

**7 PER CENT**

(Continued from page 1)  
per cent in real output and two per cent in prices. Prices have

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remained relatively stable, climbing only about two per cent a year. The fact the GNP last year outpaced his original forecast of a 5 1/2 per cent gain contributed to larger-than-expected federal revenues and cut the budgetary deficit to \$23,000,000 from the \$455,000,000 deficit he estimated in his March 16, 1964, budget speech.

At the outset of his third budget speech since becoming finance minister on formation of the Pearson Liberal government April 22, 1963, Mr. Gordon said the robust expansion of the last two years must be continued.

**WANTS HEALTHY RATE**  
"With the budget under control, we must use our fiscal policies to achieve the nation's goals. The primary objective now is a healthy rate of sustained economic growth."

All parts of the country and almost all types of industry and agriculture were sharing in the health of the economy. New productive capacity was being added, and "we have the most rapidly growing labor force in

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**14 The Guardian, Charlottetown, Tues., Apr. 27, 1965.**

the industrialized world, and it is better trained than ever before. But he warned rapidly-rising production could lead to large deficits in international payments, and said "these must be avoided."

"In order to provide jobs to match the quite exceptional growth of our labor force we will need high levels of capital investment in the next few years, higher than the present physical capacity of the economy can be expected to meet."

He did not anticipate difficulty in finding foreign capital but said Canada cannot depend on foreign savings indefinitely. The major source, the United States, was restricting its investments abroad.

"We would be foolhardy if we assumed over the long term the capital needed to cover our continuing current account deficits, whatever their size, would always be ours for the asking."

**WILL BARGAIN HARD**  
Mr. Gordon said the Kennedy Round of international tariff negotiations in Geneva is not yet in full swing so far as Canada is concerned, as an important exporter of agricultural products. The Canadian negotiating team would bargain vigorously for a general reduction in trade barriers.

Britain was worried about her trade deficit with Canada, just as Canada was worried about this country's trade imbalance with the United States.

"It would be better in both cases" if increased exports enabled these large bilateral deficits to be reduced. Britain's sales to Canada were up in 1964, with a 100-per cent increase in automobile exports to this country. "Here is a real example of energetic British exports adapting their products and their

dealer and service organizations to meet the needs of Canadian consumers." Mr. Gordon said: "We expect now to see further substantial improvement in the sale of British products in the Canadian market."

**MUST WORK CLOSELY**  
On domestic affairs, Mr. Gordon said the federal government's responsibility in fiscal, monetary and trade policy "is primary and indisputable," but federal, provincial and municipal governments must work closely together to achieve the country's potential.

The provinces and municipalities together now spend more than the federal government, and their activities could greatly affect the national economy.

Current federal-provincial arrangements would come up for another five-year renewal in 1967 and the formula must be reviewed and revised in the next 18 months.

"We shall endeavor to find a division of the tax fields and a formula for equalizing fiscal capacity which will assure to Parliament and to each provincial legislature effective means of carrying out its own responsibilities under the constitution."

The royal commission on taxation headed by Toronto accountant Kenneth L.M. Carter, appointed in September, 1962, was expected to report in time for a review of the federal tax structure in this budget. But Mr. Gordon said the report now will not be available before autumn and a thorough review of federal tax law has been deferred.

**AWAITED REPORT**  
In his budget speech last year, Mr. Gordon said it would be premature and unwise to make major changes at that

time in tax laws, pending receipt of the Carter report. Mr. Gordon reviewed increases made by his government and the former Conservative administration in grants to the universities and to the provinces in aid of education. "It is evident, however, that more needs to be done in financing higher education in Canada, though just what should be done and in what way are unresolved questions," he said.

When a report was received from a university commission headed by Dean Vincent Bladen of the University of Toronto economics faculty, the federal government would discuss the subject of university finance with the provinces.

Mr. Gordon started his speech with a glowing account of government performance in achieving its economic objectives. Almost 500,000 new jobs had been created since the spring of 1963, and unemployment last month was 3.9 per cent of the labor force, compared with 7.7 per cent in the first quarter of 1961. "We may view our prospects for the coming year with confidence."

**Federal Gov't Employees In Province Down**

**CAPITAL BUREAU OF THE GUARDIAN**  
OTTAWA — Provincial government employment in Prince Edward Island decreased at the end of 1964 as compared to a year earlier, the Dominion Bureau of Statistics reports in its quarterly summary. But, reflecting higher wages and salaries, the gross payroll of provincial employees in the island province showed an increase.

At December 31, 1964, there were 1,656 P.E.I. provincial employees, a substantial drop from the 1,810 figure at the end of 1963. At the end of September last year there were 1,830 employees.

The gross payroll for the last quarter of 1964 totalled \$1,479,006, somewhat above the \$1,298,000 figure for the final quarter of 1963. The total gross provincial government payroll for all of 1964 was \$5,538,000.

The 1,656 employees at year end included 1,584 in departmental services, 64 in provincial government enterprises and 10 employees of the Workmen's Compensation Board. Of the total, 1,281 were salary earners and 297 were wage earners.

A breakdown of the salary earners functions in departmental services finds that 129 were in general government, 71 were involved in protection to persons and property, 159 in transportation and communications, 398 in health and social welfare, 8 in

recreation and cultural activities, 224 in education, 83 in natural resources and primary industries, 8 in trade and industrial development, 2 in local government planning and development and 5 in other categories.

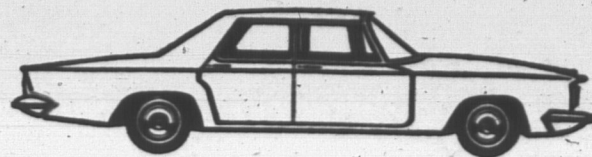
**Two Month Term Given On Forgery**

**SUMMERSIDE** — Norman Gallant of no fixed address, charged with uttering a forged document (a Royal Bank of Canada cheque made out to \$40) was sentenced to two months in Prince County jail by Magistrate R. S. Hinton, QC, in town police court Monday morning. The offence was committed between June 2-5 of 1964. Two people were each fined \$20 and costs or five days when they appeared on drunk charges. A town resident was fined \$10

and costs or five days for proceeding through a stop sign. Chief Police S.D.A. Wannamaker said this morning town police are cracking down on all traffic offences.

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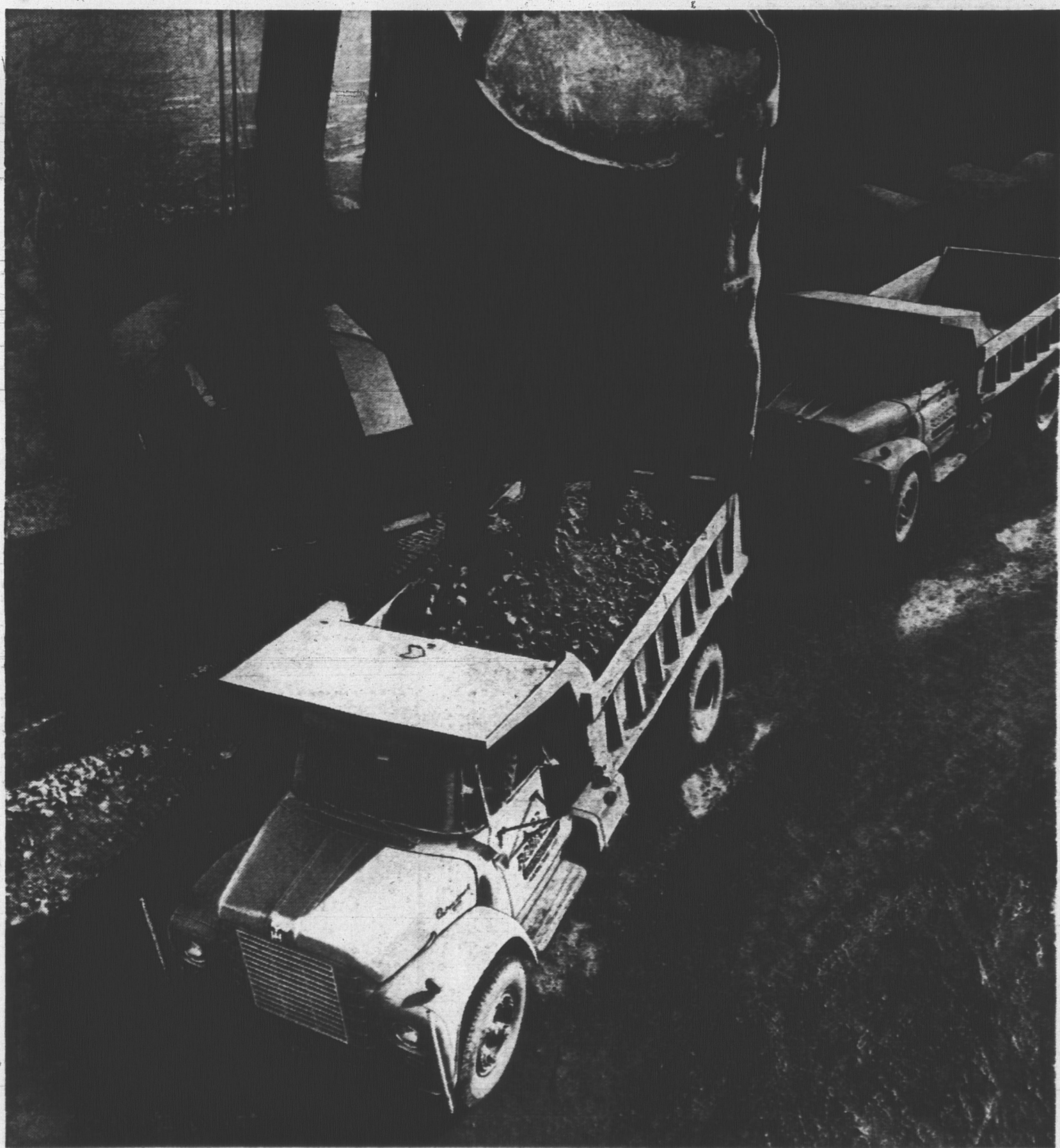
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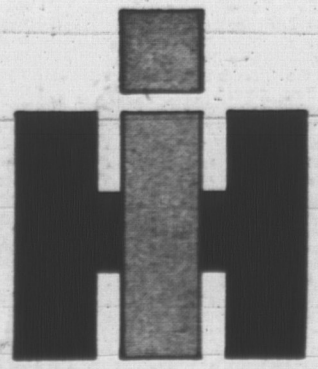
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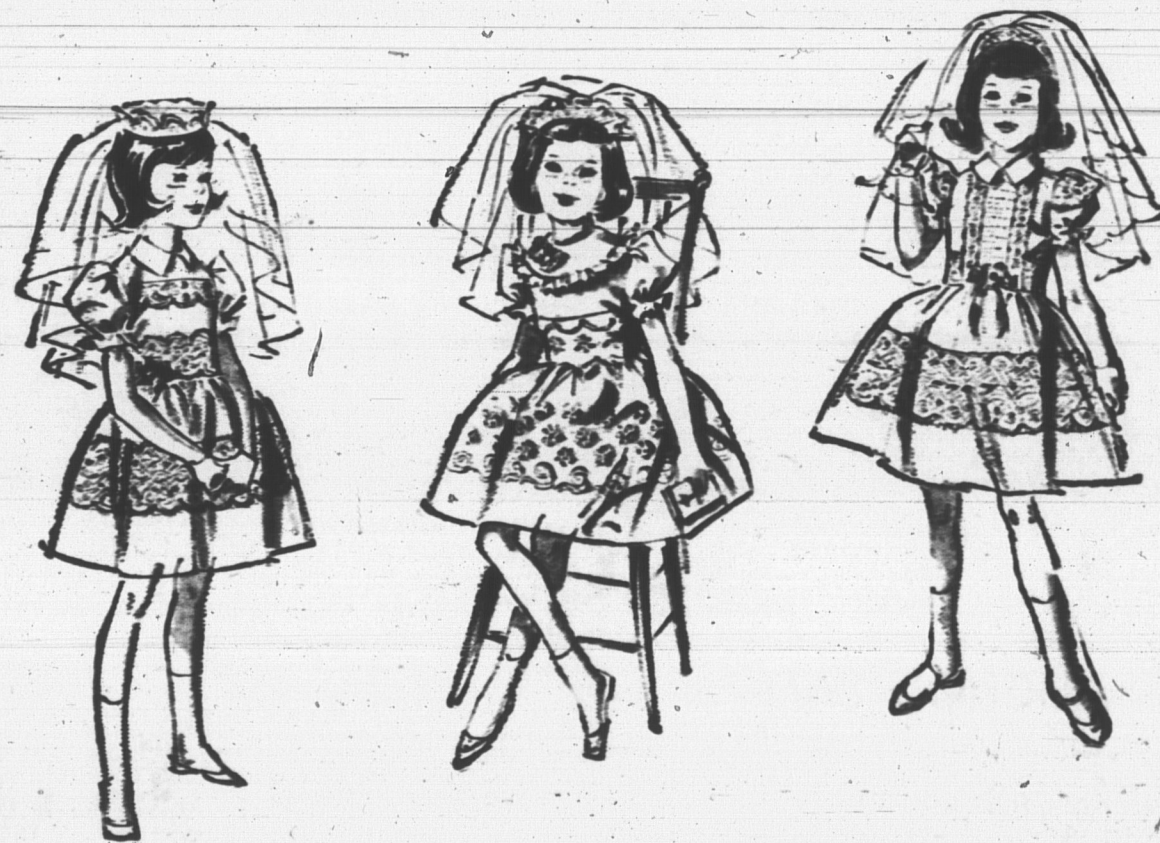
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