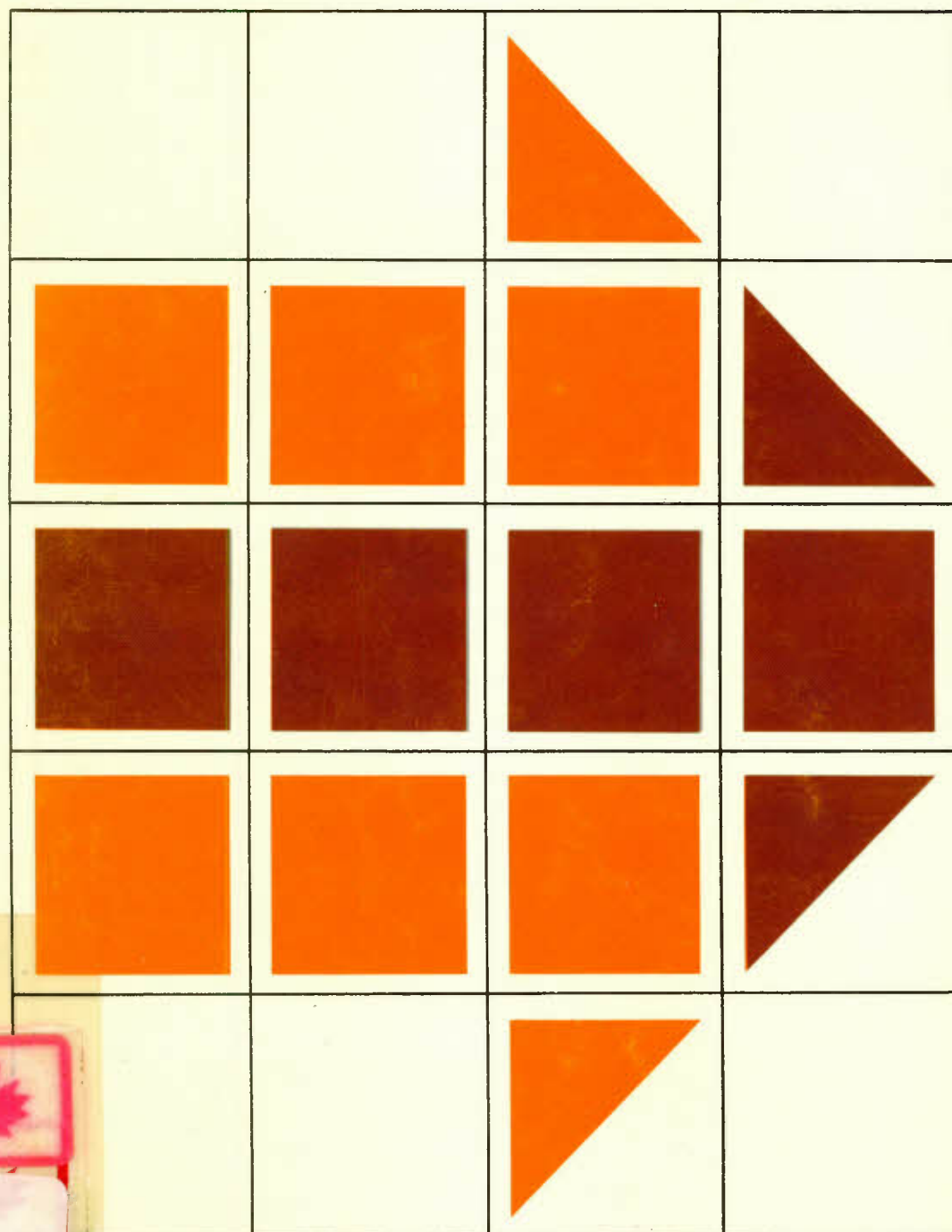


National Economic Conference

The Outlook from 1973



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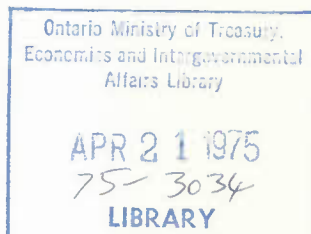
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**Report of the
National Economic Conference**

The Outlook from 1973

Montreal, December 12-14, 1973



Sponsor: Economic Council of Canada

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Introduction

The National Economic Conference is a new institution whose main objective is to facilitate decisions on basic Canadian issues.

It will pursue this objective mainly through annual conferences in which business and labour leaders, and representatives of consumer and other interests, can seek a consensus on national goals and priorities, and on recommendations for government and industry policies and programs.

This Report describes the preparation for, and the proceedings of, the first such annual conference, held in Montreal, December 12 to 14, 1973, under the auspices of the Economic Council of Canada.

This first meeting was experimental. It concentrated, in general, on economic issues and, in particular, on the economic targets established by the Economic Council for the Canadian economy as a whole and for its various industrial sectors.

In the judgment of the participants, this first conference was generally successful, though not without the difficulties that attend innovations.

There was a useful exchange of views that gave a sense of dimension and priority to both immediate and longer-term challenges for Canada. This in itself is no mean accomplishment in a country whose

decision-making process is complicated by regional, economic, and social differences, and by the complexities of a federal state, with its successive layers of governmental interest and responsibility.

The Conference *per se* did not—could not—strike detailed prescriptions for policy. But its discussion was based to a large extent on the detailed views, conclusions, and recommendations in the Outlook Papers prepared in advance by 16 Industry Committees, whose work provided the real foundation for the Montreal sessions.

The Conference Report begins with the opening remarks of the Conference Chairman, John J. Deutsch, and includes a narrative of the proceedings and the Conference Statement.

A supplement to this Report contains the 16 Industry Outlook Papers, the special economic background papers presented to the Conference by the Economic Council, other submissions to the Conference by certain participants, and a list of other documents that are available upon request from the Conference Secretariat.



"I am delighted to be present at the first National Economic Conference . . . because this Conference, and its successors, will enable us all to focus on some of our common goals or objectives. It is this emphasis on looking ahead, and of developing a planning framework covering the economic, political, and social fields that I have found particularly appealing in the work of the Economic Council in recent years.

When the Council in its Review last year recommended to me, and to the Canadian public, that a national economic meeting be held annually, my colleagues and I fully supported the idea. I think that the Chairman of the Council, Dr. Raynauld, and his staff are to be commended for the thoroughness with which they organized this first Conference. It is my hope that we shall all—whether we be from the business, labour, farming, fisheries, consumer, environmental, government or academic communities . . . find our discussions sufficiently useful to make this Conference an important institutional feature of Canadian life.¹"

—The Right Honourable PIERRE ELLIOTT TRUDEAU,
The Prime Minister of Canada

¹See Notes for Remarks by the Prime Minister to the National Economic Conference, Montreal, December 13, 1973, in the Supplement to this Report.

The Need for Decisions

Introductory Remarks

by

JOHN J. DEUTSCH

Chairman of the Conference

In their preparatory work for this Conference, the 16 Industry Committees worked under considerable pressure to deal with very complicated sectoral matters, and to identify a number of issues that are of national significance. Before reviewing these issues, it will be useful to assess briefly the economic environment in which they have emerged.

Our Basic Potentials

No matter from what standpoint one examines our basic Canadian situation, we have enormous potentials in this country. Despite the current energy problems, we are one of the few highly advanced western industrial countries that can be basically self-sufficient in energy. Also, in a world of rapidly growing population and pressure on food supplies, we in Canada are amply supplied with food. And in a world where the supply of exhaustible raw materials is becoming



an international problem, here again we are endowed with ample resources.

Economic development depends to an important degree on the level of available savings. In Canada we have one of the highest rates of savings amongst the industrial nations of the world—higher rates than the United States. Another ingredient of economic growth and progress is, of course, technological knowledge. We have had, for a long time, splendid access to the world's best technology. Also we have a relatively highly educated population and a skilled working force. Moreover, we have a very young working population.

If Canadians will look at their position from all these points of view, they must conclude that their potentials are very large, and more favourable than those of most other countries. We ought to remind ourselves of this plain fact when we approach our problems. Our ability to solve our difficulties should be vastly greater than in many other places. We should keep a sense of proportion about these things.

Our difficulty is not that we lack in basic essentials. Our problem is to transform these potentialities into reality. And this brings into question our ability to make the right decisions, at the right time, in the right way.



The Capacity Problem

The various Committee Outlook Papers have a number of themes in common and one of these is that a large number of industries, including the very basic industries, have recently encountered capacity limitations. This lack of capacity produces significant shortages: in basic materials, including steel; energy; some of the nonferrous metals, such as aluminum and copper; basic chemicals; and food. In many cases, these shortages are worldwide.

The shortage of production capacity creates two sorts of circumstances. First, there is an expansionary effect, created by the very big incentive to build new facilities—hence the forecasts of strong growth in private investment. On the other hand, the pressure to establish this new capacity will create heavy demand on the very materials that are so scarce, such as steel.

Among the capacity requirements are a number of very large energy projects—larger than anything Canada has ever tried. There are four or five of these in the works for the next decade, and some will be started during the next three or four years. Thus we may have a serious “bunching” problem that will aggravate the shortages of materials and also the

pressure on savings. However, the savings needed as a proportion of GNP are not beyond what has been accomplished in the past, provided we can spread out the demand in a reasonable way. This will impose problems of planning on government and on private industry.

The Energy Problem

This Conference has coincided with a state of uncertainty about the extent of energy shortages and the extent of the energy price increases. Such uncertainties cause hesitation. These may be more serious in the United States than in Canada. But if so, the impact on the American economy will also be felt by us.

In Canada itself, the uncertainty is not that great. Ours is more a problem of decision-making than of actual supplies. This is a typically Canadian problem—the difficulty of making decisions in a very regionalized economy and a complicated federal state, with its several layers of sovereign governments. This is what we are mainly confronted with in this energy problem.

The urgent need to clarify the decision-making process is also important in the longer view. While



we may not have an overall energy shortage now, we cannot take that for granted, because the resources we now are using are going to be declining in the late Seventies and early Eighties. We have to bring new resources into play, and they will be much more costly; they are frontier resources, which are ample but involve heavy investment and long periods of planning and gestation. If we delay too long in making these decisions, we may run into another crisis at the end of the Seventies—a much more real energy crisis than we have today.

The Inflation Problem

Canadian attitudes towards inflation now are very difficult to discern. In many quarters there seems to be a “We can’t beat it so let’s join it” sort of attitude. This *may* be a realistic approach. Certainly we should not trade off conformity with certain abstract goals at the cost of high unemployment, which is another approach.

But the tendency now to say “We’ll just have to live with it”, which may be very realistic, nevertheless invites certain problems and instabilities. One of the serious instabilities—and I use the word advisedly—is that it is causing grave inequities in our system and,

inevitably, distortions that cannot be maintained. Various groups in our society now are suffering from recent inflation: income distribution is being skewed; some of our labour groups are not keeping up with the rate of inflation. This is going to have repercussions, and we should be aware of this in the future when people try to right this situation. The rate of inflation in recent months has been running ahead of the improvements in earnings in some instances. Also, we now have negative real interest rates in certain cases.

Obviously this situation cannot continue. While we can say, “Well, we’ll live with the problem of inflation”, there also needs to be an ability to deal with the inequities and distortions that it produces. We have to find ways of dealing with this; we have not yet done that.

The Manpower Problem

Canada now has bottlenecks caused by manpower shortages. The things that need to be done to expand capacity and remove shortages impinge heavily on skilled manpower—not only skilled trades, but also technical and professional manpower. If we are

Very often, governments intervene because of tremendous deficiencies in our system . . . at times the system does not permit them not to intervene.

Jean-Luc Pepin

going to meet our problems, we will have to make special efforts to develop more of the skilled manpower we need, in the places we need it. New efforts are needed by business, by government, and by labour, to cope with this, and to provide opportunities for Canadians to find employment in the kind of world into which we are heading.

Also, we must plan to reduce the impact of the particular manpower shortages. These will occur at a time when Canada will continue to have problems providing adequate rates of increase in employment as a whole, with the labour force growing by about 3 per cent a year. One reason for this difficulty is that the expansion will occur in a way that is not consistent with the distribution of the labour force itself. We have surpluses of labour in places where the expansion is *not* going to be concentrated—places such as the Maritimes, Eastern Quebec, and the nonurban areas generally. The expansion will be heavily concentrated in urban areas and on the frontier. This mismatch is a deep-seated Canadian problem that we have not solved. We have to tackle this problem if we are going to maintain an adequate level of growth and employment as a whole.

Pollution also is a common item in the Committee Outlook Papers. In this area, there are uncertainties about policy. The basic objectives—very desirable

ones—have been stated. But very often the costs and the trade-offs have not been stated, and this creates uncertainties. We need clarification of policy here.

The Biggest Problem: Making Decisions

So much for the main themes. It all comes down to a problem of decision-making in a very complex country and in a very complex society. The decisions will be difficult to make, because they cut across governments, business, labour, consumers, and across various industries. How to get these decisions made effectively, and in time, is really the basic question.

In almost all of the matters I have mentioned, we are dealing with long lead times. The outcome, the solutions, cannot be obtained in less than five or sometimes ten years, even if we begin right now. This means that we do not have much time to lose. The decision-making process must be made to work more rapidly.

One of the reasons for this National Economic Conference is to provide opportunities for those who make decisions—business leaders, labour leaders, and others—to see whether, by an exchange such as this, they can improve the decision-making process.

Proceedings



The Economic Setting

Wednesday Evening, December 12th

The Conference opened with a presentation by the Economic Council of Canada of a number of key assumptions underlying the Council's medium-term economic targets. The purpose of this presentation, and the subsequent discussion, was to get a measure of agreement on the probable impact of these factors on industry prospects through the years 1974-76. Four principal factors were discussed—the international setting, the government sector, population trends, and growth prospects for individual industries consistent with the Council's targets for the economy as a whole.

Dr. Raynauld, Chairman of the Economic Council, pointed out in his opening remarks that some agreement was necessary if the Council's objectives and economic targets were to influence business decisions. A framework was provided to permit decision-makers in both the private and public sectors to plan by objectives. These objectives represent a potential performance achievable in the coming three or four years. The Council's performance indicators summarize the objectives for the economy as a whole,

to be tested by the judgments and experience of the 16 Industry Committees and other delegates at the Conference. With some agreement on the national potential and objectives, delegates could better assess the potential for each industry, and identify policy recommendations, issues, bottlenecks, and trade-offs.

International Setting

It was noted that the Council had called for a relatively strong target for Canada's exports and an even stronger growth for imports. International events have moved quickly since preparation of the Council's assessment for its Tenth Review.² In particular, the reduction in Arab oil exports on top of an already restrictive energy position indicated that the growth in output would be severely curtailed in the United States, Western Europe, and Japan. The duration and full impact of these constraints remain uncertain, but the absence of significant growth by Canada's principal trading partners, especially the United States, if it occurred, could significantly reduce the growth of output in Canada and could create distortions in particular sectors of the economy.

²Economic Council of Canada, *Tenth Annual Review: Shaping the Expansion* (Ottawa: Information Canada, 1973).

There was very considerable scepticism that the targets which the Council set as desirable for the rate of growth of transfer payments would be respected by governments.

William Hamilton

A number of other international developments, such as changes in the exchange rates of currencies, rapidly shifting prices of many of the principal commodities in world trade, and movements of international monetary reserves, add appreciably to the uncertainties overhanging Canada's economic prospects. Even so, the discussion emphasized that the Conference should proceed on the assumption that, for the years 1974-76 taken as a whole, world commerce and other international economic events would not severely reduce the generally favourable outlook for the Canadian economy.

Government Revenues and Expenditures

Many features of government policy were discussed during the assessment of the economic setting. The Council's outline of the rapid growth of the government sector was noted, with particular attention to the Council's observation that the *rate of increase* in transfer payments to persons should be reduced from that of recent years unless substantial offsetting reductions in other government expenditures are made. The very real difficulties of reducing government current expenditures and capital investment outlays were noted, especially in the face of substantial requirements for urban improvement, expanded

transportation facilities, and for social welfare and development. Even though government expenditures on education and health might experience some slackening in the rate of increase, other programs, especially as more large-scale resource projects are put in place, seem certain to call for increasing government participation. Effective tax rates can be expected to increase, and the demands placed on the economy by the government sector will continue to impose inflationary pressures. These pressures will be particularly strong if supply shortages and bottlenecks continue through 1974-76.

Spokesmen for several industries stressed the need for co-ordinated target-setting by the three levels of government so that decisions could be made in government and industry with the benefit of a more certain appreciation of longer-term government intentions.

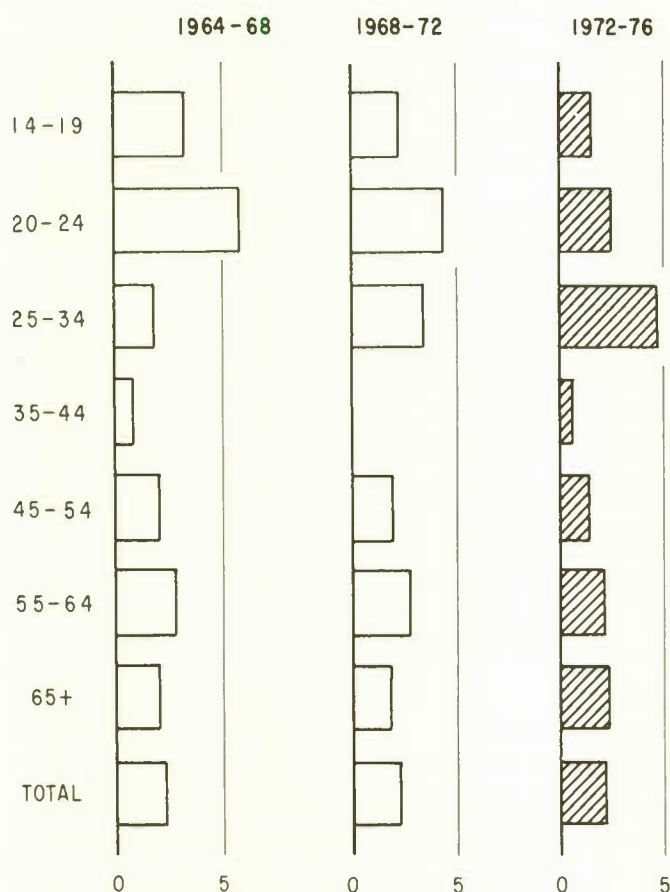
Population Trends

Population trends were discussed in terms of the changing age structure of the population, an assumption of net immigration of 100,000 persons a year, and the implications of these changes—and of changing participation rates—on the available labour force in Canada.

Surely these transfer payments constitute a necessary and a direct response to increases in the basic cost of necessities.

Maryon Brechin

**GROWTH IN THE WORKING-AGE POPULATION,
BY AGE GROUP**
(Average annual percentage change)



The working-age population, aged 25 to 54 years, will grow more rapidly in the period 1974-76 than it has at any time since the early 1950s. While the country thus faces the challenge of job creation to absorb this large growth in the work force and to reduce unemployment, the availability of these workers offers a unique opportunity for Canada to achieve a wide range of economic and social objectives. The growth of the younger population will be less rapid than during the past decade, easing somewhat the task of finding jobs for young new entrants into the labour force, who have not yet acquired the necessary skills and experience for secure job attachments.

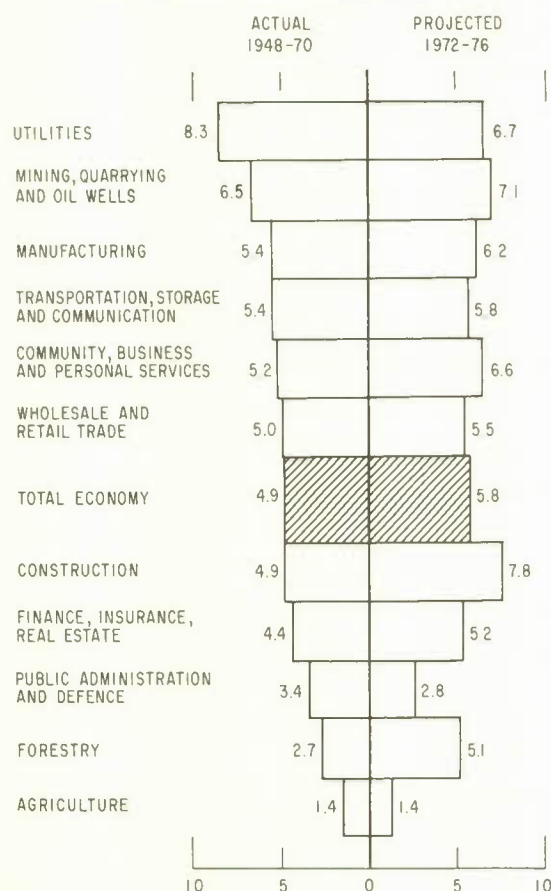
Industry Performance Targets

To relate the above broad assumptions about the economy to the performance and targets for particular industries, the discussion on Wednesday evening considered some of the Economic Council's targets for individual industries. Four main points emerged:

1. The 1972-76 growth target of 6 per cent a year in real output for the economy as a whole is consistent with wide variations in the performance of



INDUSTRIAL OUTPUT GROWTH
(Average annual percentage change)



SOURCE: Economic Council of Canada, *Tenth Annual Review: Shaping the Expansion* (Ottawa: Information Canada, 1973), Tables 7-1 and 7-2.

individual industries—for example, an annual average growth of about 2 per cent for agriculture, but 7 per cent for utilities.

2. Growth rates for any industry can change appreciably from one period of time to the next, but the sum of these changes, and the structural shifts that they imply, can still yield results in total that are consistent with the target performance of the economy as a whole. For example, construction and the finance, insurance, and real estate industry, as well as others, are expected to grow more rapidly over the 1972-76 period than they did in 1968-72. This stronger growth performance is consistent with a more rapid rate of expansion for the economy as a whole in the years 1972-76.

3. Structural shifts within industries and among industries are important even though they might not appreciably alter the overall performance targets. For example, the utilities are capital-intensive. A strong rate of advance in their output will require large outlays in plant and equipment, but only moderate additions to their work force. Many of the personal and commercial service industries, on the other hand, could achieve a comparable increase in output by much smaller expenditures on plant and equipment, but with much more employment. In



addition, the demand . . . for goods and services from other industries in Canada or abroad would differ appreciably between utilities and personal services. The way in which the growth in output for the economy as a whole is spread among various industries, therefore, can place different demands on other sectors and regions of Canada.

4. For the most part, the discussion of the performance prospects of the principal industries revealed a pattern of development for the Canadian economy for the years 1974-76 consistent with the performance targets set down by the Economic Council. Uncertainties about the future course of the energy situation and other supply constraints in Canada and abroad figured largely in the assessment of whether the targets would be met.

Working Groups

Thursday, December 13th

The large number of issues and recommendations raised by the 16 Industry Committees could not be adequately dealt with in so short a time, especially in plenary session. To facilitate discussion, five

working groups were established. Each group began by assessing three or four of the Outlook Papers prepared in advance of the Conference by the Industry Committees. Group leaders and rapporteurs opened the afternoon plenary session by briefly summarizing the morning discussion of their group.

Outlook Papers were assigned to each group as follows:

- | | |
|-------------|--|
| Group One | Construction; Electrical Products; and Forest Products |
| Group Two | Energy; Chemicals and Chemical Products; and Textiles and Clothing |
| Group Three | Mining; Metal Fabrication; and Financial Services |
| Group Four | Transportation and Communications; Transportation Equipment; Education; and Health |
| Group Five | Agriculture; Food and Beverages; and Retail and Wholesale Trade. |

The summary reports to the plenary session on Thursday afternoon could not deal with the large number of recommendations for specific action to take advantage of emerging opportunities or to overcome particular difficulties. Much of the value

One serious message from industry is a real apprehension that they cannot get on with the job of forward planning because they are feeling a special concern about the inadequacy of communication and effective consultation between industry and government. One point we could really put forward is a plea from this Conference for a reduction of the postures of confrontation that are so much in the air just now, and a greater sense of self-imposed Canadian discipline to get on to doing some of these jobs together.

S. R. Blair

of these specific recommendations will be apparent in the follow-up work by Committee members and by others in industry, government, and the public at large, who are interested in the economic targets.

Group One—Construction; Electrical Products; and Forest Products

Group One looked at the opportunities and issues facing each of the three industries but was not able to find many common areas of discussion. The *construction* industry is mainly affected by economic activity within Canada; the *electrical products* industry is much concerned about competitive imports; and the *forest products* industry, by markets for its exports. Each industry, therefore, viewed Canada's economic prospects and government policy from a different perspective.

For the *construction* industry, major concerns were the instability of construction activity, and labour-management relations—the latter greatly affected by the instability. Progress has been made in labour-management consultation in the construction industry, but much more was thought to be possible. Labour representatives recommended that they be consulted to a greater extent on other policies such as taxation and commercial policy.

Instability in the industry would be greatly reduced if business and government would adopt longer-range planning techniques that would permit better delivery of construction services, materials, labour supply, and financing. More advance planning of large-scale projects would ensure that the design, the labour, materials, and financing are programmed smoothly into the projects. Governments have a special responsibility regarding the large projects in which they are heavily involved. The discussion of construction instability was somewhat inhibited because the subject is under intensive study by the Economic Council of Canada, and delegates from the construction industry want to examine the results of the Council's study before going much further with their own independent recommendations.

Concern was expressed during the discussion of the construction industry that too little attention is being paid to major social factors such as land use, land speculation, urban development, and the impact of institutions such as CMHC and other government agencies. Insufficient attention is being paid to the long-term effects of these factors on Canadian society and on industries. It was emphasized that future conferences must deal with the interrelationships.



and with social impacts and social objectives, not just with the production processes.

The second industry dealt with in Group One was *electrical products*. The products of this industry serve a wide range of markets—from minor household items, to construction projects, to large industrial installations and sophisticated, ever-changing, electronic equipment. Over much of this product range, a principal concern of business remains the protection of the Canadian market from imports. However, it was also recognized that manufacturers in Canada are increasingly able to achieve a scale of output for some product lines that permits the industry to compete in world markets. The pursuit of that objective requires a commercial policy that will reduce or eliminate nontariff barriers to the entry of Canadian products in the markets of other countries.

Labour delegates pointed to the need for far more consultation between labour and management in the preparation of an industry's outlook position, and noted in particular that the Committee's views on labour legislation were not representative of labour's views on that subject.

The third industry dealt with in Group One was the *forest products* industry. This is made up of three

principal parts—logging operations, the manufacture of pulp and paper products, and lumber and other wood products. Although considerable differences exist from one part of the industry to another, the three broad segments are closely integrated with one another. The increasing use of waste and by-products from the wood operations for pulp and paper manufacture makes the integration more pronounced.

Logging operations experience problems common to most primary resource sectors—instability in operations, overlaid by seasonal factors, and difficulty in attracting and retaining skilled operators under the living conditions in sparsely settled, remote areas.

Much of the discussion of forest products centred on external market conditions and on government policies in Canada, especially regarding taxation and regional or provincial incentives for new capacity—often without sufficient regard to their overall impact on the industry. Maintenance and expansion of the industry's competitive position in world markets were linked with recommendations that the industry's tax burden be eased and that governments avoid the encouragement of noncompetitive plant expansions to serve local or regional development policies. The forest products industry is capital-intensive and such plant expansions burden the industry with substantial



carrying costs, especially when total plant capacity is underutilized after a period of sizable capital investment.

Group Two—Energy; Chemicals and Chemical Products; and Textiles and Clothing

Certain common points emerged from the discussion of these three industries. The group discussion confirmed the Economic Council's view that the Canadian economy is approaching its present potential plant capacity. New investment is needed in these three industries to meet strong future demands, but certain problems must be resolved to justify that investment:

1. The return on investment must be commensurate with the investment risks incurred.
2. The decision-making process in the private and public sectors must be improved upon, especially to improve the ability of these industries to make long-term plans.
3. The adversarial attitude between industry, governments, and labour should give way to more consultation and co-operation for common objectives in the best interest of the country.

4. Major uncertainties must be removed. Examples: the forthcoming GATT negotiations, inflation policy, and decisions regarding energy.

5. Industrial priorities are required to allocate financing and manpower effectively.

6. Stability in financial markets should be improved, especially in the face of rapid changes in government legislation and regulation.

Specific observations also were made concerning each of the three industries in the group. In addition, the discussion of the energy situation figured largely throughout the entire Conference proceedings as a major determinant of Canada's ability to reach the performance targets in 1974-76.

Among the main points made about *energy* in the working group discussion were the following:

1. Canada could encounter an energy shortage, especially of oil and natural gas, in the late 1970s and early 1980s. To ensure an adequate supply of energy for Canada's own needs at that time requires government policies and decisions *now*. These policies must retain incentives to develop the huge but higher-cost energy reserves of this country.



2. A rigid price structure should be avoided, especially during this period of uncertainty and transition.

3. Direct consultation is essential between leaders of all types of energy projects, private and public, to ensure an effective approach to Canada's energy needs.

For the *chemical* industry, the following points received special mention in the summary of the group discussion:

1. There is a tremendous new opportunity for Canada's chemical industry. The industry can make a substantial contribution to Canada's economic development, but it will require public recognition that the opportunity exists and merits support so that the industry can achieve its full potential.

2. The problem of plant scale in the small Canadian market continues to plague the industry. However, opportunities are beginning to open up for some parts of the chemical industry, especially petrochemicals, to gain access to world markets and thus overcome the disadvantage of operating small plants.

3. Shortages likely will exist for three to five years for a number of the essential chemical building

blocks. These shortages will be worldwide. As a result, we will not be able to follow our usual practice of meeting shortfalls in Canadian production by importing additional supplies. However, the world shortages add to Canada's opportunities to sell in world markets.

4. The essential linkage of chemicals to production in other industries makes shortages of vital chemical materials hazardous to many industries in Canada.

For *textiles and clothing*, the working group found that the industry faces new opportunities to develop and expand in the years ahead. They rest partly on the increasing dominance of man-made fibres and fabrics, and the possibility that Canada may be in an improved competitive position to supply and use them. The industry's potential should be recognized and supported. To do so requires the maintenance and improvement of textile policies that have assisted the industry in recent years. A re-examination of commercial policy is necessary to meet the various needs of the industry. In particular, "greater realism" is needed in the tariff-negotiating position. The details of that "greater realism" were not elaborated upon in the report of the discussion group.

I was disappointed to note the absence from most of the papers of any significant direct mention or concern with the innovative state of the industry, the state of design application in that industry. The innovation and well-designed product, system, or service has great market power.

Sonja Bata

Group Three—Mining; Metal Fabrication; and Financial Services

The working group was in general agreement with the economic outlook presented by the Economic Council and the Conference Chairman's opening remarks. The major reservation was that the price indicator was too low. The group anticipated a higher rate of inflation. Spokesmen for the *mining* industry anticipated a lower rate of growth for that industry than the Council's target for the industry to 1976.

Spokesmen for organized labour took strong exception to some of the views in the mining and metal fabrication papers, and were critical of the lack of opportunity for labour to participate fully in the preparation of the Outlook Papers.

The group highlighted the need for an improved statistical base for decision-making in the private sector. This would call for a complete review of the statistics-gathering systems and classification, to achieve statistical groupings more useful to the decision-maker's needs.

The working group pointed out that, after allowing for rising costs, real profits are declining. Ac-

counting systems must be based more on "inflation accounting" in which replacement cost, not original cost, is the basis for depreciation allowances.

Commenting on the Economic Council's Review, the group wanted the recommendations sharpened and made more specific. For example, it wanted more details on what the Council had in mind regarding the limitation of rates of increase in government expenditures.

The group called for a stable consistent framework for government planning, to remove some of the uncertainties facing business planners.

An integral part of government planning would be a clearer expression of views on the role of the manufacturing and service industries compared with the dominance of primary resource industries in Canada's export potential. Expanded foreign markets and the pricing of products for export were regarded as key factors in reaching Canada's economic potential.

There was no objection in principle to immigration of skilled manpower provided that standards of wages and working conditions are not lowered and that the skills are not available in Canada, or cannot be readily supplied by upgrading the skills



of unemployed or less satisfactorily employed members of the labour force.

For the mining industry, it was noted that there is no basic shortage of minerals in raw form, but there are bottlenecks in processing and in the delivery of minerals to markets. It was also noted that Canada's position as a world supplier of minerals is weakening, as its most readily accessible reserves are being run down. There are no assured new reserves, and those that do exist will be mined and delivered at higher cost.

Living conditions in remote areas, and working conditions in the mines, must be made sufficiently attractive to encourage young people to live and work in mining areas.

Metal fabrication in Canada was considered to be, for the most part, efficient and technologically advanced, by world standards. Labour productivity is high, especially in those operations that can support world-scale plants.

Plant capacity in metal fabrication is now highly utilized. Demand policies and project planning are needed to avoid unnecessary additional pressures on supply.

There was a good deal of discussion of *financial services*. The following were among the points raised in this working group:

1. Inflation encourages the movement of capital out of productive uses and into nonproductive uses, such as land holdings, gold, antiques, and works of art. Incentives are needed to bring capital back into productive purposes.

2. Canada will continue to need to import capital, but the requirements should be relatively small, given our high rate of saving and expanding economic base. Many estimates of reliance on foreign capital to meet our large requirements probably overstate the need for capital imports. In spite of the possibility of greater financial self-sufficiency, international capital flows into and out of Canada are likely to become increasingly evident.

3. Far more information and study is needed of financial relations, financial institutions, and financial flows. The current study by the Economic Council was commended as one way of filling this need. The view was also expressed that systematic

Central government policies are required which provide a sense of economic development. Some people tend to call this an industrial strategy, and so do I.

Henry de Puyjalon

preparation for future sessions of the National Economic Conference could make a valuable contribution to an improved understanding of financial markets and financial services.

**Group Four—Transportation and Communications;
Transportation Equipment;
Education; and Health**

The time available to the working group was far too short to do justice to four industries, each of which contributes prominently to Canada's economic and social well-being. Each of these industries has important linkages with other industries and sectors. Taken together, they perform vital support functions for the whole of Canadian society. The working group found that neither it nor the Conference had adequate time to discuss these essential interrelationships.

The working group concluded that there is a vital need to define the role of governments in these important fields. More combined government, industry, labour, and user-consumer involvement is essential if objectives are to be defined and pursued.

Transportation and communications; education; and health will always have a substantial input from governments. The discussion did not call for less

government involvement but rather for clarification and co-ordination of the roles of various levels of government.

The Outlook Papers of the Committees were generally acceptable. Labour delegates to the Conference pointed out that they had not adequately participated in the preparation of the Papers, and in them. Labour delegates favoured retention of shipbuilding subsidies, as did representatives of the *transportation equipment* industry. They also said that labour should have a larger voice in tariffs and subsidy policies.

The transportation and communications Paper was light on the communications side, considering the important technological developments taking place in that industry.

For both transportation and communications, new opportunities for improvement and expansion were seen. Canada already has, by world standards, efficient services in both fields, and is in a position, especially through specialization, to compete internationally in supplying equipment and systems.

Transportation equipment manufacture is dependent upon policies devised by people making

Rarely does any paper speak about the role of the provincial governments. The fiscal, environmental, and other policies evolved by the provincial governments could play havoc with any of the papers presented or indeed with the federal government.

Tibor Gregor

transportation policy. Integrated transport systems require considerable consultation by all people involved and the careful development of long-term objectives and policies. It was pointed out that much of transportation policy is made at provincial and even at urban levels, making more difficult the formulation of an integrated national policy.

In *education*, much of the discussion centred on the impact of the changing age structure of the population, and on changing social objectives. The education system has been expanded to serve the large number of children of the past decade. Now, especially at the primary school level, the supply of teachers and buildings is greater than needed, as the bulge in the population moves into older age groups. A further complication is imposed by the rapid shifts in location. Superimposed on the growth of urban centres has been population settlement in city suburbs, necessitating provision of new schools and transportation systems to serve the shifting population.

Technological advances in providing information greatly enhance the potentials of the educational system. However, the group concluded that the objectives of education have not been thoroughly explored. Changing preferences for education, as it becomes a

continuing part of adult life, are not being fully served. There is no mechanism for assessing new market needs. The need to provide a general education was recognized so that people can adapt to a rapidly changing world. The motivations for education need to be sharpened, to meet the needs of "stopouts" (students who drop out of the system but only for a time, often because of disenchantment with what the educational system has to offer them).

Health services suffered most from the lack of time for further discussion in the working group. The Committee's Outlook Paper was generally accepted as being a good assessment of the direction in which health services are moving. The following points were made during the discussion:

1. There are fundamental problems in the delivery of health services to the population. Many of these are outlined in the Committee's Paper.
2. There is a need to develop socio-medical performance indicators to measure the efficiency of the system.
3. The main thrust of health services should shift from curative to preventive activity; for example, in community health centres and chronic care centres. This would reduce the concentrated



doctor/hospital-controlled system in favour of a greater provision of supporting para-medical services.

4. The cost-sharing provisions for health services require re-examination, with more responsibility left with provincial governments.

5. There is a need for greatly improved health services in remote areas and for native peoples. This takes on added importance as industry and settlement move more and more into these areas.

Group Five—Agriculture; Food and Beverages; and Retail and Wholesale Trade

These three industries are all involved in the flow of food products from the farm to the consumer. Each, of course, also has interests separate from the others. For *agriculture*, world markets and imports into Canada are important additional considerations. For *food and beverage* processing, imported agricultural produce and processed food and beverage products are significant. For *retail and wholesale trade*, the marketing of many lines of products, many of which are imported, represents an extension of interest beyond the food and beverage trade.

The recent rapid price increases in agricultural and food products, and the closely related question of shortages and bottlenecks, occupied much of the group discussion. However, while supply shortages in the face of a strong world demand were recognized as a serious problem, there was disagreement in the group concerning its relationship to price increases. Price instability for agricultural products continues to be a matter of serious concern, and inflationary pressures arising on the cost side are worrisome because earning margins for any line of agricultural production can suddenly be narrowed or eliminated as prices fluctuate. For many products, prices are determined by world demand and supply, whereas costs of production reflect pressures within Canada for materials, labour, capital equipment, transportation, fuel, and financing.

Long-range national planning of the supply and demand of agricultural products was seen as a means of reducing instability.

Income maintenance and stabilization remains a central issue for farmers, and a widely accepted goal. The increased use of marketing boards was seen as one possible way to achieve greater stability of farm incomes. The question of national marketing boards needs to be examined in this context, as does



the question of representation by other interest groups, such as consumers and distributors.

Another concern of agricultural interests is the financing of farm credit, not only for investment financing of plant and equipment, but also for financing of operations through the agricultural season. The view was expressed that the chartered banks should play a larger part in financing the needs of farmers than at present.

Canada's commercial policy did not receive a unanimous expression of views. Fruit and vegetable growers, in particular, recommended protection of the Canadian market, whereas some other farm groups, notably grain growers, are more concerned about better access to world markets. Similarly, food processors wanted to be able to call upon world sources of supply without barriers of entry to the Canadian market.

Labour delegates noted the absence of adequate labour representation on the committees. Three matters of concern to labour were singled out for special mention:

1. The need, especially on the Retail and Wholesale Trade Committee, for more labour representation.

2. Exception was taken to a suggestion that welfare payments were so high, relative to earnings, that they reduce the motivation to seek and hold employment. This relationship need not imply lower levels of welfare payments.

3. The extent of injury to the retail and wholesale trades attributed by the Committee to the railroad strike, and the resulting disruption in supplies, was questioned.

The importance of transportation services to this group of industries merited special mention and discussion. Transportation bottlenecks and the structure of freight rates were held responsible for many of the difficulties of these industries. An improved, well-coordinated transportation policy and system are of paramount importance.

More dialogue between producers, processors, distributors, consumers, and governments was recognized as a factor that could make the agricultural-food system more effective.

Broader policies leading towards a national food plan were regarded as valuable.



Remarks of the Prime Minister

Thursday Evening, December 13th

In his address to Conference delegates, the Prime Minister spoke about the contribution that the National Economic Conference might make, and about some of the plans and programs of his government. The excerpts contained in this part of the Report deal with the remarks that are closely related to the Conference activity. Notes for remarks by the Prime Minister are reproduced in the Conference Supplement.

The Prime Minister began his talk with reference to planning by objectives, or management by objectives, which has been successfully developed by business during the past 25 years.

"We in the public sector have been busy more recently developing such techniques for our own use. Our government has made a good start in applying these techniques to government at the federal level and we hope to refine and improve our capabilities

over time. As you can well imagine, the range of objectives facing any government, and the instruments available to help meet the objectives decided upon, are considerable. Governments in democratic societies are elected to exercise leadership by making these choices, but because focusing on one set of goals often means the sacrificing or down-playing of others, governments are often criticized for being discriminatory, inconsistent, or deciding matters of state on an ad hoc basis depending primarily on the pressure of events or of people.

"I would put forward another view. Governments, to use the phraseology of the economist, must have a general equilibrium view of the world. That is, objectives must be set, and priorities chosen, not only in the economic area but also in the social, political and cultural areas. This process involves balancing objectives against objectives and in particular balancing the rights and needs of the individual against the requirements of the collectivity."

The Prime Minister called on Conference participants to "state ever more clearly both what your objectives are and how they can be reconciled to the national interest. A clear sense of self interest, and equally, the willingness to weld these interests into



the larger framework of the common national good is what I am asking of you." He proceeded to sketch out the economic framework to which the government is committed. "We expect that it will provide the environment in which it will be possible to meet or better many of the performance targets that the Economic Council has set out for us. Yet in the short run, the severe restraints on growth in terms of certain types of manpower and materials shortages in Canada, and especially abroad, will complicate our task and it will complicate your task.

"For the longer term, if we are unwilling to accept the neo-Malthusian gloom of some of the futurists, it is clear that there is an emerging global situation that will alter favourably Canada's economic opportunities."

He concluded, "Canada, because of our resource endowment, will be in an extremely favourable position well into the intermediate and possibly the longer-term future. To the extent that we are able to meet these enormously expanded economic opportunities of the future, all of our other objectives—cultural, political and social—will become that much easier to attain. This we must do together."

Economic Targets

Friday Morning, December 14th

André Raynauld, Chairman of the Economic Council of Canada, identified the purpose of Friday morning's session as fourfold:

1. To sharpen the focus of the National Economic Conference;
2. To assess the medium-term economic outlook;
3. To compare and integrate the industry prospects of the Committees with the national performance targets of the Council; and
4. To examine the possibilities of extensions and uses of this target framework.

"As originally conceived, the aim of the Conference was to bring together representatives of diverse, if not divergent, interest groups, going beyond the professional associations in order to facilitate and widen understanding between consumers, producers, labour, investors, savers, ecologists, government, and others, so as to develop and formulate the necessary trade-offs if a minimum consensus is to be achieved in our society. It was also hoped that industry guidelines such as those developed in the performance



indicator framework would become focal points, both for more consistent overall industrial policies and for better decisions by each one of you. Finally, the Economic Council wants to improve its own work through these meetings because we believe we have something to learn from you."

Dr. Raynauld outlined the general setting of the present energy situation. "The impact on the Canadian economy of the reduced supply of energy will come from two sources: first, from the indirect effects of reduced exports to our main trading partners and especially to the United States; second, from the direct domestic effects of energy constraints on the Canadian economy. At the present time, the first effect, via exports, appears to be much more important than the second (since the deceleration of export growth will actually involve a reduction in expected output, while the domestic pressures will be felt primarily in prices and not in production). It is therefore necessary to have a view of the U.S. economy under the strains of oil shortages, as well as one of Canada itself."

In order to focus discussion, Dr. Raynauld put forward his own assessment of the possible impact of the energy shortages on the U.S. and Canadian economies. He commented that his "post-energy

forecast for 1974 implies a substantially weaker economy than had previously been assumed by most analysts. But, it is not as weak as what now seems to be assumed by this Conference with its continuing insistence on material and labour shortages." He pointed out that if his forecast is correct, he would expect the present shortages to abate progressively in the next six to nine months.

"Alternatively, if the shortages are expected to continue, then the overall growth of the Canadian economy is going to be significantly higher than I am assuming here." He then proceeded to assess the impact of the energy uncertainty on the Council's own indicators for the period 1972-76 as published in the Tenth Review. "If the assumption is made that the oil embargo will terminate during the course of 1974, the situation looks much better over the medium term. Even in the absence of important shifts in policy that are almost certain to take place, our 6 per cent output growth rate is reduced by three-tenths of a point and export growth by one point. I have no doubt that the general economic situation will be very difficult to handle in the next few years with respect to both prices and unemployment."

Dr. Raynauld then turned to the third main question—output indicators for industry. "The scope

1972-76 PERFORMANCE INDICATORS

(The national targets set out below represent the Economic Council's view of what kind of economic progress would be reasonable and attainable in Canada over the next three years).

Calculated in 1961 Dollars	Proposed Average Annual Change (Per cent)
PART 1	
Gross National Expenditure.....	6.0
Consumer expenditure.....	5.9
Total investment.....	9.0
Investment in machinery and equipment and non residential construction	12.0
Residential construction.....	1.5
Government current expenditures.....	5.0
Export of goods and services.....	6.0
Imports of goods and services.....	7.5
PART 2	
Real disposable income per capita.....	4.2
Total output per person employed.....	2.4
Output per person employed in manufacturing.....	4.5
Total employment.....	3.4
Differential between Canadian and foreign prices (± 0.5)	
	(Yearly Averages)
Number of housing starts (thousands).....	245
Rate of unemployment in 1975 and 1976 (per cent).....	4.5

In the past, the relationships of prices in Canada and the United States have been close. I would not necessarily suggest that we would have a better price performance than in the United States, although the prospects are in this direction rather than the reverse at the present time.

André Raynauld

and boundaries of the Committees have been defined in a way which is different from the usual statistical categorization. The nature of the Committees thus illustrates very well one of the first difficulties that arise in establishing a dialogue between technicians and decision-makers: the statistical classifications and concepts are often not the ones in use in the real world. For example, a true 'energy sector' does not exist in Canadian statistics. But we now have such a sector in CANDIDE. These conceptual problems, however, are not my main difficulty today. The fact is, as I mentioned Wednesday evening, that only about half of the Committees have been able to present quantitative estimates of what their industries were trying to achieve or were forecasting over the next few years. It is thus impossible to look at the total picture in precise terms. From a cursory reading of the following table, however, one gets the impression that were it available, the overall outlook implied by the Committee reports would not be substantially different from the one we have been able to draw from our latest statistical calculations.

"We seem to be on the high side for mining, wood products, and electrical products. Conversely, we appear on the low side for textiles, construction, and most categories of transportation equipment. In other words, there are no dramatic divergences of

views on the industry outlooks and prospects except, perhaps, for textiles. I take this to mean that our estimates are not outrageously bad and that we should keep on producing and improving them. This also means that the relatively strong economy projected in the Tenth Review is the one that you had in mind when your papers were being prepared. Therefore, the issue is reduced to the likely impact of energy supplies and prices, the same question that I touched upon above.

"I do not intend to present a similar table for employment or productivity in spite of the widespread interest that such figures would generate. The reasoning is that our own work is not yet sufficiently advanced at this level of industry detail, and the information provided by the Committee papers is more scanty in these respects than in the case of output. There is no better example to show that our common work is just beginning and that a great deal remains to be done.

"I might report, however, that ten days ago I was given the opportunity to describe the capital requirements by broad industry groups, that were used as background for the Tenth Review. These estimates were compared to several others and then discussed by the financial and industrial executives present.

REAL DOMESTIC PRODUCT, BY INDUSTRY

Average annual rates of growth

	Actual 1968-72	Estimates before the Energy Crisis 1972-76 ¹	Committee Outlook Papers 1972-76
Agriculture.....	3.1	5.3	n.a.
Mining.....	4.5	7.3	6.6
Energy			
Gas and crude petroleum.....	10.9	5.8	n.a.
Coal mining.....	20.9	16.0	n.a.
Pipeline transport.....	14.3	5.8	n.a.
Utilities.....	8.8	7.7	n.a.
Petroleum and coal products.....	6.1	6.2	n.a.
Forest Products			3 to 4
Forestry.....	0.1	5.1	n.a.
Wood and lumber.....	7.4	4.4	2.8 ²
Pulp and paper.....	4.7	5.3	5.5 ²
Food and Beverages.....	3.3	4.5	4.0 ³
Textiles and Clothing.....	4.2	3.8	
Textiles.....	6.4		10 to 24 ²
Clothing.....	1.6		1 to 3 ²
Electrical Products.....	3.8	7.7	5.0 ²
Chemicals.....	5.6	5.3	3.5 or 7.6
Metal Products			
Primary metal.....	3.4	6.9	"strong growth"
Metal fabrication.....	4.0	5.2	"strong growth"
Machinery.....	4.1	7.0	
Construction.....	3.4	6.3	6.6 to 7.0
Transportation and Communications.....	5.8	6.8	7.0
Transportation Equipment.....	4.6	5.0	n.a.
Passenger cars.....			down
Commercial vehicles.....			up
Truck bodies and trailers.....		4.0	12
Parts and accessories.....		0.0	n.a.
Aircraft.....		7.4	10.0
Railroad rolling stock.....		9.4	15.0
Shipbuilding.....		6.1	no change
Trade.....	4.8	5.8	n.a.
Finance.....	5.7	6.0	n.a.
Education.....	4.6	3.5	n.a.
Health.....	6.3	5.9	n.a.

n.a. — not available.

¹Estimated subsequent to the Economic Council *Tenth Annual Review* for Conference purposes.

²1973-78.

³1970-76.



The consensus of the meeting was very clear. They were in favour of the strong investment projections—projections which are in conformity with the strong output figures presented here, and, subject to the energy question, which support the view of an otherwise strong economy overall.”

Dr. Raynauld then submitted for consideration four propositions:

1. The performance indicator framework as developed by the Council is useful and should be further developed;
2. The performance indicator framework should be discussed again next year in a Conference such as this one and with the help and support of similar industry committees reconstituted so as to obtain wider representation;
3. The performance indicator framework should be extended regionally, with the interested provincial governments establishing their own province-wide indicators; and
4. The performance indicator framework should be extended to include social and environmental areas of interest with appropriate time horizons.

“I attach relatively high priority to all of these proposals, but would like to stress item number two since it is the most direct extension of the work that has preceded this Conference and the discussion which has been engendered. In our preparation of the *Tenth Annual Review* this year we attempted to provide some of the disaggregated industry detail underlying our national economic indicators. It was not possible, however, to consult with individual industries in the course of this work and thus we have had to reconcile our own figures with yours during this Conference. *For the Eleventh Annual Review, it is our intention that the industry estimates be verified by the individual committees before publication. Not only would this allow greater accuracy at the disaggregated level, but also it would ensure that our Performance Indicators reflect realistic possibilities and projections.*

“With respect to the composition of the present Committees, I accept and take full responsibility for the lack of adequate representation of the labour movement, consumers, and other interests. I can assure you that I regret it and that I will do everything I can to correct this situation in the future. Rightly or wrongly, I felt that there was some urgency in calling such a conference together after we had proposed it and had committed ourselves to it in November 1972. I also felt that we could not mount an organization

The farmers of Canada want to be partners in the decision-making process with the people who are here. We are prepared to be involved in making decisions that are important to Canada and to the people of Canada. But we need to feel that we are recognized as being important in the system and, for too long, farmers have not felt that they were considered to be important decision-makers.

Gordon Hill

of this scope without some preliminary consultation, and this took place in about a dozen regional meetings from Halifax to Vancouver. This operation took more time than I had anticipated and it was not until May or June of this year that the actual formula was found and immediate preparations could be undertaken.

"Finally, I would like to comment on a few suggestions addressed specifically to the Council during the discussions. Someone suggested that the Council should work on urban development and devote a conference to this topic. I am happy to report that work is already underway in this area, in the context of social indicators. Last week, the Council circulated a working paper on urban indicators and I gave the green light for the publication of a study on the general social indicator framework.

"Group 2 suggested that the Council should study government expenditures in more detail and make more specific recommendations. I wish to remind you that in dealing with this question, we proposed the use of the mechanism of the Federal-Provincial conferences. If this recommendation were accepted, I believe your concern would be met adequately.

"Finally, several delegates, including the Chairman of the Conference and Donald Macdonald, suggested

that the Council devote more effort to the study of income distribution, so as to live up to the goal that the Council itself proposed in its First Annual Review. I have no definite and clear answer to this preoccupation at the moment, but it could very well be studied at a future meeting of the Council.

"In summary, it would seem to me that there are two areas which warrant discussion this morning. First, you will no doubt wish to return to the overall outlook with emphasis on specific individual considerations, some of which I have touched on earlier. Second, I would hope that some consensus of views can be reached on the use and extension of the indicator framework, in order that they may be included in the Conference Statement if that were agreeable to you."

Friday Morning Discussion

The Chairman called for discussion of André Raynauld's assessment of the economic situation and its implications for national goals and industry performance.

—The Electrical Products Committee expressed the view that the 5 per cent output for their industry proposed by the Council was too



modest. They look forward to somewhat over 5 per cent growth in the period to 1976, particularly if some progress can be made on the recommendations contained in the Committee report.

—An agricultural spokesman expressed some surprise at the upward revision from the 1.4 to 5.3 per cent annual growth in agricultural production. He saw no evidence that this increase would come from the livestock sector. As a result, most of this substantial growth would have to come from crops. This, in turn, would require an adequate supply of fertilizer as well as a helping hand from the Good Lord. Without anticipating what the Good Lord would do, André Raynauld commented that this increase in output was called for in response to the rapid increase in the general world demand for agricultural products, particularly Canadian agricultural exports. Thus, while the substantial growth in demand would support this rate of increase in output, the industry spokesman indicated that constraints on the supply side would prevent it from being realized.

—Since submitting their report, the Textiles and Clothing Committee have lowered the range of projected output, 1973-78, from the 10 to 24

per cent average annual rate of growth indicated in their paper, to a range of 7 to 16 per cent.

—Drawing attention to the supplement to the report by the Financial Services Committee, which was made available at the Conference, the Committee's Chairman commented that, after adjusting for inflation, only one of the fifteen other Committees forecast output levels of 6 per cent; most clustered around the 5 per cent rate of growth, with some as low as 2 per cent. Although his Committee had not had an opportunity to meet subsequent to the submission of their report, he guessed that, in response to the energy situation, the average rate of growth would be judged by the Committee to be around 3 per cent for each of the industries. The Finance Committee was still calling for a 7 to 8 per cent increase in prices in the period 1974-78, and anticipated that this would cause many problems.

André Raynauld felt there was a certain inconsistency with anticipating a 3 per cent rate of real growth (significantly below potential and with high levels of employment) engendering a 7 to 8 per cent annual increase in inflation. It was suggested by the Committee spokesman that the 10 per cent average wage settlement now being

Education is faced with the problems of a declining industry and of a shift from the traditional educational system to something more related to what is happening today rather than the traditions of the past. In health services, we are not properly using the full range of para-medical personnel. The whole system does not have to be always doctor-centred.

Claude Edwards

achieved would have a carry-over effect through to 1978. Governments, faced with excessive demand, material supply shortages, labour bottlenecks in particular areas, and a rising level of unemployment, would respond by increasing the money supply. This could yield the worst of both worlds—relatively high unemployment and substantial rates of price increase.

It was pointed out that there had been a gradual escalation in expectations of inflationary trends since August. At that time the average expectation amongst analysts was for price increases in the range 5.5 to 6 per cent, not the 4.5 per cent implicit in the Council's Tenth Review. Since the rapid deterioration in the energy situation, these expectations for 1974 have risen to the range of 6.5 to 7 per cent. The duration of rates of price increases of that magnitude beyond 1974 remains uncertain, as does any firm view of what factors will be dominant in moderating the inflationary pressures when that does occur.

—The Forest Products Committee continues to feel that the average annual growth in output to 1976 of 5.1 for forestry, 4.4 for wood and lumber, and 5.3 for pulp and paper will not be achieved. Mainly because of capacity limitations, the

forest products industry could not achieve much more than a 3 per cent annual rate of growth during the next few years. If the recommendations of the Forest Products Committee were acted upon, a better performance beyond that period should be attainable.

Personal Aspirations and the Quality of Life

Beyond the many views about the economic outlook and the economic targets, concern was expressed that the discussion was not broad enough in scope. The concern centred on the need for a much greater "people orientation" in future conferences—What do Canadians want to do with the great potential that they have? Why can we not do more for the less privileged members of our society?

Suggestions were made that these broader social objectives should form an integral part of future sessions of the National Economic Conference. Dr. Raynauld pointed out that the Economic Council was beginning a more systematic study of social indicators and that the Council fully supported the need to broaden the outlook targets to include social as well as economic factors.

Maybe more important than the refining of numbers are some of the qualitative aspects that are contained in the papers—recommendations on industrial strategy, on trade policy, on taxation policies, on federal-provincial relationships—that may be more significant than whether next year's growth in national output will be 6.5 or 4.2 per cent.

R. T. E. Gillespie

The following were among the many social concerns brought forward in the discussion at the Conference:

- the Economic Council's fifth goal—more equitable distribution of rising incomes;
- the urban environment;
- the nonurban environment (agricultural, remote areas, conditions of native peoples);
- the unemployed and the working poor;
- income support programs;
- personal aspirations, goals, and motivations;
- health and educational services in all parts of Canada; and
- factors that can improve the quality of life more generally—recreation, communication and mobility, and personal choice.

The difficulties were recognized of bringing these personal and social objectives within a national framework of decision-making. There are serious practical limits to how quickly all of the desirable objectives can be provided. Options, priorities, and trade-offs require careful examination and should be stated in ways that help to make the necessary choices.

In a conference designed to remove some of the uncertainties of decision-making and to achieve greater harmony among the decisions that are being made in different sectors of society and in different parts of the country, the discussion should include an examination of what is possible and practical within some stated period of time. However, having recognized these difficulties, the Conference delegates strongly endorsed the need in future conferences to deal with personal aspirations, and social objectives and opportunities.

The meeting also considered and approved the Conference Statement, which follows.

The Conference Statement



Under the auspices of the Economic Council of Canada, a National Economic Conference was convened in Montreal from December 12 to 14, 1973, to discuss the general economic outlook for the Canadian economy over the medium-term period to 1976.

The Conference, under the general chairmanship of Dr. John J. Deutsch, Principal of Queen's University, was attended by some 200 delegates drawn from industry, unions, and government, from across the country.

In preparation for the Conference, 16 committees—ranging from specific industries, such as mining, retailing, and construction, to broader sectors, such as education and health—had prepared Outlook Papers for their particular industries or sectors.

The basic intent of the Conference was to provide a forum for discussion and elaboration of national performance targets to 1976 in order to provide a framework for policy formulation and decision-making within this time period.

The novel aspect of the Conference was to bring together diverse groups to discuss their problems and opportunities, as perceived from their own perspectives, and to provide the opportunity for an interindustry exchange of views.

While the Conference—the first of its kind—could not hope to arrange these problems and opportunities in a precise order of priorities, it sought at least to identify those major issues on which there was broad interest or concern. It was the aim that these results would flow from the Conference proceedings in such a way that:

1. There would be a feedback to governments for the purposes of policy formulation;
2. Industries or sectors would receive guidelines within which to extend their planning activities; and
3. The Economic Council itself could test, and possibly modify, the directions of its own research. Specifically, this would assist the Council in evaluating its underlying assumptions in developing its performance targets for the mid-term future.

The Medium-Term Economic Outlook

Regarding Canada's medium-term economic prospects overall, there was general concurrence that the targets presented in the Economic Council's outlook to 1976, as presented in its *Tenth Annual*

There is no reference whatever to the fifth goal of the Economic Council of Canada—more equitable distribution of income. Something of that nature should be introduced.

Donald MacDonald

Review, constituted an appropriate framework within which to view Canada's potential performance. There is little doubt that Canada is well positioned and equipped to move ahead vigorously in the years ahead. The essential problem, as the Conference Chairman pointed out, will be to convert our very considerable potential for expansion into reality, in the face of a number of particular external and internal problems.

The most obvious of these, at least in the short run, is the worldwide energy crisis, and the potential impact this may have on our growth capability because of the impact on our principal trading partners. But scarcely less visible than this constraint are other shortages of key physical resources which were identified as, for example, steel, some paper products, nonferrous metals, and plastics. To these should be added perceived shortages of skilled manpower, particularly in certain fast-growing areas or industries. All of these could constrain the economy's ability to achieve its full potential growth, at least over the next two or three years.

Of no less concern than these physical resource shortages or bottlenecks is the problem of continuing—and perhaps mounting—inflationary

pressures. Views were expressed that, over the longer period, strong demands would arise from consumer, industrial, government, and export sources. Over the shorter period, we are confronted with supply shortages, or at least supply tightness, that will produce upward pressures on prices. It may be that our price performance relative to other countries will be quite tolerable. But, domestically, inflationary prospects can give rise to important market and regional distortions and lead to severe social inequities.

The Conference provided no easy answers to this difficult paradox: on the one hand, there is underlying strong demand particularly in private capital investment but, on the other hand, there are serious threats to a satisfactory growth performance emanating from supply shortages and inflation.

Opportunities and Issues

While we are confronted with a number of difficulties and uncertainties in the period ahead, the basic longer-term potential for Canada is nevertheless very favourable.

Canada is well endowed with raw materials and sources of energy, and in general has a substantial resource base. The population is generally well

We should also be looking at what factors are required to improve the quality of life in the more remote sectors of this country. This is very relevant to some of the problems faced by many of the resource-based industries. There is much to be done here in the way of communication, education, health services, etc., which generally are substandard to those which exist in the urban communities. This should not be lost sight of in terms of the overall solution to our manpower problem.

Alex D. Hamilton

educated and highly skilled, and many members of the labour force are reaching their most productive years. We have ready access to advanced technology. Given these favourable conditions, Canadian industries, for the most part, face many opportunities to improve their performance.

A number of industries, including agriculture, construction, and several manufacturing industries, e.g., metal products, are moving towards substantial expansions of output. Increased markets also exist for a wide variety of products for which output could be increased in Canada, including computer accessories, communications equipment, and furniture, to name but a few examples. There are also prospects for significant expansion in public transit and for increased output in a number of service industries.

While the longer-term prospects for expansion in Canada are great, there are some major issues that have to be dealt with now. Over the next few years, in the energy field, the major problem confronting us is to take the steps necessary to ensure that our energy needs will be met in the 1980s and thereafter.

Industries that could be particularly vulnerable to energy, chemical and other materials constraints include transportation and transportation equipment, where a number of adjustments are already taking

place. In agriculture, every effort should be made to avoid curtailment of production through transportation, gasoline, and fertilizer shortages. Conversely, even with the strong growth in the economy, there will still be overcapacity in some areas, most notably primary education, although opportunities should be taken to use some of the resources to expand adult training and upgrading of skills.

Underlying these various industry developments is a prospective strong growth of investment in new facilities. A serious bunching of major investment projects could raise problems in the supply of savings as well as create a number of bottlenecks, although adequate co-ordination could avoid acute problems, as investment need not exceed the proportion of total economic activity reached in particular years in the past.

Conclusions and Recommendations

The essential purpose of the Conference was to identify issues that were significant in a national setting. That it did so was evident in the extended discussions on such matters, already mentioned, as energy, other key material shortages, as well as shortages or bottlenecks in some skilled manpower areas.

By failure to do anything now we will indeed have an energy shortage by the end of the Seventies, in this country with all its great resources, because we just cannot get decisions made that have to be made.

John J. Deutsch

As well, it was recognized that world supply problems provide opportunities for Canadian foreign trade expansion.

Additionally, the Conference saw a need for:

- government policy positions to be clarified—for example, (in addition to energy) in such fields as transportation, agriculture, taxation, and policies related to broader social objectives;
- consultative mechanisms among the various levels of government to be strengthened;
- increased opportunities for consultation among governments, industry, labour, and farm groups;
- an expanded program, on the part of the Economic Council itself, to elucidate the place of its performance targets as a tool to assist private and public decision-making; and
- consideration of the impact of various proposals on income distribution.

In terms of organization and procedure, the first Conference could best be described as experimental. It brought together concerned and informed Canadians from all parts of the country to explore new means of extending dialogues among regions, among

industries, and among the groupings that constitute our society.

In these respects, the experience gained at the Conference will prove very useful in future planning. During the proceedings, it was recognized that participation was unbalanced: labour groups should have had earlier and more substantial involvement in the preparation of the industry papers; senior representatives from all levels of government should similarly have been more heavily involved; and other groups—for example, consumers and environmentalists—should have been more strongly represented.

Notwithstanding these shortcomings—perhaps predictable in a new venture—general delegate reaction to the Conference concept was enthusiastic. Specifically, it was the view of the Conference that this new institution, perhaps in modified form, should be continued, and further to this:

1. The Economic Council should continue as the sponsoring agency, with adequate support capability in the form of a Conference Secretariat;
2. A working committee structure should be maintained, though with some re-evaluation, both in composition and representation;



3. Consideration should be given to the continuance of regional workshops to widen participation; and
4. The Conference, while maintaining performance targets as a framework for discussion, should focus more on qualitative opinion and judgments.

In the course of its proceedings, the Conference was addressed by the Prime Minister, who noted in his remarks that his government supported the idea of a National Economic Conference, as had been recommended by the Economic Council. Mr. Trudeau added that: "It is this emphasis on looking ahead, and of developing a planning framework covering the economic, political and social fields that I have found particularly appealing in the work of the Economic Council in recent years."

The Chairman of the Economic Council, Dr. André Raynauld, in his final address to the Conference, expressed his belief that the Conference should indeed become an annual feature. He added that he wished to see the Council's work extended regionally and, further, that it be broadened in scope to embrace not only economic targets but environmental and social objectives as well.

This Conference and similar conferences provide unique opportunities to harmonize objectives among industry sectors, the various levels of government, and groups within our society.

The long-term goals and objectives . . . must be considered in the context of income distribution, of environment, of disadvantages of special groups, of issues affecting the quality of life. The relationship of growth and potential to these questions should be noted.

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It will be continually useful if the Economic Council of Canada continues to focus these issues (social, cultural, political, administrative, technological) from an economic concern. Otherwise, we will look at an amorphous mass of issues without having a well-structured matrix from which we can relate to problems that matter.

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It has to be remembered that the shape of the economy is based mostly on the system of values and preferences of the population. How people want to work, the amount of work they want to do, what they want to consume, how they want to spend their time are the basic elements that shape the whole economy. These factors have not been present in our discussion.

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The 1974 Conference



The Conference Steering Committee met on Saturday, December 15th, to assess the 1973 Conference and make recommendations for the 1974 Conference. The following summarizes the principal recommendations of the Steering Committee, with which the Economic Council, in a subsequent meeting, concurred.

Recommendations

1. The Economic Council of Canada should continue its support of the National Economic Conference.
2. The Economic Council should immediately re-establish a Steering Committee, with authority to plan and direct the activities of the National Economic Conference.
3. The Economic Council should maintain a Conference Secretariat.
4. The National Economic Conference should be held annually, as early in December as possible. Tentative dates for the 1974 Conference are December 1, 2, and 3, in Montreal.
5. Participation will continue to be by invitation, limited to approximately 250 senior decision-makers.
6. Preparatory work for the Conference will again be done by select committees. Membership on the committees will be significantly strengthened, with appropriate representation of labour, consumer, environmental, and other interest groups.
7. Participation by senior government officers from the federal, provincial, and municipal levels should be introduced into the Committees' preparatory work well in advance of the Conference.
8. Each Committee will:
 - assess the prospects of a particular sector of the economy as a contribution to the Economic Council's development of medium-term performance targets, to be published in the next Annual Review;
 - prepare *Priority Papers* for the Conference. These papers will identify and rank critical decisions required in both private and public policy to realize both industry objectives and the potential economic and social development of the nation.

In the United States, they have the Joint Economic Committee of Congress. The Council of Economic Advisors, the Chairman of the Federal Reserve Board, leading economists, the labour movement, and management all testify, and there really is some interaction. We are not getting that in this country—somehow, this dialogue has got to take place and not only behind closed doors.

John Crispo

Contents of the Supplement

I Industry Committee Outlook Papers

1. Agriculture
2. Mining
3. Energy
4. Food and Beverages
5. Textiles and Clothing
6. Forest Products
7. Metal Fabrication
8. Transportation Equipment
9. Electrical Products
10. Chemicals and Chemical Products
11. Construction
12. Transportation and Communications
13. Retail and Wholesale Trade
14. Financial Services
15. Education
16. Health

II Comments on the Mining Outlook Paper, prepared by the Research Department of the United Steelworkers of America

III Economic Council Background Papers

1. Goals, Targets, and Assumptions
2. The International Setting
3. The Government Sector
4. Population and the Labour Force
5. Growth Prospects for Particular Industries

IV List of Industry Committee Support Papers that are Available from the Conference Secretariat

V Notes for Remarks by the Prime Minister to the National Economic Conference, Montreal, December 13, 1973

VI List of Industry Committee Members

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