ECONOMIC COUNCIL OF CANADA

October 1971

Performance in Perspective 1971

Date Due

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1

Introduction

The Economic Council has periodically published assessments of the nation's *future economic potentials* for growth and development. It has also regularly published an appraisal of the economy's *performance* in relation to such potentials and goals. The present report continues these "performance appraisals". It sets out some of the main dimensions of problems and shortfalls in performance in relation to the five basic economic and social goals with which the Council is centrally concerned. These goals are: full employment; a high rate of economic growth; reasonable stability of prices; a viable balance of payments; and an equitable distribution of rising income.

The central aim of this report is threefold:

— to monitor and assess the underlying progress of the economy towards good performance in relation to basic potentials and goals;

— to focus attention on developments tending to produce significant or persistent departures from good economic performance which would jeopardize the future attainment of our basic economic and social goals; and

— to extend and further develop our analysis in terms of some of the significant challenges that Canadians will be facing in the 1970's in the areas of employment, economic growth, price stability and international economic relations.

The organization of the report is as follows. We turn first to an assessment of major developments abroad to provide the international setting for an appraisal of domestic developments. We then discuss the actual performance of the Canadian economy in relation to basic potentials and goals, with a quantitative evaluation of recent shortfalls below these potentials. Next, we examine Canada's trade and the balance-of-payments position against the background of swiftly changing international economic conditions. Finally, we turn to an assessment of employment requirements to 1975—one of the most important challenges which the country faces in the 1970's.

The main body of this report was written prior to October 14, when the federal government announced new tax reduction and expenditure measures to further stimulate expansion of the economy and accelerate the rate of job creation. We have not found it necessary to modify our basic appraisal and conclusions regarding the economy's medium-term prospects and potentials in the light of these new measures. They are, in fact, very much in keeping with the central thrust of our conclusions concerning the need for *domestic* demand expansion to move the economy more decisively towards its potential level of output, to reduce unemployment, and to relieve some of the upward pressure on the exchange rate.

2

The External Environment

The attainment of Canada's basic performance goals depends crucially on the maintenance of a stable world economy oriented towards growth and trade. In a number of ways, world economic developments over the past year or two have not provided the most favourable setting for the achievement of these objectives. Recession in the United States and slower growth abroad contributed to a reduction in the rate of growth of the Canadian economy in 1970. The deeply entrenched cost and price inflation in the Western industrialized world has increased the difficulty for Canada of attaining "price stability" despite the vigorous domestic efforts that have been undertaken in the fields of monetary and fiscal policy. More recently, developments have emerged which have given rise to major uncertainties and may entail substantial shifts in international economic and trade relations. The U.S. economic measures announced by President Nixon on August 15 constitute a new initiative towards improved domestic performance of the U.S. economy. But they also constitute a far-reaching challenge to the international community to reform and restructure existing international trade and payments arrangements. The international financial system is now facing the prospect of a basic overhaul of existing arrangements comparable in scale and difficulty to the international negotiations that established the present system at Bretton Woods in 1944.

International Economic and Financial Conditions

The measures announced by President Nixon on August 15 were designed to:

— provide incentives to stimulate the U.S. economy and reduce unemployment;

- — check the rate of inflation in the United States;
- — strengthen the international trade and financial position of the United States; and
- — set the stage for negotiations towards a basic reform of the international monetary system.

Although they constitute an interrelated package, the measures can be conveniently divided and summarized in two main groups—those which are mainly domestic and those which have a direct international impact. The domestic measures—those which will affect other countries mainly through their effects on the U.S. economy—include repeal of the 7 per cent excise tax on automobiles; accelerated income tax cuts; a new business and industrial investment tax credit of 10 per cent applicable to investment in equipment of U.S. origin; and a reduction of federal spending by $4.7 billion by deferring pay raises, welfare reform, and revenue sharing with the States. Some of these changes are proposals that require Congressional legislation. In the prices sector, the President decreed a 90-day freeze on wages, salaries, prices and rents, and established a Cabinet-level council to plan action after the 90-day period. Subsequently, a number of new bodies have been created to oversee the implementation of measures to achieve the U.S. objectives for stability in incomes and prices.

On the international side, the convertibility of the U.S. dollar into gold was temporarily suspended.[1] A temporary surcharge of up to 10 per cent was imposed on about half the imports into the United States. An export incentive that would allow tax deferrals on earnings from exports was proposed, to become effective on January 1, 1972 (if legislation now before Congress to authorize the establishment of Domestic International Sales Corporation is passed). And finally, expenditures for foreign aid were reduced by 10 per cent. A more detailed account of these U.S. measures is set out in Appendix B.

There is widespread uneasiness among members of the international trading community that President Nixon's New Economic Program may signal a basic shift towards a more inward-looking posture on the part of the United States. There is also uneasiness that the present emergency might precipitate a move towards retaliation and more protectionist policies by other countries in response to the U.S. measures. Either of these two developments would set back much or all of the progress that has been made in the postwar period towards

[1] Monetary authorities outside the United States were already refraining from cashing their "excess" dollars into gold. The President's action could perhaps be viewed as, in effect, "formalizing" a situation that already existed in a loose form.

the freeing-up of international trade and a more open world economy. They would be hostile not only to Canada's interests but to those of the entire world community. No one can predict at this juncture the eventual outcome of the negotiations now getting under way, or assess how long or how difficult they will be. But we should like to set out a view which we believe represents the longer-term interests of Canada.

The U.S. dollar is clearly no longer able to perform adequately the task of serving as the world's key reserve currency. U.S. gold reserves have fallen to disquietingly low levels, and other countries have accumulated large stocks of gold and U.S. dollars. The U.S. balance of payments is in a position of major and deteriorating deficit, and other countries have become increasingly reluctant to continue adding to their holdings of U.S. dollars.[1]

The United States has received much advice about the need to get its balance-of-payments deficit under control and to curb the outpouring of U.S. dollars to the rest of the world. It has now acted in a decisive way to do this. That some emergency action was needed is apparent from the fact that even with a slack economy and unacceptably high levels of unemployment (which might eventually have been expected to check the growth of imports), the U.S. trade balance moved into a deficit position in mid-1971. Some other countries, on the other hand, have continued in strong surplus positions.

No country has done more in the past quarter century to assist in postwar reconstruction, to support multinational defence alliances, to provide foreign aid, and to sponsor the dismantling of protective trading arrangements than the United States. The fact that the world now has a surfeit of U.S. dollars is not unrelated to these actions, although the Vietnam War has exacerbated the dollar problem, and U.S. capital outflows have also been a factor. In addition, until recently, the U.S. dollar provided the essential element for the growth of world liquidity reserves which provided the basic underpinning for the remarkable expansion of world trade in the postwar period.

In the present atmosphere of crisis, three things are essential to preserve the continued health and viability of the world economy. The first is that the United States must be allowed sufficient latitude

[1] The U. S. balance of payments, as measured by the change in official reserves, showed a deficit of close to $10 billion in 1970, and this deficit widened sharply going into 1971. This situation is in sharp contrast to the position in the first half of the 1960's when the deficit on the U. S. balance of payments on the same basis averaged only about $2 billion a year, and represented a useful and acceptable contribution to the growth of international liquidity.

within the framework of negotiations to eliminate the deficit in its balance of payments, so that countries are no longer required to absorb large quantities of U.S. dollars which they no longer wish to accept. The second is to avoid any move towards retaliatory or protectionist measures on the part of other countries which could begin to unravel the progress towards freer trading arrangements that has been made in the postwar years. The third is to reform and restructure the international monetary system in a way that provides for a greater degree of flexibility in adjusting exchange rates to meet changing economic circumstances and that accelerates the freeing of the dollar from its present role as the central reserve currency.

On the first of these points, the United States is, in effect, asking that other countries share the burden of adjustment necessary to reverse the deficit in the U.S. balance of payments. The import surcharges, the currency realignments, the proposed export incentives, the "buy-American" feature of the investment tax credit, are all aspects of the basic decision to impose on other countries the trade adjustments necessary to reduce U.S. imports and to increase U.S. exports. Pressures are also being applied to encourage other countries to ease nontariff trade barriers to U.S. exports and to have them accept a greater share of the defence spending of the Western alliance. These measures are bound to have a very uneven impact among countries, and there is no way of assessing which country is likely to be most affected.

The danger is that many of these measures contain an element of compulsion and "arm-twisting", which could very well involve retaliation. This would be a great mistake. The United States has a strong need to correct its balance-of-payments deficit, and other countries should recognize that it is *in their long-term interests* to help it to do so.

On the third point, the recent suspension of the convertibility of the U.S. dollar into gold[1] and the imposition of the temporary import surcharges are measures intended to speed up the process of renegotiating the international monetary system. The U.S. authorities have said that when certain conditions including satisfactory monetary arrangements are achieved, the surcharges will be removed.

Various arrangements might be made to reform the monetary system, and the details that would be negotiated are difficult to foresee. It is, however, possible to set out at least three general lines

[1] **The official U.S. price of gold is fixed by law and has not been changed. The President has simply decreed that the United States will not buy or sell gold.**

of reform that the United States apparently would like to see implemented.

1. A new set of par values in the International Monetary Fund for the more important currencies, particularly the yen and the stronger European currencies. At the time of writing, the U.S. dollar is, in effect, "floating" in value in relation to other currencies (although some countries are "managing" the value of their currency against the U.S. dollar).
2. Greater flexibility for exchange rates to fluctuate around their official par value. The IMF rules at present allow a currency to move within a range of only 1 per cent above or below its par value.
3. Facility for any currency, including the U.S. dollar, to be devalued or appreciated in case of "fundamental disequilibrium". This facility already exists for currencies other than the U.S. dollar, although the tendency has been for countries not to use it readily.

From the viewpoint of good and economically healthy relations between countries, it is desirable to get the U.S. import surcharges removed as soon as possible. If agreement could be obtained on new exchange rate arrangements, with agreement in principle to negotiate other important issues, the United States might be successfully pressed to remove the surcharges fairly quickly. It should not be necessary to wait until all the details are ironed out.

The United States has been advised (in past years and more recently) to raise the price of gold. This would have the effect of increasing the U.S. dollar value of the world's gold stocks, and therefore would increase U.S. exchange reserves and world liquidity. The administration has opposed such proposals in the past and has indicated in the last few weeks that it is still opposed to any such action.

Canada has much more to gain than most countries from a successful resolution of these difficult and complex matters because of her heavy dependence on export markets and the associated need for stable international trade and exchange conditions. Moreover, with negotiations now under way for Britain's entry into the Common Market, Canada faces the uneasy prospect of being one of only two or three industrially advanced countries in the world lacking access to a tariff-free market of at least 100 million consumers. In a world in which barriers to free trade were dropping rapidly, this would not be a serious matter. But in a world in which a turnback towards more protectionist policies could conceivably occur, Canada's situation would become highly vulnerable in so far as the development of a strongly growing advanced manufacturing industry, based on scale and specialization, was concerned. The rate of job creation needed in Canada over the next decade would indicate that a rapidly growing manufacturing sector is at least *one* vitally important component of a strategy for longer-term growth and development. Given the relatively modest size of the Canadian market, and the importance of scale and specialization in secondary manufacturing, assured access to larger markets in a stable trading world continues to be one of the principal conditions for reaching our economic and social goals.

Economic Growth and Prospects

The growth of output in the Organisation for Economic Co-operation and Development area slowed in 1970 to about 2½ per cent, or half the average for the previous year. This slackening in the rate of growth was in large part a reflection of the recession in the United States (where output fell slightly), but it also reflected somewhat lower rates of growth elsewhere in the OECD area, including the European Common Market countries, the United Kingdom and Japan. The figures are shown in the following table:

TABLE 1

THE GROWTH OF REAL OUTPUT IN THE OECD AREA

(Average annual rates)

	1969 (actual)	1970 (actual)	1971 (estimated)	1960 to 1970 (actual)	1970 to 1980 (potential)
Canada	5.1	3.3	5.0	4.9	5.4
United States	2.8	−0.4	3.0	4.2	4.7
Japan	11.9	10.9	8.0	11.3	10.0
France	7.7	5.9	5.5	5.6	6.0
Germany	8.1	4.9	3.5	4.7	4.6
Italy	6.1	5.2	3.0	5.7	5.6
United Kingdom	2.2	2.0	0.5	2.7	3.2
Total Seven Major Countries	4.8	2.3	3.7	4.8	5.4
Other Northern European Countries	6.0	5.2	3.7	4.6	4.2
Other Southern European Countries	6.9	6.2	6.5	6.7	6.3
Total OECD	5.0	2.6	3.7	4.8	5.3
European Common Market	7.3	5.4	4.2	5.2	5.2

SOURCE: *OECD Economic Outlook*, July 1971, and *The Growth of Output 1960-1980, Retrospect, Prospect and Problems of Policy*, OECD, December 1970.

Despite the slower growth of output in 1970, unemployment in the overseas OECD area remained well below North American levels. In general, rates of unemployment in Europe and Japan have held persistently below North American rates over the past decade. The unemployment figures, adjusted to a comparable basis to allow for differences in definition and concept, are shown for a number of the major countries in Table 2 (with unadjusted figures shown in brackets). It may be noted that low rates of labour force growth have made it relatively easier to achieve the extremely low levels of unemployment that are shown for some countries.

The recovery from recession that is now under way in the United States should ensure a stronger rate of output growth in the OECD area in 1971. Official estimates indicate that the growth of output for the OECD group as a whole could amount to close to 4 per cent this year, with increased growth in North America being partially offset by a further slowdown in the Common Market countries and in Japan (see Table 1). This assessment, however, makes no allowance for the new economic measures announced by President Nixon on August 15. The new measures might marginally raise the growth of U.S. output in 1971. (The announced measures were expected to have a much stronger effect on U.S. growth in 1972.) There would undoubtedly be partially counterbalancing reductions in the growth of output of other countries due to the effects of currency realignments and the various U.S. measures. The *net* effect of the U.S. measures on the growth of output for the OECD group as a whole would thus not alter the assessment *for the year 1971* in a significant way. A rate of growth of around 4 per cent for all OECD countries in 1971, if it materializes, would be well below the average of the 1960's, when growth was in the neighbourhood of 5 per cent per year. It would also be well below the *potential* growth rate of the OECD group for the period 1970-1980, which is estimated to be about 5.3 per cent per year.

Prices, Productivity and Growth

PRICES—The level of prices in the 23 industrial countries that make up the Organisation for Economic Co-operation and Development has risen on average at an annual rate of more than 5 per cent over the latest period for which statistics are available. This is more than double the average rate of the early 1960's. The world-wide aspect of the present inflation, and the fact that it is now proceeding more or less simultaneously in so many countries, has raised many

TABLE 2

UNEMPLOYMENT RATES IN SELECTED COUNTRIES, 1960-1970[1]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
United States	5.5	6.7	5.5	5.7	5.2	4.5	3.8	3.8	3.6	3.5	4.9
Canada	7.0	7.1	5.9	5.5	4.7	3.9	3.6	4.1	4.8	4.7	5.9
Japan	1.7 (1.7)	1.5 (1.4)	1.3 (1.3)	1.3 (1.3)	1.2 (1.1)	1.2 (1.2)	1.4 (1.3)	1.3 (1.3)	1.2 (1.2)	1.1 (1.1)	1.2 (1.2)
Great Britain	2.0 (1.6)	1.9 (1.5)	2.8 (2.0)	3.5 (2.5)	2.5 (1.6)	2.2 (1.4)	2.4 (1.5)	3.8 (2.4)	3.7 (2.4)	3.7 (2.4)	3.9 (2.6)
France	2.5 (1.3)	1.9 (1.1)	1.8 (1.2)	2.1 (1.4)	1.6 (1.1)	2.0 (1.4)	2.1 (1.4)	2.7 (1.8)	3.2 (2.1)	2.8 (1.9)	3.3 (2.2)
West Germany	0.8 (1.3)	0.5 (0.8)	0.4 (0.7)	0.5 (0.8)	0.3 (0.8)	0.3 (0.7)	0.3 (0.7)	1.0 (2.1)	1.2 (1.5)	0.7 (0.8)	0.6 (0.7)
Italy	4.3 (4.0)	3.7 (3.4)	3.2 (3.0)	2.7 (2.5)	3.0 (2.7)	4.0 (3.6)	4.3 (3.9)	3.8 (3.5)	3.8 (3.5)	3.7 (3.4)	3.5 (3.1)

[1] Adjusted to U.S. definitions for comparability. Figures in brackets are unadjusted figures.

SOURCE: National Institute of Economic and Social Research, London, England, *National Institute Economic Review*, May 1971.

questions concerning its nature and causes, and the appropriate policy strategies to deal with it. The purpose of this section is to provide some perspective on these matters.

Table 3 shows the rates of increase in the Consumer Price Index of 17 OECD countries through the decade of the 1960's and into 1970 and 1971. Two points are evident from this table: the fact that rates of price advance have increased substantially in virtually all countries in recent years compared with the first half of the 1960's; and the fact that Canada's performance has at no time been seriously out of line with that of other major industrial countries. Indeed, even in 1969, when Canada had the highest rate of increase in consumer prices of any year since the Korean War, prices rose in Canada *less* rapidly than in the United States, Japan, the United Kingdom, France, and some of the smaller countries. In the latest year for which data are available, Canada shows the lowest price increase of any country.

TABLE 3

CONSUMER PRICES IN SELECTED OECD COUNTRIES

(Average annual percentage change)

	1960-65	1965-68	1969	1970	1971[1]
United States	1.3	3.3	5.4	5.9	4.6
Canada	1.6	3.8	4.5	3.3	2.1
Japan	6.2	4.8	5.2	7.7	6.7
France	3.8	3.3	6.4	5.3	5.3
Germany	2.8	2.3	2.7	3.8	4.7
Italy	4.9	2.3	2.6	5.0	4.9
United Kingdom	3.6	3.7	5.5	6.4	9.4
Austria	3.9	3.0	3.0	4.1	4.4
Belgium	2.5	3.2	3.8	3.9	3.8
Denmark	5.5	7.4	3.5	6.7	6.1
Finland	5.3	6.2	2.7	2.8	4.9
Ireland	4.2	3.6	7.3	8.2	9.2
Netherlands	3.5	4.3	7.5	4.4	7.2
Norway	4.1	3.7	3.1	10.2	6.9
Spain	7.0	5.8	2.2	5.4	8.2
Sweden	3.6	4.2	2.7	7.1	7.5
Switzerland	3.2	3.7	2.5	3.6	6.6

[1] January—July data except for Italy, Ireland and Spain which are based on January—June data.

SOURCE: *OECD Main Economic Indicators*, various issues.

Performance in Perspective

This relatively better price performance, however, has not been achieved without cost. It reflects the appreciation of the exchange rate that has significantly affected the international competitive position of various manufacturing industries; the squeeze on profit margins; and a generally slack economy. Other factors in Canada's price performance have been the accelerated tariff reductions under the Kennedy Round in 1969, and a drop in food prices in 1970 partly associated with a price war among various food chains.

A recent study by the OECD of inflationary developments in member countries provides some revealing insights into the nature, causes, and policy implications of recent international inflationary trends.[1] (Since the study is oriented broadly towards international trends, its conclusions do not necessarily cover the situation of each particular country.) Among the factors to which the OECD drew attention are the following:

— the major countries (with the possible exception of Germany) are *not* suffering from *demand* inflation but rather from *cost* inflation in various forms and degrees of intensity;

— there is general agreement that any prolonged shortfall in growth, by halting the movement and readaptation of labour from low to high productivity sectors, accentuates inflationary difficulties over the longer term (although the potential for such shifts differs considerably among countries);

— recent *cost-push* tendencies appear to have been strongly influenced by psychological and sociological factors, including: the role of *expectations*, where income claims and pricing decisions are geared to expectations of ever increasing costs; *changes in economic and social attitudes* associated with decreasing fears of recession and job security, greater militancy and aggressiveness in seeking to acquire the products of the "consumer society", and the resentment against inequalities in the distribution of income and wealth; and *rising demands for public expenditures and social security* not matched by willingness to pay for it, with claims for higher real incomes including compensation for increased direct and indirect taxation;

— the more that such sociological factors have been important, the less meaningful has become the concept of some simple or permanent relationship between rates of price increase, on the

[1] "Present Policies Against Inflation", A Report by Working Party No. 4 of the Economic Policy Committee, OECD, Paris, June 1971. Canada and the United States are included in the Working Party Study.

one hand, and demand pressures, rates of growth, and levels of unemployment, on the other; indeed, the relationship under some circumstances may well be perverse;

— there are a great variety of channels through which inflationary impulses are transmitted from country to country, including *demand and income effects* (e.g., a country undergoing a boom imports heavily from another country); *cost and price effects* (e.g., the costs of imported or exported goods rises in response to changing international conditions); *monetary effects* (e.g., where balance-of-payments surpluses or capital inflows result in domestic liquidity creation); and *psychological effects* and demonstration effects (e.g., where industrial unrest or large wage and salary increases in one country affect behaviour in another).

PRODUCTIVITY AND GROWTH—Economic performance in Western Europe and Japan has, in general, outstripped that of North America in the 1960's, especially with regard to the ability to maintain "full employment" and strong rates of productivity growth. We have drawn attention in Table 2 to the remarkably low levels of unemployment that prevailed in these overseas countries during the past decade. We have also pointed out, in earlier studies and reviews, that Canada has one of the least impressive records with regard to productivity growth of any of the major industrialized countries.

Table 4 illustrates, on a more up-to-date basis and in a very broad way, the general pattern that had already emerged from our earlier studies of international productivity performance. Economic growth in Canada has depended much more than in most other countries on the sheer physical increase in the quantity of labour and capital (in this table we show only the increase in output per person employed) and much less on increases in the efficiency with which the various factors of production are used, or on improvements to their quality.[1]

[1] We have drawn attention in our earlier studies to the fact that productivity is a many-sided concept, and that faster rates of growth in productivity in one country than in another can reflect a large variety of different factors relating to the "efficiency" with which the factors of production are used or combined, or to improvements in their "quality". For example, countries with a high proportion of the labour force in agriculture may achieve substantial productivity gains as a result of shifts in employment from the relatively low-productivity agricultural sector to sectors of the economy where productivity is higher. The potential for such shifts differs considerably from country to country. In addition, the capacity to achieve economies of scale and specialization may well depend upon the size of a country's home market, or its ability to penetrate export markets. The speed with which the skill level of the work force is upgraded, the stock of education increases, or the quality and efficiency of the capital stock is raised, may also be among the factors contributing to differing rates of productivity growth among countries. In short, Table 4 expresses in summary form the outcome of a considerable constellation of factors operating in the various countries in different ways and under different conditions.

TABLE 4

OUTPUT, EMPLOYMENT, AND OUTPUT PER PERSON EMPLOYED IN SEVEN MAJOR COUNTRIES[1]

(Average annual percentage change)

	1960–65			1965–70		
	Output	Employment	Output per Person Employed	Output	Employment	Output per Person Employed
Canada	5.5	2.8	2.6	4.4	2.8	1.5
United States	4.8	1.6	3.1	3.7	1.8	1.8
Japan	10.1	1.3	8.7	12.4	1.5	10.8
France	5.8	0.6	5.2	5.3	0.1	5.2
Germany	5.1	0.7	4.4	4.3	−0.1	4.4
Italy	5.1	−1.0	6.2	6.3	−0.5	6.8
United Kingdom	3.0	0.8	2.2	2.4	−0.5	2.9
Total	5.2	1.0	4.1	4.5	0.9	3.6

[1] These countries account for 90 per cent of the output of the 23 countries that are members of the Organisation for Economic Co-operation and Development.

SOURCE: *The Growth of Output 1960-1980, Retrospect, Prospect and Problems of Policy,* Organisation for Economic Co-operation and Development, Paris, December 1970.

Measured output per person employed has risen much more slowly in Canada than in the countries of the European Economic Community or in Japan, as this table indicates.

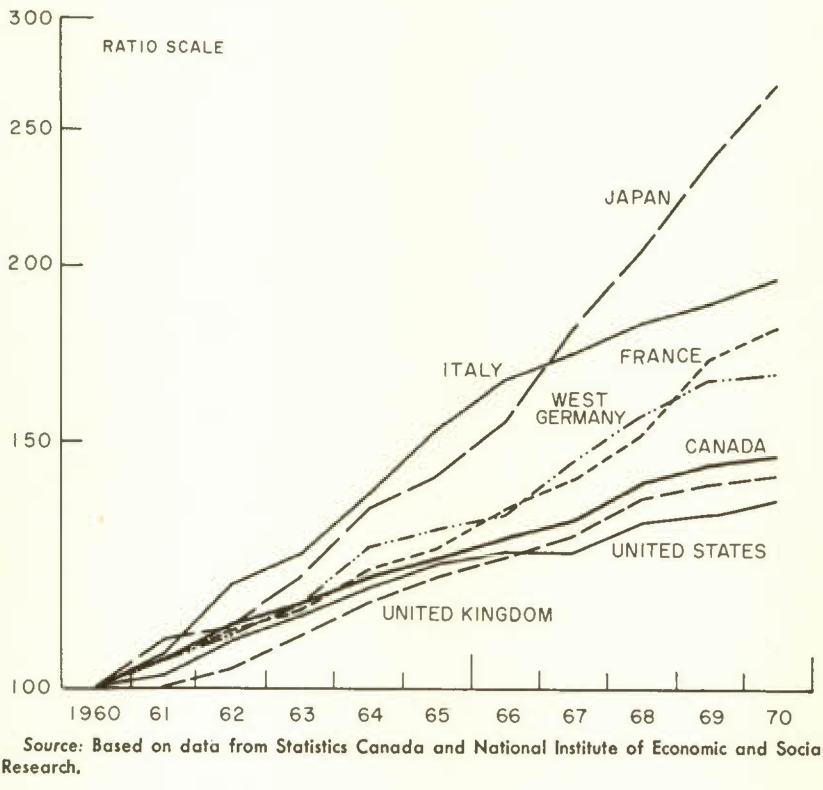
The countries of the European Economic Community and Japan have made a very strong commitment to economic growth but under conditions in which the supply of labour is growing much more slowly than in Canada. For more than a decade, the rate of growth of employment in the European Economic Community countries has been close to zero. (It may be noted that this group of countries now constitutes a tariff-free area of 200 million people, with a labour force approaching 80 million workers—about the same size as the labour force of the United States.) In Japan, employment growth has been about 1.5 per cent per year (compared with 2.8 per cent in Canada). The strong rates of growth in output which these countries have achieved has thus reflected a heavy contribution by, and emphasis on, productivity. At the same time, the lower rates of growth of the labour force have simplified the process of achieving and maintaining high levels of manpower utilization.

The above assessment of relative international performance in growth and productivity is based on global measures of total economic activity. The appraisal is reinforced and sharpened when comparisons of productivity based on output per man-hour are made for the manufacturing sector alone. As Chart 1 shows, Japan achieved the highest rate of growth in output per man-hour in this crucial sector in the 1960's, with the three largest members of the European Economic Community also showing extremely rapid rates of increase. Canada, the United States, and the United Kingdom showed relatively much smaller increases. (Some of the qualifications that attach to international comparisons of productivity performance as set out in Charts 1 and 2 are discussed in footnote 1 on page 13.)

CHART 1

OUTPUT PER MAN-HOUR IN MANUFACTURING

(1960 = 100)



Source: Based on data from Statistics Canada and National Institute of Economic and Social Research.

Performance in Perspective

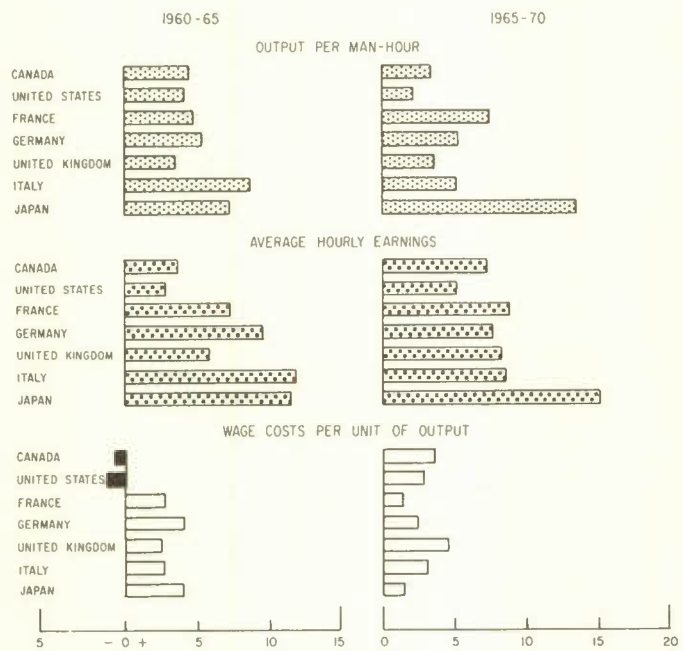
Productivity is much more than a factor in economic growth; it is directly related to cost and price performance and is an ingredient of international competitiveness. Much of the concern for productivity growth has centred on this aspect of competitiveness.

Chart 2 sets out comparisons of increases in output per man-hour, average hourly earnings, and wage costs per unit of output in manufacturing for this group of countries for the periods 1960–65 and 1965–70. In the first half of the 1960's, as growth in the North American economy speeded up following a prolonged period of slack and high unemployment, the increase in output per man-hour in manufacturing exceeded the increase in average hourly earnings, and wage costs per unit of output actually declined in Canada and the United States.

CHART 2

PRODUCTIVITY, EARNINGS AND WAGE COSTS IN MANUFACTURING, SELECTED COUNTRIES

(Average annual percentage change)



Source: **Based on data from Statistics Canada, National Institute of Economic and Social Research, and U.S. Department of Commerce.**

Later in the decade as the rate of productivity growth slackened and average earnings rose, unit wage costs in Canada and the United States showed a significant increase. In the European countries and in Japan, on the other hand, there was no general slackening in the rate of productivity growth in the last half of the 1960's (except in the case of Italy). Even though average hourly earnings rose at a significantly faster rate than in North America, wage costs per unit of output did not rise correspondingly. In Japan, France, and Germany, the rate of increase remained below that in North America. Strong gains in productivity not only supported larger increases in average hourly earnings in these countries, but also provided the basis for a strong competitive performance.

3

Performance in Relation to Goals and Potentials

The GNP "Gap"

The Canadian economy recently has been operating at a level 3 to 4 per cent below its potential. In other words, there was a shortfall of about $3 billion, on an annual basis, from levels of output and income that might have been achieved with reasonably full use of Canada's labour force and other productive resources. The size of the GNP "gap" between actual and potential output is illustrated in Charts 3 and 4.

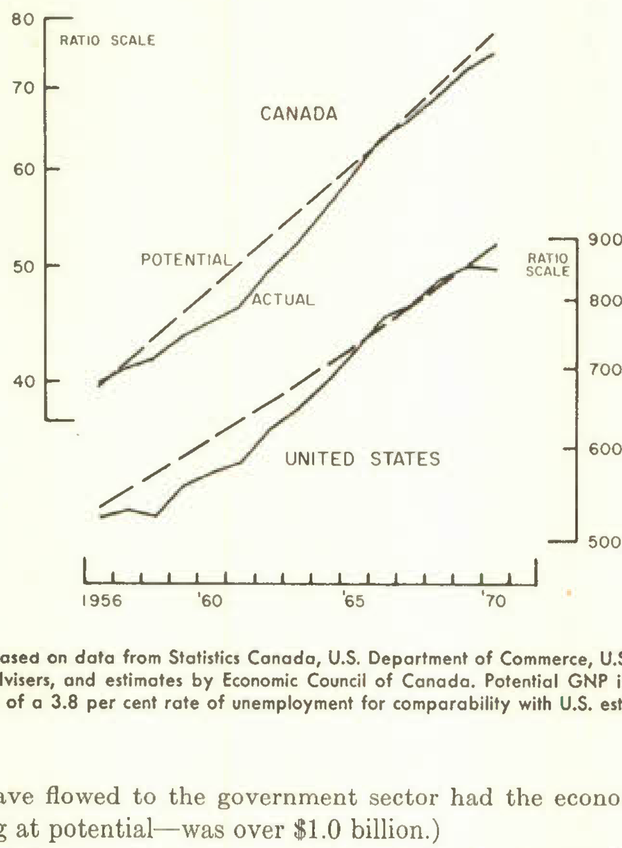
This large GNP "gap" which emerged in 1970 was partly a delayed reaction to the building-up in Canada in 1969 of a vigorously restraining combination of monetary and fiscal policies. But another important contributing factor to the economic slowdown was the emergence of a large gap between actual and potential output in the U.S. economy (Chart 3). By the second quarter of 1971, U.S. Gross National Product was almost 6½ per cent below potential, representing a shortfall in income and output of about $70 billion on an annual rate basis.

Chart 4, presented on a quarterly basis, provides a closer look at the GNP "gap" as it has emerged in Canada since 1967, when the economy was also operating with some degree of slack. In the first two quarters of 1971—the latest period for which data are available—the GNP "gap" was in the neighbourhood of 3½ per cent of potential. With a potential GNP of over $90 billion (in current dollars), the shortfall in income and output in the first half of 1971 was thus of the order of $3 billion at annual rates. (The revenue shortfall associated with this "gap" for the three levels of government combined—revenues that

CHART 3

POTENTIAL AND ACTUAL GROSS NATIONAL PRODUCT
CANADA AND UNITED STATES

(Billions of 1967 dollars)



Source: Based on data from Statistics Canada, U.S. Department of Commerce, U.S. Council of Economic Advisers, and estimates by Economic Council of Canada. Potential GNP is calculated on the basis of a 3.8 per cent rate of unemployment for comparability with U.S. estimates.

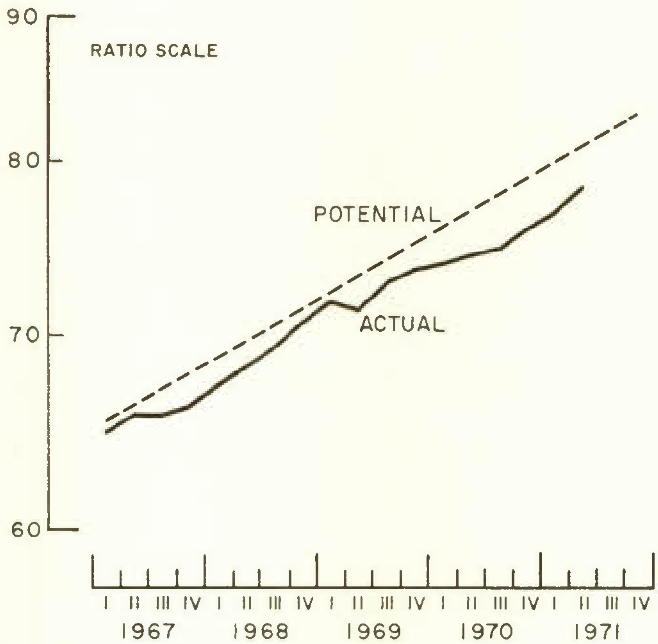
would have flowed to the government sector had the economy been operating at potential—was over \$1.0 billion.)

A GNP "gap" of 3½ per cent in the first half of 1971 has significant implications for the growth path over which the economy must move to close this "gap". Put another way, it has considerable relevance for the time path required to reduce the unemployment rate to 3.8 per cent (the basis on which "potential" GNP has been calculated). With an underlying "potential" growth rate of 5.2 per cent, the economy would need to grow *on average* by about 7 per cent to close the "gap" in two years, and by close to 6½ per cent *on average* to close the "gap" in three years. The significance of these figures is that even with a sustained growth rate of over 6 per cent in real GNP, it would likely be the middle of 1974 before the unemployment rate could

CHART 4

POTENTIAL AND ACTUAL GROSS NATIONAL PRODUCT

(Billions of 1967 dollars, quarterly*)



*Seasonally adjusted at annual rates.

Source: Based on data from Statistics Canada and estimates by the Economic Council of Canada.

be expected to be back down to the neighbourhood of 4 per cent of the labour force.[1]

Components of the Gap: Actual and Potential Demand

Last year, in our report, *Performance and Potential: Mid-1950's to Mid-1970's*, the potential *supply* estimates were recalculated on the basis of a 3.8 per cent level of unemployment at 1975, essentially to provide comparability with official U.S. potential output and GNP

[1] It is conceivable that the underlying "potential" growth rate of the economy, calculated at 5.2 per cent, may have been somewhat impaired by the extended period of slack through which the economy is passing. If so, these growth rates would be marginally reduced. On the other hand, even if this were the case, the time required to reduce unemployment would be lengthy. Faster-than-average gains in productivity growth as the economy picks up the slack are not usually accompanied by any similar acceleration in the rate of new job creation.

"gap" calculations that had been developed on this basis. In the present report, we have retained the assumption of a 3.8 per cent level of unemployment as a basis for our performance analysis. This is, incidentally, equivalent to the average unemployment rate of the years 1965 and 1966, the two best years of the 1960's. *But we emphasize that this does not represent a change in the Council's basic view about desirable medium-term future employment goals.* Such goals have been articulated periodically in Council Reviews that have set out medium-term appraisals of Canada's potentials for economic growth and development. The latest of these was in the *Sixth Annual Review.* We expect to return to this matter next year in the Ninth Annual Review.

The calculations of demand at 1975, and the rates of increase in the demand components shown in Table 5, are consistent with the growth

TABLE 5

ESTIMATES OF DEMAND TO POTENTIAL OUTPUT AT 1975

	1967	At Potential in 1975	1967–75
	(Billions of 1967 dollars)		(Average annual percentage change)
Personal consumption outlays	39.0	58.5	5.2
Expenditures of all governments on goods and services	13.9	22.1	6.0
Housing outlays	2.8	4.5	5.9
Business plant and equipment outlays	9.9	15.4	5.6
Value of physical change in inventories	0.4	1.1	
Balance on international trade in goods and services	−0.5	−1.4	
Exports of goods	11.3	21.8	8.5
Imports of goods	−10.8	−20.8	8.6
Gross National Expenditure*	65.7	99.9	5.4

*Includes residual error of estimate.

SOURCE: Based on data from Statistics Canada and estimates by Economic Council of Canada.

of the Canadian economy to potential output in 1975, as set out in the Economic Council's *Sixth Annual Review.* There have been some relatively small adjustments to the figures presented in the *Sixth Annual Review* to allow for the fact that potential output as calculated in the present report is based on an assumption of a 3.8 per cent level of unemployment and the fact that the GNP data for the base year 1967 have been revised. As was emphasized in the *Sixth Annual Review,* this is not the only possible pattern of demand that would be consistent with the achievement of potential output at 1975. But it is in conformity with the Economic Council's assessment of underlying trends and forces in the economy and in the world at large.

The charts immediately following illustrate the "growth trends" that would be involved for each major category of demand between 1967 and 1975, based on the average annual rates of growth indicated in Table 5. They also show how each category of demand has *actually* performed in relation to its underlying "growth trend" over the period 1967–71.

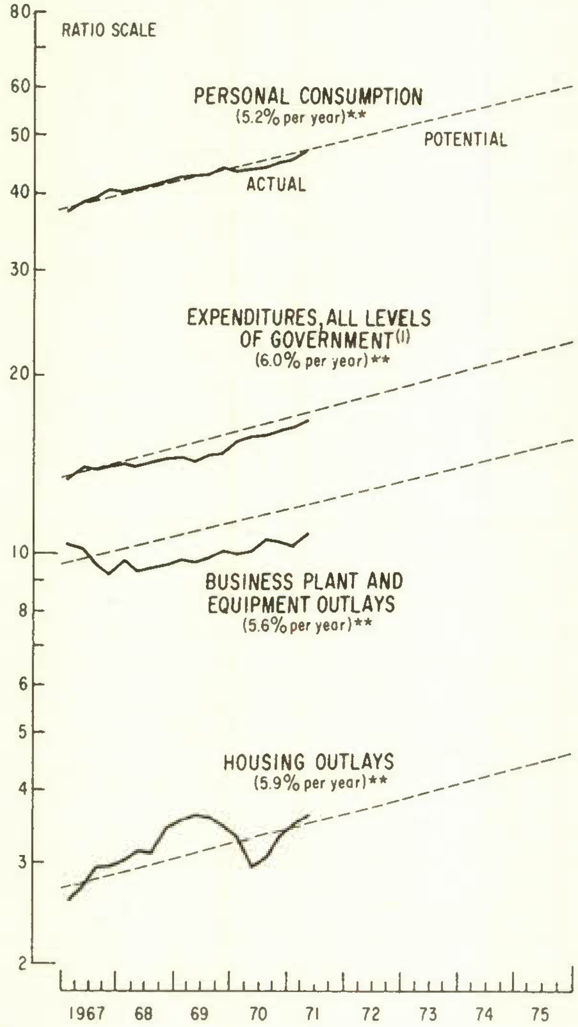
PERSONAL CONSUMPTION—This is the largest single category of demand, accounting for about 60 per cent of Gross National Expenditure. In 1970, total consumer expenditure rose by only 2 per cent in volume terms—a rate of increase far below its potential growth trend of over 5 per cent (Chart 5). There was thus a significant shortfall in the demands placed upon the economy by the consumer sector in 1970. The volume of durable goods outlays actually declined by 8 per cent in 1970 from 1969 levels. But in 1971, consumer spending appears to be making a strong recovery.

This shortfall in consumer spending in 1970 was associated with relatively high rates of unemployment, a slowing down in the growth of per capita personal income, and a small rise in the rate of personal saving between 1969 and 1970. When the effects of higher prices and higher taxes have been taken into account, the slowdown in the growth of real disposable income per capita has been even more pronounced than the slowdown in the growth of personal income per capita, as Table 6 indicates. In fact, such income rose by only 1 per cent in 1970 over 1969. This sharp check in the growth of real disposable income per capita following several years of substantial gains has no doubt contributed to the persistently strong pressures for large wage

CHART 5

MAJOR COMPONENTS OF DEMAND
ACTUAL AND POTENTIAL

(Billions of 1967 dollars, quarterly*)



*Seasonally adjusted at annual rates.

**This is the average annual rate of increase indicated for this sector over the period 1967 to 1975, as set out in Table 5.

(1)Growth trend to potential in 1975 based on the assumption that there would be *no general increase* in tax rates beyond those in effect in the spring of 1969. Also, it makes no allowance for any major new government spending programs.

Source: Based on data from Statistics Canada and estimates by Economic Council of Canada.

TABLE 6

CHANGES IN PERSONAL INCOME, DISPOSABLE INCOME, AND REAL DISPOSABLE INCOME PER CAPITA

(Year-to-year percentage change)

	Personal Income Per Capita	Disposable Income[1] Per Capita	Real Disposable Income[2] Per Capita
1964-65	8.9	8.5	5.9
1965-66	10.5	8.3	4.5
1966-67	7.8	6.3	2.5
1967-68	8.2	6.7	2.6
1968-69	9.5	7.3	2.6
1969-70	6.1	4.4	1.0
1970-71[3]	6.7	5.8	3.7

[1] Disposable income is defined as personal income less direct personal taxes and other transfers from persons to government.

[2] Disposable income per capita after adjustment for increases in the Consumer Price Index.

[3] First half 1970 to first half 1971.

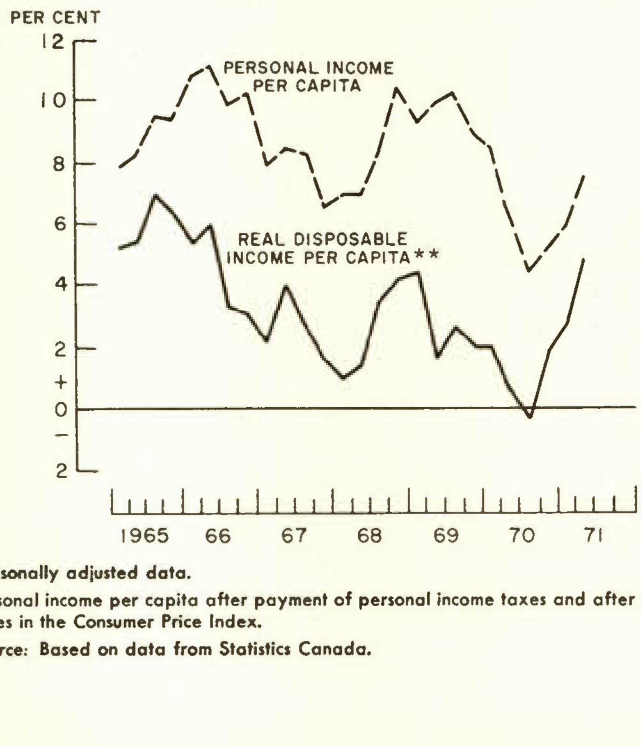
SOURCE: Based on data from Statistics Canada.

CHART 6

CHANGES IN PERSONAL AND REAL DISPOSABLE INCOME

(Percentage change from same quarter of previous year*)

(Quarter to quarter)



*Seasonally adjusted data.

**Personal income per capita after payment of personal income taxes and after adjustment for increases in the Consumer Price Index.

Source: Based on data from Statistics Canada.

and salary increases. A pictorial view of changes in personal income per capita and real disposable income per capita is shown in Chart 6.

HOUSING OUTLAYS—Although housing outlays turned up sharply towards the end of 1970 and into 1971, new housing outlays in volume terms for 1970 as a whole were down by 11 per cent from 1969. Earlier monetary restraints and high interest rates were important factors in this decline.

The Council's estimates of potential to 1975 indicate that a growth rate of about 6 per cent per year in the volume of housing outlays will be required to meet the needs of Canadians. This is a very much faster rate of growth than that actually achieved in the decade 1957–67, which amounted to less than 3 per cent. Our estimates imply the need for a rate of housing construction in the neighbourhood of a quarter of a million units per year by the mid-1970's.

BUSINESS PLANT AND EQUIPMENT OUTLAYS—We have estimated that in order to provide full and productive employment for Canada's rapidly growing labour force to 1975, the volume of business outlays for plant and equipment would need to grow at a rate of over 5½ per cent per year over the period 1967–75. Since 1967, however, the volume of plant and equipment expenditures has fallen persistently below this rate. By the first half of 1971, business plant and equipment outlays in real terms were running about 12 per cent below the level indicated by the potential growth trend (Chart 5).

This weakness in business investment reflects the substantial amount of slack now present in the economy, as well as reduced profitability in a situation of weak market demand and continued cost increases. Indeed, our experience would suggest that rising costs have become an important factor leading to the deferment and in some cases even the elimination of some projects. We would also emphasize that the emergence of a large "gap" in investment outlays during the current period of economic slack could well lay the basis for another major surge of investment once the economy begins to move more vigorously towards its potential. The investment boom of 1963–66, with its inflationary consequences, was in large part associated with the need to quickly build up capacity and make good earlier deferrals of investment that had been allowed to develop during the period of slow growth and economic slack in the late 1950's and early 1960's.

EXPENDITURES OF ALL GOVERNMENTS ON GOODS AND SERVICES—This component of demand, which encompasses both government current expenditures for goods and services and government capital expenditures, has also risen more slowly than we had estimated to be consistent with the achievement of potential at 1975. In part, this reflects a slower rise in government capital outlays than implied in the trend projection. But, in addition, all levels of government were asked in 1969 to restrain their demands on the resources of the economy as a part of the federal government's anti-inflation campaign.

EXPORTS OF GOODS—Merchandise exports to date have risen faster than the average rate projected between 1967 and 1975 in the *Sixth Annual Review* (Chart 7). Until 1970, this was largely a reflection of the huge rise in automotive trade under the agreement with the United States. But in 1970, export growth was mainly concentrated in shipments to overseas markets. There was only a small rise in exports to the United States, and exports of automotive products showed little change. These patterns have been reversed to some extent during the current year.

Most of the support to total demand in 1970 came from the external sector. About three-quarters of the year-to-year increase of 3.3 per cent in real Gross National Product is attributable to the increased trade balance. The remainder is accounted for by the net increase in all other sources of demand.

IMPORTS OF GOODS—Merchandise imports in 1970 fell well below the projected growth trend (Chart 7)—although they had been above the trend in 1968 and 1969, due largely to the rapid rise in automotive imports. The weakness of imports in 1970 reflected the large amount of slack in the economy, and the lack of strength in domestic demand. In addition, in late 1970 the strike in the automotive industry contributed to the sharp decline in imports. Over the full two-year period from early 1969 to early 1971, the volume of merchandise imports showed very little change.

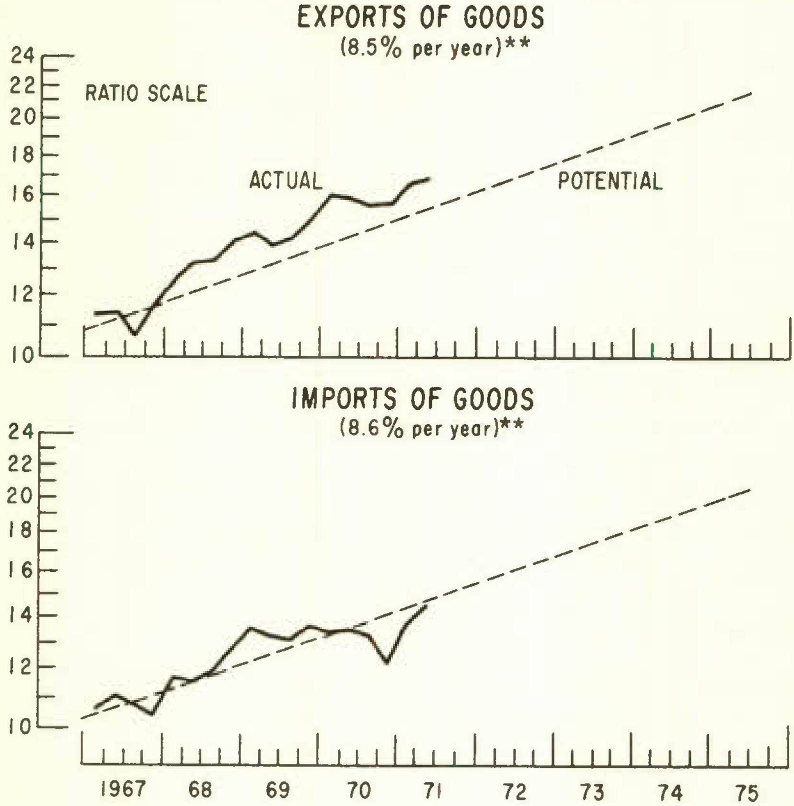
Employment

Table 7 shows recent changes in the labour force and employment in Canada since the mid-1960's. Over the five-year period 1965–70, the average increase in the Canadian labour force has been about 250,000 persons per year. In 1970, the growth of the labour force slowed to 212,000 persons. But the rate of net job creation also fell off sharply

CHART 7

EXPORTS AND IMPORTS OF GOODS
ACTUAL AND POTENTIAL

(Billions of 1967 dollars, quarterly*)



*Seasonally adjusted at annual rates.

**This is the average annual rate of increase indicated for this sector over the period 1967 to 1975 as set out in Table 5.

Source: Based on data from Statistics Canada.

in Canada in 1970; of the 212,000 increase in the labour force, less than half were able to find jobs.

The rate of job creation has, in fact, fallen short of the increase in the number of job seekers in four of the past six years, as Table 7 indicates. The largest shortfall occurred in the year 1970, but there were significant increases in unemployment in 1967 and 1968 as well. In the first nine months of 1971, the increase in the labour force from one year earlier has again outstripped the year-to-year rise in employment.

TABLE 7

CHANGES IN REGIONAL LABOUR FORCE AND EMPLOYMENT OVER PREVIOUS YEAR

(Thousands of persons)

	1966	1967	1968	1969	1970	1971*	5-Year Average to 1970
			CHANGES IN LABOUR FORCE				
Atlantic	15	9	8	11	4	18	*9*
Quebec	95	80	31	63	38	71	*61*
Ontario	105	115	100	97	99	112	*103*
Prairies	20	20	50	33	29	18	*30*
British Columbia	43	52	35	39	42	27	*42*
CANADA	278	276	224	243	212	247	*246*
			CHANGES IN EMPLOYMENT				
Atlantic	20	7	3	9	4	12	*9*
Quebec	104	64	2	50	13	52	*47*
Ontario	103	94	85	106	60	70	*90*
Prairies	26	16	42	32	8	13	*25*
British Columbia	39	45	27	45	16	28	*34*
CANADA	292	226	159	242	101	175	*204*

*Nine months over nine months.

SOURCE: Based on data from Statistics Canada.

As a result of these developments, unemployment has risen in all regions of Canada (Chart 8). Typically, the Atlantic Region and Quebec have had the highest rates of unemployment—well above the national average—with the rate in the Atlantic Region tending to run higher than in Quebec. In 1970, the unemployment rate in Quebec exceeded that of the Atlantic Region, but in the first nine months of 1971 the unemployment rate for the two regions was similar.

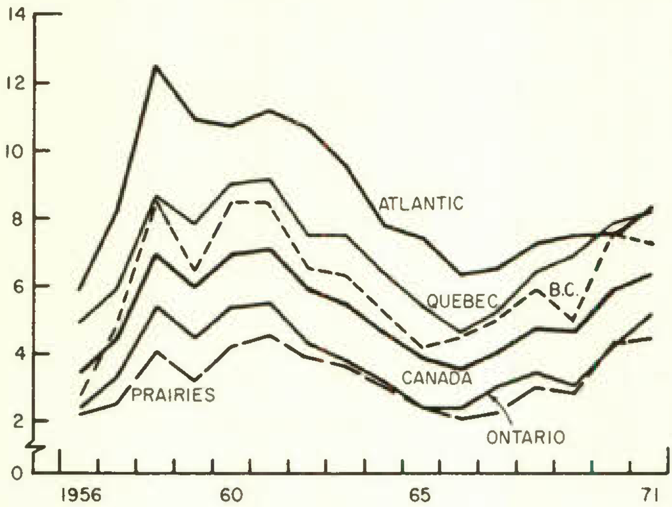
In the period 1970-75 we have estimated that the average rate of increase in the Canadian labour force will be about 2.8 per cent per year[1]—one of the highest rates of increase of any industrialized country. With unemployment having risen to about 6 per cent of the

[1] Somewhat lower than the 3.2 per cent rate over the period 1965-70.

CHART 8

REGIONAL UNEMPLOYMENT RATES

(Annual average percentage of labour force unemployed)



Source: Based on data from Statistics Canada. 1971 figures are averages of nine months seasonally adjusted data.

labour force in 1970, the rate of job creation needed to absorb future labour force growth and to reduce unemployment to around 4 per cent of the labour force would be 3.3 per cent per year. This is a substantially faster rate of growth in employment than Canada was able to achieve in the 1965-70 period, when the average was 2.8 per cent per year. The dimensions of Canada's future employment requirements to 1975 are set out more fully in a later section of this report. They involve the creation of close to 1.4 million more jobs (net growth) over the period 1970-75.

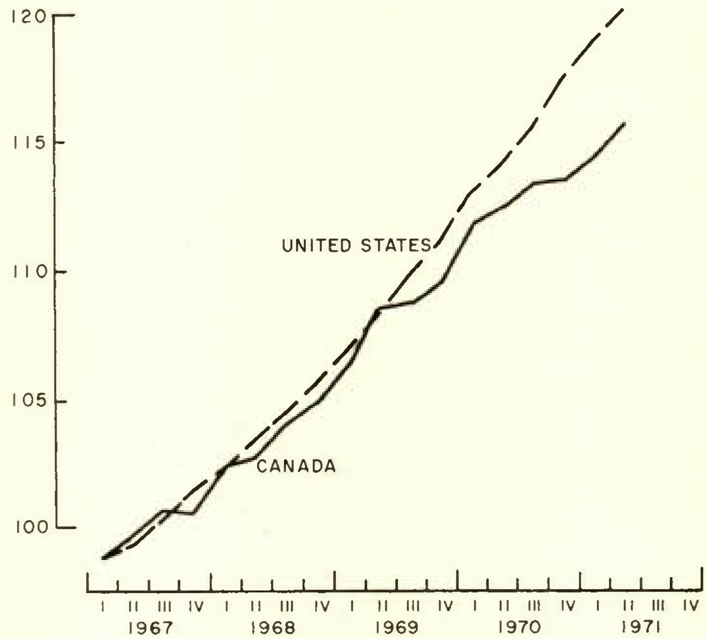
Prices

There was some improvement in the price performance of the economy in 1970 compared with 1969. The price index of Gross National Product rose by 4.1 per cent in 1970, compared with 4.7 per cent in 1969. Canada's overall price performance was also better than that of the United States, where the Gross National Product price index rose by $5\frac{1}{2}$ per cent in 1970 (Chart 9).

CHART 9

GROSS NATIONAL PRODUCT PRICE INDEX
CANADA AND UNITED STATES

(Quarterly*, 1967 = 100)



***Seasonally adjusted at annual rates.**

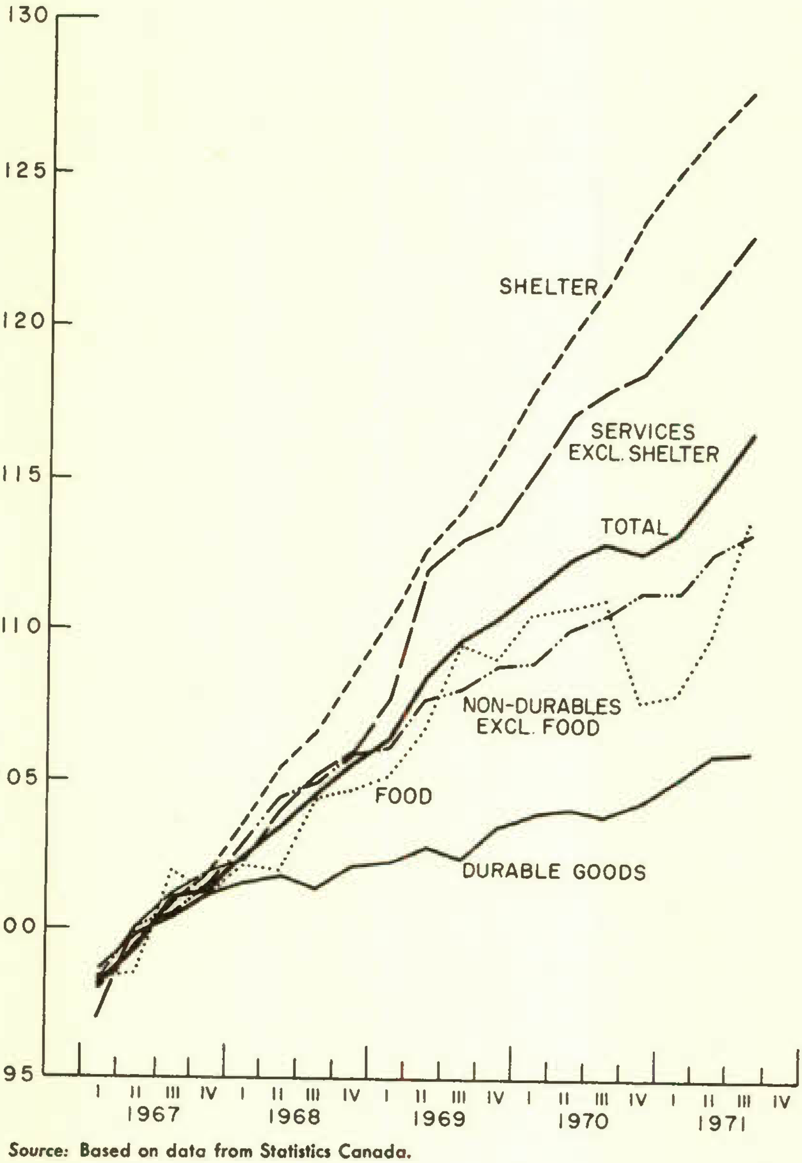
***Source:* Based on data from Statistics Canada and U.S. Department of Commerce.**

The rate of increase in the Consumer Price Index slowed in 1970 to 3.3 per cent, compared with a 4.5 per cent rise in the preceding year. Among the factors that contributed to this improved price performance in Canada in 1970 were: the exchange rate appreciation in mid-1970, which helped to lower the price of imports; implementation of the final stage of the Kennedy Round tariff reductions in 1969; the absorption by business of higher costs through reductions in profit margins; lower food prices, resulting partly from a "price war" among various Canadian food chains; and more generally, the large amount of slack that built up in the economy last year. The improved price performance in 1970 was most pronounced in the latter half of the year, when there was a particularly sharp decline in food prices and a small drop in the overall Consumer Price Index (Chart 10).

CHART 10

CONSUMER PRICE INDEXES

(Quarterly, 1967 = 100)



Source: **Based on data from Statistics Canada.**

In 1971, the Consumer Price Index again began to rise at an accelerated rate—by 3.4 per cent in the January–September period, compared with 1.6 per cent in the same period of 1970. Food prices advanced sharply, and most other major components of the index also moved up more rapidly. Since 1967 (to the third quarter of 1971), consumer prices have risen by 15.0 per cent overall. The largest increases have been in the services component; services excluding shelter have risen by 21 per cent, with shelter costs up by 26 per cent. Durable goods prices have risen by only 6 per cent; food prices by 10 per cent; and nondurables (excluding food) by 12 per cent.

Productivity, Costs and Profits

The rise in wage and salary costs per unit of output was three times faster through the period 1965-70 than in the preceding five-year period (Table 8). This acceleration in wage and salary costs basically reflected a step-up in the size of claims for higher incomes, but it was given additional impetus by a slowing-down in the rate of productivity growth in the latter half of the decade. As a result of rising costs and slower productivity growth, slack markets during the past two years, and an exchange rate appreciation that has affected the profitability of many Canadian industries, profits per unit of output have undergone a sharp decline.

The effect of these developments on profits may also be seen in Chart 11. As a percentage of Gross National Product, corporation

TABLE 8

PERCENTAGE CHANGES IN PRODUCTIVITY, COSTS AND PROFITS

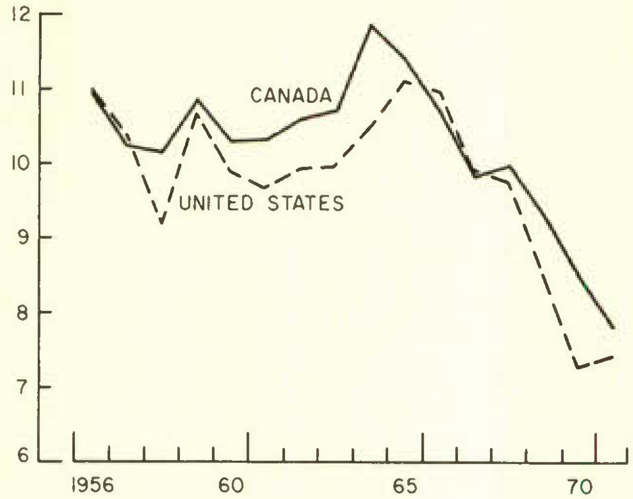
(All industries)

	Output per Person Employed	Output per Man-hour	Wages and Salaries per Unit of Output	Profits per Unit of Output
1960-65	14.9	19.1	10.9	27.7
1965-70	9.4	15.3	34.0	−9.8
1967-68	3.3	5.2	4.1	4.8
1968-69	0.7	1.9	7.5	0.8
1969-70	1.5	2.4	5.7	−8.5

SOURCE: Based on data from the Economic White Paper for 1971 presented to Parliament on June 14, 1971.

CHART 11

CORPORATION PROFITS* AS PERCENTAGE OF GROSS NATIONAL PRODUCT, CANADA AND UNITED STATES



***Before taxes, and adjusted to remove effects of inventory gains or losses not directly attributable to current year's production.**

Source: **Based on data from Statistics Canada and U.S. Department of Commerce. 1971 figures are averages of seasonally adjusted data for first two quarters.**

profits in 1970 were at their lowest level in the postwar period. With recovery from the economic slowdown now under way in both Canada and the United States, it seems likely that attempts will be made to restore profit margins to more normal levels as soon as market demand permits.

The foregoing discussion has dealt with productivity, wage and salary costs, and profits for the economy as a whole. The analysis can be extended and confirmed by an examination of developments in the vitally important manufacturing sector, where data can be marshalled and focused with greater precision. Chart 12 shows that this same pattern of developments has characterized the manufacturing industry—with falling productivity growth, escalating wage and salary costs per unit of output, and a steep drop in profit margins.[1]

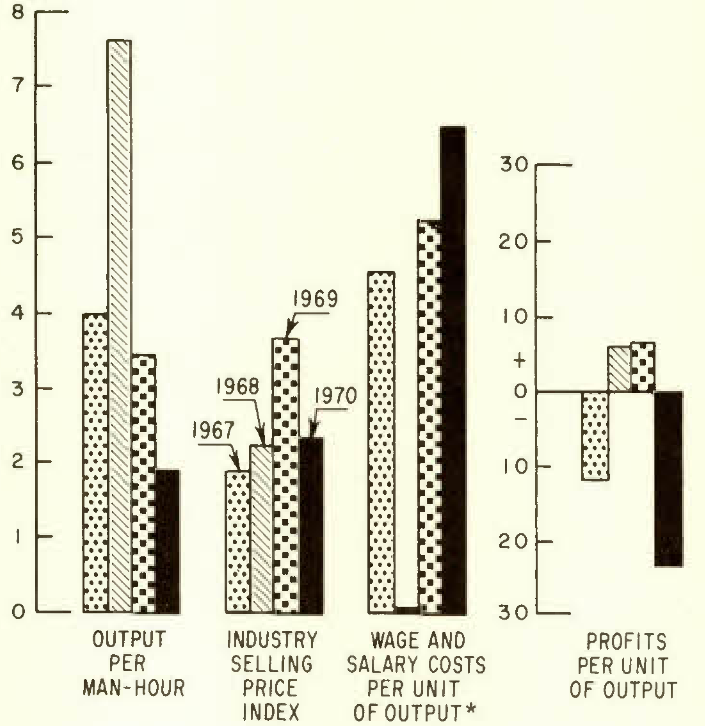
Table 9 provides some additional perspective on these matters, focusing on the nonfarm business sector. In the period 1961-65, real compensation per man-hour (i.e., compensation per man-hour

[1] Available data indicate that some recovery in profit margins occurred in the early part of 1971.

CHART 12

MANUFACTURING PRODUCTIVITY
PRICES, COSTS, AND PROFITS

(Percentage change from previous year)



*Includes supplementary labour income.

Source: Based on data from Statistics Canada.

adjusted for price change, line 5), rose more slowly than output per man-hour, implying some increase in the share of income other than wages and salaries. Over this period, as Chart 11 shows, profits as a percentage of Gross National Product increased. But in the period 1965-69, real compensation per man-hour rose considerably more rapidly than output per man-hour, implying a decline in the share of income other than wages and salaries. And in this period, corporation profits as a percentage of Gross National Product fell sharply.

Historical experience would suggest that the share of income going to profits and interest, etc., is not likely to remain squeezed

TABLE 9

CHANGES IN PRODUCTIVITY, PRICES AND COSTS IN THE NONFARM BUSINESS SECTOR

(Average annual percentage change)

	Growth Rates	
	1961-65	1965-69
1. Wages, salaries and supplements	8.6	10.3
2. Man-hours	3.7	1.8
3. Compensation per man-hour	4.7	8.3
4. Prices[1]	1.9	3.5
5. Real compensation per man-hour	2.8	4.6
6. Output per man-hour (productivity)	3.1	3.1

[1] Implicit price of Gross National Expenditure excluding government expenditures. Although it was not possible to exclude the influence of agricultural prices, their inclusion does not affect the analysis in any significant way because of their small weight in total output.

SOURCE: Based on data from Statistics Canada.

indefinitely into a substantially reduced relationship to total income and output, and that some reversal of these tendencies is likely to occur. Some sense of what would be involved here can be derived from a consideration of Table 9. Simply to stop any further declines in the profits and interest share of GNP would imply a jump in productivity growth from 3.1 per cent per year in 1965-69 to close to 5 per cent—if the other factors were to remain the same. Or it would imply a need to reduce the growth of compensation per man-hour from 8.3 per cent to about 6½ per cent per year, again with other factors unchanged. Or there would be a need for an acceleration of price increases from the 3.5 per cent per year average in 1965-69 to about 5 per cent, other factors being equal. Or, more probably, some combination of all three factors would be involved. These are broadly the orders of magnitude required to simply check any further widening in the relative structure of income shares. To begin to *reverse* the process would involve more far-reaching changes in recent trends in some of these relationships.

The conclusion that emerges from this analysis is that the situation created by the recent marked shift in income shares provides an environment in which the possibility of further relatively large price increases is quite high. From the point of view of maintaining price stability in the future, the position of the income shares appears to be less favourable now than at any time in the postwar period.

4

Trade and Balance of Payments

There have been huge surpluses of merchandise exports over imports in 1970 and 1971, which contributed to upward pressure on the fixed rate and to appreciation of the dollar after it was unpegged. The higher value of the Canadian dollar in turn has affected the economy significantly. There have been notable adverse effects on profits, a weakening in the capability of domestic producers to meet foreign competition, and—on the plus side—some restraining effects on Canadian prices. Since August 15, 1971, the U.S. New Economic Policy has superimposed a major new set of factors on Canada's external position.

These profound changes highlight the crucial interdependence of domestic and external economic developments. The purpose of this section is to discuss these matters briefly in the context of the objectives of a high-growth, high-employment economy.

Perspective on Trade and Payments Performance

During the 1960's there was a shift in the balance of merchandise trade, from deficits in the 1950's to increasingly large surpluses. These developments clearly reflected the large competitive lift that the Canadian economy received from the 13 per cent depreciation in the 1960-62 period, and the effects of the Automotive Agreement. The 1960's have been described as a decade of "export-led growth". The data in Table 10 show the rising trend of the merchandise surplus since 1965, and the contributions to financing the increasing services deficit made by this surplus and by capital inflows. It may be noted that the overall surplus on the total current account of $1.1 billion in 1970 was the first surplus to occur since 1952.

The increasing strength of the trade position was somewhat obscured in 1969, since the surplus was reduced by about $400 million as a result of strikes and the fact that grain exports were unusually low that year. But in 1970, an unprecedented merchandise trade surplus of $3.0 billion emerged, and a large surplus may again be in prospect for 1971 (Table 10).

TABLE 10

CANADA'S MERCHANDISE TRADE AND INTERNATIONAL BALANCE OF PAYMENTS SINCE THE MID-1960'S

(Billions of dollars)

					First Half	
	1965	1966	1969	1970	1970	1971
MERCHANDISE TRADE						
Exports	8.7	10.3	14.9	16.8	8.4	8.8
To U.S.	5.0	6.2	10.5	10.9	5.6	6.0
To other	3.8	4.1	4.4	5.9	2.8	2.8
Imports	8.6	10.1	14.0	13.8	7.2	7.5
From U.S.	6.0	7.2	10.1	9.8	5.3	5.4
From other	2.6	2.9	3.9	4.0	1.9	2.1
CURRENT ACCOUNT BALANCES						
Merchandise	0.1	0.2	0.9	3.0	1.3	1.3
With U.S.	−1.0	−1.0	0.4	1.1	0.4	0.6
With other	1.2	1.2	0.5	1.9	0.9	0.7
Nonmerchandise[1]	−1.4	−1.3	−1.9	−2.0	−1.1	−1.1
With U.S.	−1.0	−1.2	−1.3	−1.4	−0.9	−0.9
With other	−0.4	−0.2	−0.6	−0.6	−0.3	−0.2
Current Balance	−1.1	−1.2	−0.9	1.1	0.2	0.2
With U.S.	−2.1	−2.2	−0.9	−0.2	−0.5	−0.3
With other	0.8	0.9	−0.1	1.3	0.6	0.4
Gold	0.1	0.1	0.1	0.1	0.1	0.1

TABLE 10 (Concluded)

	1965	1966	1969	1970	First Half 1970	First Half 1971
CAPITAL ACCOUNT BALANCES						
Total	1.3	0.8	1.0	0.4	1.0	−0.2
With U.S.	0.4	0.9	1.1	0.9	1.1	0.5
With other	0.9	−0.1	−0.1	−0.5	−0.1	−0.6
Total	1.3	0.8	1.0	0.4	1.0	−0.2
Long-term forms	0.9	1.2	2.1	0.8	0.6	0.3
Short-term forms	0.4	−0.4	−1.1	−0.4	0.4	−0.5
BALANCE OF PAYMENTS AND CHANGE IN RESERVES						
Total balance Current and Capital	0.2	−0.4	0.1	1.5	1.2	0.1
Change in reserves[2]	0.2	−0.4	0.1	1.5	1.2	0.1

[1] Nonmerchandise trade includes services such as transportation and tourism, interest and dividends, and transfers such as migrants' funds.

[2] Excludes Special Drawing Rights in the International Monetary Fund.

SOURCE: Based on data from Statistics Canada. Figures may not add due to rounding. Data for the later years are subject to revision.

The data in Table 10 indicate that the change in the merchandise surplus since 1965 is attributable mainly to trade with the United States. The traditional bilateral trade deficit with that country turned into a surplus, and the turnaround from bilateral deficit to surplus between 1965 and 1970 was about $2.1 billion (the increase in the surplus with all countries in this period was $2.9 billion). The increased strength of exports to the United States in the latter half of the last decade arose in large part from the performance of highly manufactured exports, notably automotive products moving under the agreement with the United States, but also including a wide variety of other advanced goods of Canadian manufacture.

In the same period, imports from the United States also rose markedly, again paced by growth of trade in automotive products. The deficit with the United States in nonmerchandise trade or "services" increased over the period. As a result, Canada since 1965 has continued to run a large current account deficit in bilateral transactions with the United States, apart from 1970-71 when the smaller deficit was in large part a reflection of cyclical conditions within Canada.

The large overall merchandise surplus in 1970 and 1971 reflects the fact that exports have been buoyant in a situation in which imports have been held in check, primarily as a result of sluggish capital investment and the generally weak performance of domestic demand. Imports flattened out early in 1969 and declined in 1970 (see Chart 7). In fact, the volume of imports was lower at the end of 1970 than at the beginning of 1969. Exports, on the other hand, rose strongly in 1970 by 13 per cent (in value terms), with most of the increase going to overseas markets, which were continuing to expand in circumstances of widespread inflationary pressures. Export growth to the United States, however, was slowed by a recession of activity in that economy last year.

Grain exports in 1970 rose by 60 per cent over the low 1969 level, and shipments of crude materials were up by nearly 25 per cent. In contrast, exports of automotive products showed little change in 1970, due partly to the effects of strikes near the year-end. Exports of other highly manufactured goods rose by over 10 per cent. Imports declined slightly in 1970, due partly to a sharp decline in automotive imports. But the overall picture in 1970 was one of import stagnation—the traditional pattern when the Canadian economy is operating with a large margin of unemployed resources.

The overall level of exports has been well sustained into 1971 despite the appreciation of the dollar, although exports of goods in the first half of 1971 were only moderately above the values reached in the early part of 1970. Export growth of goods in the highly manufactured sector has been spotty. Imports rose moderately in the first half of 1971, reflecting in large part a recovery in automotive imports.

The upward pressure on the exchange rate produced by the massive trade surplus in 1970 and 1971 has a number of implications for the performance of the Canadian economy. Exchange appreciation caused a significant erosion of profits in many of the resource-based export industries (e.g., primary metals, and pulp and paper) where prices tend to be set in world markets and denominated in foreign currencies; returns to exporters of farm products were also reduced by the appreciation of the dollar. (In other words, one U.S. dollar now yields less in Canadian currency than it did when the exchange rate was set at $.925 U.S.) It has raised the price to foreign buyers of the products of Canada's secondary manufacturing industries. (Foreign importers must now pay more in foreign currency to purchase Canadian dollars.) And it has made it more difficult for domestic producers to compete in domestic markets against foreign imports where the price to Canadians has now been reduced by the appreciation of the exchange rate. To offset these disadvantages, there has been some easing of pressures on the domestic price level due to the lower cost of imports and more indirectly, in some cases, of exports.[1]

The increase in the merchandise surplus in 1970 was a major sustaining force in the growth of the economy last year, accounting for $2.1 billion of the rise in total demand (and three quarters of the rise in real GNP) This surplus seems unlikely to increase further in 1971, and may well show a decline as imports begin to rise in response to the re-expansion of domestic demand, and as exports are affected by the new package of U.S. economic measures and the continuing effects of the appreciation of the exchange rate. What this implies is that there will need to be a *major* increase in the sources of *domestic* demand to fully restore the momentum of growth and to replace the stimulus that will no longer be coming from the trade account.

Implications of Recent Developments

If the Canadian dollar in the future were to remain above its former fixed rate of $.925 U.S., both exporting and import-competing industries would need to achieve productivity increases greater than would otherwise have been required to maintain competitiveness. Stable and sustained growth policies would assist in this process, since productivity tends to slacken sharply in periods of sluggish growth. But the problem of achieving a better productivity performance will require efforts on many fronts.

It is a matter for concern that Canada remains an "outer one", a small trade-dependent country in a world in which very large tariff-free market areas are becoming increasingly significant, and where the achievement of economies of scale and specialization is a prerequisite to competitiveness. The prospective entry of the United Kingdom and other countries into the EEC underlines the increased isolation of a few small industrial countries such as Canada in this respect.[2]

---

[1] Import prices fell in the last half of 1970 but are now moving upward again. The prices of a wide range of exports also fell in late 1970 and early 1971 after the dollar appreciated, because exporters attempted to absorb some of the impact of appreciation on prices expressed in foreign currency.

[2] We considered various aspects of the changing trade environment in our *Seventh Annual Review* (see pages 81-90) of September 1970.

Performance in Perspective

The trade aspects of the New Economic Policy of the United States are certainly a cause for deep concern. A successful resolution of current international economic problems is essential to maintain the postwar thrust towards an "open" world economy and would be beneficial in the longer run. There is, however, a danger that short-run conflicts of interests could lead to longer-term deterioration of international arrangements.[1]

A constructive outcome would require, among other things, a substantial improvement in the U.S. balance of payments. In practical terms this means a return to large surpluses in the U.S. trade account. In the reality of world arrangements, such improvement must come in large part from countries with a considerable trade surplus—such as Japan and Germany. Canada is also included in this grouping, at least during the last year or so.

A more rapid increase of domestic demand in Canada would tend to increase imports, reduce the trade surplus and, in that way, contribute to easing the problem that is focused on the U.S. balance of payments. Canadians have powerful reasons for seeking an expansive, rather than a protectionist, solution to this aspect of the world problem. Certainly, export industries have been harmed by the combination of the U.S. measures and the upward float of the Canadian dollar.

Although two-thirds of Canadian exports go to the United States (see Table 11), Canada certainly also has important market outlets overseas in Europe (including Britain), in the rapidly growing Japanese market, and in other countries. These overseas markets have provided an important source of export growth and diversity, and for some important industries, they provide the major export outlet. The distribution of Canadian exports by commodity groups and countries is shown in Table 11.

We draw attention below to the task of job creation that faces Canada in the 1970's if the nation's rapidly growing labour force is to be fully employed. And we have indicated that a vigorously growing and competitive secondary manufacturing sector (based on scale and specialization, which would be difficult to achieve without large two-way trade flows) is an essential condition for success in meeting this challenge.

[1] In this context, it is especially worrying for Canada that the U.S. Domestic International Sales Corporation is proposed as a permanent measure for altering the relative export position of U.S. industry as compared with industry abroad.

TABLE 11

DISTRIBUTION OF CANADIAN EXPORTS BY COMMODITY GROUPS AND DESTINATION, 1970

Commodity Group	Percentage of Group to: U.S.	U.K.	EEC	Japan	Other	Total	Value of Group
							($ million)
Farm and fish items	36.3	13.6	9.6	6.9	33.6	100.0	1,901
Crude materials	53.1	10.3	12.8	12.7	11.2	100.0	3,074
Processed materials	61.8	13.5	7.7	4.2	12.8	100.0	5,946
Highly manufactured	83.7	2.1	2.9	0.4	10.9	100.0	5,931
Special transactions	76.9	1.3	1.9	0.3	19.6	100.0	35
All products	65.1	8.9	7.1	4.7	14.2	100.0	
Value by destination ($ million)	10,987	1,500	1,204	796	2,400		16,887

NOTE: The U.S. share of total Canadian exports in the first nine months of 1971 was about 68 per cent.
SOURCE: Based on data from Statistics Canada.

5

A Major Challenge for the 1970's—Job Creation

Canadians face a formidable task of job creation in the decade ahead—proportionately as great as in the 1960's, and even greater in terms of actual numbers of new jobs that need to be opened up. During the 1960's, by far the fastest labour force growth occurred in the 20–24 age group—that is, the group born during the great baby boom of the early postwar years. In this age group, the rate of growth in the labour supply was more than double that of the labour force as a whole, as Table 12 indicates. In the 1970's, these young adults moving through the labour force will cause a dramatic increase in the labour supply in the 25–34 age group (Table 12). This particular group will also grow at double the rate of the total labour force in the 1970's and account for more than 40 per cent of the growth in the total labour supply. Associated with this development, growth rates in the younger 14–24 age groups will ease considerably in the 1970's.

Table 13 provides a closer view of these changes at five-year intervals within the two decades. In the younger 14–19 and 20–24 age groups, growth rates ease sharply between 1965-70 and 1970-75, and fall further in the period 1975-80 (turning negative in the 14–19 age group). For the total labour force, however, there will be only a slight reduction in the growth rate in the latter half of the 1970's.

Table 13 also sets out average annual growth rates by age-sex groups for employment through the 1960's and the first half of the 1970's. The growth rates for employment in the 1970-75 period are based on the assumption that a 3.8 per cent average rate of unemployment will be attained by 1975. For unemployment to reach such a level at some earlier date would, of course, require even higher growth rates than those shown for employment in the table for the 1970-75 period.

TABLE 12

CANADIAN LABOUR FORCE GROWTH

Age Group	1960	1970	1980	Percentage Change in Labour Force 1960–70	Percentage Change in Labour Force 1970–80
		(Thousands)			
14-19	627	861	926	37.3	7.5
20-24	777	1,286	1,703	65.5	32.4
25-34	1,506	1,825	2,921	21.2	60.1
35-44	1,445	1,733	2,094	19.9	20.8
45-54	1,152	1,515	1,815	31.5	19.8
55-64	674	948	1,220	40.7	28.7
65 and over	230	206	247	−10.4	19.9
Total	6,411	8,374	10,926	30.6	30.5

SOURCE: Based on data from Statistics Canada and estimates by Economic Council of Canada.

TABLE 13

GROWTH RATES IN LABOUR FORCE, EMPLOYMENT AND EMPLOYMENT REQUIREMENTS, BY AGE AND SEX

(Average annual percentage change)

		1960-65	1965-70	1970-75	1975-80
	TOTAL, ALL AGE GROUPS				
Total	Labour Force	2.2	3.2	2.8	2.6
	Employment	2.8	2.8	3.3	
Male	Labour Force	1.3	2.3	2.4	2.2
	Employment	2.1	1.9	2.9	
Female	Labour Force	4.6	5.3	3.7	3.2
	Employment	4.8	4.9	4.1	

TABLE 13 (Concluded)

		1960-65	1965-70	1970-75	1975-80
BY SPECIFIC AGE GROUPS					
14-19					
Total	Labour Force	3.3	3.1	1.7	−0.3
	Employment	4.3	2.0	2.8	
Male	Labour Force	3.2	3.2	1.6	−0.3
	Employment	4.7	2.1	2.7	
Female	Labour Force	3.5	3.0	1.9	−0.2
	Employment	3.9	2.0	2.9	
20-24					
Total	Labour Force	3.8	6.6	3.2	2.5
	Employment	4.8	5.7	4.0	
Male	Labour Force	3.0	5.6	3.3	2.5
	Employment	4.6	4.5	4.3	
Female	Labour Force	5.1	8.1	3.0	2.6
	Employment	5.2	7.6	3.4	
25-34					
Total	Labour Force	−0.1	4.1	5.3	4.4
	Employment	0.6	3.7	5.6	
Male	Labour Force	−0.8	2.8	4.9	4.1
	Employment	0.1	2.4	5.3	
Female	Labour Force	2.1	7.7	6.1	4.9
	Employment	2.3	7.4	6.4	
35-64					
Total	Labour Force	2.8	2.3	1.9	2.2
	Employment	3.3	2.0	2.2	
Male	Labour Force	1.8	1.5	1.2	1.5
	Employment	2.4	1.2	1.5	
Female	Labour Force	6.0	4.3	3.4	3.5
	Employment	6.1	4.1	3.7	
65 and over					
Total	Labour Force	−0.7	−1.4	1.8	1.9
	Employment	−0.7	−1.3	1.7	
Male	Labour Force	−1.5	−1.6	1.1	1.5
	Employment	−1.6	−1.4	0.9	
Female	Labour Force	4.0	−0.9	4.3	3.2
	Employment	3.5	−0.9	4.4	

SOURCE: Based on data from Statistics Canada and estimates by Economic Council of Canada.

Generally speaking, growth rates for employment in the 1970-75 period are substantially above the labour force growth rates in Table 13. This is basically because the required rate of job creation must not only absorb the steady increase in the labour force, but it must be sufficiently high to reduce unemployment to more acceptable levels. Even though the total labour force growth rate will slacken to 2.8 per cent per annum in 1970-75 from 3.2 per cent in 1965-70, the reverse of this situation is required for employment. Employment must move *up* from 2.8 per cent per annum in 1965-70 to 3.3 per cent per annum in 1970-75. This is a rate well above that attained for employment over the whole of the 1960's. The growth of employment among males will need to accelerate from 1.9 per cent in 1965-70 to 2.9 per cent in 1970-75. The estimated employment growth rate for females will also need to exceed the growth in the female labour force. However, some moderation in the growth of the female labour force compared with the 1960-65 period is anticipated.

In the 25–34 age group where the fastest increase in the labour supply will be occurring, employment growth will need to jump to 5.6 per cent per year in 1970-75, from 3.7 per cent in 1965-70. This group will account for 40 per cent of the increase in the labour supply in the first half of the 1970's. Among males in this age group, the growth rate in employment will need to more than double—from 2.4 per cent per year to 5.3 per cent.

In the younger age groups, 14–19 and 20–24, labour force growth will slow sharply in the first half of the 1970's to about half the rate of the 1965-70 period. Nevertheless, still about one-quarter of the total increase in the labour supply will come from these two groups. But because unemployment rates are currently very high in these two groups, the growth in *employment* needed to reduce unemploy-

TABLE 14

EMPLOYMENT GROWTH RATES

	Average Annual Rate Required 1970-75	Annual Rate So Far This Year[1]
Total Employment	3.3	2.2
Male	2.9	1.4
Female	4.1	3.9
14-24	3.5	3.0
Male	3.7	2.5
Female	3.2	3.7
25-34	5.6	5.2
Male	5.3	4.2
Female	6.4	7.7

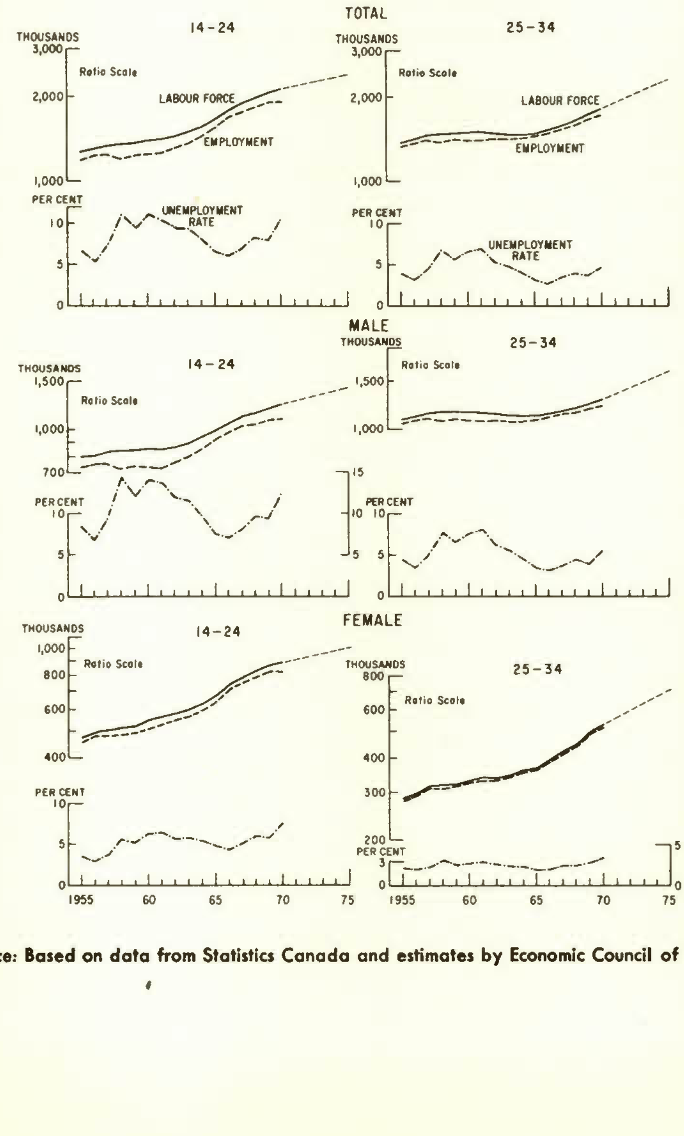
[1] Based on nine months in 1971 over nine months in 1970.

SOURCE: Based on data from Statistics Canada and estimates by Economic Council of Canada.

ment to a level consistent with an overall national figure of 3.8 per cent of the labour force remains extremely high. About 45 per cent of Canada's current unemployment is concentrated in these particular age groups, although they make up only about one-quarter of the total labour force. Among males, there will be no overall reduction in rates of job creation needed in the 1970-75 period if unemployment

CHART 13

LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT BY SEX AND SELECTED AGE GROUPS



Source: Based on data from Statistics Canada and estimates by Economic Council of Canada.

is to be brought down to a more acceptable level. The magnitude of the youth employment problem will thus continue to be very large in 1970-75 in spite of the sharp reduction in the growth of the labour supply in these groups that will be occurring over the next few years.

It may be useful to compare the estimated rates of growth in employment over the 1970-75 period as set out in Table 13 with the actual rates attained so far in 1971 (Table 14). It is clear from this comparison that the rate of job creation must be increased considerably over the next few years if the employment targets are to be met. With the exception of the 14–34 year-old female groups, employment growth in 1971 has fallen well short of the rates required to reach "full" employment by 1975. Early strong employment gains are not usual in the early stages of a recovery, since increases in the average work week and in productivity typically tend to delay the need for new hirings.

The employment requirements discussed above imply the need for the creation of 1.4 million new jobs in the five-year period 1970-75. Table 15 indicates these requirements in terms of sex and age groups.

TABLE 15

LABOUR FORCE GROWTH AND EMPLOYMENT REQUIREMENTS 1970-75

(Thousands of persons)

	Labour Force	Employment	Percentage Distribution of Employment
Total	1,256	1,385	100
Male	(714)	(810)	
Female	(542)	(575)	
14-24	294	364	26
Male	(172)	(221)	
Female	(122)	(142)	
25-34	534	547	39
Male	(349)	(360)	
Female	(184)	(186)	
35 and over	428	474	34
Male	(193)	(229)	
Female	(235)	(246)	

SOURCE: Based on data from Statistics Canada and estimates by Economic Council of Canada. Figures may not add due to rounding.

6

Conclusions

We have sought in this report to draw attention to a number of shortfalls in the performance of the Canadian economy over the past year or two, and to measure these against what we regard as reasonably good standards of performance. We have also sought to set out some dimensions of the main challenges that confront Canadians in endeavouring to reach sustained high standards of economic performance in the future. In this final section, we briefly sum up our conclusions.

Employment

Canada faces a major task of job creation over the next few years. In the period 1970-75, some 1.4 million new jobs will need to be generated if employment is to grow sufficiently fast to absorb the prospective large increases in the labour force and reduce unemployment to a more acceptable level. This would represent a rate of growth in employment equivalent to that which Canada has been able to achieve only in circumstances of very unusual increases in output and demand. We note that the rate of job creation in Canada has *not* kept pace with the growth of the labour force in four out of the past six years.

By far the largest increase in employment requirements will occur in the 25–34 age group, and it will be especially great for males where the rate of employment growth will need to be *more than double* that of the last half of the 1960's. This is the age group in which most families tend to become established, with their large demands for housing and durable goods and associated needs for urban services.

Any significant shortfall in meeting the employment needs of this group will produce serious economic and social strains in the 1970's.

Unemployment as a percentage of the younger work force (in the age group 14–24) is now running at around 11 or 12 per cent in Canada, or about double the overall unemployment rate for the labour force as a whole. We recognize that in the process of the initial adjustments in moving from the world of education to the world of work, and in the process of establishing employment careers, the unemployment experience for this group is likely to be above the national average. But we do not regard the present high proportion of unemployment among this country's young people as being reasonable or acceptable. The number of persons entering the labour force in this age group will slow down in the first half of the 1970's. But with unemployment now currently so high for this group, the rate of job creation needed to reduce unemployment to more acceptable levels and to absorb new entrants into the labour force is still very large. The problem of finding adequate job opportunities for the youngest part of the nation's work force remains a particularly troubling feature of the prospective labour market situation. Increased concern has recently been focused on the difficulties of finding employment for young people with university degrees, and especially with more advanced degrees. This is a problen that warrants serious attention. But in addition it should be emphasized that there are also great difficulties faced by young job seekers who have less education.

Given these very large needs to generate employment over the next few years, decision-makers should be guided by a more exact and clearer view of the industrial and occupational requirements of the economy than is presently available. Studies setting out the industrial and occupational needs of the economy over a period of years into the future are badly needed as a guide to manpower planning and educational policies. At the present time, the balancing of the supply and demand for manpower—a process that begins far back in the educational system—is haphazard and subject to much more uncertainty than need be the case. Uncertainty in so difficult an area cannot be eliminated, but it should be possible to greatly reduce it.

Growth

We have estimated that a rate of growth of over 6 per cent per year over a three-year period from the middle of 1971 would be required to move the economy back reasonably close to potential output—that is, to reduce unemployment to 3.8 per cent of the labour force. Such a rate of growth is not sustainable once the economy comes close to potential and the existing slack is taken up (the underlying growth rate of the economy once potential is achieved is calculated at 5.2 per cent per year). But initially, until the unemployment rate begins to move down in a decisive way, the objective of policy should be to promote rates of growth in real Gross National Product in excess of 5.2 per cent per year.

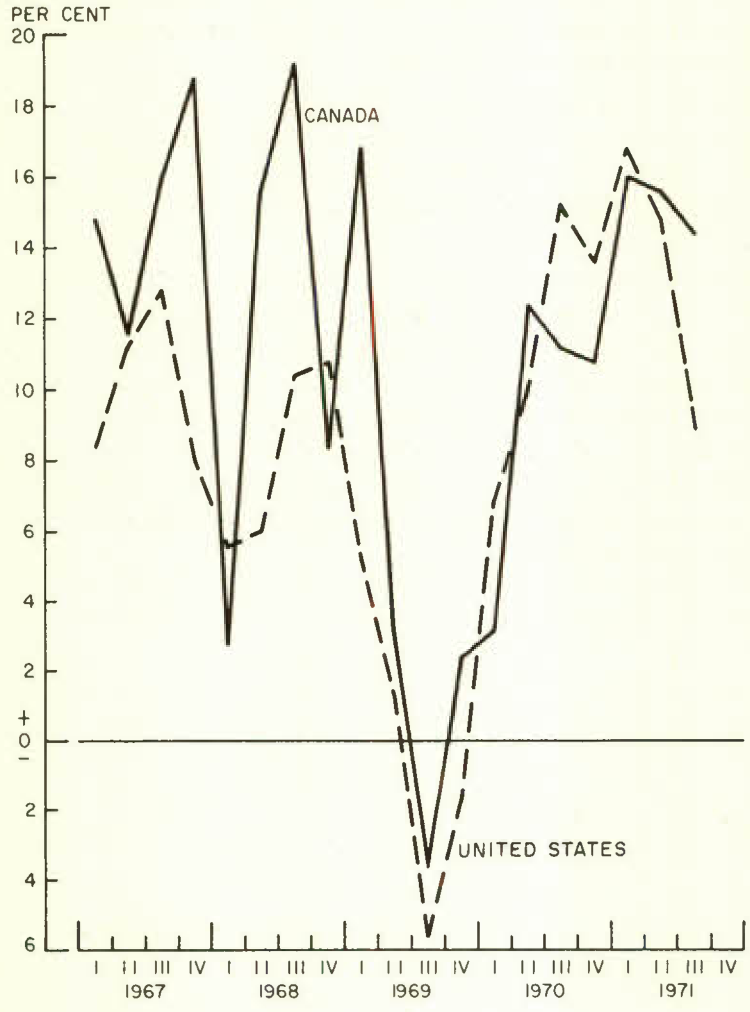
In contrast with 1970, there will be no increase in net foreign demand in 1971—in fact, there may be some reduction. As a consequence, the job of getting the economy moving decisively back up towards its potential level of output must now rest entirely on *domestic* demand expansion.

In this connection, monetary and fiscal policies in Canada have been moved, over the past 18 months, towards significantly stronger expansionary settings. Monetary policy in particular has been strongly expansionary, with growth in the money supply between October 1970 and September 1971 of about 16 per cent (Chart 14). Fiscal policy has shifted towards less restraint, and the full-employment budget surplus of all levels of government taken together—although still significant in 1971—has come down substantially over the past two years (Chart 15).

CHART 14

CHANGES IN SUPPLY OF MONEY
CANADA AND UNITED STATES

(Quarter to quarter*)



*Seasonally adjusted at annual rates.

Note: The supply of money is here defined as follows:

Canada—Currency outside banks and Canadian dollar chartered bank deposits held by the general public.

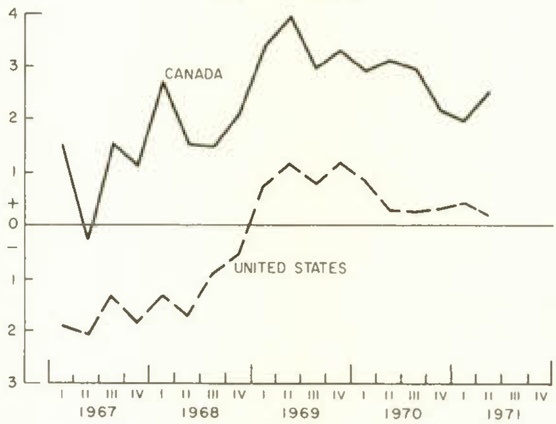
United States—Currency plus demand deposits, plus time deposits of commercial and mutual savings banks.

Source: Bank of Canada and U.S. Federal Reserve Board. Third quarter 1971 figure for the United States is based on July-August average.

CHART 15

ESTIMATED HIGH-EMPLOYMENT BUDGET SURPLUS OR DEFICIT AS PERCENTAGE OF POTENTIAL GROSS NATIONAL PRODUCT, ALL LEVELS OF GOVERNMENT, CANADA AND UNITED STATES

(Quarterly*)



*Seasonally adjusted at annual rates.

Note: High employment is defined for this purpose as the level of employment associated with 3.8 per cent unemployment. The high-employment budget position is calculated on a national accounts basis and is derived by estimating the change in revenues that would be realized at high employment; expenditures are assumed to remain unchanged.

Source: Based on data from Statistics Canada, U.S. Department of Commerce, U.S. Council of Economic Advisers, and estimates by Economic Council of Canada.

Price Stability

As we observed in last year's performance report, we believe that inflation will continue to remain a major problem for policy in the 1970's. The evidence that we have set out in this year's report reinforces that belief. There are many reasons for this assessment. First are the changes in psychological and sociological attitudes relating to job security, greater militancy, and rising demands for public goods, as described by the OECD in its report on inflation. These are international in scope. Second is the fact that the growth potential of the industrialized countries is very large in the 1970's—larger than in the 1960's—and that the commitment by governments to try to attain these potentials is likely to keep employment high and demand pressures strong. Third is the squeeze on profit margins—a situation that appears to provide an increased potential for price increases unless exceptionally strong productivity gains occur. And finally, there have been changes in the structure of labour markets in Canada (and in the United States), which would clearly imply that labour markets are in fact tighter today for any given level of unemployment than they were a decade or so ago (see Appendix A).

We are impressed by the fact that the rate of price increase in Canada in 1969, as well as in 1970 and the first half of 1971, was significantly lower than in any of Canada's major trading-partner countries. The evidence does not lead us to believe that Canada's international competitive position was at any time threatened during this period. Indeed, in 1970 we suffered from an embarrassment of strength in our trade position. A further proposition emerges from a consideration of international price performance; namely, given the international linkages through which price pressures are transmitted from country to country, Canada cannot expect to be able to cope with inflation occurring on an international scale through unilateral action.

Canada and the World Economy

Several factors emerged on the international scene over the course of the past year or two that made it more difficult for Canada to achieve her economic and social goals, or threatened to do so. The first of these was the recession in the United States, which adversely affected Canada's growth and employment performance in 1970. The second was the appreciation of the exchange rate, which again has had adverse consequences for growth, employment, and the profit position of some industries. The third such factor has been the deeply rooted and widespread inflation that has gripped so many countries during the past two or three years and that has severely limited Canada's ability to bring inflation in this country under control. Finally, there has been continued erosion of the stability of the international financial system, with implications for the future viability of international trade and payments arrangements in the event of failure to resolve basic difficulties. This situation has now been brought to a head by recent U.S. actions. All of these factors are essentially beyond the influence of any discretionary action that might be taken by Canada, with the single exception of the exchange rate appreciation. Here, a vigorous expansion of domestic demand would help to relieve some of the upward pressure on the exchange rate.

The prospective entry of Britain into the Common Market once more raises the question of Canada's place in a world economy that is becoming increasingly dominated by groups of nations operating in large tariff-free areas of a hundred million or more consumers. Canada greatly needs the advantage of scale and specialization that access to such markets confers if she is to sustain a dynamic and vigorously growing secondary manufacturing sector. We believe this to be an essential component of an industrial strategy for Canada, especially in the light of the rapidly growing employment needs of the economy and the present heavily resource-oriented structure of our industry.

Arthur J. R. Smith,
Chairman

Otto E. Thür,
Vice-Chairman and Director

Mrs. Sylvia Ostry,
Director

Albert Allain
Paul Babey
Marcel Bélanger
Francois E. Cleyn
Roger Gaudry
Alfred C. Huxtable
David L. Kirk
Walter C. Koerner
John Kostuik
William Ladyman
Stanley A. Little
Donald MacDonald
William Mahoney
Hugh A. Martin
W. C. Y. McGregor
J. R. Murray
Miss Helen K. Mussallem
Marcel Pepin
Charles Perrault
Mrs. A. F. W. Plumptre
Lucien Saulnier
William Y. Smith
Graham Ford Towers
William O. Twaits
Francis G. Winspear

Fred Belaire,
Secretary

Appendix A

Changing Composition of Unemployment and the Labour Force[1]

The most commonly used indicator of labour market tightness is the official unemployment rate. It provides an overall measure of the excess supply of labour in the economy. A low level of unemployment reflects generally tight labour markets and may exercise strong pressures for, and readier acceptance of, substantial wage and salary increases. A high level of unemployment typically reflects slack labour markets and, in the past, it has usually been accompanied by diminishing pressures for high wage and salary increases.

Unemployed workers, however, are not homogeneous with respect to skills, productivity and earnings potentials, or average unemployment experience. If the composition of unemployment today compared with the 1950's contains a higher proportion of young people and women whose earnings and productivity potentials are lower than those of prime-age males, or whose unemployment experience is typically higher than that of prime-age males, or whose unemployment experience has worsened in relation to prime-age males, then

[1] This section owes much to the studies of George L. Perry of The Brookings Institution on the changing composition of the U.S. labour market; see especially his paper "Changing Labor Markets and Inflation", *Brookings Papers on Economic Activity*, no. 3 (Washington: The Brookings Institution, 1970).

the labour market is relatively tighter today *for any given aggregate level of unemployment* than it was two decades ago. All of these factors have been a feature of the changing composition of the labour market in Canada over the past 20 years.

Moreover, even if the composition of unemployment had remained unchanged during this time, the fact that the *supply* of prime-age males in the *total labour force* is proportionately smaller today (and the *supply* of women proportionately much larger) compared with two decades ago, would in itself imply a relatively greater degree of tightness in the labour market for a given level of unemployment. Two basic sets of factors have thus been operating on the labour market in Canada over the past two decades—a change in the composition of unemployment, and a change in the composition of the labour supply. Both sets of factors have operated to produce a relatively tighter labour market situation for any given level of unemployment than existed in the early 1950's.

These developments have significance for two of the basic economic goals with which the Council is concerned—price stability and high employment. For the maintenance of cost and price stability will be a more difficult challenge to the extent that labour markets are relatively tighter today than in the 1950's at the same overall level of unemployment. And the task of future job creation will need to consider not only total employment requirements, but the special needs of the younger age groups in our society where unemployment is particularly high.

Table A-1 sets out some of the key elements of the changes in the composition of the labour force and in unemployment that have occurred during the past two decades. As a proportion of the labour force, prime-age males (age group 25-64) have declined sharply. This is the group that tends to have the highest average earnings (and presumably the highest average productivity) in the labour force and it also experiences generally lower unemployment rates than the younger age groups. More than counterbalancing the declining share of prime-age male workers in the labour force is the rapid increase in the proportion of females, with the most dramatic increase in the 25–64 age group. For all age groups, females now approximate about one-third of the labour force, compared with only one-fifth 20 years ago. A continuing shift towards a greater proportion of females in the labour force will undoubtedly take place during the 1970's.

The right-hand portion of Table A-1 shows that as the proportion of prime-age males in the labour force has fallen, there has been a

APPENDIX TABLE A-1

CHANGING LABOUR FORCE COMPOSITION AND RELATIVE UNEMPLOYMENT RATES

Sex and Age Group	Percentage of Labour Force in Each Group					Ratio of Group Unemployment Rate to Prime-Age Male Unemployment Rate[1]				
	1950	1955	1960	1965	1970	1950	1955	1960	1965	1970
Males, 25-64	58.3	59.7	57.8	54.5	51.0	1.0	1.0	1.0	1.0	1.0
Males, 14-24	16.1	14.3	13.4	14.0	15.0	2.1	2.0	2.0	2.1	2.5
Females, 14-24	8.9	8.5	8.6	9.5	10.7	1.1	0.9	0.9	1.4	1.5
Total, 14-24	25.0	22.8	22.0	23.5	25.7	1.7	1.6	1.6	1.8	2.1
Females, 25-64	12.2	13.7	16.7	19.0	20.9	0.5	0.5	0.3	0.5	0.6
Both sexes, 65 and over	4.4	3.8	3.6	3.1	2.4	1.1	1.0	0.6	1.3	0.8
Total male	78.4	77.4	74.2	70.9	67.9	1.2	1.2	1.2	1.2	1.3
Total female	21.6	22.6	25.8	29.1	32.1	0.8	0.6	0.5	0.8	0.9

[1] Prime-age males are defined here as males 25-64 years of age.
SOURCE: Based on data from Statistics Canada.

significant increase in unemployment rates for most age-sex groups relative to that for prime-age males. In other words, as the relative number of prime-age males has fallen during periods of economic expansion, employers have tended to push the already low unemployment rate for this group even lower, rather than shift readily to very rapidly expanding employment of other workers. The result has been a general worsening in the unemployment rates of most of the other age-sex groups, more particularly the younger age group 14–24. The unemployment rate for this group as a whole was double that for prime-age males in 1970 (for males 14–19, it was three times as high). The 14–24 age group accounts for about 25 per cent of the total work force but accounted for 45 per cent of total unemployment in 1970, compared with 38 per cent in 1950.

In the foregoing analysis, we have taken age-sex differences in the demographic structure of the labour force as proxies for differences in economic and social characteristics such as productivity, work experience, and earnings. If the different age-sex groups were perfect substitutes for one another in the labour market, employers would be indifferent to age and sex differences in their hiring practices, and there would be no divergence between the various group unemployment rates and the rate for prime-age males. In fact, however, not only is there a very considerable divergence in the rates relative to prime-age males, but this divergence has increased over the past 20 years. This continued upward trend in the ratio of unemployment rates of all groups (except the 65 and over) relative to prime-age males implies a relatively "tighter" labour market situation today compared with the 1950's at any given *overall* level of unemployment.

Higher-than-average rates of unemployment among young people, and compositional changes that result in a relatively greater scarcity of the most highly productive workers, undoubtedly constitute a situation in which, for any given level of total unemployment, cost and price pressures are more pronounced today than two decades ago. But it would be improper to conclude from this that the attainment of cost and price stability should be sought in operating the economy with a greater degree of slack and higher unemployment. Unemployment is a disaster for the individual (and frequently for his family) regardless of the age and sex group to which he belongs. The social consequences of unemployment among young people are particularly serious.

Appendix B

Details of the U.S. New Economic Policy[1]

This section briefly summarizes details of the U.S. New Economic Policy under two main headings: the measures that are mainly domestic and those which have a direct international impact.

Domestic

The domestic measures include the 90-day freeze on wages, salaries, prices and rents; the repeal of the 7 per cent excise tax on automobiles; accelerated personal income tax exemptions; a new investment tax credit; and reduced federal expenditures. Many of these proposals require Congressional legislation.

(a) *The 90-day freeze* (from August 16, 1971), decreed by President Nixon, imposes a ceiling on all prices (with the exception of those of raw agricultural products), wages, salaries, and rents at a level not exceeding that which prevailed during the month ending August 14, 1971. It also encompasses increases scheduled under existing contracts. Policy direction is by the Cabinet Cost of Living Council, chaired by

[1] This material is based on official releases made available immediately following the August 15 announcement of the new economic program of the United States. The program may be expected to be modified in various ways, as progress is achieved in attaining its objectives, or in response to changes proposed by the Congress.

Secretary Connally, with monitoring by the Office of Emergency Preparedness. A second stage after the freeze is being established, with plans developed by the Cost of Living Council.

(b) The Administration is recommending to Congress *the repeal of the 7 per cent excise tax on automobiles*, effective August 15, 1971, and it is anticipated that all of this tax reduction will be passed on to consumers through lower automobile prices. The average tax per car is $200. The price reduction for new cars is expected to have a secondary impact on used car prices. For cars imported from overseas, the excise tax removal would approximately offset the import surcharge (discussed below) which raises this duty from 3½ per cent to 10 per cent—the legal ceiling. Canadian-made cars are not subject to the import surcharge.

(c) The Administration is recommending that tax reductions in the form of *increased personal income tax exemptions* presently scheduled for January 1, 1973 should be advanced to January 1, 1972. This measure would be in addition to personal income tax reductions already scheduled to go into effect on January 1, 1972, and provided for in the fiscal 1972 budget.

(d) The Administration is recommending to Congress the establishment (from August 16, 1971) of an *investment tax credit* of 10 per cent for one year and a permanent rate of 5 per cent thereafter. The credit would be based on the value of equipment of U.S. origin, so long as import surcharges continue to apply. When the surcharges are removed, a credit at the rate of 5 per cent would be allowed with respect to foreign-produced machinery and equipment. The credit would not be available for used machinery and equipment and would not be allowed for products with a life of four years or less; it would be one-third of the amount otherwise allowed for property with a four-to-six-year life span, two-thirds for six to eight years, and full credit for longer-life property. Credit for public utility property would be allowed at one-half the rate applied to other property.

(e) *A reduction in federal expenditures* of $4.7 billion is proposed for fiscal year 1972. This would involve a reduction of 5 per cent in federal employment within the year; a freeze for six months on federal pay increases scheduled for January 1, 1972; deferring the date for revenue-sharing with other levels of government by three months; deferring welfare reform measures by one year; and a 10 per cent cut in foreign economic aid.

International

On the international side, the convertibility of the U.S. dollar into gold was suspended. A temporary surcharge of up to 10 per cent was imposed on about half the imports into the United States. The adoption of an "export incentive" involving the setting up of Domestic International Sales Corporations was proposed.

(a) *Suspension of full convertibility of dollars into gold*—This was announced as a "temporary suspension". Specifically, the United States no longer freely buys and sells gold for the settlement of international transactions. Also, it strictly limits the use of other U.S. international reserve assets, and the Federal Reserve Board is directed to suspend its swap operations for the purpose of converting dollars into other currencies. Changes in the exchange rate for the dollar are anticipated, but official statements in the United States emphasize that there will be no change in the official dollar price of gold.

(b) *The import surcharge* is generally at a rate of 10 per cent additional duty, and it is imposed under authority of the Trade Expansion Act of 1962. It applies to all dutiable U.S. imports not already subject to U.S. quantitative limitations—about 25 per cent of Canadian exports to the United States (based on the year 1970) are affected. In some cases, the legal ceiling on U.S. tariffs means that the full 10 per cent extra duty cannot be imposed. This is important for a considerable number of Canadian products. Official U.S. statements emphasize that this surcharge is temporary and that it is intended to achieve a relatively rapid benefit to the U.S. balance of trade and payments while more fundamental measures take effect. In his address on August 15, President Nixon linked the surcharge to the disadvantages suffered by the U.S. economy attributable to "unfair exchange rates" and added "When the unfair treatment is ended, the import tax will end as well."

(c) The Administration proposes the adoption of the *Domestic International Sales Corporation* export incentive effective January 1, 1972, providing tax deferrals on earnings from export sales. The idea is that a U.S. firm would establish a subsidiary Domestic International Sales Corporation, which would conduct the parent's export business. Taxes on DISC profits would be deferred under certain conditions. The Administration estimates that DISC would increase U.S. exports by $1.5 billion annually. Direct revenue losses (already reflected in the 1972 budget) would be $400 million in fiscal year 1973, and $600 million annually thereafter.

Performance in Perspective

The Administration indicates that the overall effects of its program will be expansionary as far as jobs and production are concerned. Even though the *net* budgetary effects are small, ". . . the elements of the program which stimulate employment are extremely powerful in relation to the revenue loss they involve . . . ." The following table summarizes the estimated effects of the U.S. economic program on the fiscal year 1972 budget.

APPENDIX TABLE B-1

EFFECTS OF NEW ECONOMIC PROGRAM
ON FISCAL YEAR 1972 BUDGET

(Billions of dollars for year ending June 30, 1972)

Revenue reduction	
Accelerated investment tax credit	3.0
Accelerated income tax exemptions	1.0
Auto excise tax	2.3
Total	6.3
Revenue increase from import surcharge	2.1
Net revenue reduction	4.2
Expenditure reductions	4.7
Excess of expenditure reductions over revenue reductions	0.5

SOURCE: Release from the White House, August 15, 1971.

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PUBLICATIONS OF ECONOMIC
COUNCIL OF CANADA

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PUBLICATIONS DU CONSEIL
ÉCONOMIQUE DU CANADA

Annual Reviews	Author—Auteur	Exposés annuels
First Annual Review: Economic Goals for Canada to 1970 (EC21-1/1964, $3.50)	Council—Conseil	Premier exposé annuel: Objectifs économiques du Canada pour 1970 (EC21-1/1964F, $3.50)
Second Annual Review: Towards Sustained and Balanced Economic Growth (EC21-1/1965, $2.75)	Council—Conseil	Deuxième exposé annuel: Vers une croissance économique équilibrée et soutenue (EC21-1/1965F, $2.75)
Third Annual Review: Prices, Productivity and Employment (EC21-1/1966, $2.75)	Council—Conseil	Troisième exposé annuel: Les prix, la productivité et l'emploi (EC21-1/1966F, $2.75)
Fourth Annual Review: The Canadian Economy from the 1960's to the 1970's (EC21-1/1967, $2.75)	Council—Conseil	Quatrième exposé annuel: L'économie canadienne des années 1960 aux années 1970 (EC21-1/1967F, $2.75)
Fifth Annual Review: The Challenge of Growth and Change (EC21-1/1968, $2.75)	Council—Conseil	Cinquième exposé annuel: Défi posé par la croissance et le changement (EC21-1/1968F, $2.75)
Sixth Annual Review: Perspective 1975 (EC21-1/1969, $2.75)	Council—Conseil	Sixième exposé annuel: Perspectives 1975 (EC21-1/1969F, $2.75)
Seventh Annual Review: Patterns of Growth (EC21-1/1970, $2.50)	Council—Conseil	Septième exposé annuel: Les diverses formes de la croissance (EC21-1/1970F, $2.50)
Performance and Potential: Mid-1950's to Mid-1970's (EC21-1/1970-1, $1.50)	Council—Conseil	La tenue et le potentiel de l'économie: du milieu des années 1950 au milieu des années 1970 (EC21-1/1970-1F, $1.50)
Eighth Annual Review: Design for Decision-Making—An Application to Human Resources Policies (EC21-1/1971, $3.00)	Council—Conseil	Huitième exposé annuel: L'État et la prise des décisions—Application aux politiques de développement des ressources humaines (EC21-1/1971F, $3.00)
Performance in Perspective (EC21-1/1971-1, $1.50)	Council—Conseil	Perspectives de rendement de l'économie (EC21-1/1971-1F, $1.50)

Staff Studies	Author—Auteur	Études préparées par le personnel
1. Population and Labour Force Projections to 1970 (EC22-1/1, $.75)	Frank T. Denton Yoshiko Kasahara Sylvia Ostry	1. Projections de la population et de la main-d'œuvre jusqu'à 1970 (EC22-1/1F, $.75)
2. Potential Output, 1946 to 1970 (EC22-2/2, $1.00)	B. J. Drabble	2. Potentiel de production, 1946 à 1970 (EC22-1/2F, $1.00)
3. An Analysis of Post-War Unemployment (EC22-1/3, $.75)	Frank T. Denton Sylvia Ostry	3. Une analyse du chômage depuis la fin de la guerre (EC22-1/3F, $.75)
4. Housing Demand to 1970 (EC22-1/4, $.75)	Wolfgang M. Illing	4. Demande d'habitations pour 1970 (EC22-1/4F, $.75)
5. Business Investment to 1970 (EC22-1/5, $1.00)	Derek A. White	5. Investissements privés pour 1970 (EC22-1/5F, $1.00)
6. Special Survey of Longer Range Investment Outlook and Planning in Business (EC22-1/6, $.25)	B. A. Keys	6. Enquête spéciale sur les intentions et la programmation à moyen terme des entreprises privées (EC22-1/6F, $.25)
7. Canada and World Trade (EC22-1/7, $.50)	M. G. Clark	7. Le Canada et le commerce mondial (EC22-1/7F, $.50)
8. Export Projections to 1970 (EC22-1/8, $.75)	J. R. Downs	8. Projections des exportations jusqu'à 1970 (EC22-1/8F, $.75)
9. Federal Tax Revenues at Potential Output, 1960 and 1970 (EC22-1/9, $.50)	D. J. Daly	9. Rendement des impôts fédéraux dans l'hypothèse de la réalisation du potentiel de production, 1960 et 1970 (EC22-1/9F, $.50)
10. National Saving at Potential Output to 1970 (EC22-1/10, $.50)	Frank W. Wildgen	10. L'épargne nationale dans l'hypothèse de la réalisation du potentiel de production pour 1970 (EC22-1/10F, $.50)
11. Changes in Agriculture to 1970 (EC22-1/11, $.50)	John Dawson	11. Changements dans le secteur agricole jusqu'à 1970 (EC22-1/11F, $.50)
12. The Contribution of Education to Economic Growth (EC22-1/12, $1.50)	Gordon W. Bertram	12. Apport de l'éducation à la croissance économique (EC22-1/12F, $1.50)
13. Internal Migration in Canada, 1921-1961 (EC22-1/13, $1.60)	Isabel B. Anderson	13. Migration à l'intérieur du Canada, 1921-1961 (EC22-1/13F, $1.60)
14. Interregional Disparities in Income (EC22-1/14, $1.75)	S. E. Chernick	14. Disparités interrégionales du revenu (EC22-1/14F, $1.75)

Staff Studies (*continued*)	Author—Auteur	Études préparées par le personnel (*suite*)
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17. Business Cycles in Canada (EC22-1/17, $2.25)	Derek A. White	17. Les cycles économiques au Canada (EC22-1/17F, $2.25)
18. Manpower Planning in Industry: A Case Study (EC22-1/18, $1.00)	B. A. Keys H. H. Wright	18. La planification de la main-d'œuvre dans l'industrie (Étude de cas) (EC22-1/18F, $1.00)
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20. Enrolment in Schools and Universities, 1951-52 to 1975-76 (EC22-1/20, $1.25)	Wolfgang M. Illing Zoltan E. Zsigmond	20. Inscriptions aux écoles et aux universités, 1951-1952 à 1975-1976 (EC22-1/20F, $1.25)
21. Scale and Specialization in Canadian Manufacturing (EC22-1/21, $1.75)	D. J. Daly B. A. Keys E. J. Spence	21. Échelle et spécialisation dans l'industrie manufacturière canadienne (EC22-1/21F, $1.75)
22. Medium-Term Business Investment Outlook: 1967 Survey (EC22-1/22, $.35)	B. A. Keys	22. Perspectives à moyen terme des investissements des entreprises: Relevé de 1967 (EC22-1/22F, $.35)
23. Canadian Income Levels and Growth: An International Perspective (EC22-1/23, $2.25)	Dorothy Walters	
24. Canadian Agricultural Productivity (EC22-1/24, $1.50)	L. Auer	
25. Enrolment in Educational Institutions, by Province, 1951-52 to 1980-81 (EC22-1/25, $3.00)	Z. E. Zsigmond C. J. Wenaas	25. Inscriptions dans les institutions d'enseignement, par province, de 1951-1952 à 1980-1981 (EC22-1/25F, $3.00)
26. Personal Consumer Expenditures in Canada, 1926-75: Part 1 (EC22-1/26-1, $1.50)	Thomas T. Schweitzer	26. Dépenses personnelles de consommation au Canada, 1926-1975: Partie 1 (EC22-1/26-1F, $1.50)
Personal Consumer Expenditures in Canada, 1926-75: Part 2 (EC22-1/26-2, $1.50)	Thomas T. Schweitzer	Dépenses personnelles de consommation du Canada, 1926-1975: Partie 2 (EC22-1/26-2F, $1.50)

Staff Studies (*concluded*)	Author—Auteur	Études préparées par le personnel (*fin*)
Personal Consumer Expenditures in Canada, 1926-75: Part 3 (EC22-1/26-3, $1.50)	Thomas T. Schweitzer	†Dépenses personnelles de consommation au Canada, 1926-1975: Partie 3 (EC22-1/26-3F, $1.50)
*27. Some Economic Aspects of Provincial Educational Systems (EC22-1/27, $0.00)	J. Cousin J. P. Fortin C. J. Wenaas	†27. Certains aspects économiques des systèmes provinciaux d'enseignement (EC22-1/27F, $0.00)
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*32. Canada-United States Price and Productivity Differences in Manufacturing Industries, 1963 (EC22-1/32, $1.50)	E. C. West	†32. Différences de prix et de productivité dans les industries manufacturières, Canada et États-Unis, 1963 (EC22-1/32F, $1.50)
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10. The Take-Over of Canadian Firms, 1945-61 (EC22-2/10, $2.25)	Grant L. Reuber Frank Roseman	
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*15. Search Behaviour in Canadian Job Markets (EC22-2/15, $0.00)	Dennis R. Maki	†15. Le comportement des personnes cherchant un emploi (EC22-2/15F, $0.00)
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*20. Migration, Employment, and Income (EC22-2/20, $0.00)	Thomas J. Courchene	†20. Migration, emploi, et revenu (EC22-2/20F, $0.00)
*21. Research and Experimentation in Labour Market Search Behaviour (EC22-2/21, $0.00)	Dennis R. Maki	†21. Recherches et expériences en matière de comportement des personnes cherchant un emploi (EC22-2/21F, $0.00)

Conference Papers and Reports	Author—Auteur	Documents et rapports de colloques
National Conference on Labour-Management Relations (1964) (EC22-364, $2.00)		Colloque national sur les relations patronales-ouvrières (1964) (EC22-364F, $2.00)
National Conference on Labour-Management Relations (1967) (EC22-367, $2.00)		Colloque national sur les relations patronales-ouvrières (1967) (EC22-367F, $2.00)
Conference on Stabilization Policies, Report of the Conference at University of Western Ontario, August 1965 (EC22-665, $3.00)		Colloque sur les politiques de stabilisation, Rapport du colloque tenu à l'Université Western Ontario, août 1965 (EC22-665F, $3.00)
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