# Austerity Program Result of Canada's Wild Spending Decade

**(Editor's Note: The Canadian government is undergoing a cash crisis that brought about a devaluation of the dollar and a general nationwide belt-tightening. In the following dispatch, UPI Correspondent William Neville reports on some of the factors which caused Canada's money woes and government plans to overcome them.)**

By WILLIAM NEVILLE
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Ottowa —(UPI)— A national spending spree which ran unabated for more than a decade lies behind the austerity program forced on Canada in recent days.

Since World War II, Canada has spent far more abroad than its exports could balance. Its international balance of payments got far out of hand.

For most of the postwar period, the nation got away with its excessive spending abroad. Canada was in an investment boom and foreign capital poured into the country in large amounts.

Within the past year, however, a variety of factors combined to discourage foreign investment in Canada. True to advance warnings from many sectors, the free-spending of the 1950's began to take its toll.

Now Canadians are faced with a national belt-tightening like they have never known. Lured into a false sense of security by assurances from politicians that Canada was the land of opportunity with a great new economic upsurge on the horizon, Canadians are hurt and shaken.

The big question now is whether they will be able to take their lumps and recover.

**Present Measures**

The "lumps" at this stage—more could come if the present program doesn't meet the emergency—include:

-A sting to national pride when the Canadian dollar, once worth $1.05 in American money, was devalued to a discount of 92½ cents of its U.S. counterpart. The suggestions that devaluation could aid Canadian industry against foreign competition doesn't seem to soothe the nation's vanity.

-Sharply increased prices for imports, particularly luxury goods, to which Canadians have become accustomed, but can't get from domestic suppliers. Devaluation gave prices their first boost; a special import surcharge kicked them even higher. Prime Minister John Diefenbaker told the nation bluntly to buy Canadian until the present emergency eases.

-An equally sharp cutback in the amount of duty-free purchases Canadians can make abroad. With tourist exemptions cut to a third of their former levels, Canadians were all but forced to do their travelling and buying within their own country—a course that hasn't held much appeal in the free-spending past.

-An increase in basic interest rates and a return to "tight" money. Consumer credit, increasing by leaps and bounds in recent years, seemed in for a definite cutback.

-A reduction in government spending, probably involving items like federal buildings, wharves and bridges that have become standard "pork barrel" fare in recent years.

Canadians just went through an election campaign during which they got assurances by Diefenbaker and other government leaders that things were "never better." But they awoke to an austerity program only six days after they voted.

Canada had sufficient warning, if it had cared to listen.

For more than two years, former Bank of Canada Governor James E. Coyne had gone from service club to service club warning the nation that it was "living beyond its means" and would encounter serious difficulty if it didn't act. He advocated a cutback in foreign spending and tried to hold domestic credit within bounds.

But he was talking unpopular talk and it got him into trouble. Last summer, after an unprecedented public row with the Diefenbaker administration, he was forced to resign his $50,000-a-year job as chief of the central bank.

Within a year, his warnings had become fact. Many of his proposals had become government measures.

Several impartial financial experts say the factors which produced a crisis in 1962 started as far back as the 1957 election campaign when Diefenbaker's conservatives ended 22 years of liberal rule with a strongly nationalistic campaign that labelled foreign investment, particularly from the United States, as excessive and a threat to Canadian sovereignty.

Outside confidence in Canada as an investment market, already shaken by government speeches, dropped last December when the Canadian government slapped a five to 15 per cent withholding tax on dividends paid to foreign investors and loans raised by Canadians in foreign markets.

In British Columbia, meanwhile, the provincial government, led by Premier W. A. C. Bennett and his supposedly ultra-free enterprise social credit party, expropriated the British Columbia Power company at an arbitrary price and on arbitrary terms. From Quebec came persistent rumors that Jean Lesage's liberal government was about to take similar action against its privately-owned power corporations.

Foreign investors decided Canada wasn't a good place for money and turned to new fields. However, the outflow of Canadian dollars on commodity imports, tourist spending and dividends continued. Those factors, together with speculation on the dollar in the money market, combined to place a tremendous strain on Canada's foreign exchange reserves.

A report on Canada's international payments operation in the first three months of the year showed a deficit of $363 million, all of it accounted for in exchange operations. The capital inflow that normally lightened the situation wasn't there this time.

The drain continued through the second quarter and, while final figures are not yet available, it is estimated to have cut the exchange reserves by another $400 million. To bolster the fund, the government austerity program included $1,050,000,000 (B) in foreign financial support through loans, standby credits and currency exchange arrangements.

The big question now is whether the present program is enough.

Some say it will be. Others already have labelled it "too little and too late."

Most observers, however, have adopted a "wait and see" attitude. They say they will know better by fall.

## Lion, King Kado Fed By Missouri Society

St. Louis—(UPI)—King Kado, a two-year-old lion is living in royal style.

King has gained about 100 pounds on a diet of fresh meat and vegetables since being taken from an animal trainer who was charged with mistreatment of the lion. The Humane society of Missouri took over the task of feeding King.


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