The Cash Accounts.....	110
5. Estimated Balance Sheet Position at March 31, 1952.....	114
A. Changes in Principal Liability Classifications during 1951-52.....	115
B. Changes in Principal Active Asset Classifications during 1951-52.....	118
C. Decrease in Net Debt.....	122
6. The Public Debt.....	122
7. Supplementary Detailed Tables.....	129

**BUDGETARY REVENUES AND EXPENDITURES
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT⁽¹⁾**



(1) GROSS NATIONAL PRODUCT AS OF CALENDAR YEAR ENDING DECEMBER 31 WITHIN FISCAL YEAR

* ESTIMATES

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1951-52

1. INTRODUCTION

1. Although the Government's fiscal year ended on March 31st, the books must remain open for several weeks after that date in order to record various adjusting entries and to take into account all payments up to and including April 30th made on account of expenditures originating in, and properly chargeable to, the fiscal year 1951-52. Consequently, as it will be some considerable time before final figures for the year will be available, the figures appearing in this Part must be regarded as preliminary and subject to revision.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS DURING 1951-52

2. The revenues of the Government for the fiscal year ended March 31, 1952, which are now estimated at \$4,003 million, were the largest total on record, and approximately \$890 million or 28 per cent more than the total for the preceding year. Expenditures are estimated at \$3,647 million, a total which was exceeded only in the four war years 1942-43 to 1945-46 inclusive. On the basis of these figures it would appear that the surplus is probably something in the neighbourhood of \$356 million, compared with \$211 million for the year ended March 31, 1951. The fiscal year 1951-52 is therefore the sixth consecutive year in which the financial operations of the Government resulted in a budgetary surplus. As a result, the Government's net debt (the excess of total liabilities over total active assets) has been reduced by an equivalent amount. This brings to a total of \$2,344 million the amount by which the Government has reduced its net debt during those six years, a reduction approximately equivalent to the amount by which the net debt increased during the first three and one-half years after the outbreak of war in 1939.

3. Although the budgetary surplus for 1951-52 is estimated at \$356 million, the Government made loans, advances and other non-budgetary disbursements of about \$653 million, and, at the same time, purchased or retired outstanding funded debt in the hands of the public to the extent of some \$456 million. The manner in which this has been achieved can only be understood by taking an over-all view of the Government's cash transactions for the fiscal year. As explained in greater detail in the section on "The Cash Accounts", all the Government's cash receipts and disbursements are not reflected in the budgetary accounts, nor do all budgetary transactions result in the inflow or outgo of cash. Substantial amounts are received and paid out for extra-budgetary purposes (such as the loans and advances which the Government is required to make and the transactions in connection with the many superannuation, insurance, pension, annuity and deposit and trust accounts which it has undertaken to hold or administer). On the other hand, a substantial part of the budgetary revenues and expenditures are merely of an accounting or bookkeeping nature and do not result in the receipt or disbursement of cash.

4. As would appear from the foregoing, the Government's estimated budgetary surplus for the fiscal year of \$356 million does not reflect the full impact of Government operations upon the Canadian economy. After adjusting the budgetary surplus for non-cash transactions, it is estimated that an amount of \$809 million remains. This sum, together with \$234 million received from repayments of loans, investments and working capital advances, net insurance, pension and annuity contributions, and other non-budgetary cash receipts, made \$1,043 million cash available for making necessary loans, investments and other extra-budgetary outlay. These non-budgetary disbursements are estimated at \$653 million and include \$200 million advanced to the Minister of Finance Exchange Fund to finance the increase in our foreign exchange reserves consequent upon the flow of investment capital into Canada from abroad; some \$95 million used to acquire materials essential to our defence program; approximately \$70 million advanced to the Central Mortgage and Housing Corporation for house construction and for housing loans; \$139 million loaned to the C.N.R. for capital expenditures on additions and betterments and the acquisition of new rolling stock and equipment, etc.; about \$51 million to replace equipment furnished to North Atlantic Treaty countries under section 3 of The Defence Appropriation Act, 1950, and net pension payments of \$55 million out of the Old Age Security Fund.

5. After taking into account all these transactions it is now estimated that the cash surplus for the fiscal year amounted to approximately \$390 million. By using this amount and by allowing the Government's cash balances to be reduced by \$66 million, funded debt amounting to \$300 million was retired and securities amounting to \$156 million were acquired by the Government (mainly for the Unemployment Insurance Fund and the Securities Investment Account).

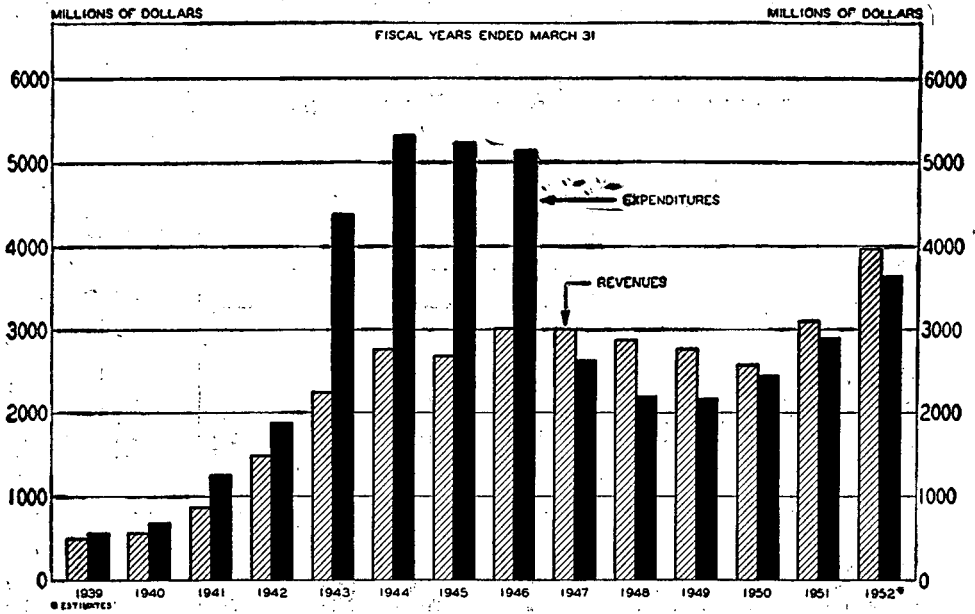
3. THE BUDGETARY ACCOUNTS

6. The table which follows gives a summarized statement of estimated revenues and expenditures and surplus for the fiscal year ended March 31, 1952, with the comparable figures for the four preceding fiscal years:

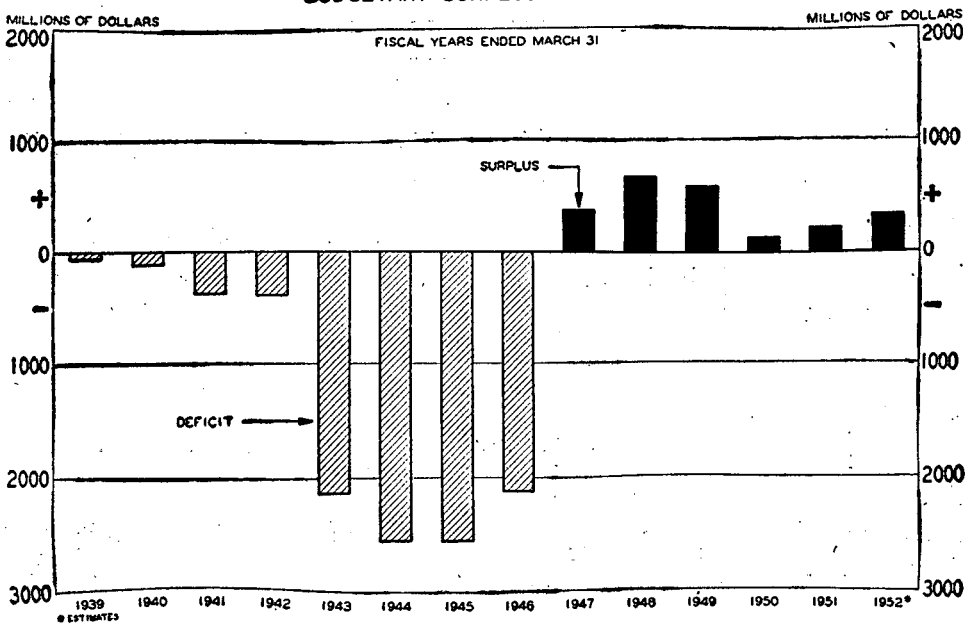
	Fiscal Years Ended March 31				
	1948	1949	1950	1951	1952 (Estimated)
	(In millions of dollars)				
Revenues.....	2,871·7	2,771·4	2,580·1	3,112·5	4,003·1
Expenditures.....	2,195·6	2,175·9	2,448·6	2,901·2	3,647·4
Surplus.....	676·1	595·5	131·5	211·3	355·7

7. Total revenues, estimated at \$4,003·1 million for 1951-52, are expected to show an increase of \$890·6 million over the total for the previous fiscal year. Total expenditures are estimated at \$3,647·4 million or \$746·2 million more than the corresponding total for 1950-51.

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



A. REVENUES

8. The estimated budgetary revenues for the fiscal year 1951-52, classified according to major categories, are shown in the following table with corresponding figures for the previous fiscal year.

STATEMENT OF REVENUES, BY MAJOR CLASSIFICATIONS, FOR THE YEARS
ENDED MARCH 31, 1952 AND MARCH 31, 1951

(In millions of dollars)

Source	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1952 (Estimated)		1951		Amount	Percent
	Amount	Percent	Amount	Percent		
Ordinary revenues—						
Direct taxes—						
Personal income tax.....	980.0	24.5	652.3	20.9	327.7	50.2
Non-resident income taxes.....	55.5	1.4	61.6	2.0	-6.1	-9.9
Corporation income tax.....	1,134.0	28.3	799.2	25.7	334.8	42.0
Excess profits tax.....	2.2	0.1	10.1	0.3	-7.9	-78.2
Succession duties.....	38.0	0.9	33.6	1.1	4.4	13.1
Total direct taxes.....	2,209.7	55.2	1,556.9	50.0	652.8	41.9
Indirect taxes—						
Customs import duties.....	353.0	8.8	295.7	9.5	57.3	19.4
Excise duties.....	222.0	5.5	241.0	7.7	-19.0	-7.9
Excise taxes.....	899.0	22.5	686.8	22.1	212.2	30.9
Other taxes.....	5.3	0.1	4.9	0.2	0.4	8.2
Total indirect taxes.....	1,479.3	36.9	1,228.5	39.5	250.8	20.4
Total tax revenues.....	3,689.0	92.1	2,785.3	89.5	903.7	32.4
Non-tax revenues—						
Post office.....	105.0	2.6	90.4	2.9	14.6	16.2
Return on investments.....	117.5	2.9	89.5	2.9	28.0	31.3
Other non-tax revenues.....	54.4	1.4	53.4	1.7	1.0	1.9
Total non-tax revenues.....	276.9	6.9	233.3	7.5	43.6	18.7
Total ordinary revenues.....	3,965.9	99.0	3,018.7	97.0	947.2	31.4
Special receipts and credits.....	37.2	1.0	93.8	3.0	-56.6	-60.3
Total revenues.....	4,003.1	100.0	3,112.5	100.0	890.6	28.6

NOTE.—Due to rounding off, columns may not add exactly to totals shown.

9. It is estimated that of the total revenues for the year, \$2,209.7 million or 55.2 per cent was derived from direct taxes; \$1,479.3 million or 36.9 per cent was obtained from indirect taxes, and the remaining \$314.1 million or 7.9 per cent was attributable to non-tax revenues and special receipts and credits.

(1) DIRECT TAXES

Tax on Personal Incomes

10. The personal income tax yielded an estimated total of \$980 million, an increase of \$327.7 million or 50.2 per cent over the previous year. This increase is due to higher levels of employment, the substantial increase in incomes that occurred in the year and also to the 20 per cent defence surtax which applied to deductions of tax at the source from July 1, 1951. Tax deduction tables now in use also provide for the current collection of a greater proportion of the tax than previous tables.

Non-resident Income Taxes

11. Revenues under this heading are derived from withholding taxes on payments of interest, dividends, rents and royalties made to non-residents. The estimated total of \$55.5 million collected in 1951-52 is \$6.1 million less than in the previous year, a decrease largely due to a lower level of dividend payments to the United States during 1951.

Corporation Income Tax

12. Corporation income tax was again the largest single source of governmental revenue in 1951-52. Collections from this tax are expected to amount to \$1,134 million, an increase of \$334.8 million or 42 per cent over the corresponding total for the previous year. This increase is attributable to markedly higher profits earned by companies in 1951 and also to the defence surtax which increased the tax payable on 1951 profits in excess of \$10,000 by 20 per cent. The 15 per cent tax which companies may pay on their undistributed surplus yielded revenue of about \$14 million during the year compared with \$87.6 million in the previous fiscal year. (In addition the 2 per cent tax levied under the Old Age Security Act on corporation profits earned after January 1, 1952 yielded an estimated amount of \$2 million during 1951-52).

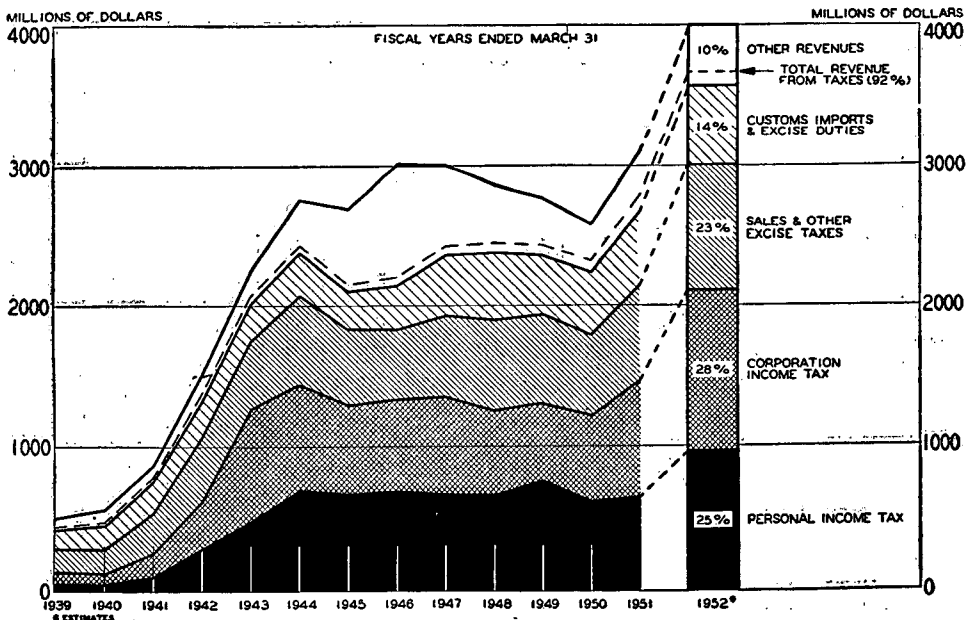
Excess Profits Tax

13. The excess profits tax ceased to be levied on profits earned after December 31, 1947, but clean-up payments received during the year exceeded refunds and adjustments and produced a net revenue of \$2.2 million.

Succession Duties

14. Revenue from succession duties is estimated at \$38 million for 1951-52, an increase of \$4.4 million over the previous year.

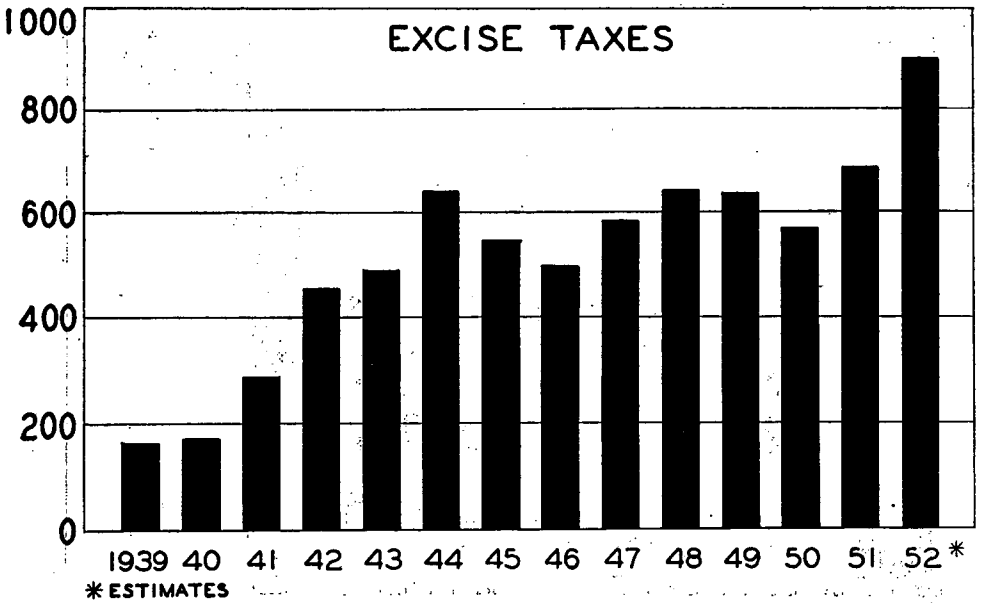
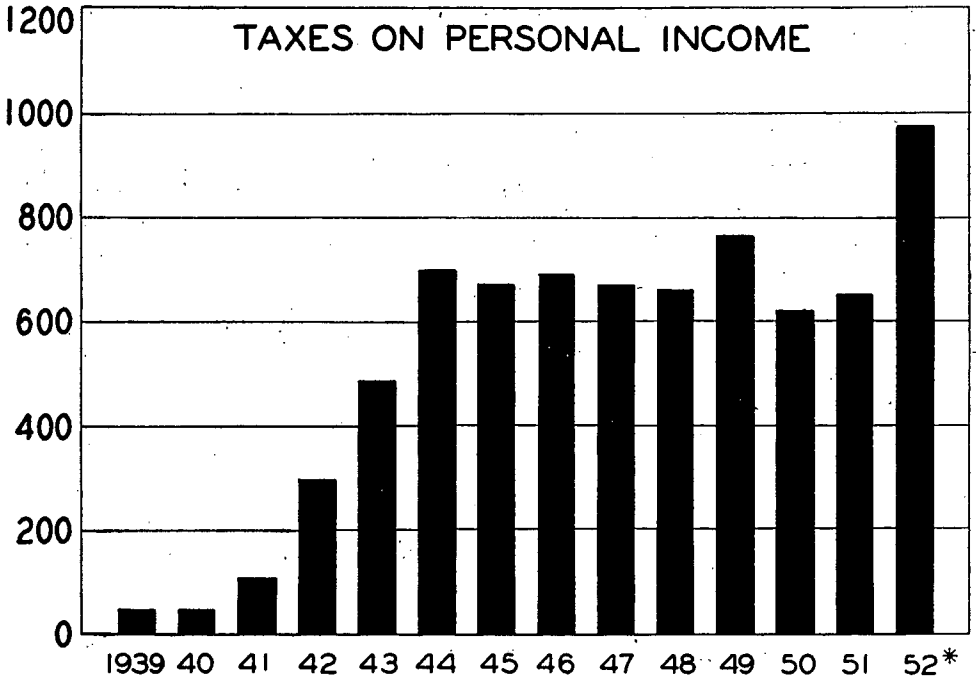
BUDGETARY REVENUES BY SOURCE



PRINCIPAL SOURCES

MILLIONS OF DOLLARS

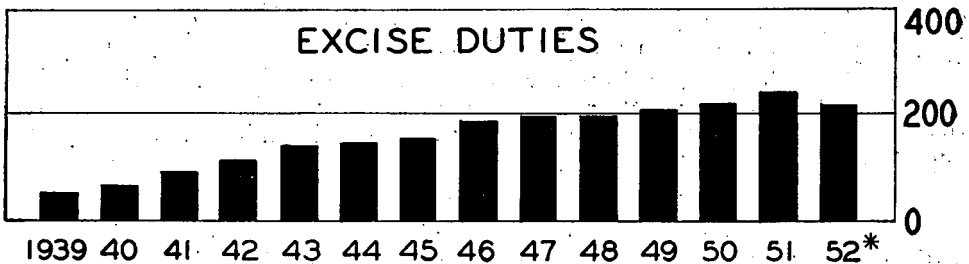
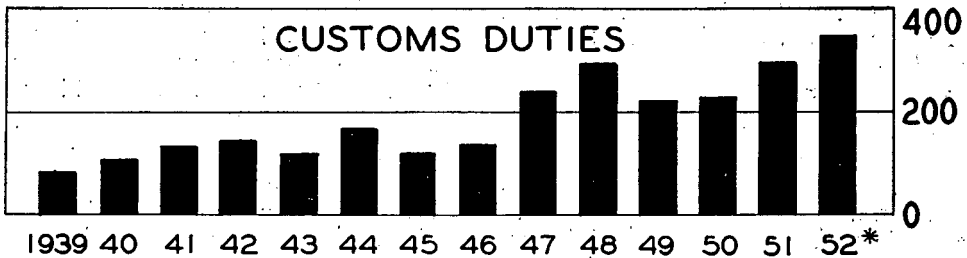
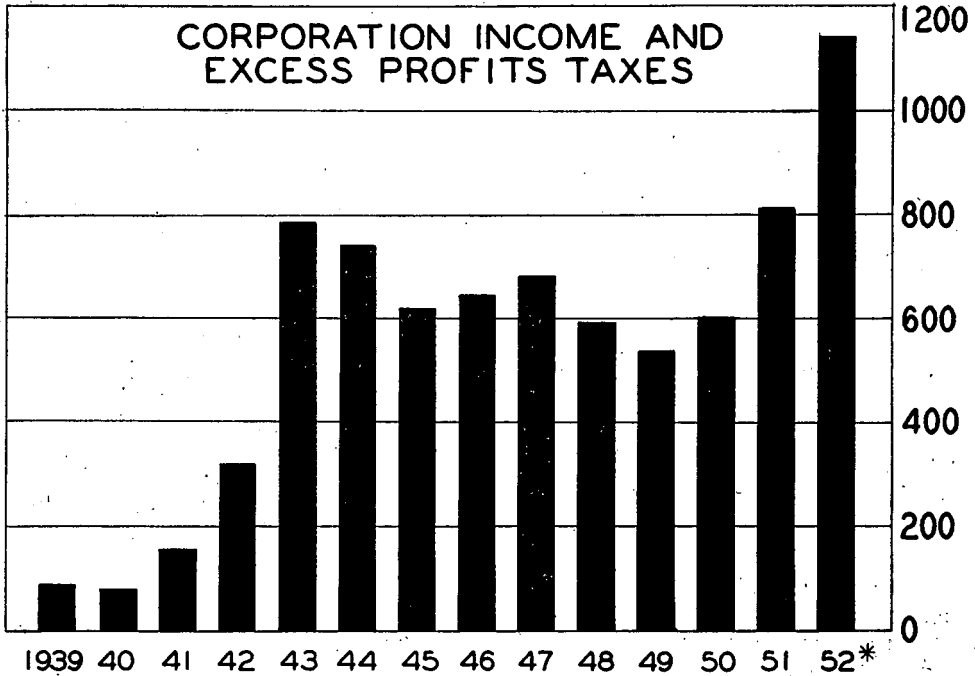
FISCAL YEARS



OF TAX REVENUES

ENDED MARCH 31

MILLIONS OF DOLLARS



(2) INDIRECT TAXES

Customs Import Duties

15. Net revenue from customs import duties for the year is estimated at \$353 million, an increase of \$57.3 million over the total for 1950-51. This increase reflects the increased level of imports at higher prices during the year.

Excise Duties

16. Excise duties are levied exclusively on alcoholic beverages and tobacco products. (Additional taxes are levied on tobacco products under the Excise Tax Act). The estimated total revenue from this source for the year is \$222 million. This is a decrease of \$19 million from 1950-51 due mainly to reduced sales of spirits and cigarettes. Gross receipts from excise duties, before deducting refunds, are divided as follows: \$123 million from alcoholic beverages (\$129.4 million in 1950-51) and \$102 million from tobacco products (\$114.5 million in 1950-51).

Excise Taxes

17. Excise taxes are levied on a variety of items under the Excise Tax Act. Total net collections for the year are estimated at \$899 million, an increase of \$212.2 million or 30.9 per cent over 1950-51. This increase is due in part to higher levels of production and increased prices during the year and in part to tax changes introduced in April, 1951. At that time the rate of tax on all those items which had previously been subject to tax at 15 per cent was raised to 25 per cent and refrigerators, washing machines and stoves using other than solid fuels, which were not previously taxed, were made taxable at 15 per cent. At the same time, the rate of tax on cigarettes was increased three-quarters of one cent for each five cigarettes; the rate on each ounce of manufactured tobacco was increased three cents; and the rate on each ounce of Canadian raw leaf tobacco when sold for consumption was increased three-quarters of one cent. The most important change was undoubtedly the increase in the rate of sales tax from 8 per cent to 10 per cent.

18. These increases in tax were offset to a small extent by the repeal of the tax on cigarette papers and tubes, and the reduction of the tax on candy and chewing gum from 30 per cent to 15 per cent. In addition, the rate of sales tax levied under the Excise Tax Act was reduced from 10 per cent to 8 per cent from January 1, 1952, when the sales tax of 2 per cent levied under the Old Age Security Act came into effect.

19. The most important tax under the Excise Tax Act from the point of view of revenue is the sales tax which yielded an estimated gross revenue of \$596 million, an increase of \$125.4 million over the previous year. (In addition, an estimated amount of \$19 million was received from the 2 per cent sales tax levied under the Old Age Security Act).

20. The second largest revenue source among the excise taxes is the tax on tobacco products which yielded approximately \$110 million. The increase of \$24.8 million over the total for the previous year is due to the increased rates of tax introduced in 1951. (If the revenues from excise taxes and excise duties, including the tax on cigarette papers and tubes now withdrawn, are combined, the total revenue from tobacco products was \$212.4 million in 1951-52 compared with \$207.4 million in the previous year).

21. Almost all tax sources showed an increase in revenue over the previous year. The tax on automobiles and rubber tires and tubes, which yielded an estimated total of \$99.6 million during the year, showed the largest increase, amounting to \$28.8 million over the previous year. The increase in revenue of \$11.8 million from the tax on soft drinks occurs because this tax was in effect for all of 1951-52 but for less than eight months in 1950-51.

22. The tax sources showing the largest increases, and the amount of the increase in each case, are given below.

	Estimated increase over 1950-51
	\$
Automobiles, rubber tires and tubes.....	28,800,000
Cigars, cigarettes and tobacco.....	24,800,000
Beverages (soft drinks).....	11,800,000
Toilet preparations and soaps.....	3,800,000
Jewellery, ornaments, etc.....	3,500,000
Phonographs, radios and tubes.....	3,200,000

Other Indirect Taxes

23. Small amounts of tax revenue were derived from the tax on the net premium income of insurance companies (\$4.5 million); from a tax on the export of electric energy from Canada (\$0.7 million); and from a tax on the export of furs from the Northwest Territories (\$0.1 million). Total revenue from all these sources in 1951-52 is estimated at \$5.3 million, an increase of \$0.4 million over the previous year.

(3) NON-TAX REVENUES

24. Non-tax revenues for 1951-52 are estimated at \$276.9 million, an increase of \$43.6 million over the 1950-51 total. The following table presents a comparative summary of revenues under this heading for the past two years:

	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Post Office.....	105.0	90.4	14.6
Return on investments.....	117.5	89.5	28.0
Premium, discount and exchange.....	12.0	17.6	— 5.6
Bullion and coinage.....	4.5	4.7	— 0.2
Privileges, licences and permits.....	10.5	10.1	0.4
Proceeds from sales.....	4.7	4.1	0.6
Services and service fees.....	15.5	12.6	2.9
Refunds of previous years' expenditures.....	5.2	2.1	3.1
Miscellaneous.....	2.0	2.2	— 0.2
Total non-tax revenue.....	276.9	233.3	43.6

25. Gross Post Office receipts for 1951-52 are expected to amount to \$124 million. After making authorized disbursements from revenue of \$19 million for salaries and rent allowances at semi-staff and revenue offices, commissions at sub-offices, transit charges on Canadian mail forwarded through or delivered in foreign countries, etc., net post office receipts credited to budgetary revenues are estimated at \$105 million. This would represent an increase of \$14.6 million

over the corresponding amount for 1950-51, due primarily to the new postal rates which came into effect on July 1, 1951. As costs of operating the Post Office during 1951-52 (excluding the \$19 million charged to revenue) are expected to total \$98.1 million, net revenue will exceed net costs by approximately \$6.9 million. However, in making this comparison it is to be noted that the total shown for Post Office revenues does not reflect the value of services rendered free of charge to other departments, nor does the total shown for operating expenses reflect any charges for premises owned by the Government and occupied by the Post Office Department or for certain accounting and miscellaneous services provided by other departments.

26. Return on investments is expected to yield \$117.5 million, compared with the total of \$89.5 million received in 1950-51. This increase of \$28 million is due principally to the first payment of interest on the loan to the United Kingdom under the United Kingdom Financial Agreement Act, 1946, amounting to \$23.7 million, and to increases of \$4.3 million in the profits of the Bank of Canada for the calendar year, \$2.5 million in interest on Central Mortgage and Housing Corporation debentures, and \$1.7 million in interest on advances to the Canadian National Railways. These were offset in part by decreases of \$2.2 million in the revenues from the Foreign Exchange Control Board and \$2.2 million in interest on loans to foreign governments under Part II of The Export Credits Insurance Act.

27. A comparative summary of estimated receipts during 1951-52 with actual receipts during 1950-51 under this heading is given in the following table:

Interest or dividends on	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
(In millions of dollars)			
Loans to, and investments in, Crown agencies—			
Bank of Canada.....	24.2	19.9	4.3
Foreign Exchange Control Board.....	12.6	14.8	—2.2
Canadian National Railways.....	23.5	21.8	1.7
Central Mortgage and Housing Corporation.....	7.1	4.6	2.5
National Harbours Board.....	4.5	4.3	0.2
Other Crown agencies.....	1.2	2.2	—1.0
	73.1	67.6	5.5
Other loans and investments—			
United Kingdom.....	23.7		23.7
Other National Governments.....	13.3	15.9	—2.6
Provincial and Municipal Governments.....	1.1	1.3	—0.2
Soldier and General Land Settlement Loans and Veterans Land Act Advances.....	4.4	3.8	0.6
Securities Investment Account.....	0.9	0.1	0.8
Other loans and investments.....	1.0	0.8	0.2
	44.4	21.9	22.5
	117.5	89.5	28.0

28. The amount credited as premium, discount and exchange in 1951-52 is estimated at \$12 million compared with a credit of \$17.6 million in 1950-51.

29. This revenue item was due mainly to bookkeeping adjustments in asset and liability accounts reflecting a reduction in U.S. dollar and sterling exchange rates from those operative in the fiscal year 1950-51.

30. The Canadian dollar equivalent of outstanding debt payable in sterling and in United States dollars was reduced in consequence of this revaluation by \$20.4 million offset by \$2.1 million reduction in assets payable in the same currencies. The result was a net credit in the premium, discount and exchange account of \$18.3 million. Net differences in rates on gold and foreign exchange transactions further reduced the credit of \$18.3 million by \$6.3 million resulting in a net revenue item of \$12 million.

(4) SPECIAL RECEIPTS AND CREDITS

31. The total of special receipts and credits for the fiscal year 1951-52 is estimated at \$37.2 million as compared with total receipts of \$93.8 million for the preceding year. The following table presents a comparative summary of the principal sources of special receipts and other credits for the last two years:

	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Sale of surplus Crown assets.....	13.8	19.6	—5.8
Refundable portion of excess profits tax—transfer to revenue of excess reserve set up in previous years.....	5.8	25.0	—19.2
Central Mortgage and Housing Corporation—surplus and proceeds from the sale of Wartime Housing properties.....	12.5	7.3	5.2
Balance of Canadian Sugar Stabilization Corporation's price stabilization contingency reserve transferred to revenue.....	—	18.7	—18.7
Military relief and currency credits arising from war settlements...	2.7	9.3	—6.6
Amount received in connection with operation of Park Steamships Limited.....	1.0	1.8	—0.8
Refunds in connection with cost audits and re-negotiation of war contracts.....	0.7	3.6	—2.9
Sundry other special receipts and credits.....	0.7	8.5	—7.8
	37.2	93.8	—56.6

32. The amount of \$13.8 million realized from the disposal of surplus Crown assets represents the estimated receipts during the fiscal year from Crown Assets Disposal Corporation after allowing for transfers to active assets of amounts applicable to "Balances receivable under agreements of sale of Crown assets". It does not include the residual cash balances or the value of accounts receivable carried by the Corporation as at March 31, 1952.

33. The amount of \$5.8 million represents a transfer to revenue of the amount now estimated to be in excess of requirements in respect of the final refundable portion of excess profits tax which was set up as a reserve in previous years.

34. The estimated amount of \$12.5 million received from Central Mortgage and Housing Corporation represents surplus funds in excess of the \$5 million reserve established by the Corporation and the proceeds of the sale of Wartime Housing properties.

(5) COMPARISON OF ACTUAL REVENUE WITH BUDGET FORECAST

35. Total revenues as now estimated for the year 1951-52 will be about \$292 million more than the forecast made in the budget speech of April 10, 1951. This represents an excess over the amount forecast of less than 8 per cent. Revenues from excise duties, excise taxes (other than sales tax), non-resident income taxes, succession duties and special receipts and credits were below the amounts forecast but the revenues from personal income tax, corporation income tax, customs duties and non-tax revenue exceeded expectations by a considerable margin. In making this comparison the revenue from the 2 per cent sales tax levied under the Old Age Security Act after January 1, 1952, is included with the estimate of revenue actually collected because the budget forecast was based on the assumption that the sales tax would remain at 10 per cent throughout 1951-52. The revenue collected from the 2 per cent Old Age Security Tax on corporation profits after January 1, 1952, is excluded because it was not part of the budget forecast. The following table shows in detail the extent to which actual revenues were different from the budget forecast.

DETAILED STATEMENT OF BUDGET FORECAST COMPARED WITH
ACTUAL REVENUE FOR 1951-52

(In millions of dollars)

Source of Revenue	Budget Forecast of Revenue	Actual Revenue (Estimated)	Increase or Decrease (-) in Revenue as compared with Budget Forecast
	\$	\$	\$
Personal Income Tax.....	870.0	980.0	110.0
Non-resident Income Taxes.....	60.0	55.5	-4.5
Corporation Income Tax.....	976.0	1,134.0(a)	158.0
Excess Profits Tax.....	—	2.2	2.2
Succession Duties.....	40.0	38.0	-2.0
Customs Import Duties.....	315.0	353.0	38.0
Excise Duties.....	245.0	222.0	-23.0
Sales Tax (net).....	600.0	602.0(b)	2.0
Other Excise Taxes.....	327.0	316.0	-11.0
Miscellaneous.....	5.0	5.3	0.3
Total Tax Revenue.....	3,438.0	3,708.0(a)(b)	270.0
Non-Tax Revenue.....	242.0	276.9	34.9
Total Ordinary Revenue.....	3,680.0	3,984.9(a)(b)	304.9
Special Receipts.....	50.0	37.2	-12.8
Grand Total Revenue.....	3,730.0	4,022.1(a)(b)	292.1

(a) Excluding \$2 million revenue from Old Age Security 2 per cent tax on corporation profits.

(b) Including \$19 million revenue from Old Age Security 2 per cent sales tax.

36. In the Budget Speech of April 10, 1951, it was stated that on the revenue side the forecast of \$3,730 million was based on the expectation that the Gross National Product would reach \$20 billion, but it was indicated that should production and incomes rise beyond that level, as well they might, the forecast would be more than realized, but should they go not quite that high the revenues could fall short of the estimates then submitted. In fact, as it turned out, profits, incomes and imports were all at levels higher than expected and the Gross National Product reached a total of \$21.2 billion in 1951, exceeding by 6 per cent the estimate of \$20 billion on which the budget forecasts were based.

37. The forecast of revenue from personal income tax was based on an anticipated increase of about 12 per cent in salary and wages during the year. Salaries and wages increased by approximately 17 per cent and this in conjunction with the higher level of Gross National Product resulted in the deductions of income tax from salaries and wages exceeding the forecast by a substantial amount.

38. The actual receipts from taxes on interest, dividends, rents, and royalties going to non-residents fell short of the budget forecast which was based on receipts in the previous year.

39. Revised estimates of 1950 corporate profits now indicate that preliminary estimates available at the time of the Budget last year were about 12 per cent too low. Despite difficulties encountered in some secondary industries, disturbances in output arising during the year from the shift to defence production and curtailment of essential materials were not generally serious and for the majority of corporations production continued at full, or nearly full, capacity. These factors plus the higher than expected level of Gross National Product and the coming into operation of new plant and equipment as a result of the large capital investment in recent years resulted in corporation profits for 1951 exceeding the amount expected at the time of the forecast by about 15 per cent.

40. Revenue from succession duties did not quite reach the amount forecast. Rising property values and higher stock market prices had been expected to raise the value of estates to a greater extent than actually occurred.

41. In forecasting revenue from customs duties it was expected that the value of imports into Canada would increase about 10 per cent in 1951-52. Stimulated by the high level of purchasing power in Canada, the large capital investment programme, and the increasing value of the Canadian dollar abroad, the value of imports into Canada increased by nearly 20 per cent in the year. This resulted in the revenue from customs duties exceeding the forecast and reaching a total far in excess of any previous year in Canada's history.

42. The actual revenue from excise duties in 1951-52 fell well below the budget forecast because of a short fall of 24 per cent in the revenue from matured spirits and of 14 per cent in the revenue from the tax on cigarettes. (See paragraph 20 for the total yield of excise taxes and excise duties on tobacco products).

43. The estimate of revenue from the sales tax proved to be very accurate with the actual receipts being practically the same as the amount forecast.

44. The revenue from other excise taxes fell short of the amount forecast by about \$11 million. This was more than accounted for by the fact that the additional revenue from the increased tax on tobacco products was about \$10 million less than expected, and that the revenue from the new tax on stoves, washing machines and refrigerators was also about \$5 million short of the \$16 million expected at the time of the Budget.

45. The excess of non-tax revenue receipts over the budget forecast is partly due to the amount of \$12 million for premium, discount and exchange arising chiefly from a revaluation of the Government's sterling and United States dollar assets and liabilities from exchange rates used in operations in the previous year. Receipts under the heading "Return on Investments" were also higher than expected mainly because of increased profits of the Bank of Canada for the calendar year 1951.

46. It is never possible to estimate revenue from special receipts and credits in advance with any degree of accuracy and the arbitrary budget forecast of \$50 million for 1951-52 proved to be too large.

B. EXPENDITURES

47. In previous years it has been customary to present a comparison by major categories of the expenditures for the current fiscal year with those of the previous year. In the accounts and estimates for the year under review the categories "capital expenditures", "special expenditures", "Government-owned enterprises" and "other charges" have been eliminated, and the items formerly appearing under these headings have been included under the headings of the appropriate departments. Consequently, to compare satisfactorily the expenditures of the two years, the expenditures for 1950-51 have also been adjusted to this basis.

48. The table which follows presents a comparative summary of estimated expenditures for 1951-52 with actual expenditures for the preceding fiscal year classified by departments and principal purposes.

STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CLASSIFICATIONS
FOR THE YEARS ENDED MARCH 31, 1952 AND MARCH 31, 1951

(In millions of dollars)

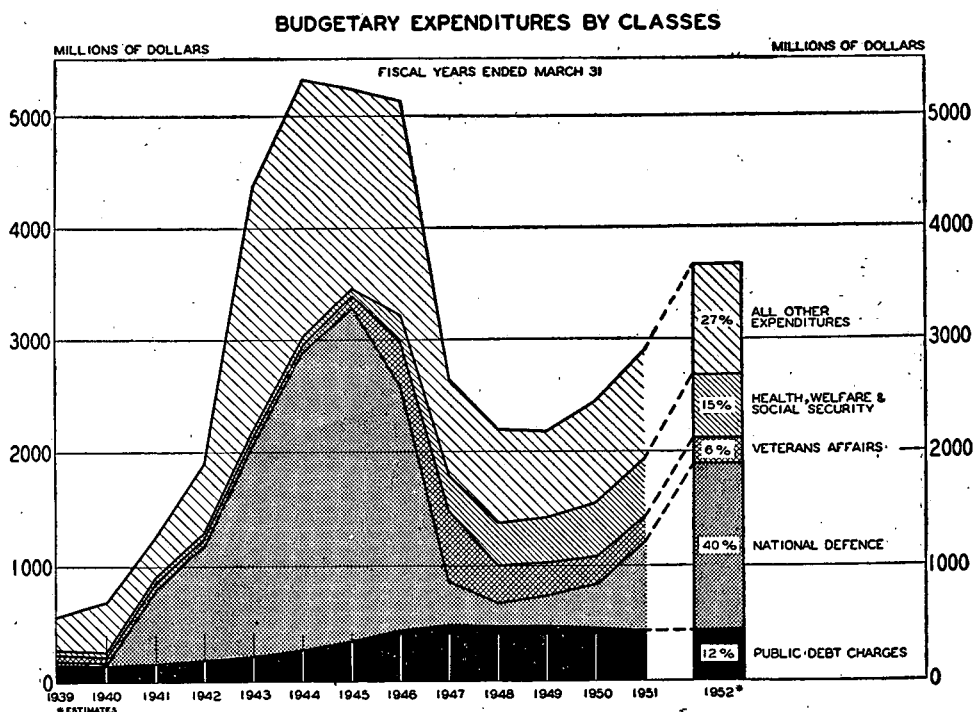
	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1952 (Estimated)		1951		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
National Defence	1,401.0	38.4	782.4	27.0	618.6	79.0
Defence Production	39.7	1.1			39.7	
Public Debt Charges—						
Interest on Public Debt	430.7	11.8	425.2	14.6	5.5	1.3
Other Debt Charges	11.1	0.3	13.8	0.5	—2.7	—19.6
	441.8	12.1	439.0	15.1	2.8	0.6
Provincial Subsidies and Tax Rental Payments (including Transitional Grant to Newfoundland)	127.2	3.5	123.9	4.3	3.3	2.7
Government contributions to Super- annuation Account	110.9	3.0	81.8	2.8	29.1	35.6
Provision for reserve for possible losses on ultimate realization of active assets.	75.0	2.1	75.0	2.6		
Family Allowances	320.5	8.8	309.5	10.7	11.0	3.6
Old Age Pensions and Pensions to Blind Persons	83.5	2.3	103.2	3.6	—19.7	—19.1
Deficit—Old Age Security Fund	55.0	1.5			55.0	
Unemployment Insurance Act—						
Administration and Government Con- tribution	54.2	1.5	52.9	1.8	1.3	2.5
Agriculture	66.9	1.8	142.8	4.9	—75.9	—53.2
Citizenship and Immigration	23.4	0.6	20.7	0.7	2.7	13.0
External Affairs	38.1	1.0	22.1	0.8	16.0	72.4
Finance	29.1	0.8	32.8	1.2	—3.7	—11.3
Mines and Technical Surveys	27.5	0.8	21.1	0.7	6.4	30.3
National Health and Welfare	46.0	1.3	36.2	1.2	9.8	27.1
National Research Council and Atomic Energy Control Board	25.1	0.7	18.0	0.6	7.1	39.4
National Revenue	45.8	1.3	46.1	1.6	—0.3	—0.6
Post Office	98.1	2.7	91.8	3.2	6.3	6.9
Public Works	76.6	2.1	73.6	2.5	3.0	4.1
Resources and Development	31.9	0.9	28.9	1.0	3.0	10.4
Royal Canadian Mounted Police	27.5	0.8	19.8	0.7	7.7	38.9
Trade and Commerce	22.1	0.6	27.3	0.9	—5.2	—19.0
Transport	102.1	2.8	85.1	2.9	17.0	20.0
Veterans Affairs	216.0	5.9	216.4	7.5	—0.4	—0.2
Other Departments	62.4	1.7	50.8	1.8	11.6	22.8
GRAND TOTAL	3,647.4	100.0	2,901.2	100.0	746.2	25.7

National Defence and Defence Production

49. A more complete picture of Canada's expenditures for defence can be seen by considering together the expenditures of the Departments of National Defence and Defence Production. By adding to the estimated expenditures of \$1,401 million for the Department of National Defence the sum of \$39.7 million being the estimated outlay for the Department of Defence Production, there results a total of \$1,440.7 million for defence, an increase of \$658.3 million over the previous year. This constitutes approximately 40 per cent of all government expenditures for the fiscal year, making defence by a considerable margin, the largest class of government expenditure.

50. The following table shows a comparative summary of expenditures for the two departments for the last two fiscal years:

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Department of National Defence—			
Army, Navy and Air Services.....	1,205.8	545.7	660.1
Defence Research and Development.....	34.0	23.4	10.6
Pensions—Defence Services Pension Act.....	5.1	5.0	0.1
Government contribution to Permanent Services Pension Account.....	30.7	12.0	18.7
Defence Appropriation Act 1950, Sec. 3.....	125.1	195.4	—70.3
General.....	0.3	0.9	—0.6
	1,401.0	782.4	618.6
Department of Defence Production—			
Capital Assistance.....	29.9	.....	29.9
Administration and General.....	9.8	.....	9.8
	39.7	.....	39.7
Total National Defence and Defence Production....	1,440.7	782.4	658.3



51. The estimated expenditures of \$1,205.8 million for the Army, Navy and Air Services represent an increase of \$660.1 million over the total of \$545.7 million for 1950-51, reflecting the gathering momentum of the defence programme. Expenditures for Defence Research and Development are expected to amount to \$34 million for 1951-52 compared with \$23.4 million for 1950-51, an increase of \$10.6 million.

52. The Government's contribution to the Permanent Services Pension Account for 1951-52 is estimated at \$30.7 million or \$18.7 million more than the corresponding amount for the previous year. Of the total, \$16.7 million represents a government contribution equivalent to one and two-thirds times the current contributions by permanent services personnel, while \$14 million relates to contributions for arrears.

53. Expenditures under the authority of the Defence Appropriation Act, 1950, section 3, are expected to amount to \$125.1 million, or \$70.3 million less than the total of \$195.4 million for 1950-51. In 1950-51 under the provisions of this section of the Act, existing defence equipment and supplies were transferred to parties to the North Atlantic Treaty. The value of the equipment and supplies transferred was charged to this appropriation on the basis of the estimated present value, and an equivalent amount was credited to a special Defence Equipment Replacement Account from which payment might be made when replacements for such transfers were obtained for the Canadian Forces. The estimated expenditure of \$125.1 million for 1951-52 consists of approximately \$73 million for existing equipment and supplies transferred to North Atlantic Treaty countries and \$52 million for direct cash outlays for mutual aid by the Government of Canada, representing costs incurred in the training in Canada of air crews from allied countries and for acquiring and supplying new military equipment to parties to the North Atlantic Treaty.

54. The Department of Defence Production was established at the beginning of the fiscal year 1951-52 under the authority of The Defence Production Act, to buy or acquire defence supplies and construct defence projects required by the Department of National Defence. The Department's major expenditures were for the provision of capital assistance to private contractors or Crown corporations undertaking contracts essential to the defence programme. While the table would appear to indicate that there were no comparable expenditures prior to 1951-52, it should be observed that the Department of Trade and Commerce was responsible for, and incurred expenditures relating to, activities similar to those which the Department of Defence Production now administers. For example, in 1950-51, expenditures of \$1.3 million were made for research and development of jet engines and aircraft; \$2.9 million for administration and operation of Canadian Arsenals Limited; \$1.4 million for expenses incurred in purchasing materials, supplies and equipment for the Department of National Defence and \$0.5 million for expenses incurred in procuring the construction of defence projects for that department.

55. It should also be pointed out that in addition to the foregoing budgetary expenditures, further substantial cash outlays were required in connection with the defence programme. It is estimated that net cash payments of \$95 million in 1951-52 were made from the Defence Production Revolving Fund for the acquisition of materials for use in the manufacture of defence equipment. For purposes of accounting and control materials so purchased are treated as assets in the books of the government until such time as they are billed to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment. Also an estimated amount of \$50.6 million cash was disbursed for the replacement of equipment and supplies transferred to parties to the North Atlantic Treaty. This also involved a cash outlay during 1951-52

which was not reflected in the budgetary expenditures for the year under review. Instead it was charged to the special Defence Equipment Replacement Account which was credited with the estimated value of the original equipment and supplies when these were transferred to the recipient governments.

Public Debt Charges

56. Public debt charges again constituted the second largest single item of government expense. The estimated total for 1951-52 is \$441.8 million or 12.1 per cent of all expenditures compared to \$439 million or 15.1 per cent for 1950-51, an increase of \$2.8 million.

57. Interest on public debt, estimated at \$430.7 million, is \$5.5 million greater than the previous year. Interest on deposit and trust accounts increased by only \$0.2 million during the year but insurance, pension and guaranty accounts continued to increase substantially and as a result interest allowed on these accounts in 1951-52 was \$6.4 million more than in 1950-51. Of this increase \$2.4 million was for interest on the government annuities account, \$0.6 million on the Permanent Services Pension Account, and \$3.3 million on the Civil Service Superannuation Account.

58. Interest on funded debt payable in Canada showed a slight increase of \$0.5 million, largely attributable to increased rates on short-term issues, while interest on debt payable in New York, amounting to \$10.8 million, was \$1.5 million less than during the previous year. This decrease was due mainly to the redemption of the \$100 million 4 per cent 1930-60 New York loan which was called as of October 1, 1950, and replaced by the \$50 million 2½ per cent 1950-75 loan.

59. Other public debt charges including the annual amortization of bond discounts and commissions, the cost of issuing new loans (not amortized) and other miscellaneous expenses incurred in servicing the public debt are estimated at \$11.1 million for 1951-52 as compared to \$13.8 million for 1950-51, a decrease of \$2.7 million.

60. The following table presents a summary of public debt charges for 1951-52 and the corresponding figures for the previous year:

	Fiscal Year Ended March 31		Increase or Decrease(—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Interest on Public Debt—			
Funded Debt and Treasury Bills—			
Payable in Canada.....	376.5	376.0	0.5
Payable in London.....	1.7	1.8	—0.1
Payable in New York.....	10.8	12.3	—1.5
	389.0	390.1	—1.1
Deposit and Trust Accounts.....	3.0	2.8	0.2
Insurance, Pension and Guaranty Accounts.....	38.7	32.3	6.4
Total Interest on Public Debt.....	430.7	425.2	5.5
Annual amortization of bond discounts and commissions....	9.7	12.5	—2.8
Servicing of Public Debt.....	0.3	0.4	—0.1
Cost of Issuing New Loans.....	1.1	0.9	0.2
Total Public Debt Charges.....	441.8	439.0	2.8

Subsidies and Tax Rental Payments to Provinces

61. Payments to provinces during 1951-52 for statutory subsidies, the transitional grant to Newfoundland, rentals under the Tax Rental Agreements, and the transfer of certain public utility tax receipts, amounted to \$127.2 million as compared with \$123.9 million in 1950-51. A comparative summary of the payments for the two years is given in the following table:

	Fiscal Year Ended March 31		Increase or Decrease(—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Statutory subsidies.....	20.1	18.7	1.4
Transitional grant to Newfoundland.....	6.5	6.5	
Rentals under Tax Rental Agreements.....	96.9	94.1	2.8
Transfer of certain public utility tax receipts (sec. 7, Chap. 58, Statutes of Canada, 1947).....	3.7	4.6	—0.9
	127.2	123.9	3.3

62. Statutory subsidy payments in 1951-52 were based on the 1951 census totals of population, while in 1950-51 payments were calculated on the basis of population according to the 1941 census or in the case of the three prairie provinces, the 1949 estimates. The increase in subsidy payments of \$1.4 million reflects the increase in population as recorded in the 1951 census.

63. Payments under the tax rental agreements increased by a net amount of \$2.8 million, reflecting the appropriate adjustment in the relevant ratios of population and estimates of gross national product on which the payments are based. Under the provisions of the Dominion-Provincial Tax Rental Agreements Act the Government of Canada collects provincial 5 per cent corporation taxes for the seven provinces participating in the 1947 agreements. Although levied by the provinces, these taxes are administered and collected by the Government of Canada and the proceeds thereof, when finally assessed, are paid to the provinces in lieu of an equivalent (or approximately equivalent) portion of the stipulated tax rental. Gross payments required under the tax agreements increased by \$10.5 million, but as the payments to the provinces out of the provincial 5 per cent corporation tax suspense account amounted to \$7.7 million more than similar payments made in 1950-51, the net increase was reduced to \$2.8 million.

64. There was a decrease of \$0.9 million in payments of public utility tax receipts. Section 7 of the Dominion-Provincial Tax Rental Agreements Act, 1947, authorized the payment to the provinces, whether participating in the agreements or not, of a portion of the taxes collected from corporations, whose main business was the distribution to, or the generation for the distribution to, the public of electrical energy, gas or steam.

65. A summary of payments, by provinces, during 1951-52 is given in the following table:

	Statutory Subsidies	Rentals under Tax Rental Agreements	Transfer of certain public utility tax receipts	Transi- tional Grant	Total
(In millions of dollars)					
Newfoundland.....	1.6	7.7	0.1	6.5	15.9
Nova Scotia.....	2.1	12.6	0.1	—	14.8
Prince Edward Island.....	0.7	2.2	(1)	—	2.9
New Brunswick.....	1.7	9.4	0.2	—	11.3
Quebec.....	3.3	—	0.5	—	3.8
Ontario.....	3.6	—	0.6	—	4.2
Manitoba.....	1.7	14.6	0.3	—	16.6
Saskatchewan.....	2.0	16.5	(1)	—	18.5
Alberta.....	2.1	14.8	0.8	—	17.7
British Columbia.....	1.3	19.1	1.0	—	21.4
	20.1	96.9	3.7	6.5	127.2

(1) Less than \$50,000.

Government Contributions to the Civil Service Superannuation Account

66. Amounts totalling \$110.9 million were transferred to the civil service superannuation account in 1951-52, an increase of \$29.1 million over the Government's total contributions in 1950-51.

67. In 1951-52, as in the previous fiscal year, an amount of \$75 million was credited to the account as a special government contribution of a portion of the amount by which the liabilities as estimated by the actuaries exceeded the balance in the account. In addition, \$23 million, being the additional liability due to the upward revision of civil service salaries effective December 1, 1951, has been transferred to the account.

68. The remaining \$12.9 million represents a government contribution of an amount equal to the estimated payments by individual contributors in the previous year on account of current and prior service. This increase of \$6.1 million over the contribution of \$6.8 million in 1950-51 is due, mainly to the fact that in previous years the Government has matched only the current contributions of individual contributors.

69. For a more complete explanation of transactions affecting this account, see the comments on "Insurance, Pension and Guaranty Accounts" in the section on the "Estimated Balance Sheet Position at March 31, 1952."

Provision for reserve for possible losses on ultimate realization of active assets

70. An amount of \$75 million was again transferred to the general reserve for possible losses on the ultimate realization of active assets with a corresponding amount being shown as an expenditure in the Government's accounts. There was no charge or write-off to the reserve during the fiscal year. The balance at March 31, 1952 was \$470.9 million which is equivalent to approximately 7 per cent of the aggregate active assets.

Family Allowances, Old Age Pensions and Pensions to Blind Persons

71. Payments for family allowances are estimated at \$320.5 million for 1951-52 representing approximately 8.8 per cent of the total expenditures for the fiscal year. The estimated increase of \$11 million over the previous year is attributable to the natural increase in population in the eligible age groups.

72. Payments in respect of old age and blind pensions for 1951-52 (excluding pensions paid from the Old Age Security Fund) are estimated at \$83.5 million resulting in a decrease of \$19.7 million from the total of \$103.2 million for 1950-51. The Old Age Pension Act provided for the payment by the federal government of 75 per cent of the lesser of \$40 monthly or the amount of pension paid by the province monthly up to December 31, 1951, to eligible persons in need who were 70 years and over or 21 years and over if blind. On January 1, 1952, the Old Age Assistance Act became effective under which the federal government paid the provinces 50 per cent of \$40 monthly or of the amount of assistance paid by the province monthly, whichever was the lesser, to eligible persons in need who were 65 years and over. After January 1, 1952, the blind continued to receive pensions as before but under the new Blind Persons Act. Under the Old Age Security Act which also came into effect on January 1, 1952 the federal government paid \$40 monthly out of the Old Age Security Fund to all eligible persons of 70 years and over irrespective of need commencing in January 1952. Consequently, payments to the provinces for the last quarter of 1951-52 were substantially reduced, but the full effect of this change will not be apparent until the conclusion of 1952-53.

73. A comparative summary of the estimated payments for 1951-52 and the actual outlay for the preceding year is given in the following tables:

FAMILY ALLOWANCE PAYMENTS AND FEDERAL CONTRIBUTIONS TO OLD AGE PENSIONS, OLD AGE ASSISTANCE AND PENSIONS TO BLIND PERSONS FOR THE FISCAL YEARS ENDED MARCH 31, 1952 AND MARCH 31, 1951

	Fiscal Year Ended March 31		Increase or Decrease(—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Family Allowances.....	320.5	309.5	11.0
Federal contributions to Old Age Pensions ⁽¹⁾	77.2	99.3	—22.1
Old Age Assistance.....	2.5	—	2.5
Pensions to the blind.....	3.8	3.9	—0.1
	404.0	412.7	—8.7

(1) Not including pension payments estimated at \$76 million from the Old Age Security Fund.

74. The estimated distribution of these payments, by provinces, is shown in the following table:

FAMILY ALLOWANCE PAYMENTS

	1952 (Estimated)	1951	Increase
(In millions of dollars)			
Newfoundland.....	10.6	10.2	0.4
Nova Scotia.....	15.9	15.7	0.2
Prince Edward Island.....	2.5	2.4	0.1
New Brunswick.....	13.9	13.8	0.1
Quebec.....	102.9	99.6	3.3
Ontario.....	93.2	89.0	4.2
Manitoba.....	16.7	16.2	0.5
Saskatchewan.....	19.4	19.2	0.2
Alberta.....	21.6	20.8	0.8
British Columbia.....	23.1	22.0	1.1
Northwest and Yukon Territories.....	0.6	0.6	—
	320.5	309.5	11.0

**FEDERAL CONTRIBUTIONS TO OLD AGE PENSIONS AND PENSIONS TO THE BLIND
FOR THE YEAR ENDED MARCH 31, 1952**

	Old Age Pension Act	Pensions to the Blind
	(In millions of dollars)	
Newfoundland.....	3.0	0.1
Nova Scotia.....	5.0	0.3
Prince Edward Island.....	0.7	(1)
New Brunswick.....	4.2	0.4
Quebec.....	19.1	1.3
Ontario.....	23.2	0.8
Manitoba.....	4.6	0.3
Saskatchewan.....	4.6	0.1
Alberta.....	4.6	0.2
British Columbia.....	8.1	0.3
Northwest and Yukon Territories.....	0.1	(1)
	77.2(?)	3.8

(1) Less than \$50,000.

(?) In addition to these payments under the Old Age Pension Act there were Federal contributions to the provinces under the Old Age Assistance Act, 1951, estimated at \$2.5 million. A breakdown of this total by provinces and a comparison with 1950-51 would be meaningless because of differences in provincial legislation and consequent varying application of this Act from province to province.

Deficit—Old Age Security Fund

75. Payments of pensions of \$40 per month under the Old Age Security Act to all eligible persons seventy years of age or over without a means test commenced in January 1952. Expenditures during the three months of the fiscal year in which the Act has been in operation are estimated at \$76 million. Payments are made from the Old Age Security Fund which was established by the Act and into which are paid the proceeds of a 2 per cent sales tax, a 2 per cent personal income tax and a 2 per cent tax on corporate profits levied under the Old Age Security Act. Revenues from these taxes during 1951-52 are estimated at \$19 million for sales tax and \$2 million for corporation income tax. Owing to the fact that revenue from the corporation income tax is slow in coming in during the first months of the year, the yield is disproportionately low. The deficiency of \$55 million representing the amount by which the pension payments of \$76 million exceed tax collections of \$21 million was covered by funds voted by Parliament.

Unemployment Insurance Act Administration and Government's Contribution

76. Estimated expenditures relating to the Unemployment Insurance Act (excluding the Government's payment as employer) are estimated at \$54.2 million for 1951-52, an increase of \$1.3 million over the total of \$52.9 million for 1950-51.

77. Unemployment insurance benefit payments are not charged directly to budgetary expenditures, but to the Unemployment Insurance Fund which is financed by contributions from employers and employees, by interest earned on investments, and by the Government's contribution of an amount equal to one-fifth of the combined employer-employee payments.

78. In addition, the Government assumes the cost of administration and, pursuant to the Terms of Union with Newfoundland, the cost of unemployment benefits to certain residents of that Province. Qualification for benefit under the Terms of Union terminated as of April 1, 1951, but expenditures estimated at \$0.3 million were made during 1951-52, representing the payment of claims pending on April 1, 1951. Corresponding expenditures in 1950-51 were \$3 million. The Government also reimburses the Fund for certain sup-

plementary benefits under section 87 F of the Act. Supplementary benefits were \$1.8 million in 1950-51, but as persons in the class in respect of whom the greater portion of the claims arise now qualify under the general provisions of the Act, corresponding expenditures for 1951-52 are estimated at only \$40,000.

79. The Government's contribution to the Fund for 1951-52 is estimated at \$30.1 million compared with \$26.1 million in 1950-51. Administration costs for 1951-52 are expected to amount to \$24.1 million, a decrease of \$2.7 million from the total of \$26.8 million in the previous year.

Agriculture

80. Expenditures for the Department of Agriculture are estimated at \$66.9 million for 1951-52 compared with \$142.8 million for the previous year. The decrease of \$75.9 million is mainly accounted for by the absence of any payment in the accounts for the fiscal year under review comparable to the payment of \$65 million in 1950-51 to the Canadian Wheat Board to be added to the amount available for distribution to holders of participation certificates in settlement of the 1945-50 wheat pool. In addition, there was a decrease of \$4.3 million in advances to the Prairie Farm Emergency Fund.

81. The following table presents a comparative summary of the expenditures of the department for the last two years:

	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Freight assistance on western feed grains.....	15.0	15.6	—0.6
Rehabilitation and reclamation projects.....	11.8	13.2	—1.4
Advances to Prairie Farm Emergency Fund.....	—	4.3	—4.3
Payment to Canadian Wheat Board for distribution to producers.....	—	65.0	—65.0
Premium on hog carcasses.....	5.4	5.1	0.3
Experimental Farms Service.....	7.8	7.1	0.7
Science Service.....	7.1	7.1	—
Production Service.....	8.7	8.8	—0.1
Marketing Service.....	4.1	4.9	—0.8
Assistance to apple growers— Nova Scotia and British Columbia.....	1.5	2.5	—1.0
Net operating loss— Agricultural Prices Support Board.....	1.7	3.5	—1.8
Departmental administration and sundry.....	3.8	5.6	—1.8
	66.9	142.8	—75.9

External Affairs

82. Expenditures of the Department of External Affairs are estimated at \$38.1 million for 1951-52, as compared with \$22.1 million for the previous year. The increase of \$16 million is attributable mainly to an increase of \$14.1 million in assistance to other countries and to international organizations from \$11.5 million in 1950-51 to an estimated total of \$25.6 million in 1951-52. In 1951-52 this assistance consisted chiefly of grants to the governments of India and Pakistan under the Colombo Plan, to assist these countries in their economic development programmes. During the fiscal year it is estimated that a total of \$25 million was made available to these governments.

Mines and Technical Surveys

83. Expenditures of the Department of Mines and Technical Surveys are estimated at \$27.5 million for 1951-52, compared with the total of \$21.1 million for the previous fiscal year. The increase of \$6.4 million is attributable chiefly

to increases of \$4.3 million in the Emergency Gold Mining Assistance Act payments and of \$1.7 million in expenditures of the Dominion Coal Board.

National Health and Welfare

84. The major items of expenditure for this department during 1951-52 have already been dealt with under the headings "Family Allowances, Old Age Pensions and Pensions to Blind Persons" and "Deficit—Old Age Security Fund". It is estimated that \$46 million was spent for the remaining services including administration of the department compared with \$36.2 million for the previous year. This represents an increase of \$9.8 million, of which slightly over \$6 million is accounted for by increases in general health grants to assist the provinces in hospital construction, strengthening of general public health services and the control of disease.

Transport

85. Expenditures of the Department of Transport are estimated at \$102.1 million for 1951-52, an increase of \$17 million over the corresponding total of \$85.1 million for 1950-51, as shown in the following table:

	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Air Services.....	37.0	33.5	3.5
Marine Services.....	18.2	17.2	1.0
Railway Services (including Maritime Freight Rates Act)...	11.9	10.4	1.5
Canals Services.....	7.8	8.3	—0.5
Steamships Subventions, including Canadian Maritime Commission.....	4.5	5.9	—1.4
Deficits and non-active advances— Government-owned enterprises.....	18.2	7.3	10.9
Departmental administration and sundry.....	4.5	2.5	2.0
	102.1	85.1	17.0

86. The net increase of \$17 million is attributable mainly to increases of \$10.9 million in payments for deficits of, and non-active advances to, certain wholly owned governmental enterprises and of \$3.5 million in expenditures for air services which are estimated at \$37 million for 1951-52 as compared with \$33.5 million for 1950-51.

87. The following table presents a comparative summary of expenditures for deficits of, and non-active advances to, government owned enterprises for 1951-52 and 1950-51:

	Fiscal year ended March 31		Increase or Decrease(—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Net Income Deficits—			
Canadian National Railways.....	15.0	3.3	11.7
Canadian National (West Indies) Steamships, Ltd.....	0.5	1.0	—0.5
Prince Edward Island Car Ferry and Terminals.....	1.4	1.3	0.1
National Harbours Board.....	0.1	0.2	—0.1
	17.0	5.8	11.2
Loans and Advances, Non-Active—National Harbours Board	1.2	1.5	—0.3
	18.2	7.3	10.9

88. The deficit of the Canadian National Railways was \$15 million for the calendar year 1951 compared with \$3.3 million in the preceding year, an increase of \$11.7 million. However, it should be noted that the over-all C.N.R. deficit includes all interest charges paid on government advances, and an amount of \$23.5 million received from the Railways for interest on advances is included in the government's revenue under the classification "Return on Investments."

Veterans Affairs

89. Total expenditures for the Department of Veterans Affairs are estimated at \$216 million for 1951-52, a decrease of \$0.4 million compared with the total of \$216.4 million for 1950-51. The table which follows presents a comparative summary of the expenditures for the last two fiscal years:

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
Pensions (World Wars I and II and Northwest Rebellion 1885).....	103.8	95.6	8.2
Treatment and after-care of returned soldiers and allowances to veterans and dependents.....	76.5	71.6	4.9
War service gratuities and re-establishment credits.....	9.7	16.9	-7.2
Post-discharge rehabilitation benefits.....	6.7	13.5	-6.8
Soldier Settlement and Veterans' Land Acts.....	5.6	6.3	-0.7
Hospital accommodation and facilities.....	3.5	3.0	0.5
Provision for reserve for conditional benefits under Veterans' Land Act.....	7.6	7.1	0.5
Departmental administration and sundry.....	2.5	2.4	0.1
	216.0	216.4	-0.4

90. An increase of approximately \$15 million in payments of pensions, expenditures for hospital accommodation and treatment and after-care of returned soldiers and allowances to veterans and dependents was offset by an equivalent amount in post-discharge rehabilitation benefits, war service gratuities and Soldier Settlement and Veterans' Land Acts expenditures.

91. The provision for the reserve for conditional benefits under the Veterans' Land Act is estimated at \$7.6 million, an increase of \$0.5 million over the previous fiscal year. Sales of land and chattels are made to veterans at less than cost, conditional upon the terms of the agreement of sale being fulfilled for a period of ten years. The amount charged to expenditures during the fiscal year under this heading covers one-tenth of the conditional benefits included in sales to veterans prior to April 1, 1952.

4. THE CASH ACCOUNTS

92. In the preceding sections of this Part the budgetary accounts of the Government for the fiscal year 1951-52 have been described in some detail and the estimated budgetary revenues and expenditures and surplus have been analyzed and compared with the actual figures for the preceding fiscal year. However, the budgetary accounts do not reflect the full scope of the Government's financial operations: cash receipts from and cash payments to the public

and the consequent cash surplus or deficit, or increase or decrease in available cash, are more significant factors in determining the Government's borrowing requirements and in assessing the impact of the Government's transactions upon the other sectors of the Canadian economy. However, before proceeding to analyze the cash transactions, two preliminary comments should be made:

93. In the first place, it should be noted that some of the revenues and expenditures, that are taken into account in determining the Government's budgetary surplus or deficit, consist of current provisions to meet liabilities for future payments and other items that are merely bookkeeping or accounting entries not requiring the current receipt or outlay of cash. In the second place, it should be pointed out that the financial operations of the Government are not confined to the collection of revenues or the making of expenditures in the strict or narrow accounting or budgetary meaning of those terms. While a substantial part of all governmental activities are directly reflected in the budgetary accounts, large amounts of cash are received and disbursed in connection with extra-budgetary transactions and these receipts and disbursements must be taken into account when measuring the impact of the Government's financial operations upon the economy or analyzing the implications of Government spending and the methods by which that spending is financed.

94. Examples of non-cash budgetary expenditures are the annual provision for the reserve for possible losses on the ultimate realization of active assets; the write-off of a loan or advance where the debt has been cancelled or is no longer collectible; government contributions and interest transferred to the Government Annuities and the Civil Service Superannuation Accounts and other insurance, pension, guaranty and deposit and trust accounts; interest accruals on War Savings Certificates, and the amortization of cash outlays made in one year applicable to subsequent years (such as payments for premiums, discounts and commissions on loans). Examples of non-cash budgetary revenues are interest accruals added to principal on the consolidation of loans, and the transfer to revenue of balances held in deferred credits, deposit or reserve accounts, such as the excess provision for the refundable portion of the excess profits tax.

95. The extra-budgetary receipts and disbursements relate to transactions which result in increases or decreases in the Government's assets and liabilities. They do not appear in the Government's income account nor do they enter into the calculation of the annual budgetary surplus or deficit. On the assets side, they consist, for the most part, of advances to and repayments of loans by Crown corporations and other government agencies, foreign, provincial and municipal governments and other borrowers; investments in government securities and of outlays for the acquisition of inventories of materials which will be used in the future, and for services rendered in one year but applicable to the accounts of subsequent years. On the liabilities side, the transactions relate primarily to the issue and redemption of securities representing the funded debt of Canada, and to receipts and payments in connection with the numerous deposit and trust, and annuity, insurance and pension funds held or administered by the Government.

96. The following comparative summary shows the nature and extent of the adjustments to the budgetary accounts for these non-cash and extra-budgetary transactions and their effect upon the government's net cash position for the last two years.

	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(millions of dollars)		
BUDGETARY REVENUES.....	4,003.1	3,112.5	890.6
Deduct: Non-cash revenues.....	18.9	43.9	—25.0
Net cash budgetary revenues.....	3,984.2	3,068.6	915.6
Add: Non-budgetary cash receipts—			
Net annuity, insurance and liability account receipts...	163.4	81.1	82.3
Repayment of loans and investments.....	70.3	62.7	7.6
	233.7	143.8	89.9
CASH RECEIPTS (excluding debt transactions).....	4,217.9	3,212.4	1,005.5
BUDGETARY EXPENDITURES.....	3,647.4	2,901.2	746.2
Deduct: Non-cash expenditures.....	472.7	464.1	8.6
Net cash budgetary expenditures.....	3,174.7	2,437.1	737.6
Add: Non-budgetary disbursements—			
Loans, investments and working capital advances—			
Advances to Minister of Finance Exchange Fund...	200.0	475.0	—275.0
Advances to Defence Production Revolving Fund	95.0		95.0
Loans to Central Mortgage and Housing Corpora-			
tion.....	69.7	79.4	—9.7
Loans to Canadian National Railways.....	138.6	19.9	118.7
Loans under Soldier Settlement and Veterans' Land			
Acts.....	9.4	14.6	—5.2
Other loans, investments and working capital			
advances.....	29.3	4.0	25.3
	542.0	592.9	—50.9
Other non-budgetary disbursements—			
Disbursements from Defence Equipment Replace-			
ment Account.....	50.6		50.6
Net disbursements from Old Age Security Fund..	55.0		55.0
Cost of loan flotations (portion to be amortized)...	4.0	10.0	—6.0
Net disbursements from sundry accounts.....	1.2	1.9	—0.7
	110.8	11.9	98.9
CASH DISBURSEMENTS (excluding debt transactions).....	3,827.5	3,041.9	785.6
CASH SURPLUS AVAILABLE FOR DEBT REDUCTION.....	390.4	170.5	219.9

97. The figures indicate that after adjusting the budgetary revenues for non-cash credits and non-budgetary receipts, a total of \$4,217.9 million cash was available to the Government during 1951-52, an increase of \$1,005.5 million as compared with the total of \$3,212.4 million in the previous year. Out of this, budgetary cash expenditures of \$3,174.7 million and non-budgetary disbursements of \$652.8 million were made, a net increase of \$785.6 million, leaving a cash surplus of \$390.4 million available for debt reduction or increase in cash balances as compared with \$170.5 million in 1950-51.

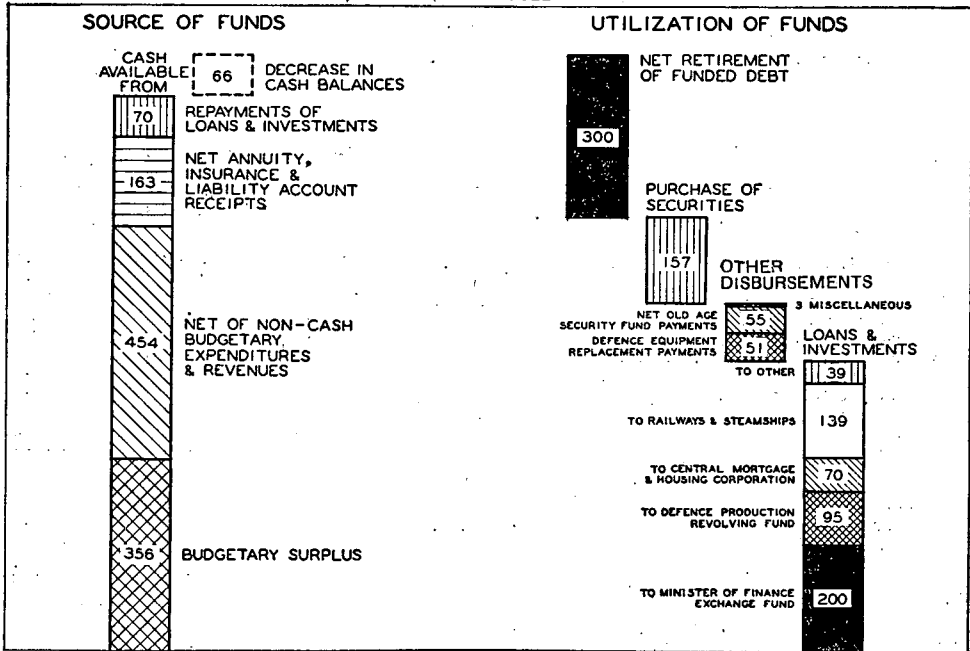
98. The total of non-budgetary receipts is estimated at \$233.7 million, made up of \$163.4 million from net annuity, insurance and liability account receipts and \$70.3 million for repayments of sundry loans and investments, of which \$66.1 million was from the United Kingdom and other governments.

99. Non-budgetary disbursements, which amounted to \$652.8 million, consisted of \$200 million for advances to the Minister of Finance Exchange Fund, \$95 million for advances to the Defence Production Revolving Fund used in part in the stockpiling of defence materials, \$69.7 million to Central Mortgage and Housing Corporation for housing construction and housing loans, \$138.6 million for advances to the Canadian National Railways, \$38.7 million for miscellaneous loans or investments and working capital advances (including

\$9.4 million for loans to veterans), \$4 million for discounts and commissions on loan flotations, \$50.6 million in purchases of equipment through the Defence Equipment Replacement Account, \$55 million in net disbursements from the Old Age Security Fund representing the excess of pension payments over tax receipts, and \$1.2 million in disbursements from sundry accounts.

SOURCE AND UTILIZATION OF CASH: 1951-52

(MILLIONS OF DOLLARS)



100. As a result of total cash receipts exceeding total cash disbursements by \$390.4 million and by letting cash balances run down by \$66 million, the Government was able to retire or acquire funded debt outstanding in the hands of the public to a net amount of \$456.4 million. A reconciliation of the cash surplus of \$390.4 million, the reduction in outstanding funded debt, and the net change in the Government's cash position, together with the corresponding figures for the previous fiscal year, is shown below:

	Fiscal year ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
	(In millions of dollars)		
CASH SURPLUS—or excess of total receipts over disbursements	390.4	170.5	219.9
Net retirement of funded debt.....	299.8	119.0	180.8
Net purchase of securities—			
For Securities Investment Account.....	49.6	0.1	49.5
For Sinking Fund Account.....	4.4	6.2	—1.8
For Unemployment Insurance Fund.....	102.6	87.7	14.9
	<u>156.6</u>	<u>94.0</u>	<u>62.6</u>
Net cash applied to the purchase or retirement of out- standing funded debt in the hands of the public.....	456.4	213.0	243.4
NET DECREASE IN CASH BALANCES.....	66.0	42.5	23.5

5. ESTIMATED BALANCE SHEET POSITION AT MARCH 31, 1952

101. The following table presents, in summary form, the Government's estimated balance sheet position at March 31, 1952, with the comparable figures for March 31, 1951.

SUMMARY OF THE GOVERNMENT'S BALANCE SHEET POSITION AS AT
MARCH 31, 1952 AND MARCH 31, 1951

(In millions of dollars)

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
LIABILITIES			
Floating debt.....	548.9	486.4	62.5
Deposit and trust accounts.....	126.1	122.0	4.1
Insurance, pension and guaranty accounts.....	1,412.8	979.3	433.5
Deferred credits.....	17.5	11.6	5.9
Sundry suspense accounts.....	301.9	258.4	43.5
Province debt accounts.....	11.9	11.9	.....
Reserve for certain contingent liabilities.....	34.5	26.9	7.6
Funded debt unmatured.....	14,703.0	15,026.8	—323.8
	17,156.6	16,923.3	233.3
ACTIVE ASSETS			
Cash and other current assets.....	2,033.5	1,820.2	213.3
Loans to, and investments in, Crown agencies.....	1,467.0	1,257.3	209.7
Other loans and investments.....	2,625.8	2,678.0	—52.2
Sinking fund and other investments held for retirement of unmatured funded debt.....	26.0	22.7	3.3
Province debt accounts.....	2.3	2.3	.....
Deferred charges.....	268.3	60.0	208.3
Sundry suspense accounts.....	127.0	45.4	81.6
Total Active Assets.....	6,549.9	5,885.9	664.0
Less: Reserve for possible losses on ultimate realization of active assets.....	470.9	395.9	75.0
Net Active Assets.....	6,079.0	5,490.0	589.0
NET DEBT (Excess of liabilities over net active assets).....	11,077.6	11,433.3	—355.7

102. The aggregate liabilities of the Government as at March 31, 1952, are estimated at \$17,156.6 million, an increase of \$233.3 million over the corresponding total at the end of the previous year. Unmatured funded debt outstanding, including bonds, treasury bills and deposit certificates accounts for \$14,703 million or approximately 86 per cent of all liabilities. Of the total ununmatured funded debt now outstanding, only \$401.6 million or approximately 2.7 per cent is payable in foreign currencies—\$348 million payable in United States dollars and \$53.6 million in pounds sterling. A complete statement in tabular form of the Government's ununmatured funded debt at March 31, 1952, with details of interest rates, dates of maturity, annual interest charges, and amounts of principal outstanding for each loan may be found at the end of this Part.

103. Floating debt, consisting of outstanding cheques and interest, matured funded debt outstanding and similar obligations payable on demand, is estimated at \$548.9 million. Amounts at the credit of annuity, insurance, pension and guaranty accounts are expected to total \$1,412.8 million.

104. The other items on the liabilities side of the balance sheet are: sundry suspense accounts (where some uncertainty as to disposition exists), \$301.9 million; deposit and trust accounts (consisting of moneys deposited with or held in trust by the Receiver General for various purposes), \$126.1 million; reserve for conditional benefits under the Veterans' Land Act, \$34.5 million; province debt accounts (representing settlements arising out of agreements at the time of confederation), \$11.9 million; and deferred credits (consisting of balances whose ultimate accounting treatment is known, but which are held until certain conditions are fulfilled), \$17.5 million.

105. Offsetting these liabilities, and in a measure explaining their existence—as a substantial portion of the total debt is attributable to them—are the Government's active assets. For the most part, these consist of assets that yield interest, profits, or dividends, very liquid assets such as cash and departmental working capital funds, and certain prepaid expenditures and sundry suspense accounts.

106. Although some of the items are very difficult to forecast, it is expected that the active assets will aggregate \$6,549.9 million at March 31, 1952. The totals of the principal active asset categories at that date are estimated at: cash and other current assets, \$2,033.5 million; loans to, and investments in, Crown agencies, \$1,467 million; other loans and investments (including loans to provincial, municipal, United Kingdom and other governments, subscriptions to international organizations, and a number of miscellaneous advances to veterans and others), \$2,625.8 million; deferred charges, \$268.3 million; province debt accounts, \$2.3 million; and sundry suspense accounts, \$127 million.

107. The reserve for possible losses on the ultimate realization of active assets which now stands on the books at \$470.9 million is shown on the balance sheet as a deduction from the total of the active assets, bringing the net active asset total to \$6,079 million.

A. CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING 1951-52

108. It is estimated that there was an increase of \$233.3 million in the gross liabilities of the Government during the fiscal year. The three most important increases were \$433.5 million in the insurance, pension and guaranty accounts (attributable principally to increases of \$330.9 million in the Civil Service Superannuation Account, \$57.2 million in the Government Annuities Account and \$43.9 million in the Permanent Services Pension Account), \$43.5 million in sundry suspense accounts and \$62.5 million in floating debt.

109. The most significant reduction in the liabilities was the substantial decrease in the outstanding unmatured funded debt of the Government from \$15,026.8 million at March 31, 1951 to an estimated amount of \$14,703 million at March 31, 1952. This net reduction of \$323.8 million compares with similar reductions of \$161.4 million in 1950-51, \$396.9 million in 1949-50, \$372.3 million in 1948-49, and \$584.5 million in 1947-48.

Floating Debt

110. Floating debt shows an estimated increase of \$62.5 million in 1951-52. Increases of \$84.3 million in outstanding cheques, \$0.9 million in interest due and outstanding and \$0.9 million in Post Office account are offset partially by decreases of \$16 million in matured funded debt and \$7.6 million in the non-negotiable non-interest bearing demand notes issued to the International Bank for Reconstruction and Development as part of Canada's subscription to the Bank. The changes in floating debt during the fiscal year are summarized in the following table:

FLOATING DEBT AS AT MARCH 31, 1952 AND MARCH 31, 1951

(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
Matured funded debt outstanding.....	26.8	42.8	—16.0
Notes and other obligations payable on demand.....	289.4	297.0	—7.6
Interest due and outstanding.....	77.2	76.3	0.9
Outstanding cheques and warrants.....	144.1	59.8	84.3
Post Office (net liability for money orders, etc.).....	11.4	10.5	0.9
	548.9	486.4	62.5

Deposit and Trust Accounts

111. It is estimated that there was an increase of \$4.1 million in deposit and trust accounts. Increases of \$7 million in contractors' security cash deposits, \$3.5 million in the Prairie Farm Emergency Fund and \$1.8 million in the National Capital Fund are offset, in part, by a decrease of \$8.3 million in Province of Newfoundland Financial Surplus account.

Insurance, Pension and Guaranty Accounts

112. Insurance, pension and guaranty accounts show an estimated increase of \$433.5 million during the year. The changes in various accounts in this category are shown in the following table:

INSURANCE, PENSION AND GUARANTY ACCOUNTS AS AT
MARCH 31, 1952 AND MARCH 31, 1951

(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
Government Annuities.....	677.6	620.4	57.2
Permanent Services Pension Account.....	110.4	66.5	43.9
Civil Service Superannuation Account.....	520.0	189.1	330.9
Other.....	104.8	103.3	1.5
	1,412.8	979.3	433.5

113. The principal increases were \$57.2 million in Government Annuities, \$43.9 million in Permanent Services Pension Account and \$330.9 million in the Civil Service Superannuation Account.

114. Of the increase of \$330.9 million in the Civil Service Superannuation account, \$312 million represents a transfer to the account of the amount by which the liabilities at December 31, 1951, as estimated by the actuaries, exceeded the balance in the account. Of this sum of \$312 million, \$98 million is included as a charge to budgetary expenditures in the year's accounts, and \$214 million has been set up as a deferred charge, which will, with Parliamentary approval, be written off to expenditures in future years. The amount of \$98 million consists of two items. The first is the Government's second special contribution of \$75 million towards making up the substantial deficiency which had accumulated in the account over many years due for the most part to increases in the general

level of salaries and to the practice formerly followed of not matching employees' prior service contributions with an equal Government contribution. The second is a contribution of \$23 million in respect of the additional liabilities of the account consequent upon the salary increases to civil servants effective December 1, 1951.

115. The further \$18.9 million increase in the account during the fiscal year represents the amount by which employees' current and prior service contributions, the Government's contribution of an amount equal to the estimated current and prior service payments of individuals in the previous fiscal year, and interest accretions exceeded payments from the account.

Deferred Credits

116. Deferred credits are expected to show an increase of \$5.9 million during the fiscal year, one of the more important factors contributing to this net increase being the balance of the amount due from the Government of France in connection with military relief settlements, an offsetting entry being included under "Loans to the United Kingdom and Other Governments".

Sundry Suspense Accounts

117. Sundry suspense accounts are expected to record an increase of \$43.5 million during the fiscal year. Of this total \$22.8 million is due to an increase in the Defence Equipment Replacement Account representing the undisbursed balance of the credits to the account under section 3 of The Defence Appropriation Act, 1950, and Vote 246 of The Appropriation Act, No. 4, 1951. Under the terms of The Defence Appropriation Act, 1950, the value of defence materials and supplies transferred to members of the North Atlantic Treaty Organization may be credited to the account and these credits may be used in subsequent years to purchase equipment or supplies for the naval, army or air services of the Canadian Forces. The net increase in the account during the year represents the amount by which the value of defence materials and supplies transferred exceeded cash disbursements for replacements.

118. Also recorded under this heading is the Government's liability for collections of provincial 5 per cent corporation income taxes under The Dominion-Provincial Tax Rental Agreements Act. As collections during 1951-52 were higher than during the preceding fiscal year, and assessments and payments to the provinces were somewhat less than collections, the estimated amount of \$77.9 million at March 31, 1952 was approximately \$14.6 million more than the corresponding amount at March 31, 1951.

Province Debt Accounts

119. There was no increase or decrease during the fiscal year in the Government's liability in respect of the province debt accounts. These amounts have remained unchanged for many years.

Reserve for Certain Contingent Liabilities

120. The reserve for certain contingent liabilities is expected to show an increase of \$7.6 million during the fiscal year reflecting an additional provision for conditional benefits which may accrue to veteran borrowers under the Veterans' Land Act.

Funded Debt Unmatured

121. It is estimated that there was a net decrease in unmatured funded debt from \$15,026.8 million at March 31, 1951 to \$14,703 million at March 31, 1952. The over-all reduction of \$323.8 million reflects decreases of \$303.7 million in debt payable in Canada, \$17.4 million in debt payable in New York,

and \$2.7 million in debt payable in London. The details of the various loan redemptions, flotations and adjustments which resulted in this net decrease are described more fully in the section on "The Public Debt".

B. CHANGES IN PRINCIPAL ACTIVE ASSET CLASSIFICATIONS DURING 1951-52

122. It is estimated that there was an increase of \$664 million in the total of the active assets during the fiscal year under review. However, with the provision of an additional \$75 million for the reserve for possible losses on the ultimate realization of active assets, active assets are expected to show a net increase of \$589 million when the books are closed. Estimated increases of \$213.3 million in cash and other current assets, \$209.7 million in loans to, and investments in, Crown agencies, \$81.6 million in sundry suspense accounts, and \$208.3 million in deferred charges were off set by a decrease of \$52.2 million in other loans and investments.

Cash and Other Current Assets

123. Cash and other current assets increased by approximately \$213.3 million during the fiscal year as shown in the following table which summarizes the changes in the various accounts in this category:

CASH AND OTHER CURRENT ASSETS AS AT MARCH 31, 1952 AND MARCH 31, 1951

(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
Cash in current and special deposits including blocked currency.....	21.9	88.9	—67.0
Other liquid assets—			
Minister of Finance Exchange Fund Account—			
Advances represented by cash and securities.....	1,799.4	1,681.2	118.2
Securities investment account.....	59.2	9.6	49.6
Working Capital Advances—			
Departmental—			
Defence production revolving fund.....	95.0		95.0
Other.....	33.7	22.7	11.0
Crown corporations.....	24.3	17.8	6.5
	2,033.5	1,820.2	213.3

124. The principal changes were increases of \$118.2 million in the Minister of Finance Exchange Fund Account and \$49.6 million in the Securities Investment Account and an amount estimated at \$95 million in the Defence Production revolving fund. These are offset, in part, by a reduction of \$67 million in cash in current and special deposits.

125. The increase in advances to the Exchange Fund represents additional cash advances of \$200 million during the year to finance the purchase of gold and foreign exchange, reduced by \$81.8 million equivalent to the increase in the Fund's revaluation deficit during 1951 which was deducted from the total advances and carried to sundry suspense accounts. The Fund's revaluation deficit at December 31, 1951, was \$125.6 million compared with \$43.8 million at the end of the preceding year.

Loans to, and Investments in, Crown Agencies

126. Loans to, and investments in, Crown agencies increased by \$209.7 million during 1951-52 from \$1,257.3 million at March 31, 1951, to an estimated amount of \$1,467 million at March 31, 1952. The changes during the fiscal year in this category of assets are summarized in the following table:

	Balance at March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
Bank of Canada Capital Stock.....	5.9	5.9	
Central Mortgage and Housing Corporation—			
Capital Advances.....	25.0	25.0	
Loans.....	331.0	261.4	69.6
Canadian Farm Loan Board.....	27.3	26.0	1.3
Railway and Steamship Companies.....	902.6	764.0	138.6
National Harbours Board.....	106.9	106.7	0.2
Polymer Corporation Limited.....	38.0	41.0	—3.0
Other Crown Agencies.....	30.3	27.3	3.0
	1,467.0	1,257.3	209.7

127. Loans to Central Mortgage and Housing Corporation increased by \$69.6 million during the year.

128. Loans to railways and steamship companies represent in the main advances by the Government to the Canadian National Railways for capital expenditures (including the purchase of railway equipment under hire-purchase agreements), for the retirement of maturing debt, and for the temporary financing of current operations. The net increase in advances to C.N.R. during the year is estimated at \$138.6 million.

129. The amount of \$106.9 million shown for the National Harbours Board represents the net outstanding advances in connection with harbour developments at Montreal and Vancouver. These are the only advances to the National Harbours Board which are classified as active assets in the Government's accounts.

130. The Government's investment in Polymer Corporation Limited, a Crown corporation engaged in the manufacture of synthetic rubber, was reduced by a repayment of \$3 million during the fiscal year, the balance at March 31, 1952, being estimated at \$38 million.

131. The amount of \$30.3 million shown for other Crown agencies, represents subscriptions to the capital stock of, or advances to, sundry government agencies for capital, construction and other purposes. The total includes loans to, or investments in, Canadian Broadcasting Corporation (\$9.2 million); Canadian Overseas Telecommunication Corporation (\$1.8 million); Eldorado Mining and Refining (1944) Limited (\$8.2 million); Export Credits Insurance Corporation (\$5 million); and Northwest Territories Power Commission (\$6.1 million).

Other Loans and Investments

132. This group of assets includes loans to the United Kingdom and various foreign governments, the Government's subscriptions to the capital of the International Monetary Fund and the International Bank for Reconstruction and Development, loans to provincial and municipal governments, and a number of miscellaneous loans and investments, the chief of which are the loans to

veterans under the Soldier Settlement and Veterans' Land Acts. A table summarizing the loans and investments in this category and showing the changes during the fiscal year follows:

OTHER LOANS AND INVESTMENTS AS AT MARCH 31, 1952 AND MARCH 31, 1951
(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
Loans to United Kingdom and other Governments.....	1,925.5	1,985.0	—59.5
Subscription to Capital of International Monetary Fund.....	322.5	322.5	.....
Subscription to Capital of International Bank for Recon- struction and Development.....	70.9	70.7	0.2
Loans to Provincial and Municipal Governments.....	91.0	95.2	—4.2
Advances under Soldier Settlement and Veterans' Land Acts.	198.7	189.3	9.4
Miscellaneous Loans and Investments.....	17.2	15.3	1.9
	2,625.8	2,678.0	—52.2

133. The loans to the United Kingdom and other governments consist of loans to the Government of the United Kingdom under the authority of The War Appropriation (United Kingdom Financing) Act, 1942, and The United Kingdom Financial Agreement Act, 1946, loans to other countries under Part II of the Exports Credits Insurance Act, and miscellaneous foreign loans. A summary of the changes in each of these categories is shown in the following table:

LOANS TO UNITED KINGDOM AND OTHER GOVERNMENTS
(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1952 (Estimated)	1951	
Loans to United Kingdom—			
The War Appropriation (United Kingdom Financing) Act, 1942.....	220.4	251.5	—31.1
The United Kingdom Financial Agreement Act, 1946....	1,171.0	1,185.0	—14.0
	1,391.4	1,436.5	—45.1
Loans to Foreign Governments—			
The Export Credits Insurance Act, Part II.....	480.9	500.6	—19.7
Miscellaneous Advances.....	53.2	47.9	5.3
	534.1	548.5	—14.4
	1,925.5	1,985.0	—59.5

134. It is estimated that during 1951-52 the Government of the United Kingdom will have repaid \$31.1 million of the \$700 million interest-free loan granted under the provisions of The War Appropriation (United Kingdom Financing) Act, 1942, reducing the balance outstanding of this loan to \$220.4 million at March 31, 1952. During the year a repayment of \$14 million was made by the United Kingdom Government on account of the \$1,250 million loan authorized by The United Kingdom Financial Agreement Act of 1946. As the total amount advanced was \$1,185 million the amount outstanding at March 31, 1952 was \$1,171 million.

135. The advances under Part II of the Export Credits Insurance Act represent loans made to certain foreign countries to assist them in purchasing goods and services in Canada. It is estimated that the total of outstanding advances under this Act was \$480.9 million at March 31, 1952, representing a net decrease of \$19.7 million from the total of \$500.6 million outstanding at the end of the previous year. A classification of these advances by recipient governments, showing the repayments during the year, is given in the following table.

ADVANCES TO FOREIGN GOVERNMENTS UNDER PART II OF THE EXPORT CREDITS INSURANCE ACT

(In millions of dollars)

	Total Outstanding at March 31, 1951	Repayments during 1951-52	Total Outstanding at March 31, 1952
Belgium.....	60.0	2.3	57.7
China.....	49.4		49.4
Czechoslovakia.....	13.3	3.3	10.0
France.....	225.9	8.3	217.6
Indonesia.....	15.5	3.1	12.4
Netherlands.....	115.5	2.7	112.8
Norway.....	21.0		21.0
	500.6	19.7	480.9

*Sinking Fund and Other Investments held for the
Retirement of Unmatured Funded Debt*

136. There was an estimated increase of \$3.3 million in these assets which are held for the retirement of the 3 per cent Newfoundland 1943-63 guaranteed stock.

Deferred Charges

137. Accounting in large measure for the increase of \$208.3 million in this category is the amount of \$214 million which has been credited to the Civil Service Superannuation Account and set up as a deferred charge to be written off to expenditure in future years, subject to Parliamentary approval.

138. Discounts and commissions of \$4 million paid during the fiscal year on new loans were more than offset by the annual amortization of \$9.6 million applicable to 1951-52 and charged to the year's expenditure.

Sundry Suspense Accounts

139. The increase of \$81.6 million in this asset classification is due mainly to the change in the deficit arising from exchange revaluations of the assets and liabilities in the Minister of Finance Exchange Fund Account as at December 31, 1951 which amounted to \$125.6 million at that date as compared with \$43.8 million at December 30, 1950.

Reserve for Possible Losses on Ultimate Realization of Active Assets

140. For the fifth successive year \$75 million was added to this reserve with a corresponding amount being shown as an expenditure in the Government's accounts. There was no charge or write-off to the reserve during the fiscal year, the balance at March 31, 1952, being \$470.9 million.

C. DECREASE IN NET DEBT

141. The estimated surplus of \$355.7 million for the fiscal year will result in a corresponding decrease in the net debt of Canada, reducing it from \$11,433.3 million at March 31, 1951, to \$11,077.6 million at March 31, 1952.

6. THE PUBLIC DEBT

Gross and Net Debt

142. The unmatured funded debt of Canada was reduced by \$323.8 million during the fiscal year, of which \$299.8 million represented cash retirements and \$24 million net revaluations and adjustments. However, due to increases of \$557.1 million in other liabilities—principally in insurance, pension and guaranty, floating debt and sundry suspense accounts—the gross public debt of Canada increased by \$233.3 million from \$16,923.3 million at March 31, 1951, to an estimated total of \$17,156.6 million at March 31, 1952. During the same period, the net active or realizable or revenue-producing assets increased by \$589 million, with the result that the net debt—which is the gross debt less the active assets—was reduced by \$355.7 million.

143. The following table shows the amount of net debt as at March 31, 1939 to March 31, 1952 inclusive, with the amount of annual increase or decrease:

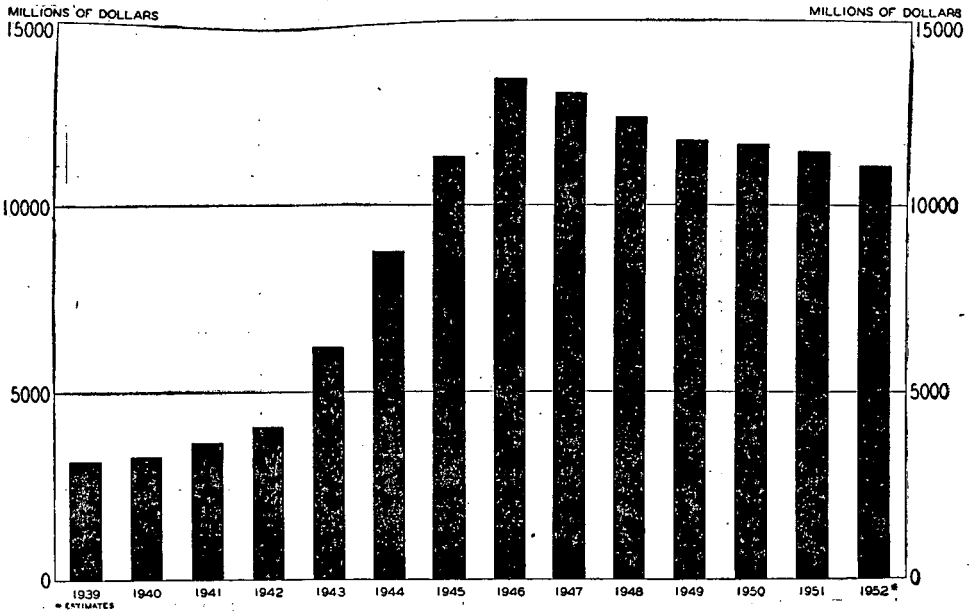
NET DEBT
(In millions of dollars)

Fiscal Year Ended March 31	Balance at end of year	Increase or Decrease (—) during fiscal year
1939.....	3,152.6	.....
1940.....	3,271.3	118.7
1941.....	3,648.7	377.4
1942.....	4,045.2	396.5
1943.....	6,182.8	2,137.6
1944.....	8,740.1	2,557.2
1945.....	11,298.4	2,558.3
1946.....	13,421.4	2,123.0
1947.....	13,047.8	-373.6
1948.....	12,371.6	-676.1
1949.....	11,776.1	-595.5
1950.....	11,644.6	-131.5
1951.....	11,433.3	-211.3
1952 Estimated.....	11,077.6	-355.7

Unmatured Funded Debt

144. The estimated total unmatured funded debt of Canada outstanding at March 31, 1952 was \$14,703 million. This was \$323.8 million less than at the end of the previous year and \$2,104.2 million less than at March 31, 1946. Notwithstanding this substantial decrease, it was still \$11,317.3 million more than, or approximately four times, the total of \$3,385.7 million at March 31, 1939, the end of the last pre-war year. However, while interest charges on the funded debt increased by approximately 229 per cent from \$118.1 million in 1938-39 to \$389 million in 1951-52, the gross national product rose from \$5,165 million in 1938 to \$21,217 million in 1951, an increase of approximately 310 per cent. Consequently, while the unmatured funded debt, measured as a percentage of the gross national product, rose from 65 per cent in 1938-39 to approximately 70 per cent in 1951-52 the relative burden of the funded debt, measured in terms of interest charges as a percentage of the gross national product, actually decreased from 2.3 per cent in 1938-39 to 1.8 per cent in 1951-52.

NET DEBT AS AT MARCH 31

*Summary of Security Issues and Redemptions during the Year*

145. During the fiscal year Government obligations excluding Treasury Bills in the amount of \$2,762 million matured. The financing of these retirements which were all payable in Canadian dollars was effected as follows:

	(In millions of dollars)
By refunding or conversion into new issues.....	\$ 2,100.0
By sale of Canada Savings Bonds Series VI (net).....	362.2
From available cash.....	299.8
	<u>\$ 2,762.0</u>

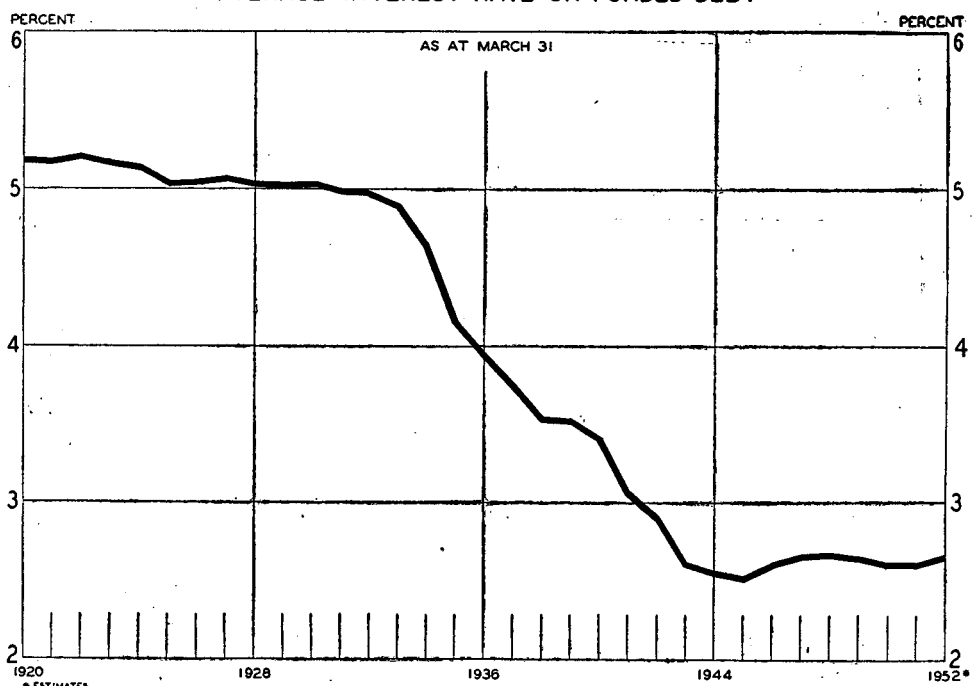
146. Funded debt payable in Canadian dollars decreased by an estimated amount of \$303.7 million during the fiscal year. The retirement of \$299.8 million out of available cash and the transfer of \$5.8 million to revenue of the excess provision of the reserve for the refundable portion of the excess profits tax less \$1.9 million of accrued interest added to principal of War Savings Certificates account for the net reduction achieved during the fiscal year.

147. The Canadian dollar value of the Government's external funded debt decreased by \$20.1 million during the fiscal year. Of this amount \$17.4 million was in respect of indebtedness payable in United States dollars and \$2.7 million in respect of sterling debt. These reductions were consequent upon the revaluation of liabilities payable in those currencies to reflect the change in the exchange rates in effect at March 31, 1952 as compared with March 31, 1951.

148. From the foregoing it will be seen that the over-all reduction of \$323.8 million in the outstanding funded debt was due to cash payments of \$299.8 million, revaluations to reflect changes in the exchange rates of \$20.1 million and sundry other non-cash adjustments amounting to \$3.9 million net.

149. The average coupon rate of the Government's outstanding funded debt at the close of the fiscal year is estimated at 2.65 per cent compared with 2.60 per cent at the close of the previous fiscal year.

AVERAGE INTEREST RATE ON FUNDED DEBT



150. More complete details of redemptions and new issues of securities during the fiscal year are set out in the following tables:

REDEMPTION OF FUNDED DEBT DURING FISCAL YEAR ENDED
MARCH 31, 1952

Maturity Date	Interest Rate	Where Payable	Amount
	%		\$
May 1, 1951.....	$\frac{7}{8}$	Canada	200,000,000
August 29.....	1	Canada	200,000,000
September 1.....	1	Canada	550,000,000
November 1.....	$1\frac{1}{2}$	Canada	500,000,000
November 1.....	1	Canada	200,000,000
February 1, 1952.....	$3\frac{1}{2}$	Canada	50,492,475
February 27.....	$1\frac{1}{8}$	Canada	200,000,000
March 1.....	$1\frac{1}{8}$	Canada	550,000,000
War Savings Certificates.....	3	Canada	(1) 36,212,461
Canada Savings Bonds, Series I, II, III, IV and V.....	$2\frac{1}{4}$	Canada	256,698,100
Total Bonds and Certificates.....			2,743,403,036
Repayment of Refundable Portion of Excess Profits Tax.....			(2) 18,590,596
Total Redemption of Debt.....			2,761,993,632

(1) This is the amount of War Savings Certificates redeemed during the fiscal year. Accrued interest estimated at \$1.9 million was added to principal.

(2) Not including \$5.8 million excess provision transferred to revenue.

NEW SECURITY ISSUES DURING FISCAL YEAR ENDED MARCH 31, 1952

	Issue Date	Maturity Date	Interest Rate	Price to Government	Yield at Price to Government	Total Amount Issued	Renewals or Reconversion Included in Amount Issued	Amount Issued for Cash
PAYABLE IN CANADA			%		%	\$	\$	\$
<i>Issued to Chartered Banks—</i>								
Deposit Certificates.....	Aug. 29, 1951	Feb. 27, 1952	1½	100·00	1·125	200,000,000	200,000,000	.....
Deposit Certificates.....	Feb. 27, 1952	Aug. 27, 1952	1½	100·00	1·375	200,000,000	200,000,000	.....
Two Year Loan.....	Nov. 1, 1951	Nov. 1, 1953	2	99·15	2·44	64,994,000	64,994,000	.....
						464,994,000	464,994,000	.....
<i>Issued to Bank of Canada—</i>								
Six Months Treasury Notes.....	May 1, 1951	Nov. 1, 1951	1	100·00	1·000	200,000,000	200,000,000	.....
Six Months Treasury Notes.....	Sept. 1, 1951	Mar. 1, 1952	1½	100·00	1·125	550,000,000	550,000,000	.....
Six Months Treasury Notes.....	Nov. 1, 1951	May 1, 1952	1½	100·00	1·125	200,000,000	200,000,000	.....
Six Months Treasury Notes.....	Mar. 1, 1952	Sept. 1, 1952	1½	100·00	1·375	550,000,000	550,000,000	.....
Two Year Loan.....	Nov. 1, 1951	Nov. 1, 1953	2	99·15	2·44	135,006,000	135,006,000	.....
						1,635,006,000	1,635,006,000	.....
<i>Issued to General Public—</i>								
Canada Savings Bonds Series VI Net..	Nov. 1, 1951	Aug. 1, 1962	3½	99·3125	.....	362,200,000	.....	362,200,000
GRAND TOTAL.....						2,462,200,000	2,100,000,000	362,200,000

Indirect or Contingent Liabilities

151. It should be noted that the Government has certain indirect or contingent liabilities which are in addition to the direct debt set out in the balance sheet. Included under this heading, for example, are the Government's guarantees of certain securities issued by various Government owned enterprises such as the Canadian National Railways, the Canadian National (West Indies) Steamships Limited, and the Saint John Harbour Commission; the guarantee of deposits maintained by the chartered banks in the Bank of Canada; guarantees of certain loans made by chartered banks to veterans or farmers for certain authorized purposes; guarantees under the Export Credits Insurance Act; and certain commitments under housing legislation.

152. The following table gives details of the bonds and debenture stocks guaranteed by the Government, and also indicates the nature and approximate extent of the Government's other guarantees and contingent liabilities.

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT
AS AT MARCH 31, 1952

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	\$
Aug. 1, 1952..	Saint John Harbour Commissioners.....	5	667,963
July 10, 1953..	Canadian Northern.....	3	668,990
Feb. 1, 1954..	Canadian National.....	5	50,000,000
May 1, 1954..	City of Saint John Debentures assumed by Saint John Harbour Commissioners.....	5½	3,329
Mar. 1, 1955..	Canadian National (West Indies) Steamships Limited.....	5	9,400,000
June 15, 1955..	Canadian National.....	4¾	48,496,000
Feb. 1, 1956..	Canadian National.....	4½	67,368,000
July 1, 1957..	Canadian National.....	4½	64,136,000
July 20, 1958..	Canadian Northern.....	3½	5,512,814
Jan. 15, 1959..	Canadian National.....	3	35,000,000
May 4, 1960..	Canadian Northern Alberta.....	3½	316,856
May 19, 1961..	Canadian Northern Ontario.....	3½	2,069,805
Jan. 1, 1962..	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962..	Grand Trunk Pacific.....	4	7,999,074
Jan. 3, 1966..	Canadian National.....	3	35,000,000
Jan. 2, 1967..	Canadian National.....	2¾	50,000,000
Sept. 15, 1969..	Canadian National.....	2½	70,000,000
Jan. 16, 1971..	Canadian National.....	2½	40,000,000
June 15, 1975..	Canadian National.....	2¾	6,000,000
Perpetual.....	Grand Trunk Debenture Stock.....	5	584,601
Perpetual.....	Great Western Debenture Stock.....	5	287,504
Perpetual.....	Grand Trunk Debenture Stock.....	4	3,133,598
Perpetual.....	Northern Railway of Canada Debenture Stock.....	4	12,998
			523,122,652

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES

	Estimated Amount Outstanding
Deposits maintained by the chartered banks in the Bank of Canada (March, 31 1952).....	\$ 656,529,146
Bank advances, <i>re</i> Province of Manitoba Savings Office (March 31, 1952).....	3,140,078
Province of Manitoba Treasury Bill (March 31, 1952) ..	1,500,000
Loans made by chartered banks under the Farm Im- provement Loans Act, 1944 (January 31, 1952)....	22,935,208
Loans made by chartered banks under the Veterans' Business and Professional Loans Act (December 31, 1951).....	1,989,270
Guaranteed Bank Loans—Acadia Coal Company (March 13, 1952).....	146,000
Guarantees under Part II of The Export Credits Insur- ance Act (March 31, 1952).....	11,475,000
Loans made by approved lending institutions under Dominion and National Housing Acts.....	Indeterminate
Guarantees of land assembly projects under National Housing Act (December 31, 1951).....	277,826
Loans made by chartered banks under The Prairie Grain Producers' Interim Financing Act, 1951 (February 29, 1952).....	367,000

7. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

LOANS AND ADVANCES AND INVESTMENTS

SOURCES AND DISPOSITION OF CASH FUNDS

UNMATURED FUNDED DEBT

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(thousands of dollars)

	1947-48	1948-49	1949-50	1950-51	Estimated 1951-52
	\$	\$	\$	\$	\$
TAX REVENUE—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax.....	659,828	762,564	621,982	652,329	980,000
Tax on Interest and Dividends....	33,929	40,965	47,475	61,610	55,500
Taxes on Rents and Royalties....	1,960	2,480			
Corporation Income Tax.....	364,131	491,990	603,193	799,197	1,136,000
Less Old age security tax transferred to old age security fund...					-2,000
Excess Profits Tax.....	227,030	44,792	-1,788	10,141	2,200
Total Direct Taxes on Incomes.	1,286,878	1,342,791	1,270,862	1,523,277	2,171,700
Succession Duties.....	30,828	25,550	29,920	33,599	38,000
Total Direct Taxes.....	1,317,706	1,368,341	1,300,782	1,556,876	2,209,700
Indirect Taxes—					
Customs Import Duties.....	293,012	222,975	225,878	295,722	353,000
Excise Duties—					
Spirits, malt, etc.....	97,675	101,105	107,035	129,390	123,000
Cigars, cigarettes and tobacco....	102,116	106,241	115,982	114,486	102,000
Licences.....	37	39	38	38	38
Less refunds.....	-3,034	-2,733	-2,490	-2,868	-3,038
Total Excise Duties.....	196,794	204,652	220,565	241,046	222,000
Excise Taxes—					
Taxes on Commodities—					
Sales Tax.....	383,012	390,174	415,222	470,627	615,000
Less old age security tax transferred to old age security fund...					-19,000
Automobiles, rubber tires and tubes.....	31,949	36,943	38,193	70,841	99,600
Beverages (soft drinks).....	23,767	27,689	1,627	7,212	19,000
Candy and chewing gum.....	18,279	19,888	1,030	10,880	11,800
Cigars, cigarettes and tobacco....	68,606	77,665	83,497	85,199	110,000
Cigarette papers and tubes.....	6,419	6,999	7,223	7,734	420
Electric and gas appliances.....	2,824	3,894		2,080	5,000
Furs.....	3,139	3,693	2,937	4,509	5,200
Gasoline.....	2,208				
Matches and lighters.....	3,967	3,412	1,091	1,161	1,800
Phonographs, radios and tubes....	5,325	3,562	3,101	5,548	8,700
Special excise on importations....	2,113	279			
Stoves, washing machines and refrigerators.....					10,500
Sugar.....	10,572				
Toilet preparations and soaps.....	7,146	7,757	4,316	4,551	8,400
Trunks, bags, luggage, etc.....	4,962	5,565	2,257	2,604	4,000
Wines.....	2,342	2,060	2,126	2,225	2,250
Jewellery, ornaments, etc.....			4,077	6,459	10,000
Sundry.....	4,716	4,700	2,310	4,327	7,350
Taxes on Amusements and Services—					
Amusements.....	15,369	2,483			
Tax on pari-mutuel bets.....	2,519	105			
Transportation and communication	27,531	29,034	3,967		
Stamps, including payment of taxes on jewellery, chinaware, cabaret attendance, etc.....	24,300	22,725	9,898	10,945	11,330
Licences, interest and miscellaneous	376	382	370	372	650
Less refunds (mainly sales tax)....	-10,683	-12,871	-11,785	-10,506	-13,000
Total Excise Taxes.....	640,758	636,138	571,457	686,768	899,000
Other Taxes—					
Chartered bank note circulation....	188	166	121		
Insurance premiums.....	3,004	3,339	3,789	4,228	4,500
Miscellaneous.....	613	531	525	710	800
Total Indirect Taxes.....	1,134,369	1,067,801	1,022,335	1,228,474	1,479,300
Total Revenue from Taxes.....	2,452,075	2,436,142	2,323,117	2,785,350	3,689,000

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—Concluded
(thousands of dollars)

	1947-48	1948-49	1949-50	1950-51	Estimated 1951-52
	\$	\$	\$	\$	\$
NON-TAX REVENUE—					
Post Office.....	77,759	80,604	84,512	90,443	105,000
Return on Investments.....	75,800	107,889	91,529	89,529	117,500
Bullion and coinage.....	1,731	3,253	4,523	4,708	4,500
Premium, discount and exchange.....	3,736			17,562	12,000
Other.....	18,745	21,202	25,035	31,106	37,900
Total Non-Tax Revenue.....	177,771	212,948	205,599	233,348	276,900
Total Ordinary Revenue.....	2,629,846	2,649,090	2,528,716	3,018,698	3,965,900
SPECIAL RECEIPTS AND CREDITS—					
Refunds of previous years' Special Expenditure.....	7	16	156	316	160
Special Receipts—War and Demobili- zation.....	162,376	91,281	34,765	47,213	17,325
Sale of surplus Crown Assets.....	63,381	25,840	16,351	19,613	13,824
Refundable portion of excess profits tax—Transfer to Revenue of excess reserve set up in previous years.....				25,000	5,800
Donations to the Crown.....	138	69	54	2	2
Canadian Wheat Board— Surplus in certain special accounts...	16	121			
Investment in Crown plants transferred to Active Assets.....	3,704	2,528			
Capital and Non-active Accounts—					
Capital Accounts—					
Refunds of previous years' ex- penditure.....	61	82	67	125	100
Transfer to Consolidated Deficit Account (contra).....	158	2,243			
Non-active Accounts—					
National Harbours Board, reduc- tion of indebtedness.....	82		12	119	
Canadian Pacific Railway— Repayment of loan made under Relief Acts.....				1,447	
1936 and 1937 Saskatchewan Seed Grain Loans Guarantees— Adjustment pursuant to The Western Provinces Treasury Bills and Natural Resources Settlement Act, 1947.....	9,773				
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness.....	256	80			
Write-off to Consolidated Deficit Account—					
Canadian National Railways Securities Trust Stock—re- duction due to retirement of equipment during calendar year 1947.....	1,885				
Seed Grain and Relief Loans..	63	45	20		
Soldier Settlement Loans—Re- payments.....				3	
Total Special Receipts and Credits....	241,900	122,305	51,425	93,838	37,211
Total Revenue.....	2,871,746	2,771,395	2,580,141	3,112,536	4,003,111

3980.9

**STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS**

(thousands of dollars)

	1947-48	1948-49	1949-50	1950-51	Estimated 1951-52
	\$	\$	\$	\$	\$
Agriculture—					
Administration and general.....	466	538	644	692	715
Science Service.....	3,593	4,358	6,061	7,093	7,125
Experimental Farms Service.....	4,386	5,087	5,810	7,140	7,824
Production Service.....	4,897	6,504	8,394	8,774	8,695
Marketing Service.....	2,969	3,890	4,387	4,936	4,124
Rehabilitation and reclamation projects.....	3,389	6,285	8,846	13,212	11,830
Freight assistance on western feed grains.....	20,092	18,154	16,764	15,638	15,000
Premium on hog carcasses suitable for export to United Kingdom.....	5,474	4,585	4,982	5,100	5,391
Advances to Prairie Farm Emergency Fund.....	10,744	8,640	13,138	4,304	.....
Payment to Canadian Wheat Board for distribution to producers.....	.....	.....	.....	65,000	.....
Subsidies on oats and barley used as feed for live stock.....	13,963	.....	.....	.....	.....
Other Expenditure.....	9,640	3,732	6,021	10,896	6,227
	79,613	61,773	75,047	142,785	66,931
Auditor General's Office.....	495	533	562	574	603
Canadian Broadcasting Corporation.....	1,317	3,921	2,772	2,405	8,318
Office of the Chief Electoral Officer.....	151	287	4,456	278	265
Citizenship and Immigration—					
Administration and Citizenship.....	.....	.....	376	531	1,017
Immigration Branch.....	2,742	5,607	4,957	5,578	8,191
Indian Affairs Branch.....	7,370	10,576	12,368	14,564	14,191
	10,112	16,183	17,701	20,673	23,399
Civil Service Commission.....	1,271	1,364	1,513	1,580	1,702
Defence Production—					
Administration and general.....	.....	.....	.....	.....	9,849
Capital assistance to defence industry.....	.....	.....	.....	.....	29,896
	.....	.....	.....	.....	39,745
External Affairs.....	5,751	6,655	7,050	7,660	9,758
Membership in Commonwealth and International Organizations.....	1,449	2,048	2,671	2,962	2,725
Assistance to Other Countries and International Organizations.....	22,395	5,811	6,959	11,458	25,619
	29,595	14,514	16,680	22,080	38,102
Finance—					
Departmental administration and general.....	2,760	4,987	5,448	7,354	8,109
Office of the Comptroller of the Treasury.....	10,635	11,103	11,140	11,345	12,453
Interest on public debt.....	455,455	465,138	439,816	425,217	430,663
Cost of issuing new loans and annual amortization of bond discounts and commissions.....	10,914	9,745	10,546	13,354	10,734
Servicing of public debt.....	356	331	478	449	391
Subsidies to Provinces.....	33,394	17,095	19,170	18,735	20,108
Compensation to Provinces—					
Tax Rental Agreements.....	122,497	84,387	76,881	94,123	96,868
Sec. 7—Tax Rental Agreements Act.....	.....	.....	1,375	4,565	3,732
Transitional grant to Newfoundland.....	.....	.....	6,500	6,500	6,500
Government contribution to the Superannuation Account—General.....	3,488	4,050	5,461	6,831	12,911
—Special.....	.....	.....	.....	75,000	98,000
Grants to Universities.....	.....	.....	.....	.....	6,994
Implementation of guarantees.....	.....	.....	.....	.....	1,345
(Ming Sung Industrial Co. Ltd.)	.....	.....	.....	.....	.....
Premium, Discount and Exchange.....	.....	111	19,740	.....	.....
War-time Prices and Trade Board—					
Administration.....	5,794	3,321	2,567	1,599	152
Commodity Prices Stabilization Corporation Limited.....	34,341	14,911	.....	.....	40
Advances for payment of drawback claims to millers and other manufacturers of wheat products.....	17,000	11,000	400	.....	.....
Grant re Red River Valley flood.....	.....	.....	.....	12,500	.....

**STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS—Continued**

(thousands of dollars)

	1947-48	1948-49	1949-50	1950-51	Estimated 1951-52
	\$	\$	\$	\$	\$
Finance—Concluded					
Provision for reserve for possible losses on ultimate realization of active assets.....	75,000	75,000	75,000	75,000	75,000
Assumption of part of Newfoundland debt under Terms of Union.....			62,293		
Write-down from Active to Non-Active Assets—Trading losses in Securities Investment Account.....			8,299		
Soybean Flour Suspense Account.....			126		
	771,634	701,179	745,240	752,572	784,000
Fisheries.....	4,315	5,423	7,586	8,964	8,740
Governor General and Lieutenant Governors.....	239	242	274	244	257
Insurance.....	237	263	311	369	405
Justice.....	3,948	4,025	4,268	4,609	5,244
Office of the Commissioner of Penitentiaries.....	4,564	5,863	6,691	7,798	9,286
	8,512	9,888	10,959	12,407	14,530
Labour.....	13,506	9,860	9,770	9,030	9,632
Government Annuities—Amount required to maintain reserve.....	332	11,408	1,256	660	1,000
Unemployment Insurance Act, 1940—Administration and general.....	17,845	19,056	24,033	26,805	24,105
Government contribution.....	17,500	20,103	21,084	26,133	30,100
	49,183	60,427	66,143	62,628	64,537
Legislation—					
House of Commons.....	3,022	2,629	3,765	3,332	4,365
Library of Parliament.....	103	126	127	137	151
Senate.....	946	736	1,178	976	1,237
General.....	270	272	159	266	265
	4,341	3,763	5,229	4,711	6,018
Mines and Technical Surveys.....	6,911	9,481	9,839	10,442	10,810
Dominion Coal Board.....	1,143	2,164	4,357	3,561	5,247
Emergency Gold Mining Assistance.....		9,433	13,716	7,114	11,404
Write-down from Active to Non-Active Assets—Abasand Oils Limited.....			1,802		
	8,054	21,078	29,714	21,117	27,461
National Defence—					
General.....	206	234	383	901	274
Defence Forces, Army, Navy and Air Services.....	182,047	238,915	348,050	545,738	1,205,805
Sec. 3 Defence Appropriation Act, 1950.....				195,417	125,117
Defence Research and Development.....	6,024	16,033	22,389	23,415	34,056
Pensions—					
Payments under Defence Services Pension Act.....	5,060	5,756	5,011	5,011	5,073
Government contribution to Permanent Services Pension Fund.....	7,313	7,867	9,046	11,975	30,712
	200,850	268,805	334,879	782,457	1,401,037
National Film Board.....	2,083	1,958	2,123	2,308	2,679
National Health and Welfare.....	10,922	14,412	16,901	17,344	21,144
General health grants.....		7,528	15,716	18,875	24,882
Family allowances.....	263,165	270,910	297,514	309,465	320,495
Old age pensions including pensions to blind persons.....	59,086	66,764	93,189	103,169	83,494
Deficit—Old Age Security Fund.....					55,000
	333,173	369,614	423,320	448,863	505,015
National Research Council and Atomic Energy Control Board.....	12,102	13,082	16,170	18,014	25,104
National Revenue, including Taxation Division.....	33,912	45,402	47,832	46,056	45,830
Post Office.....	67,943	77,643	82,640	91,781	98,129
Privy Council, including Prime Minister's Office.....	1,394	4,457	4,128	4,250	4,136
Public Archives.....	157	173	198	206	254
Public Printing and Stationery.....	536	753	866	706	1,190
Public Works.....	36,787	51,067	67,058	73,646	76,650
Reconstruction and Supply.....	62,573	2,822			

**STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS—Concluded**

(thousands of dollars)

	1947-48	1948-49	1949-50	1950-51	Estimated 1951-52
	\$	\$	\$	\$	\$
Resources and Development.....	8,657	12,402	23,266	21,688	19,033
Trans-Canada Highway contributions.....				7,205	12,884
	8,657	12,402	23,266	28,893	31,917
Royal Canadian Mounted Police.....	12,033	13,717	15,971	19,801	27,531
Secretary of State.....	1,345	1,559	1,600	2,065	2,402
Trade and Commerce.....	12,253	36,755	25,761	23,443	22,071
Deficits incurred by the Canadian Wheat Board covering operations for Government account.....	31,450	4,454	4,471	2,536	
Deficit—Trans-Canada Air Lines.....	1,370	2,933	4,318	1,325	
Non-Active Assets— Write off—St. Malo Shops and Mis- cellaneous Property.....		2,243			
	45,073	46,385	54,550	27,304	22,071
Transport—					
Administration and general.....	2,421	3,525	3,808	2,528	4,497
Canals Service.....	3,638	4,662	6,198	8,290	7,829
Marine Service.....	9,901	12,627	17,537	17,187	18,215
Railway Service.....	4,680	3,838	4,488	1,981	1,758
Maritime Freight Rates Act.....	5,090	6,606	6,982	8,475	10,114
Air Services.....	24,309	28,182	34,115	33,553	36,996
Steamship Subventions, including Can- adian Maritime Commission.....	2,284	2,166	2,277	5,899	4,514
Deficits—					
Canadian National Railways.....	15,885	33,533	42,043	3,261	15,032
Canadian National (West Indies) Steamships Limited.....			461	1,029	467
Prince Edward Island Car Ferry and Terminals.....	932	1,220	1,221	1,267	1,366
National Harbours Board.....	137	238	83	183	55
Non-Active Assets—					
National Harbours Board.....	372	1,739	4,236	1,465	1,252
Write-off—Canadian National Rail- ways Securities Trust Stock— Reduction due to retirement of equipment.....	1,885				
	71,534	98,336	123,449	85,123	102,096
Veterans Affairs—					
Administration and general.....	1,765	3,628	3,850	2,385	2,540
Pensions.....	77,093	102,951	96,091	95,577	103,801
Treatment and after-care of returned soldiers and allowances to dependents	73,747	69,565	69,507	71,646	76,506
Hospital accommodation, additions, alterations and improvements to....	6,805	5,095	3,811	3,008	3,500
Post discharge rehabilitation benefits.	78,323	44,826	25,099	13,502	6,713
War service gratuities and re-estab- lishment credits.....	84,175	36,148	22,641	16,868	9,717
Soldier Settlement and Veterans Land Acts.....	8,092	8,035	7,383	6,282	5,622
Provision for reserve for conditional benefits under Veterans Land Act....	4,505	5,631	6,496	7,110	7,622
Write-down of Assets—					
Soldier Settlement and Veterans Land Acts Loans.....	2,100	1,000	11,500	14	
	336,605	276,879	246,378	216,392	216,021
Total Expenditure.....	2,195,626	2,175,892	2,448,615	2,901,242	3,647,374

NOTE—Expenditures for previous fiscal years, under a number of departments and categories, have been transferred to where the items are included in the estimated figures for 1951-52.

ANNUAL CHANGES IN ACTIVE LOANS AND INVESTMENTS FOR THE LAST FIVE FISCAL YEARS

(In thousands of dollars)

	FISCAL YEAR ENDED MARCH 31				
	1948	1949	1950	1951	Estimated 1952
	\$	\$	\$	\$	\$
WORKING CAPITAL ADVANCES TO CROWN CORPORATIONS					
Canadian Arsenals, Ltd.....	2,500	2,500		2,500	
Canadian Commercial Corporation.....		1,000			6,500
Canadian Patents and Development, Ltd.....			296		
Commodity Prices Stabilization Corporation.....	Cr. 19,341	Cr. 14,911	Cr. 3,000	Cr. 1,500	Cr. 14
Crown Assets Disposal Corporation.....	Cr. 345	Cr. 108	Cr. 1,183		Cr. 45
Export Credits Insurance Corporation—Capital Surplus.....	2,500				
	Cr. 14,686	Cr. 11,519	Cr. 3,887	1,000	6,441
LOANS TO, AND INVESTMENTS IN, CROWN AGENCIES					
Central Mortgage and Housing Corporation—					
Loans.....	22,500	68,000	91,460	79,389	77,651
Canadian Broadcasting Corporation.....		1,250	4,500	650	850
Canadian Farm Loan Board.....	99	1,050	1,950	1,900	1,300
National Harbours Board.....	Cr. 26	213	20,382	1,004	226
Railway and Steamship Companies.....	81,717	4,067	Cr. 20,963	20,188	138,534
Other Crown Agencies.....	2,500	4,615	Cr. 1,295	Cr. 840	Cr. 911
	106,790	79,195	96,034	102,291	217,700
OTHER LOANS AND INVESTMENTS					
Provincial and Municipal Governments..	Cr. 63,629	Cr. 5,376	Cr. 4,031	Cr. 3,180	Cr. 4,157
United Kingdom and Other Governments—					
United Kingdom—Loan under The War Appropriation (U.K. Financing) Act, 1942.....	Cr. 111,285	Cr. 29,487	Cr. 9,936	Cr. 40,567	Cr. 31,092
United Kingdom Financial Agreement Act, 1946—Loan.....	368,000	37,000	120,000	20,000	Cr. 14,010
Export Credits Insurance Act.....	130,934	68,196	Cr. 10,964	Cr. 22,935	Cr. 19,757
Other (U.K. and Other Governments).....	Cr. 5,712	2,060	5,541	144	5,345
Canada's subscription to Capital of—					
International Monetary Fund.....			22,500		170
International Bank for Reconstruction and Development.....	16,250		5,658		
Miscellaneous—					
Loans to veterans under the Soldier Settlement and Veterans' Land Acts.....	37,522	21,901	7,292	14,625	9,428
Balances receivable under agreements of sale of Crown Assets.....	Cr. 1,972	Cr. 1,230	Cr. 2,889	Cr. 1,043	Cr. 1,587
Other miscellaneous loans.....	Cr. 1,157	Cr. 588	Cr. 812	Cr. 54	3,432
	368,951	92,476	132,359	Cr. 33,010	Cr. 52,228
Sinking Fund and Other Investments held for retirement of unmatured funded debt.....				5,499	3,299
Net Total of Changes in Loans and Investments.....	461,055	160,152	224,506	75,780	175,212

SUMMARIZED STATEMENT SHOWING SOURCES AND DISPOSITION OF CASH FUNDS, FOR THE FISCAL YEAR ENDED MARCH 31, 1952

(In millions of dollars)—Estimated

Net cash balance remaining out of current year's revenue.....	809.5	
Consisting of:		
Excess of revenues over expenditures (i.e. budgetary surplus).....	355.7	
Add back items included in total expenditures which did not represent cash*.....	472.7	
	828.4	
Deduct items included in total revenues which did not represent cash receipts*....	18.9	
	809.5	
Increase in Floating Debt.....		62.8
Increases in annuity, pension, insurance and guaranty accounts excluding Unemployment Insurance Fund.....		11.0
Unemployment Insurance Fund—net cash contributions.....		67.6
Provincial corporation income tax collections (net).....		14.6
Repayments of loans and investments by—		
Provincial and Municipal Governments.....		4.2
United Kingdom and Other Governments.....		66.1
Increases in miscellaneous suspense accounts.....		7.4
		1,043.2
Decrease in cash balances during 1951-52.....		66.0
		<u>1,109.2</u>

Disposition of cash funds:—

Increases in loans and investments:—		
Advances to Minister of Finance Exchange Fund.....	200.0	
Advances to Defence Production Revolving Fund.....	95.0	
Advances for working capital—Departmental.....	19.2	
Crown corporations.....	6.5	
Loans to Central Mortgage & Housing Corporation.....	69.7	
Loans to Canadian National Railways.....	138.6	
Loans under Soldier Settlement and Veterans' Land Acts.....	9.4	
Loans to miscellaneous Crown agencies (net).....	1.5	
Other loans and investments.....	2.1	
Increase in securities investment account.....	49.6	
Unemployment Insurance Fund—purchase of securities.....	102.6	
Sinking Fund purchases.....	4.4	
Disbursements from Defence Equipment Replacement Account.....	50.6	
Old Age Security Fund (net payments).....	55.0	
Decrease in deposit and trust accounts.....	0.6	
Cost of issuing new loans.....	4.0	
Decrease in Deferred Credits.....	0.6	
	809.4	
Net reduction in Funded Debt.....	299.8	
		<u>1,109.2</u>

* To calculate the amount of cash made available to the Government as a result of the current year's surplus there must be added back to the budgetary surplus figure of \$355.7 million, the following items included in total expenditure which did not involve current outlays of cash: provision for reserve for possible losses on ultimate realization of active assets, \$75.0 million; provision for reserve for conditional benefits under the Veterans Land Act, \$7.6 million; annual amortization of bond discounts and commissions, \$9.7 million; transfer of value to a replacement fund of stocks of weapons and equipment provided to allied forces, \$73.4 million; amount required to recoup the Agricultural Prices Support Account, \$1.7 million; amount required to recoup the Fisheries Prices Support Account, \$0.1 million; amount required to recoup the Old Age Security Fund, \$55.0 million; the Government's contributions to the following funds: Civil Service Superannuation Account, \$110.9 million; permanent services pension account, \$30.7 million; Unemployment Insurance Fund, \$30.1 million; Government Annuities Fund, \$1.0 million and the National Capital Fund, \$2.5 million; interest on public debt credited to the following accounts: deposit and trust accounts, \$2.3 million; annuity, pension, insurance and guaranty accounts, \$38.7 million and unmatured funded debt, war savings certificates, \$1.9 million; deductions from salary payments credited to: civil service superannuation account, \$12.9 million; civil service retirement fund, \$7.0 million, and the permanent services pension account, \$12.2 million. There must also be deducted from the budgetary surplus the following items included in total revenue which did not involve current receipts of cash: premium, discount and exchange account, \$12.0 million; an excess amount of reserve for refundable excess profits tax received in previous years and carried as a liability-funded debt, \$5.8 million; and \$1.1 million representing portion of an amount held in suspense re Canadian Government Merchant Marine—War Operations.

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1952, AND THE ANNUAL INTEREST PAYABLE THEREON

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan		Annual Interest Charge	
			\$	cts.	\$	cts.
1952, May 1.....	1 $\frac{1}{2}$	Canada	200,000,000	00	2,250,000	00
Aug. 27.....	1 $\frac{3}{8}$	Canada	200,000,000	00	2,750,000	00
Sept. 1.....	1 $\frac{5}{8}$	Canada	550,000,000	00	7,562,500	00
Nov. 1.....	1 $\frac{1}{2}$	Canada	300,000,000	00	4,500,000	00
Nov. 1.....	1 $\frac{3}{4}$	Canada	300,000,000	00	5,250,000	00
1953, March 1.....	1 $\frac{1}{2}$	Canada	325,000,000	00	4,875,000	00
Nov. 1.....	2	Canada	200,000,000	00	4,000,000	00
1954, March 1.....	3	Canada	(¹) 676,355,489	00	20,089,767	00
Dec. 15.....	2	Canada	395,000,000	00	7,900,000	00
1956, July 1.....	2 $\frac{1}{4}$	Canada	400,000,000	00	9,000,000	00
Nov. 1.....	3	Canada	(²) 855,607,410	50	25,414,081	50
Nov. 1.....	2 $\frac{3}{4}$	Canada	*199,900,000	00	5,497,250	00
1957, May 1.....	3	Canada	1,111,261,650	00	33,337,849	50
Nov. 1.....	2 $\frac{3}{4}$	Canada	*106,450,000	00	2,927,375	00
1958, June 1.....	3	Canada	88,200,000	00	2,646,000	00
Sept. 1.....	4	London	(³) 1,787,917	58	71,516	70
Nov. 1.....	2 $\frac{3}{4}$	Canada	*101,200,000	00	2,783,000	00
1959, Jan. 1.....	3	Canada	1,197,324,750	00	35,919,742	50
Nov. 1.....	2 $\frac{3}{4}$	Canada	*140,500,000	00	4,028,750	00
1960, June 1.....	3	Canada	1,165,300,350	00	34,959,010	50
Nov. 1.....	2 $\frac{3}{4}$	Canada	*144,550,000	00	3,975,125	00
1961, Jan. 15.....	3 $\frac{1}{4}$	New York	48,000,000	00	1,560,000	00
1962, Feb. 1.....	3	Canada	1,315,639,200	00	39,469,176	00
Aug. 1.....	3 $\frac{1}{2}$	Canada	*362,200,000	00	12,670,000	00
1963, July 1.....	3 $\frac{1}{4}$	London	(³) 1,978,362	38	64,296	78
July 1.....	3	London	(³) 49,831,924	41	1,494,957	73
Aug. 1.....	3	New York	150,000,000	00	4,500,000	00
Oct. 1.....	3	Canada	1,295,819,350	00	38,874,580	50
1966, June 1.....	3 $\frac{1}{4}$	Canada	54,703,000	00	1,777,847	50
Sept. 1.....	3	Canada	1,691,796,700	00	50,753,901	00
1968, June 15.....	2 $\frac{3}{4}$	Canada	350,000,000	00	9,625,000	00
1974, Sept. 1.....	2 $\frac{3}{4}$	New York	100,000,000	00	2,750,000	00
1975, Sept. 15.....	2 $\frac{3}{4}$	New York	50,000,000	00	1,375,000	00
Perpetual.....	3	Canada	55,000,000	00	1,650,000	00
1952, April 4 Treasury Bills.....	.889	Canada	75,000,000	00	165,955	00
April 18 Treasury Bills.....	.890	Canada	75,000,000	00	166,008	00
May 2 Treasury Bills.....	.894	Canada	75,000,000	00	166,841	00
May 23 Treasury Bills.....	.909	Canada	75,000,000	00	169,526	00
June 6 Treasury Bills.....	.921	Canada	75,000,000	00	171,808	00
June 20 Treasury Bills.....	.943	Canada	75,000,000	00	176,328	00
War Savings Certificates.....	3	Canada	*63,600,000	00	1,908,000	00
			14,703,006,103	87	389,226,193	21
Payable in Canada.....			14,301,407,899	50	97.27%	
Payable in London.....			53,598,204	37	0.36%	
Payable in New York.....			348,000,000	00	2.37%	
			14,703,006,103	87	100.00%	

(¹) Redeemable at 101 per cent. Amount outstanding includes \$6,696,589.00 redemption bonus.

(²) Redeemable at 101 per cent. Amount outstanding includes \$8,471,360.50 redemption bonus.

(³) Conversion rate estimated at \$2.80 to the £ sterling.

* Estimated.