Record peacetime budget deficit forecast in white paper

OTTAWA (—The net debt of the federal government was an estimated $21,885,300,000 at March 31—roughly $835 for each of the 17,340,000 people in Canada.

The pre-budget white paper, tabled in the Commons today by Finance Minister Fleming, showed the net debt rose $839,500,000 during the 1958-59 fiscal year.

At the start of the year the net debt of the government — $21,045,800,000—represented $819 for each of the 17,000,000 population at April 1, 1958.

The increase was due to the record peacetime deficit estimated at $516,600,000 for the year plus an adjustment of $22,900,000 covering previous years' transactions.

The cost of financing the public debt—mainly interest payments—rose to $644,400,000 for the year, up by $77,000,000 from the 1957-58 year. The total represented 12 per cent of budget expenditures.

Heavy demands by jobless have driven the unemployment insurance fund down to $512,-000,000, the government reported today.

Finance Minister Fleming told Parliament that at the March 31 end of the federal fiscal year the fund stood at this amount, compared with more than $900,-000,000 two years ago.

During the fiscal year, the fund dwindled by $343,200,000 from $754,800,000 as benefit payments of $433,000,000 to unemployed far outweighed government-employer-employee contributions of $220,000,000 and other fund revenue.

Benefits during the year were $98,000,000 higher than in the 1957-58 fiscal year.

The Canadian government has been building up foreign loans in the Far East as Western countries pay off post-war debts to Canada.

Loans to finance wheat and flour sales to south and southeast Asia increased by $18,800,-000 during the 1958-59 fiscal year, Finance Minister Fleming reported today in his pre-budget white paper tabled in the Commons.

Canada's major debtors, however, still are the United Kingdom and certain European countries.

During the year ended March 31, the U.K. paid off $33,600,000, reducing its debt to $1,080,500,-000.

Debts owed by Belgium, France, The Netherlands and Norway were reduced by $13,-000,000 to a total of $285,700,000.

The old age pension fund went into the red by $184,000,000 in the fiscal year just ended—an all-time high.

This was an increase of $81,-600,000 over the deficit for the previous year.

Finance Minister Fleming estimated last year's revenue to cover the $55-a-month pension to all those 70 and over at $376,-000,000. Pension outlays were $560,000,000.

Canadian living standards underwent a slight decline in 1958, Parliament was informed today.

Living costs outpaced small gains in wages, reducing real earnings and paring consumers' purchasing power for the first time in recent years, Finance Minister Fleming reported.

Adding up the over-all economic score for 1958, he concluded that while recession may have hit Canada hard, recovery now is under way.

The big problem for 1958 was unemployment, which hit a post-war high.

EXPORTS DECLINE

A lot of key exports, such as newsprint and metals, declined. Interest rates increased. Bond prices fell.

But there was "mounting evidence" late in the year that "recovery was under way," Mr. Fleming said.

"In marked contrast to the same period 12 months earlier, economic activity in the fourth quarter of 1958 rose substantially.

The volume of non-farm output at seasonally adjusted annual rates expanded by approximately two percent."

The over-all production rise in 1958 was "modest." The gross national product—value of all goods and services produced—climbed by 2.5 per cent to a record $32,200,000,000, but four-fifths of this rise was in prices.

As the economy struggled to get back on its feet, farm folks may have fared a bit better than city dwellers. Farm cash income, which had eased in 1957, swelled by eight per cent to $2,808,000,-000, just two per cent below the 1952 record.

MORE UNEMPLOYMENT

Labor, generally, had its troubles. While the over-all civilian labor force rose to 6,127,000 from 6,003,000 in 1957, the number of persons with jobs dipped to 5,-722,000 from 5,746,000.

The number of persons without jobs and seeking work climbed to an average 405,000 from 257,000 in 1957 and 180,000 in 1956. Unemployment, as a proportion of the labor force, went up to a post-war high of 6.6 per cent., compared with 4.3 per cent in 1957.

Employment began to pick up towards the year-end.

Average annual wage rose by $61 to $3,534, up 1.8 per cent, compared with a rise of $132 or four per cent in 1957. However, living costs increased by 2.6 per cent. The "advance in per capita earnings in 1958 failed to keep pace with the rise in consumer prices and there was a slight decline in real income."

This compared with a slight rise in real income in 1957 and an advance of four per cent in 1956.

HIGHER SAVINGS

Amid the unemployment problem, Canadians generally were able to spend more and still save more. Total consumer spending increased to $20,713,-000,000 from $19,768,000,000 in 1957. Personal savings totalled $2,096,000,000, sharply higher than the $1,467,000,000 in 1957.

But this saving was offset by heavy spending by governments, particularly the federal administration. Total deficits by all governments came to $1,046,000,-000 in 1958, compared with a $52,000,000 surplus in the year previous.

"The nation's total saving fell by $549,000,000 or nine per cent in 1958, compared with a drop of $193,000,000 or three per cent in 1957."

Where money came from

OTTAWA (—Breakdown of federal revenues and expenditures contained in white paper tabled today in the Commons:

SUMMARY	1957-58	1958-59
Expenditures	$5,087,400,000	$5,287,400,000
Revenues	5,048,800,000	4,770,800,000
Deficit	38,600,000	616,600,000
REVENUE		
DIRECT TAXES		
Income tax	1,499,800,000	1,371,000,000
Corporation income tax	1,234,800,000	1,029,000,000
Interest, dividends, rents, royalties going abroad	64,300,000	60,000,000
Succession duties	71,600,000	73,000,000
Total direct taxes	2,870,500,000	2,533,000,000
INDIRECT TAXES		
Customs duties	498,100,000	486,000,000
Excise Duties		
Spirits, malt and beer	171,900,000	180,800,000
Cigarets, cigars, tobacco	131,700,000	141,000,000
Less refunds	-3,500,000	-4,200,000
Excise taxes		
Sales tax	703,200,000	694,000,000
Automobiles	72,300,000	60,400,000
Soft drinks	600,000	—
Candy, chewing gum	700,000	—
Cigarets, cigars, tobacco	142,400,000	50,000,000
Jewelry, watches, ornaments	5,300,000	5,600,000
Matches, lighters	900,000	900,000
Television, radios, tubes, phonographs	16,900,000	17,500,000
Toilet preparations	6,300,000	6,700,000
Wines	2,700,000	3,100,000
Sundry	1,400,000	1,200,000
Licences, interest, miscellaneous	600,000	500,000
Less refunds	-700,000	-3,000,000
Miscellaneous	1,500,000	1,200,000
Total indirect taxes	1,752,300,000	1,741,200,000
Other Revenue		
Non-tax revenue	426,600,000	496,600,000
Total Revenue	5,048,800,000	4,770,800,000
EXPENDITURES		
Agriculture	94,700,000	166,500,000
Atomic Energy	21,600,000	26,100,000
BBG	—	100,000
CBC	43,000,000	62,100,000
Chief electoral officer	13,600,000	3,200,000
Citizenship-immigration	51,800,000	54,000,000
Civil service commission	3,200,000	3,500,000
Defence production	15,000,000	14,400,000
External affairs	60,200,000	76,100,000
Interest on public debt	29,200,000	604,400,000
Sinking public debt	500,000	700,000
Provincial subsidies	28,600,000	20,600,000
Tax-sharing agreements	351,200,000	23,200,000
Municipal grants	17,500,000	22,100,000
University grants	16,600,000	5,600,000
Canada Council grant	100,000,000	—
Fisheries	16,400,000	18,400,000
Justice	7,200,000	7,700,000
Penitentiaries	12,700,000	16,600,000
Labor	81,700,000	93,500,000
House of Commons	5,000,000	5,600,000
Senate	1,500,000	1,700,000
Mines-technical surveys	18,700,000	23,000,000
Coal board	8,900,000	11,100,000
National defence	1,668,500,000	1,418,000,000
Film board	4,000,000	4,300,000
Health-welfare	38,400,000	42,900,000
Family allowances	427,900,000	774,900,000
Hospital insurance	—	57,800,000
National Research Council	21,000,000	25,500,000
National revenue	67,700,000	69,500,000
National affairs	49,100,000	75,000,000
Post office	153,200,000	157,900,000
Public works	158,800,000	181,900,000
Trans-Canada Highway	49,400,000	50,000,000
RCMP	47,400,000	52,800,000
Trade-commerce	23,800,000	28,500,000
Transport	208,700,000	300,000,000
Veterans affairs	277,200,000	260,300,000
Miscellaneous	282,200,000	499,900,000
Total expenditure	5,087,400,000	5,287,400,000

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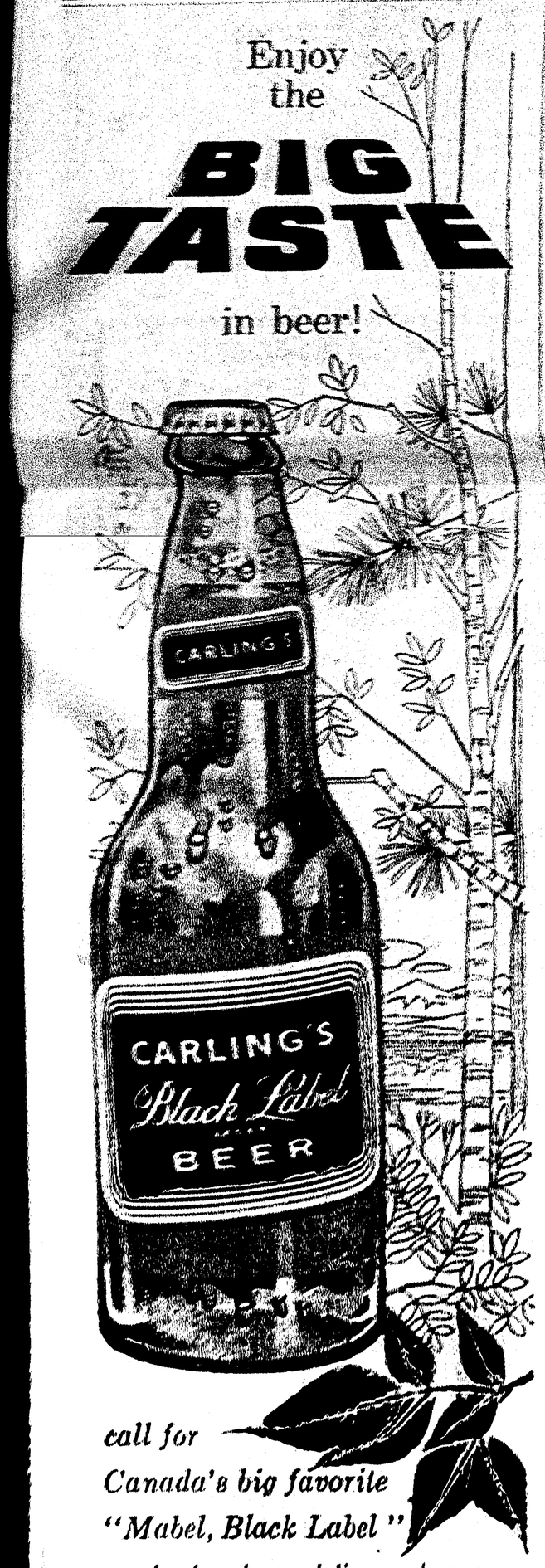

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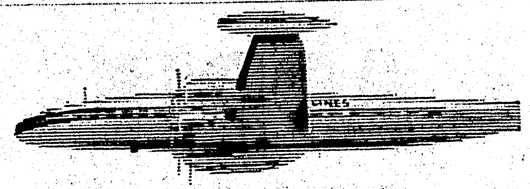

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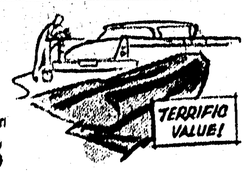

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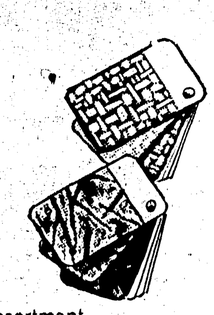

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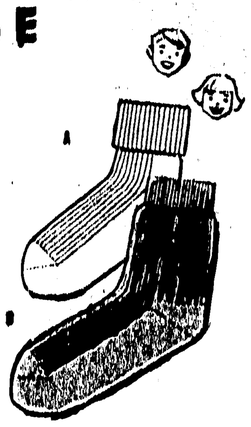

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