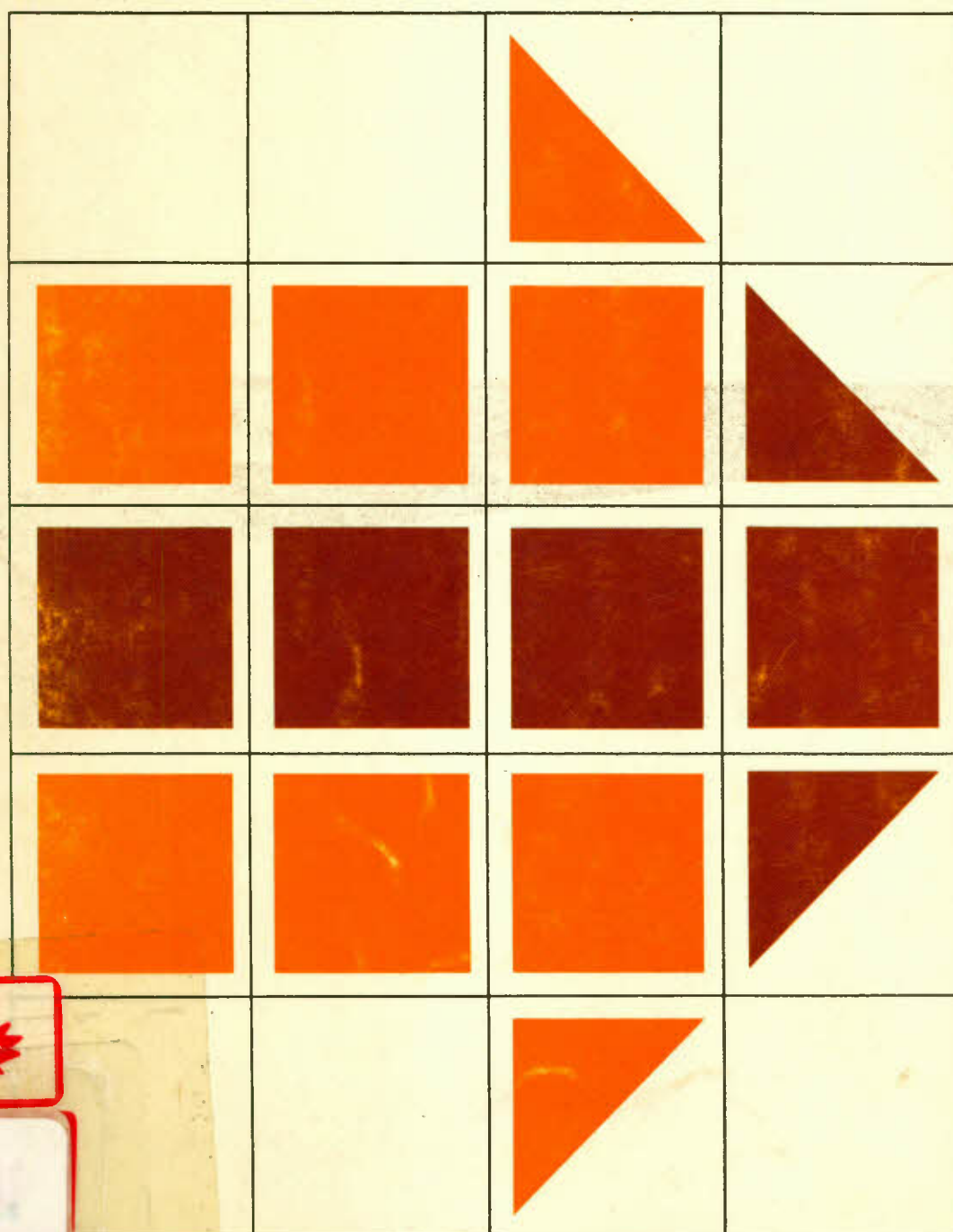


Proceedings of the National Economic Conference

Priorities in Transition



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Sponsor: Economic Council of Canada

Proceedings of the
National Economic Conference

Priorities in Transition

Montreal, December 1, 2 and 3, 1974



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Introduction

"The purpose of these meetings is to try to improve the process of policy-making in this very complex country of ours. For Canadians this has always been a great challenge because of the complexity of our governmental structure, the vast range of our industrial activity and great distances separating us. Thus the problem of policy-making on a national scale in this country is a particularly difficult one. As a contribution to the solution of this problem, the Economic Council of Canada has instituted this National Economic Conference. Special arrangements have been made to bring together people from virtually all the main industries and parts of the country, from management and labour and many private organizations and to have them address some of the main problems which we have to face as a nation in the economic field."

"This is a different Conference from most because the participants in it have done a lot of work. Usually Conferences like this bring people together to listen to presentations. Well you will be able to do that too but that will be kept to a minimum. You have all been working throughout the year in various committees on the subjects which we will be dealing with in these next few days. You will now have a chance to speak to each other. This is the real purpose of this meeting and hopefully out of these discussions will come useful conclusions, recommendations for policy-making by our governments and by all those groups in our society who have to make decisions including yourselves."

*Dr. John J. Deutsch,
Chairman,
National Economic Conference*



The Conference Institution

The main objective of the National Economic Conference is to facilitate decisions on basic Canadian issues.

The origin of the National Economic Conference was a recommendation in the *Ninth Annual Review* of the Economic Council of Canada that a conference be held each year to bring together senior decision-makers from the various sectors of economic activity, both public and private, to assess the medium-term economic prospects.

The first two Conferences were held in Montreal in December 1973 and December 1974 under the sponsorship of the Economic Council.

Dr. John J. Deutsch, Past-Principal of Queen's University, is Chairman of the Conference and is assisted by a Steering Committee responsible for the planning and conduct of the Conference, and by a small Conference Secretariat.

The 1973 and 1974 Conferences represented progressive culminations of a continuous work program. For several months prior to each Conference, 16 preparatory Committees studied the situation, prospects and priorities for specific industries.

Each Committee, in assessing the outlook for the coming five years, identified the top priority issues or decisions affecting that industry's prospects. The Committee made recommendations, where appropriate, for courses of action which would improve the industry's performance and prospects in the coming years. Frequently, the participants identified a need for a clarification of government policy, or the need to eliminate jurisdictional conflicts, for example, in energy, transportation, agriculture, taxation, and in policies related to broader social objectives.

From the Conference activity itself, an ever-widening network of communications spreads to other interest groups and individual decision-makers across Canada. This expanding process of communication is designed to bring together, in a systematic manner, a more comprehensive view of perceptions and priorities so that the opportunities, constraints and trade-offs can be more fully assessed. One device for checking consistency is the performance indicator projections published by the Economic Council.

The main components of the present communications network are illustrated in the chart on the following page.

<u>INDUSTRIES</u>	<u>CHAIRMEN</u>	<u>INDUSTRIES</u>	<u>CHAIRMEN</u>
AGRICULTURE	Glenn Flaten President Saskatchewan Federation of Agriculture	ELECTRICAL PRODUCTS	J. H. Stevens President Canada Wire and Cable Limited
MINING	R. J. Armstrong Vice-President Cominco Limited	CHEMICALS	Ralph Rowzee Chairman Polysar Limited
ENERGY	S. R. Blair President and Chief Executive Officer The Alberta Gas Trunk Line Company Ltd.	CONSTRUCTION AND HOUSING	Henry de Puyjalon President Canadian Construction Association
FOOD AND BEVERAGES	Robert C. Shropshire President William Neilson Limited	COMMUNICATION SERVICES	Pierre Camu Président L'Association canadienne des radiodiffuseurs
TEXTILES AND CLOTHING	W. R. Clerihue President and Chief Executive Officer Celanese Canada Limited	RETAIL AND WHOLESALE TRADE	Harold Knifton President and General Manager IGA Canada Limited
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TRANSPORTATION AND TRANSPORTATION EQUIPMENT	John L. Eyre President Saguenay Shipping Ltd. Louis Rochette Vice-président exécutif Marine Industrie Limitée	HEALTH SERVICES	Thomas J. Boudreau Professeur agrégé Université de Sherbrooke

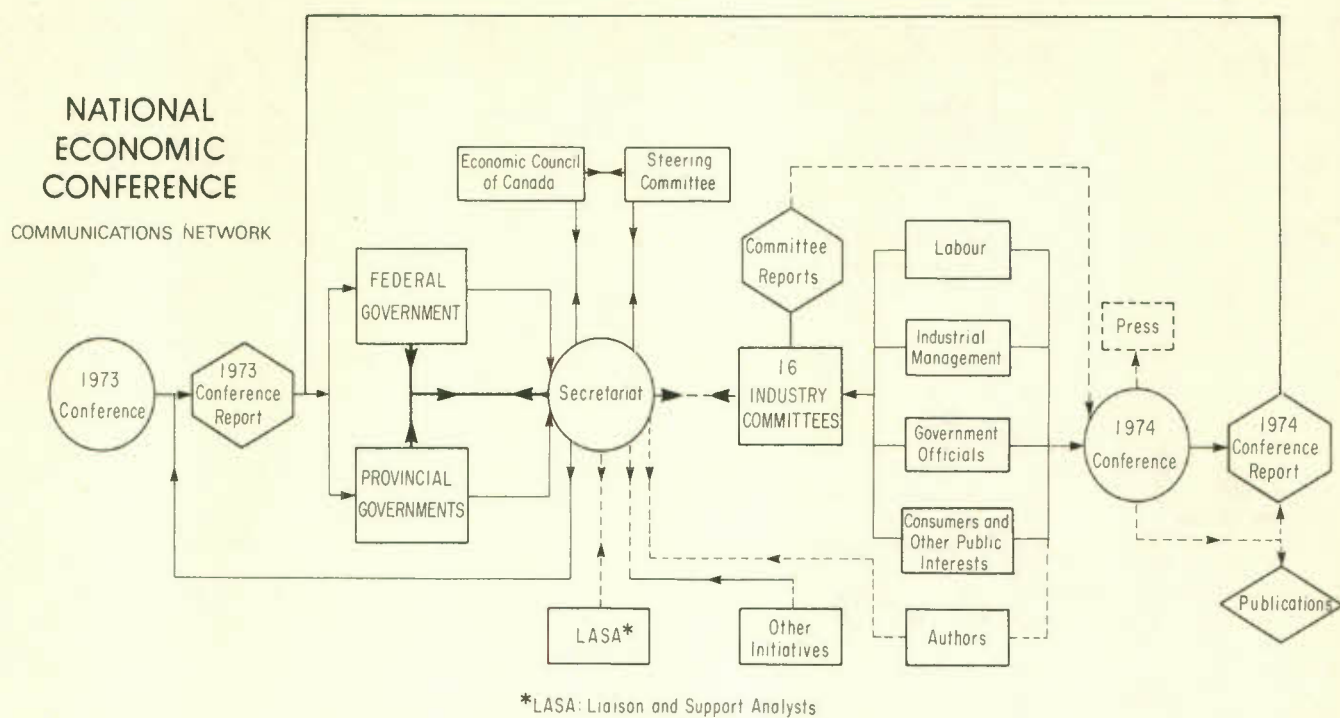
For a list of Committee membership, see Papers of the National Economic Conference Nos. 1 to 16.

The various Conference papers and much of the Conference proceedings are open to the news media. Documents are also widely distributed. Follow-up activities begin immediately after the Conference, and extend to federal and provincial political leaders as well as to the public at large.

In addition to the large number of people directly involved in the continuing program, many others are brought in contact with the Conference activities or with related activities. In most

instances, these extensive, additional contacts develop around other activities going on across the country and which can be linked to the Conference program. Efforts are made to use as fully as possible the Conference's potential for a systematic information system.

The Secretariat of the National Economic Conference would be pleased to receive comments, suggestions or requests for additional information.



Part I

SUMMARY OF PROCEEDINGS

The Economic Setting

The 1974 National Economic Conference met under economic conditions very different from those of the 1973 Conference. The exceptional rates of growth in real output in 1973 were past but the inflation which had been a prominent feature of the earlier upsurge in demand was worse by the close of 1974. At the same time, policy thinking was turning more and more to the need to deal with mounting recessionary trends throughout the world. Although the "crisis" atmosphere which pervaded the energy situation of 1973 had eased, the concern over longer term energy supplies, the continuing high price of oil, and the disturbing balance-of-payments impacts arising from international trade in oil remained.

The National Economic Conference, however, is not a forum to assess the short-term outlook through 1975. Its focus is on the targets, expectations and challenges that seem likely to dominate the medium and longer term future, and which occupy the longer term priorities of senior decision-makers in management, labour, governments, other public interest groups and the public at large.

Such a focus was provided in the keynote address delivered by Dr. A. Raynauld, Chairman of the Economic Council of Canada. (See National Economic Conference Paper 21.)



Some aspects of the international economic and monetary environment were provided by Dr. E.M. Bernstein, President of E M B (Ltd.), Research Economists, Washington, and former Director of Research of the International Monetary Fund for much of the postwar period.

Additional background was provided in the Council's *Eleventh Annual Review*,¹ as well as in the Priority Papers of the 16 industry Committees and in the papers commissioned for that purpose on Inflation, Manpower, Productivity and Materials and Energy Supplies and Shortages. These viewpoints are summarized in the subsequent sections of this Report, dealing with the Four Conference Issues and Other Conference Concerns.

Priorities to the 1980s

Dr. A. Raynauld

Chairman of the Economic Council of Canada

Dr. Raynauld, in his opening remarks, drew attention to the issues of Inflation and Productivity and to other key elements in the economic outlook. He emphasized the need for more systematic economic planning, for the formulation of

¹ Economic Council of Canada, *Eleventh Annual Review: Economic Targets and Social Indicators* (Ottawa: Information Canada, 1974).

"I join other analysts in emphasizing the fact that the present inflation is closely associated with structural changes and with attempts to redistribute wealth . . . To the extent that the oil price increase resulted from political decisions, this example does not indicate an actual shortage of oil so much as a will to alter the present distribution of wealth."

A. Raynauld

goals in the major areas of economic and social policy, and for ways to ensure "the organized and structured participation of non-experts or non-producers . . . to determine and appreciate the goals and to formulate the relevant policy programs". This systematic approach to longer term policy formulation requires re-assessment of the institutions and the machinery by which policies are developed and implemented — policies which are designed to move us closer to longer term economic and social goals. The improved approach to policy formulation is one of the major challenges of our time.

Inflation

Dr. Raynauld drew attention to Barbara Ward's book *Only One Earth*. Given the growing interdependence of the people of the world, he noted that the problems that we have in Canada also exist everywhere else.

The spread of inflation and of inflation fever reveals how pervasive are the impacts of major economic events. Shortages of key commodities often involve structural changes that are a basic ingredient of inflation. Even more important, the structural changes "cause changes in the distribution of income, and thereby raise the question of

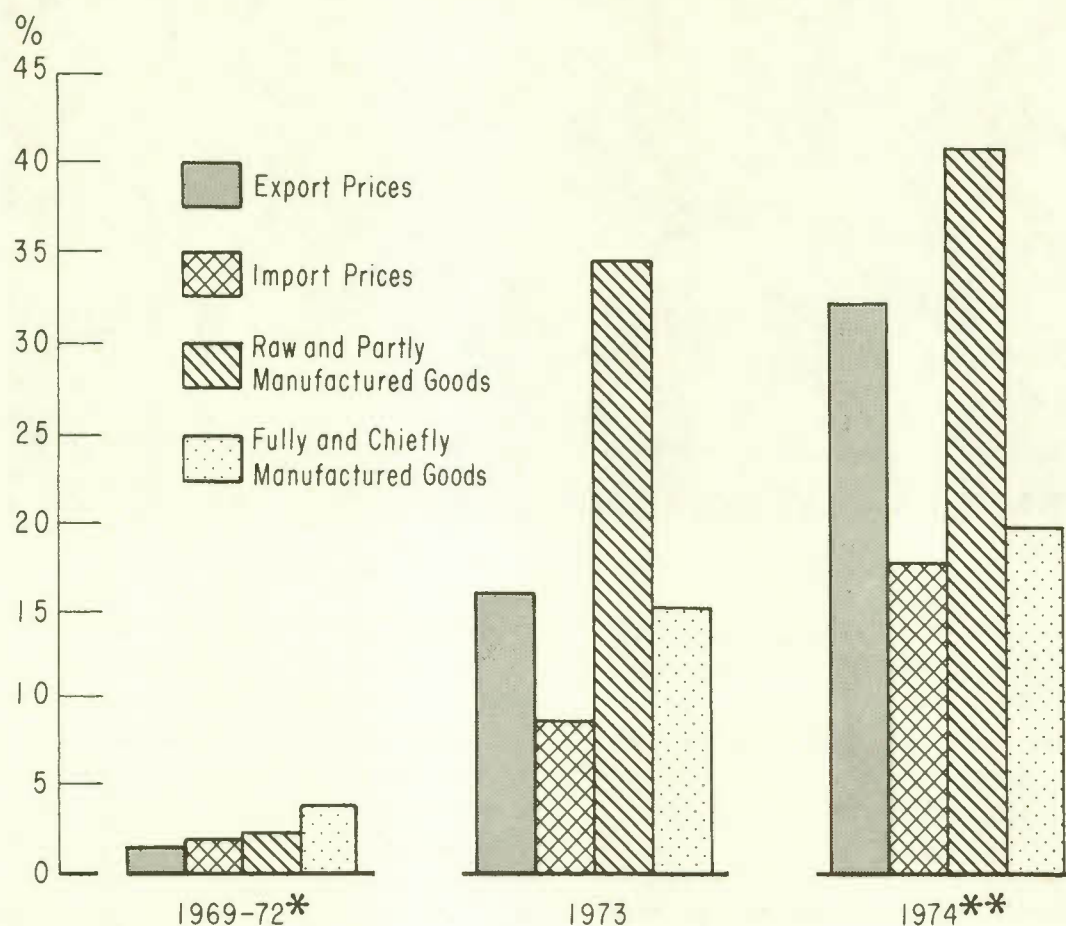
the sharing of wealth". Oil is the prime contemporary example of this basic structural shift in income and wealth, following a six-fold increase in price in the past four years. There are others, of which sugar and wheat are two notable examples. Thus, very sizeable real income transfers are occurring among various occupations, skills and groups in society.

"... financial arrangements to lessen the impact of these price increases . . . will not be able to hide the fact that real transfers of resources will continue as long as prices are held at their present levels."

Structural changes of this kind, associated with sharp price increases and the consequent redistribution of income and wealth cause hardship, resistance, and political and social tensions. These, in turn, can unsettle the established institutions and social order. The available adjustment processes are imperfect and may be hardly less painful. Speaking of the international impact on importing countries, Dr. Raynauld noted:

"Two methods are available to the importing countries as means of adjusting to this situation: deflation and inflation. Deflation involves a reduction of real incomes, costs and

Percentage Change in Selected Price Indexes



*Average Annual Rate of Change

**First half of 1974 over first half of 1973

living standards, probably through more unemployment, while an inflation policy lets prices rise and indirectly causes real incomes to decline. Faced with these two methods, most countries have chosen inflation. Because of its very nature, however, inflation may very rapidly lead to periods of recession or unemployment. It is no coincidence that, in 1974 and 1975, the threats of a recession so closely follow the situation of inflation."

Structural changes take place not only internationally but also within each country. In Canada, the same kind of structural changes are taking place regionally.

Governments take measures to correct inequalities in the distribution of incomes, and to correct and improve accessibility to public services such as education, health and housing.

"These measures should be recognized as genuine contributions to social progress. During one decade, between 1959 and 1969, poverty has been reduced by 20 to 30 per cent in Canada. In the Council's last Review, we have examined a social indicator in the field of housing and we noted also that over the course of a number of years, the occupancy or crowding index of dwellings has decreased throughout the country."



Individuals and groups resist the structural changes which affect adversely their positions, changes which are reflected in relative prices, incomes, and by the increases in public expenditures. This resistance, in turn, can lead to higher production costs and to accelerating inflation.

Some of the government measures introduced to protect the less fortunate include the two-price system for oil and the indexation of social security benefit payments and income tax deductions. Regarding the two-price system for oil, Dr. Raynauld observed:

"The implementation of a double price system for oil has been, in my opinion, a great victory for the public interest, in that it helped to avoid the sudden impact of a substantial price increase. Gradually, the adjustment must nevertheless be made, since the exploitation of new energy sources in Canada will be more expensive, whatever happens here or abroad. In the next few years, this new reality must be faced in the form of increased prices."

The view that the price of oil must eventually increase to reflect the realities of the supply situation was endorsed during the Conference discussion.

Productivity

Increases in productivity are an essential way to increase real income per employed person and to maintain or improve Canada's international competitive position. Canada's productivity performance in recent years has not been impressive by international comparisons, nor in comparison with the earlier, longer term increases in productivity in Canada.

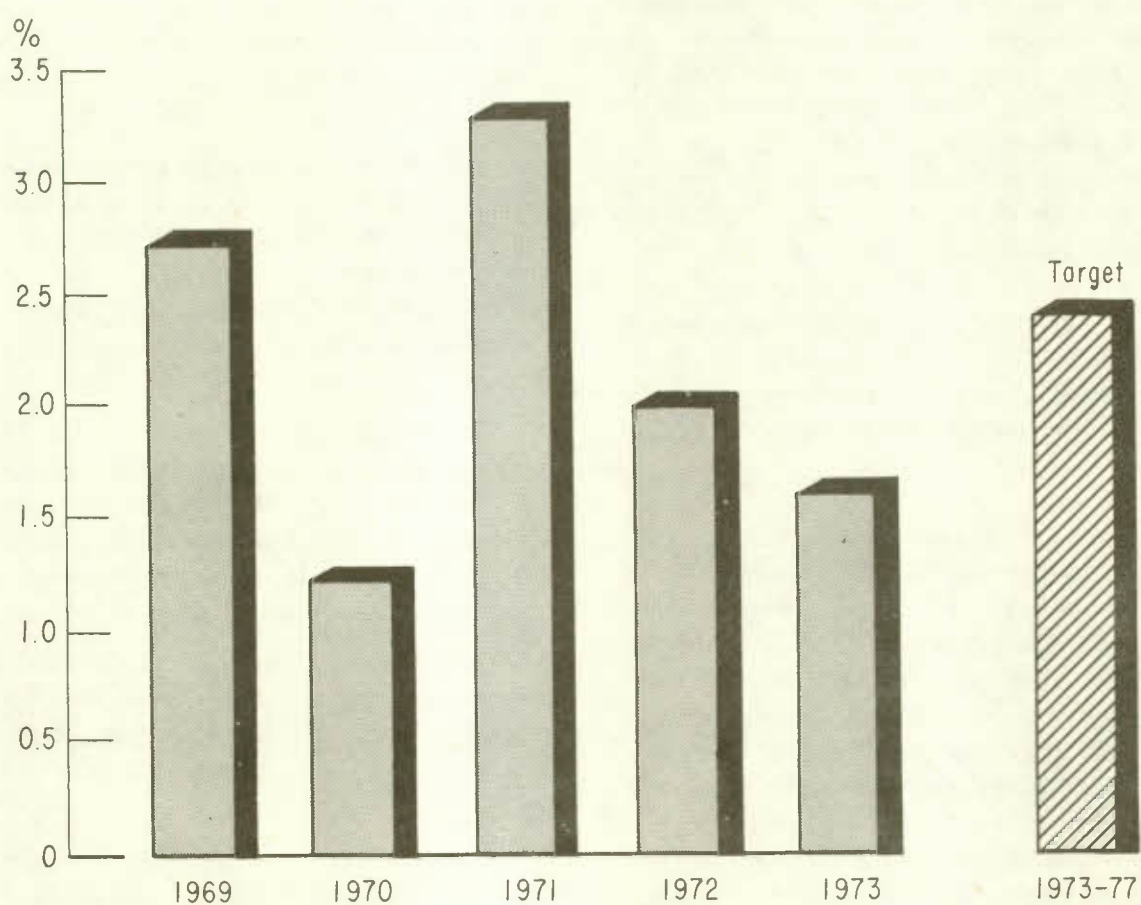
In looking at the prospects for increases in productivity in the coming years, Dr. Raynauld drew attention to a number of factors, most of which indicate that the task of achieving improved productivity performance will remain difficult. The factors dealt with included:

(1) A slowdown in the potential rate of growth in output and incomes in Canada over the next ten years. This slowdown is attributable to two main reasons: a decline in the rate of growth in the working-age population; a less favourable external environment than in the 1960s.

"It is therefore obvious that, unless a considerable effort is made to increase productivity, the slow demographic growth will soon lead to a sluggish economic growth."

"... tomorrow's industrial structure could be much less favourable to productivity."

Growth in Productivity





(2) Tomorrow's industrial structure could be much less favourable to productivity improvements. Structural changes in the 1960s were generally favourable to productivity increases, particularly with the sizeable expansion of the relatively high productivity manufacturing industries. From 1955 to 1972, about 15 per cent of the gain in productivity was attributable to the changes in industrial structure. In the coming decade, the nature of the structural changes could tend to reduce productivity growth by 15 per cent. This turn-around is mainly the result of the growth in service industries (including government services) which record low productivity increases, and of the absence of a rate of relative growth in the manufacturing sector comparable to that of the 1960s.

(3) Increases in productivity arising from improved management and from improved training and other labour-directed programs are increasingly important to the improvement of productivity as the service industries occupy a larger part of total economic activity. Nevertheless, investment in plant and equipment remains the key factor for productivity increases. Investment per employed person declined during the 1969-70 recession — a decline not yet made up. "This reduction is largely responsible for the poor performance of labour productivity and it certainly had a bearing on

shortages and price increases during 1973 and 1974... In order to eventually lick the inflation problem, additional output is what is required." That additional output will rely heavily on increases in plant and equipment. "If output capacity is insufficient, consumption is what should be reduced and not investment."

(4) To increase investment requires an adequate supply of savings. If investment is to increase as a share of GNP over the coming years, savings must also increase. The possible sources of savings are the business sector, the personal sector, the government sector, and the external (foreign) sector.

The Economic Council, in its *Eleventh Review*, "drew attention to the need to maintain the flow of savings in the business sector and expresses the hope that the public [government] sector will contribute to increase domestic savings rather than reduce them."

(5) "Finally, if we want a more favourable external environment and, at the same time, an improved productivity, we must seek more vigorously the means to obtain access to foreign markets."

"We have examined these various possibilities, and we have found that in order to finance investment, projected to 1980, we must accept an

As Barbara Ward's book, Only One Earth suggests, for each one of us the world shrinks daily. As a consequence, we play — indeed, we must play — a larger role in it.

increase in foreign savings. This means, on the one hand, that domestic sources of savings have not been found adequate and, on the other hand, that foreign debt will increase, even though we do not feel that such a development is desirable."

Search for a Future

Dr. Raynauld drew attention to the first priority of the Committee on Education and Manpower. That priority is to sponsor planning, defined by the Committee as "a means of agreeing on goals and how to arrive at them. (Planning) should identify basic problems; it should anticipate change and consider alternatives."

Dr. Raynauld added: "Quite honestly, there is no better formulation of what this Conference is all about and what our agenda is, for the next two days. The purpose of the Conference is indeed to look at the future, to come to terms on the desirable as against the undesirable within, however, the severe limits of the possible. This is a challenging but essential task."

Some improvements in the planning process are evident in monetary and fiscal policies, and in attempts to establish goals, not just within business planning, but also, to an increasing extent, in the formulation of government policies. These goals, at times, "are being translated into more specific

targets, alternative means of achieving the goals are considered and policies are defined accordingly from time to time. Foreign investment and control, energy, health and social welfare, the textile policy, immigration, manpower, science policy are good examples at the federal level of what I would call sectoral or area planning."

However, Dr. Raynauld noted that at least two elements still are missing from the planning process. First, "there is no overall view of the goals to determine if particular orientations fit or do not fit the total picture." This also involves the question of trade-offs within an economic planning context. Second, there is inadequate "organized and structured participation by non-experts or non-producers in the field concerned, to determine and appreciate the goals and to formulate the relevant policy programs." Also:

"When planning is done, it is often done on an ad hoc basis, because of certain circumstances, political or other."

A number of the industry Committees drew attention, within the context of their particular interests, to the need for longer term planning, goal setting, clarity, certainty and stability in the

"At least five Committees, Forest Products, Mining, Chemicals, Energy and Communications ask, loud and clear, for an urgent clarification of long-term government direction regarding their area of activities. These sectoral priorities constitute, to my mind, a big leap forward in the process of policy formulation. The Steering Committee of the Conference, for its part, suggested the examination of four general priorities. This was done to help provide a more precise focus to our deliberations than was the case last year."

context of policy formulation and implementation. Education and manpower, health, food policies, transportation, investment and financing were some of the notable areas singled out by the Committees for urgent and comprehensive attention.

Dr. Raynauld noted that representation in the 1974 Conference was deliberately more diversified than in 1973, as a step in the process of bringing a wide range of viewpoints together in the consideration of goals, priorities and trade-offs. He concluded as follows:

"For all the words and speeches that have been pronounced on the need to determine national priorities and to establish a systematic and sustained program to achieve our stated goals, we, Canadians, have not yet built, except for the political parties, the institutions and machinery that are necessary to achieve this. Therefore, we have little experience in these matters and we are not likely to break records quickly in coming up to grips with the future of our society. However, we have to try because no effort is more worthwhile."

"There is a recognized international responsibility on basic commodity prices."



The International Setting

The Canadian economy is one of the most open economies in the world in terms of the importance of its international links. Concern over many disturbing aspects of the international situation coloured the discussion of Canada's economic outlook at the Conference. With reference to international trade, many of the opportunities and concerns were expressed, in terms of individual industries, in the Committee Priority Papers. A brief summary of these viewpoints is given in Part II of this Report.

For the most part, the world economic outlook had worsened throughout 1974, and most observers saw little or no improvement for 1975 — certainly not for the first half of that year. Rising levels of unemployment in many countries co-exist with persistently high rates of inflation, balance-of-payments difficulties and substantial structural shifts in incomes and in the economies of most countries. Pressures by various groups within society to maintain, or improve upon, levels of real income hold the threat of social and political unrest, especially in those countries most hard-pressed by unfavourable world economic developments.

The difficulties confronting the various countries have led to a wide range of policies or

policy proposals. Efforts to overcome, or at least contain, the economic problems bring additional adjustments and uncertainties. These can feed upon one another to increase the overall uncertainty. However, the OECD, in a report almost coincidental with the timing of the National Economic Conference, singled out the major challenge in this way: "The challenge to economic policy is to find ways of slowing down inflation and resuming economic growth at the same time." Some observers see that challenge in 1975 on a world-wide scale as the greatest of any of the economic challenges of the postwar period.

International Monetary Conditions

Dr. E.M. Bernstein

President of E M B (Ltd.)

On Monday evening, Dr. E. M. Bernstein, President of E M B (Ltd.), Research Economists, Washington, and former Director of Research of the International Monetary Fund for much of the postwar period, confronted the Conference delegates with a sweeping overview of the complexity and seriousness of these problems. (See NEC Paper 22 for Dr. Bernstein's notes on "International Economic and Monetary Problems of the Next Few Years". The quotations which follow are from those notes.)

"At Bretton Woods, very few, very very few, matched the quality of the Canadian delegation. The contribution of the Canadian delegation was not merely in forming what we did at Bretton Woods but in shaping the thinking that began ten years ago in the reforming of Bretton Woods . . . I am grateful that we have one place where we can sit down . . . and talk about what should be done in the general interest."

Dr. Bernstein's analysis of international financial conditions dealt particularly with the massive disturbances arising from the world oil situation. He dealt also with the prospects for similar disturbances arising from other key commodities which enter international trade, and analysed some of the implications of the changing structure of international financing for national economies and for the international monetary institutions.

"The problems with which the world economy has had to contend in recent years — the world-wide inflation, the large surpluses and deficits in trade among the industrial countries, and the instability of exchange rates — have been greatly aggravated by the enormous current-account deficit with the oil-exporting countries. To this has been added the possibility that producers of other raw materials and tropical foodstuffs will form cartels to restrict output and to raise or maintain prices."

Confronted by these problems, the interests of importing countries and of producers of basic resources can be in conflict. "It is in the interest of the industrial countries to join with the developing countries in assuring an adequate supply of basic commodities at remunerative prices." Dr. Bernstein went on to note that the term "remunerative

prices" was open to different interpretations. For the industrialized countries a principal concern is that prices should be high enough to encourage a growth of supply to match the growth of demand. For raw materials producing countries "the concept of remunerative prices is that they be high enough to enable these countries to improve their standard of living and to finance a significant part of the investment in their industrial and agricultural development".

Suggestions also have been made that resource prices, for example for oil, tin and rubber, be tied to price movements of a basket of internationally traded commodities. Many difficulties would remain in the way of implementing such a concept even if agreement were reached on it.

The more substantial, immediate problem is how international financial markets and national economies are to cope with the massive shifts in credits and debts arising from the oil situation. Dr. Bernstein noted possible longer term solutions in terms of reducing the dependency of oil-consuming countries on existing sources of supply, and on oil as the dominant energy resource. The interim solution, however, requires curtailment of oil imports coupled with the establishment of a substantial stand-by financial reserve (possibly \$25 billion) for use by countries co-operating in the reduction of oil imports.

"The key question, therefore, is how the international monetary system will function in a world of huge deficits with the oil-exporting countries and sizeable deficits and surpluses in the payments of the oil-importing countries with each other."

"If the industrial countries cooperate to limit their oil imports, it will be possible to raise the funds necessary to finance their oil deficits. That will give them time to adjust their balance of payments in an orderly way."

Attempts to transfer oil-induced deficits from one country to another by fluctuating exchange rates and depreciation of currencies are ultimately self-defeating and destructive. Appropriate economic adjustment policies will differ from one country to another.

"It would be short-sighted to take the view that economic forces left to themselves will somehow solve these problems. The disruption that can be caused by a continuation of the massive deficits with the oil-exporting countries or by difficulties in securing adequate supplies of other basic commodities is much too serious to permit the adoption of a passive attitude. These problems can be solved without a deep depression and without monetary disorder, but only if the industrial countries act promptly to adjust their economies to the new economic environment. These adjustments will have to be made gradually over a decade or more; and when

they are completed, the pattern of consumption and production, the direction of international trade, the distribution of foreign exchange assets and liabilities, and the relationship of the major currencies will be quite different from what they are today. Until it is clear that the industrial countries are taking measures to deal with these problems, there will be an oppressive uncertainty about the future of the world economy and the international monetary system."

Regarding attempts by countries to correct their own situation by deflating their economies, Dr. Bernstein went on to say:

"More likely, they will impose quantitative restrictions on their non-oil imports or depreciate their currencies. Such measures to develop a surplus with the non-oil countries to be used to meet deficits with the oil countries cannot contribute to solving the oil-payments problem. They will merely shift the oil deficits to other countries and compel them in turn to take protective measures by restricting their non-oil imports. The end result could be a general contraction of international trade, with serious consequences

"International economic and financial relations are more or less in a state of actual or incipient upheaval. However, the institutions for international co-operation, and the habits of mutual consultation and negotiated compromise essential to the welfare of trading countries, leave us confident that the difficulties will be surmounted."

Economic Council of Canada,
Eleventh Annual Review, p. 156

for output, income and employment throughout the world. These are destructive measures, but good policy is not made on the brink of disaster. All countries are affected by the oil-payments problem, even those that are not net importers of oil and energy. A constructive solution to the problem can be found only through cooperation in reducing oil imports and mutual assistance in financing the oil deficits until a manageable balance of payments is restored."

Similarly, Dr. Bernstein drew attention to the inadequacies of fluctuating exchange rates as an adjustment mechanism in the face of payments imbalances of the scale engendered by oil deficits.

"The attempt by one industrial country to reduce its deficit by allowing the exchange rate for its currency to depreciate must result in increasing the current-account deficit of other countries. The only way a country can improve its own balance of payments with the oil-producing countries without adverse effect on other countries is by reducing its imports of oil. To put it plainly, a free exchange market will not bring about an equitable sharing of the aggregate deficit with the oil-exporting countries."

The inadequacies of the adjustment mechanism noted above must be viewed against the unprecedented size of the probable deficits generated by the needs of so many countries to import oil from relatively few oil exporting countries. The impact of these imbalances will strike all countries differently, with the United States tending to be placed in the position of absorbing many of the repercussions and secondary effects.

A particularly important distinction in the nature of the effects of the oil deficits was drawn between the industrial countries and the developing nations. The oil imports for low-income, developing countries are predominantly for use in production; much of the imports of the industrial countries is for consumption.

"For the industrial countries, the most difficult problem created by the high cost of imported oil is the sudden emergence of enormous deficits in their balance of payments . . . This creates two problems for the oil-importing countries: first, the deficits have to be financed for an uncertain number of years ahead; and second, the pattern of production and consumption must be adapted to bringing the deficit down to a manageable level. These

"There is, of course, no such things as rapid inflation for which no one, or no policy, is responsible. "International" inflation at disturbing rates is the result of the policies of many national governments over a long period of time . . . In the long run, "international" inflation is the result of inadequate national policies and inadequate international co-operation — or even conflicts — in the pursuit of stabilization and planning objectives."

Economic Council of Canada,
Eleventh Annual Review, p. 144

problems are quite different for the low-income developing countries and the industrial countries. The low-income countries will have to depend on aid and concessionary loans either directly from the oil-exporting countries and the industrial countries or indirectly from the same countries through international and regional financial institutions."

The interim solution, especially for the industrial countries, requires a concerted effort to reduce oil imports and bring their combined balance-of-payments deficit down to a level which can be handled by an international monetary reserve established for that purpose.

"The fact is that the only sure way of reducing the enormous current-account deficit with the oil-exporting countries to a manageable level is by reducing the consumption of oil and energy and limiting imports of oil. However, the industrial countries cannot put off the taking of such measures if more serious difficulties are to be avoided."

If import restraints are not applied, the burden on international financing will become too large to be borne. Serious economic disruption

could result. Over the next few years the international financial system and institutions have major adjustments to make.

"The Interim Committee of the Governors of the IMF, consisting of 20 ministers of Finance under the chairmanship of Mr. John N. Turner of Canada, has asked the Executive Directors to consider as a matter of urgency, the adequacy of existing private and official financing arrangements, and to report on the possible need for additional arrangements, including enlarged financing arrangements through the Fund, and to make proposals for dealing with the problem."

Dr. Bernstein observed that producers of other key resources are tempted to try to follow the example of the oil-exporting countries to establish cartels, limit supplies and substantially increase prices of those commodities. Past efforts in that direction have not been successful. Conditions of supply and demand for most basic commodities differ appreciably from the present situation for oil.

His talk also touched upon the inevitability of a larger role for governments and government-sponsored institutions in the adjustment process,

**U.S. DOLLAR PRICES OF SELECTED MAJOR WORLD TRADE
COMMODITIES, 1971-73**

	1971	1973
(1967 = 100)		
Wheat	94.6	214.4
Soybeans	112.5	238.6
Zinc	112.6	310.0
Sugar	219.4	468.4
Total, 18 Major World Trade Commodities	105.3	193.3

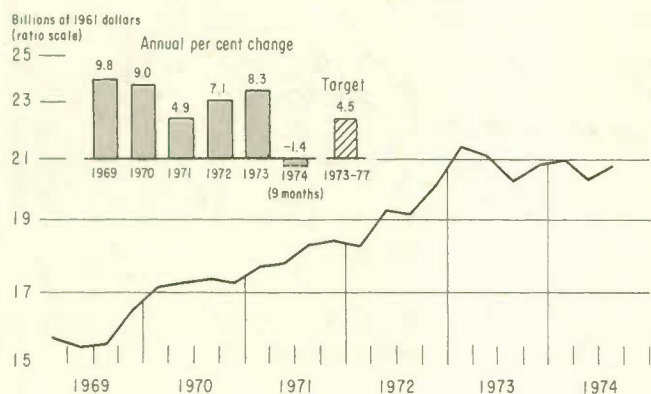
Source: E. M. Bernstein, National Economic Conference Paper 22.

and the consequent significant change in the role of multinational companies. He pointed out that his remarks did not deal extensively with inflation and recession.

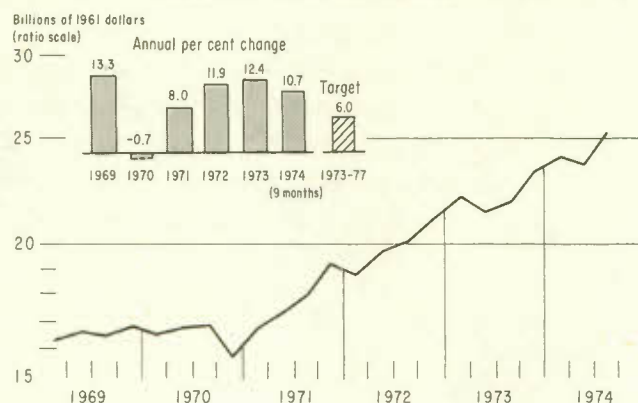
"The excuse of this is that they are generally regarded as domestic problems. Actually, the domestic problems of one country are international problems for all other countries. And

when many countries share the same domestic problems, as they do now with inflation and the threat of recession, these problems assume an international character . . . It is important to emphasize, nevertheless, that if Governments neglect these problems, particularly the U.S. Government, the consequences for the world economy and the international monetary system will be very serious."

Exports of Goods and Services



Imports of Goods and Services



Canada's International Trade

In part because Canada's economic performance remained relatively strong compared with a weakened world economy, the Canadian trade deficit increased as 1974 progressed. The increase in the value of exports reflected some decline in volume at a time when both value and volume of imports were increasing. By the third quarter of 1974, the current-account deficit was running at an annual rate approaching \$3 billion, more than double the rate for 1973.

The economic situation of the United States remains the major international influence in Canada's international trade. Although there are elements of underlying strength in the U.S. economy, the immediate outlook and emphasis centre on the recessionary trends present in that country. These will impose a braking effect on the Canadian economy throughout 1975.

Spokesmen for Canadian industries expressed concern and uncertainty about several features of the trade outlook for the next few years. There are uncertainties regarding the world economic outlook, the international monetary situation and the probable outcome of a new round of GATT negotiations. There is also the substantial burden

of the world food shortages, and the means by which Canada can make its contribution most effective. The growing emphasis on food production and delivery will shift resources and incomes within Canada, not just towards agriculture, but also toward the total food system, with special emphasis on such factors as transportation, energy, fertilizer, equipment and, among the most important of all, manpower and community development.

Spokesmen for other resource industries such as mining, energy, fishing and forest products, which are especially sensitive to international developments, also expressed varying degrees of concern. For some, such as the lumber industry, the sharp decline in world markets was a major concern. For pulp and paper, the massive financial requirements for capital expansion, in an uncertain world economic situation, was a principal concern. Energy exports, particularly oil and gas, are in the process of severe curtailment while the need for an expansion of oil imports is seen as a real possibility. The mining industry shared with the oil and gas industry serious concern over the lack of favourable government policies, or of even agreement among the various governments, regarding taxation, royalties and a concept, plan or target for development of these strategic industries.

"High rates of inflation for many commodity prices are likely to continue, perhaps into 1975. The best hope of moderating inflation in the long run is through market-directed investment in additional productive capacity. Such investments, of course, must be supported by increasing the proportion of savings and decreasing the proportion of consumption in GNP so that consumption does not pre-empt resources required for the expansion of production."

Economic Council of Canada,
Eleventh Annual Review, p. 155

Canadian manufacturing industries viewed the international situation in mixed ways. Some, particularly petrochemical, fertilizer and, to a lesser extent, pulp and paper, textile manufacturing and food processors, saw new potential export opportunities emerging, but were uncertain whether the opportunities would, in fact, materialize over the next two or three years and whether the Canadian industries could take advantage of them. Other parts of the textile and clothing industry and the electrical products industry saw a growing threat from increasing imports into Canada as other countries make every effort to find outlets for their production in the face of their own weakening economic prospects. For transportation equipment, some strength was seen for the Canadian shipbuilding industry, as well as for the export of some other types of transportation equipment, but the outlook for the industry as a whole is overshadowed by the weakness in the automotive sector.

Retail and wholesale distributors look to the need to rely more heavily on imported supplies in the face of difficulties and uncertainties in getting adequate supplies from Canadian producers.

These assessments of the outlook for exports and imports, on balance, seem to suggest that the current-account deficit might remain sizeable over at least the medium-term future. This outlook is consistent, in a general way, with that expressed by the Economic Council in its *Eleventh Review*. It is also consistent with the expectation that some increase in capital inflows may be required to meet the anticipated heavy capital outlays in Canada over the coming five or ten years. However, the magnitudes involved in the various transactions, their timing and the ways in which they impact on the Canadian economy will not necessarily make for a smooth and easy process of adjustment. Careful development of policies is required to establish some medium and longer term guidelines against which to assess what is happening simultaneously in so many key sectors of the economy and in the closely related international trade and monetary activities.

Some further observations on the international situation, as contained in the Priority Papers of the industry Committees, are given in Part II of this Report.

The Four Conference Issues



Four overriding issues were used to focus much of the discussion at the 1974 National Economic Conference. These issues were:

- Inflation,
- Optimum Utilization of Manpower,
- Productivity Improvement,
- Materials and Energy Supplies and Shortages.

A paper was prepared in advance of the Conference by an outstanding authority on each of these four issues.¹ These papers, together with the reports by the industry Committees, and some guideline questions, provided a starting point for the workshop discussion.

Although the Conference workshops dealt separately with each of the issues, there are important interrelations in terms of national priorities. Economic and social progress relies heavily on how these four matters of concern come together and are dealt with. Some of the broader economic and social issues on which the Conference called for action include:

- *The uncertain and deteriorating world economic conditions;*
- *The "stop-go" nature of economic policies, in contrast to the longer term requirements of the economy — A matter on which the Conference called for high priority action;*
- *Questions of income distribution, inadequate levels of income, and the process by which incomes change relatively from one group to others;*
- *The need for adequate capital investment, savings and well-functioning financial markets, all operating as steadily as possible, as a means of improving productivity and offsetting some of the inflationary pressures;*
- *The impact of demographic and social changes, personal choice, work preferences, attitudes and motivations, and the impact of industrial and geographical shifts on manpower requirements and availability;*
- *Sizeable structural changes in the economy and within society, and which are by no means uniform across Canada — A subject on which the Conference sought much better information, leading to policy decisions and action;*

¹ Papers for the 1974 National Economic Conference: 17. Inflation, by David C. Smith; 18. Manpower, by Kenneth Strand; 19. Productivity, by Rodrigue Tremblay; 20. Energy and Material Shortages, by Carl E. Beigie.

"What must be stressed is the need for the most intensive effort into the search for technologies — not only of production, but of landholding, management, marketing and financing systems — which will best meet our economic and social goals in an efficient and productive way."

Agriculture,
NEC Paper 1

-
- *The growing impact of the government sector and uncertainties and delays which result from both the changing role of governments and the competition among different levels of government in the exercise of the growing power;*
 - *Better processes of both corporate and government accounting and accountability — A matter of prime concern to many delegates, and one identified as requiring major new policy initiatives;*
 - *Finally, the ways in which decisions concerning land-use, human settlements and community development take place.*

Each of the four Conference issues touched on some aspects of these broad areas of economic and social concern. Recommendations for future Conference activities include additional ways to examine particular issues and their broader causes and consequences.

These notes on each of the Conference issues draw mainly on reports of workshops on the issues to plenary sessions, and on the discussion in the plenary sessions at the Conference. Some further consideration of these issues is contained in Part II of these Proceedings which includes the verbatim reports of the four Conference workshops as well as Committee observations on the Conference issues.



THE CHALLENGE FOR POLICY INFLATION

"What are the issues for public policy?"

- (1) While international links limit the Canadian rate of inflation both upwards and downwards, would it be desirable to try to follow a more independent course and allow larger, longer-term changes in the exchange rate?*
- (2) Monetary and fiscal policies can curb the growth of total dollar spending without which rapid sustained inflation is not possible . . . greater stability of both the price level and employment opportunities requires more consideration of means of achieving a more stable, longer-term setting of monetary and fiscal policies.*
- (3) Plausible arguments can be made for several types of supplementary policies . . . direct controls . . . indexing . . . economic adjustment processes.*
- (4) These policy issues will persist because we will not all agree on the answers. The greatest challenge to some advance in their resolution lies in improvements in the use of knowledge through our political processes."*

David C. Smith
NEC Paper 17. Inflation

"The same decision-makers who plan for economic growth and how it will influence social conditions must be willing to take a leadership role in creating awareness and proposing programs for a better designed environment."

INFLATION

"What is an acceptable rate of inflation? Is it 12 per cent, or is it 2 per cent, or is there a range?"

Inflation remained the major concern for many of the Conference participants. However, to an increasing extent, inflation is now ranged beside recession, income distribution and international commercial and financial disruption, as multiple concerns.

Most of the Priority Papers by the 16 industry Committees ranked inflation as a matter of critical importance. (See Part II, Industry Committees' Views on Inflation.) An overview of the subject was provided in the paper on Inflation by Professor David C. Smith, Queen's University. (NEC Paper 17)

Causes of Inflation

The causes of inflation are both international and internal. Most of the discussion concentrated on the internal factors.

The inflation workshop, which met on the first day of the Conference, noted:

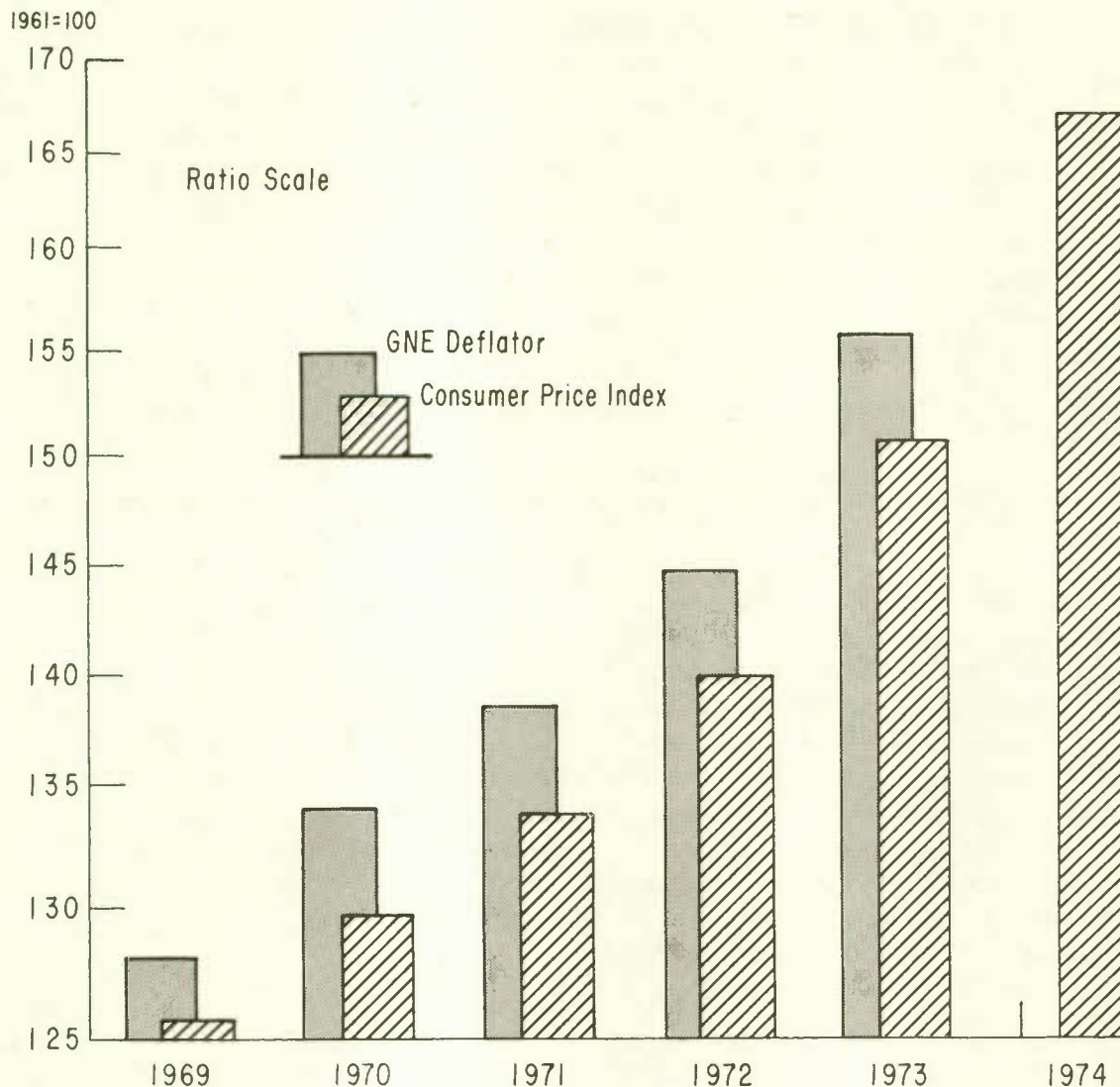
"The groups felt that international factors are important, perhaps even more in terms of price increases than of shortages, but that international sources of inflation should not be over-emphasized. Some noted that international events are moving in such a way that they are already beginning to reduce inflationary pressures and that external sources will be less important in the near future."

There were four internal causes of inflation upon which the discussion centred. They were:

- The impact of large-scale structural changes in the economy;
- The lack of steadiness in the application of monetary and fiscal policies;
- The general complacency of leaders and the public alike with respect to inflation;
- Government revenue and expenditure policies.

Although no particular emphasis was placed on rising profits or wages as a cause of inflation, recognition was given to the general inflationary bias created by the competitive vying by groups in society as they all try to preserve or improve their relative real income position. Moreover, "cost-push" elements of inflation may be relatively more

GNE Implicit Price Deflator and Consumer Price Index



important in 1975 than in 1974. Increases in profits occurred in a number of industries when prices rose sharply. However, these increases confront price increases which reduce substantially their real worth. Also, increases in costs of production (including unit labour costs) lag somewhat in their incidence and impact, and therefore can be expected to continue even as demand pressures fall off. Thus, further price and cost increases are likely to coincide with lower profit margins in many industries. Generally, the Conference discussion suggested that attempts to introduce automatic income adjustments to compensate for price

increases would increase, or sustain, inflationary pressures and render less effective the necessary process of structural adjustment.

Governments have a leading role in causing inflation and in combatting it, both through the "big levers" of monetary and fiscal policies, and through the direct (and indirect) competition by governments for goods and services.

For greater steadiness, monetary and fiscal policies require a longer time setting, at least in their broad dimensions. This steadiness and the

"The Energy and Material Shortages Workshop basically just endorsed the Economic Council's position that as a long-term policy we should work away from a two-price kind of concept . . . letting the market mechanism work . . . it will in fact work to our long-term benefit in attracting resources to the sectors to which we want to attract them and induce conservation measures and that kind of thing . . . that is not to say that everyone agrees on this . . . In economic terms, a strong case rests for gradually . . . evolving away from two-price concepts in order to let the market mechanisms work."
(Plenary Discussion)

consequent reduction of instabilities generated by stop-go monetary and fiscal policies raise a number of difficult policy trade-offs. Most important of these are concerned with maintenance of employment and incomes, but the policy considerations are widespread. For example, the Canadian dollar might appreciate in international exchanges, creating difficulties for export industries. Greater variation in interest rates and a different approach to the timing of major projects might have to be accepted, creating additional supply bottlenecks and further uncertainties for decision-makers.

The revenue and expenditure policies of governments received special attention. The rapid transfer of command over goods and services to the government sector includes the redistribution of purchasing power through the government sector to the personal sector and to consumption. In total, the additional demands for goods and services resulting from the increase in government activities create significant inflationary pressures, both directly by their magnitude and because they represent a structural adjustment too great for ready absorption by the normal market forces. Much better understanding is needed of the impacts of the government sector. The conventional viewpoint of the government surplus or deficit, for example, is an inadequate explanatory approach. A better system of accounting and of accountability was seen to be required.

Other important structural changes are taking place in the economy. These, too, are occurring at a pace which makes the adjustment process difficult. Energy and agriculture represent outstanding examples of sectors benefiting from this very rapid process of change. These adjustments show up in exceptional increases in prices, especially for oil and for some agricultural products, and by substantial transfers of income to these sectors.

The two-price policy for oil was singled out for particular mention in the structural adjustment process. The view was supported that adjustment to the dramatic changes in the energy situation requires that, in the long run, the price of energy in Canada rise to world levels. These levels also should fully represent the relatively high costs of producing oil and natural gas in Canada, not just in 1974 or 1975, but also in 1980 or 1985.

Effects of Inflation

In terms of the effects of inflation, the main emphasis was placed by the workshop on income distribution, wider social effects, and disruption of capital markets.

"Inflation redistributes incomes, including wages and profits, in irrational and unintended ways." This redistribution can cause substantial hardship and be socially disruptive.



The income effects and the hardship and disturbances caused by declining real incomes were seen by many as the most destructive effects of inflation. A second, is the disruption, created by inflation, of the entire structure of the market economy and the private enterprise system.

"The market economy, and particularly the capital market, is one of the threatened institutions."

"Inflation is an enemy of effective capital markets." The damage from the distorting effects of inflation may take some time to be felt. Lags may be considerable and are complex in their impacts. Inadequate or inappropriate capital investment, for example, may not show up for several years. By that time, the distortions have spread broadly and cannot be quickly remedied. Delays, or the bunching of potentially large investment demands, for example, can cause even greater inflationary dangers in the future, and lead to a continuation of stop-go policies by business and governments.

The entire matter of savings and investment was regarded by many as one of the most critical issues before the Conference and facing the country. The saving-investment impacts affect not just the potential rate of inflation, but also the

effective use of manpower, the rate of productivity improvement, materials and energy supplies and shortages, and structural changes in the economy, both industrial and geographical. Thus, factors which affect the amount and the disposition of savings and investment form important links running through all the Conference issues and into the future characteristics of the Canadian economy and Canadian society.

Corrective Measures

Of the many corrective measures which are frequently discussed, two were regarded as not recommended for general application. These were direct controls and indexation.

Broad *direct controls* of prices and incomes were not generally approved. Specific price controls might be useful in some circumstances, especially as a means of spreading price increases over longer periods, or for dealing with particular speculative or exploitive situations, or to dampen inflationary expectations surrounding particular commodities or groups of commodities.

Sharp differences of opinion were registered regarding *indexation*. Generally, it was not regarded as a panacea, and its growing use in Canada was regarded by many as a confession of

"When many groups begin to require automatic adjustments to compensate for price increases . . . the result is that inflation feeds on inflation."

failure. Others felt that, in the present circumstances, it was the least damaging of alternatives. Short-term labour contracts, or frequent re-opening of wage contracts, for example, were regarded by some spokesmen as less favourable. Some regarded partial indexation, such as exists now in Canada, as the worst of both worlds, while others thought that indexation of pensions and welfare payments and possibly of other incomes for those in weak bargaining positions was justified even though indexation in general was not. Not unnaturally, there was a tendency to regard indexation as appropriate to protect one's own position, but not something for general application.

Mr. James McCambly, Executive Director of the Advisory Board for the Building Trades in Canada, pointed out the difficulties in trying to reconcile the advantages of price stability in construction contracts with the real needs for adjustments to wage rates when inflation was present elsewhere in the economy.

"It is in our interest as well as the whole (construction) industry to try to maintain a firm price bidding system. And that is very difficult to do if we in labour demand regular escalations that aren't anticipated when a

collective agreement is negotiated . . . However, there are people in the country right now who are living with three-year agreements and they are suffering very very bad. It is difficult to suggest to them that something like COLA [cost of living adjustments] is not a good solution, but I think that our people are of the opinion now that we are not advancing the concept of COLA. We are advancing a firm-price concept, recognizing first erosion that may have taken place in the previous contract, recognizing what may be the situation in the next probably couple of years. We would naturally also want to give consideration to increases in the standard of living and to a proper share of profits. And then, having given consideration to these matters, we should live with our decision."

Appropriate monetary and fiscal policies were regarded as a necessary condition for the control of inflation, though they were seen as being too blunt and too slow to make all of the necessary adjustments. The stop-go impacts often associated with changes back and forth in the use of monetary and fiscal policies were cited as a factor making for worse inflation over the long run. The possibility of getting back into this kind of cycle in 1975-77 was foreseen by a number of delegates as a serious threat.



Other measures to fight inflation are also necessary, both on a global and sectoral basis. Greater attention should be paid to the distorting effect of *power blocs*, of *bottlenecks* and to other *specific structural changes*. In some instances, the barriers or frictions are made legitimate by legislation and by accepted behaviour as, for example, in the barriers to entry in some professions or trades. Institutional factors themselves can help to cause inflation. Greater co-ordination and more certainty are needed in the exercise of federal-provincial power, and in the handling of government business affairs. The rate of increase in government expenditures was another matter of serious concern in respect of inflationary pressures.

Although there was disagreement about particular corrective measures to fight inflation, there was general agreement that measures should be introduced gradually with a view to executing a gentle levelling off rather than attempting an abrupt cessation of price increases. There was a *strong call for leadership* and for clarity concerning precise objectives and expectations of policy regarding inflation. "What direction this leadership should take was much less clearly defined."

"Leadership" was seen as not just a political phenomenon, but something greatly needed throughout all levels of society.

"The workshop [on Inflation] also deplored the general complacency of leaders and the public alike with respect to inflation. This complacency, it was suggested, extended to the Economic Council itself . . . This complacency has been reflected in competitive and unco-ordinated vying for position by various groups in society, including governments as well as a variety of private interests."

Some recognition was given to the extremely difficult task confronting political leaders, not just in sorting out and acting upon the conflicting views and characteristics, but also in trying to strike an appropriate balance between numerous objectives at the same time. For example, anti-inflationary policies frequently are inconsistent, in the short term, with full employment policies. Structural changes, income transfers and income maintenance policies, regional policies, social and environmental priorities and international trade and balance-of-payments objectives all require attention at the time that anti-inflationary policies are being considered or implemented. Each of these areas of policy poses difficult trade-offs. Taken together they require a concerted but diffuse exercise of leadership in all sectors of society.



"Old ways of doing things are confronted by new imperatives."

THE CHALLENGE FOR POLICY

MANPOWER

"... among economists there is the adage that the economic questions always remain the same; however, at various points in time the answers change... Issues often appear not as questions but in the form of dogmatic assertions. Three examples follow:

- 1. The assertions that the "work ethic" has disappeared and that the unemployed are a bunch of "welfare bums" translate into the questions of the determinants of labour turnover, absenteeism, labour force participation and into the question of whether these have changed recently, especially for teenagers.*
- 2. The assertion that the unemployment figures are "no good" translates into the questions of whether the unemployment rate means the same thing it used to mean and, if not, what does it mean?*
- 3. The assertion that the labour market "doesn't work" translates into the question of why there are simultaneously large numbers of unemployed and large numbers of vacant jobs? "*

Kenneth Strand
NEC Paper 18. Manpower



MANPOWER

Questions concerning the optimum utilization of manpower touched off a far-ranging discussion of long-term issues of employment, unemployment, worker motivation, the work ethic, changes in the structure of the population and the labour force, mismatching of job requirements and worker skills or interests. Education, training, retraining, mobility, turnover, excessive qualifications or certification become important parts of this general consideration. Other important factors include the changing incentives and disincentives to work in traditional ways, and the growing choices of life styles which people of all ages are now able to exercise and of which work or employment is only a part.

Like inflation, manpower stood out in the Conference discussion as a subject of high priority. As illustrated in Part II of this Report, most of the 16 industry Committees rated some aspect of manpower as a matter of principal concern. The concerns ranged from employment in remote areas to changes in urban settlement; from the lowest level of skills to the highest; from the increasing participation of young people and of women in the labour force to the partial withdrawal of services, in one way or another, by many workers. The

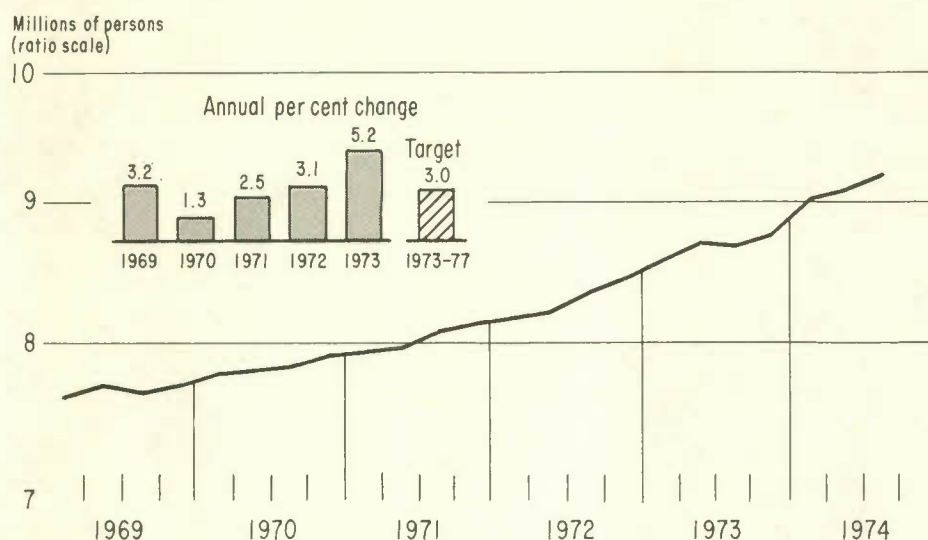
discussion at the Conference had the benefit of the challenging viewpoints put forward by the Education and Manpower Training Committee (NEC Paper 15) and in the commissioned paper on Manpower by Professor Kenneth Strand (NEC Paper 18).

The Population and the Labour Force

The changes which are taking place in the Canadian population of working age and in its attachment to the labour force, or detachment from it, point to the need for much further work on manpower policies. Efforts are needed to integrate the perceptions and knowledge of many groups in society, including business management, labour leaders, governments, educators and other informed members of the public.

The examination of manpower is all the more necessary because of a slowing down of Canada's rate of population growth and because of the changing structure of the population. These changes can be expected to produce even more acute manpower shortages five or ten years from now. Moreover, in the past, the supply of industrial and service workers has increased substantially by

Total Employment



drawing workers out of agriculture. That supply of labour has now virtually disappeared, and a small reverse flow back to agriculture might be expected.

Employment and Unemployment

Concern was expressed about the persistent, high rates of unemployment in Canada, especially when at the same time difficulties are being encountered in filling many jobs. It was noted that the meaning of recorded unemployment needs clarification. The overall measure of unemployment was not of itself either a good measure of "hardship", or of "tightness" in the labour supply. It might be a measure of "waste", in the sense of unutilized manpower, in so far as "waste" can be adequately measured at all by a measure of unemployment.

There was much discussion of tightness in the supply of labour, as indicated by the persistent inability of employers to fill job vacancies. While the easing of demand might reduce this problem in 1975, its re-emergence beyond 1975 was seen as likely to become even more serious than in 1973-74. Job vacancies in 1974 covered a wide range of skills, as well as the need for many unskilled workers, even in some regions with high rates of unemployment. The substantial increases

in employment which took place, for example, in 1973 did not draw down the numbers of unemployed as much as might have been expected. Although a substantial decline in unemployment did take place, the increases in employment resulted more from drawing additional people into the labour force — people who previously were not reported to be looking for work.

This changing pattern of attachment to jobs indicates that attempts to reduce unemployment simply by an increase in overall demand no longer constitute a sufficient approach to unemployment. Substantial increases in aggregate demand might well exert additional inflationary pressures much more rapidly than they reduce unemployment. Measures to deal with unemployment require, in the first instance, much more understanding of its characteristics, and then more specific design and application of programs to deal with those particular characteristics.

Even though aggregate demand policies may not be the most effective way to reduce unemployment, the recommendation was made that demand pressure should be maintained sufficiently to create a continued need for substitution, thus facilitating structural change and greater job satisfaction.

THE CHALLENGE FOR POLICY
EDUCATION AND MANPOWER TRAINING

- *Our society is suffering from a serious conflict with respect to education . . . our society is addicted to status and so-called "work oriented" courses do not have status.*
- *. . . (There) will continue to be the shortage of technical and skilled manpower; further we cannot depend on rising wages and salaries, or the "guesstimates" of individuals, companies, etc., as ways to meet shortages.*
- *For "Manpower Planning" to be useful and effective — business, labour, professional and trade associations, government, etc., must supply the necessary information on the number and classification of professional, technical, and skilled personnel they will need; this should be on a rolling basis covering a minimum of four to five years.*
- *As a matter of national policy we must find ways to encourage broader access to "career education" while encouraging students to join fully in the life of our society. . .*
- *(The 14-24 age group) represents roughly 50% of the unemployed in Canada and it will be largely from this group that we will have to meet our emerging deficit of skilled and technical manpower.*
- *It is also important to point out that the majority of secondary students at the grade 9 level are destined to go directly into the world of work as graduates of secondary school or as drop-outs, without going on to post-secondary education; these young people because they lack marketable skills, are not equipped to enter employment.*
- *. . . The completion of large projects at any cost, another manpower planning factor, will have a serious effect on secondary industry, small manufacturers, the service area, etc.; and further, merely creating jobs by government — without those jobs being useful and part of an overall economically sound "Manpower Program" is neither the answer or advisable.*
- *We must find the answer to better use of the skill and knowledge of the men and women in their pre-retirement years (50-65) and also after retirement.*

Education and Manpower Training,
NEC Paper 15

Job Requirements and Work Attitudes

The problem of achieving a better matching of job requirements and of workers was seen to require changes both on the supply side — of workers or potential workers — and on the demand side — the kind of jobs and the working conditions. The "live to work" ethic, which might be said to have characterized attitudes formed in the depression years, is no longer prevalent, and workers will not accept a job simply because it is a job.

The needs and aspirations of young people and of women returning to the labour force require particular attention. In addition, there is a need "to place these matters in the perspective of a continuum which includes education, vocational and technical training, career orientation and counselling, placement, and retraining which could be viewed as an integrated whole". This approach, as outlined by the Education and Manpower Training Committee, (NEC Paper 15) would encompass the job requirements of the economy as a whole. It



would, however, be very much community oriented and, in its most important aspects, directed to the personal aspirations and preferred life styles of the individual.

Careful scrutiny of the nature of existing jobs is required, not just in terms of remuneration and physical working conditions, but also in intangibles such as prestige, status, and opportunities for self-fulfillment. Job redesign, enrichment and enlargement will follow from that re-examination of jobs. The report from the Manpower Workshop (reproduced in Part II of these Proceedings) noted that young people frequently are encouraged to aspire to "white-collar" jobs. "Exposure at an early age to a blue-collar environment could do much to ease the difficulties which many of our young people experience. . ."

"Younger people in the labour market are less concerned with questions of efficiency because as children of prosperity they are not so concerned about material goods. They are more interested in leisure patterns. A lot of what we see in labour turnover and in other things are a substitution of leisure for income. They value leisure highly, and if this results in inefficiency that is not critical to them."

At the same time, "dirty and unattractive jobs will still have to be done". If these jobs cannot be

redesigned or reorganized, they will have to be better paid. "In some cases, whole productive processes may have to be abandoned, to be replaced by others which are more satisfying and more rewarding to the workers involved." These changes in pay and working conditions will create serious social tensions. "Workers throughout the occupational hierarchy will naturally seek to preserve their income levels relative to other groups, and a significant escalation of wages for groups at the lower end of the spectrum could simply set off a domino effect of wage demands throughout."

IMMIGRATION

Immigration has another important source of workers through the postwar years. However, immigration might well become relatively less significant in the future. Immigration was not supported in the Conference discussion as a principal approach to meeting Canada's labour requirements, although selective use of immigration was accepted by some as a useful means of eliminating specific bottlenecks in the supply of workers. The more prevalent Conference viewpoint was that substantial new steps should be tried to get a better matching of the available population and job requirements, and to achieve increases in productivity.

"... it has become apparent that while a great deal of labour market data are available on a monthly and annual basis, there are still many shortcomings, particularly with respect to what constitutes the most productive use of labour and how much personal suffering and hardship are associated with unemployment. It is the intention of the labour market study to identify some of these data gaps and to advance recommendations aimed at filling the needs."

Economic Council of Canada,
Annual Report, 1973-74

"No one should leave this Conference with the idea that the answer to the problem when you can't fill jobs is massive immigration... all this really does is give short-term solutions to long-term problems."

"In the Workshops there was rather heated disagreements with respect to the role of immigration. There was rather widespread agreement that there are persistent, rather large-scale (relative to the total number of vacancies) vacancies for unskilled and unattractive jobs... This is linked to very substantial job turnover. These jobs are filled over and over again... This is a new phenomenon. Skill shortages are not a new phenomenon. They appear at cyclical peaks. This phenomenon of vacancies in unskilled jobs is a phenomenon which will not go away. We must deal with the wages and working conditions as the primary emphasis. There may have to be very substantial changes in relative wage structure in many instances. These changes will not be easy. They will produce social and economic consequences. These improvements should be the primary emphasis rather than immigration of unskilled workers."

"There was pretty general opposition to the idea of 'guest workers' being brought into Canada to fill dirty or unattractive jobs... Guest workers are not the solution to dirty or unattractive jobs. We need amenities, job enrichment, higher status

and higher pay... This may generate social upheaval and demands for ratio increases by other workers."

Immigration is important "to the continuing growth and cultural enrichment of Canada" but it should be used "in a supportive rather than job competitive manner."

The Changing Structural Characteristics of Employment and Job Opportunities

The rapid changes which have taken place, and which continue to take place, in where Canadians live and work, and the kinds of jobs they do, have placed additional strains on the process of adaptation and of matching people to opportunities. By far the most rapid shift has been toward the rapidly growing service industries (including governments). These job opportunities have done much to favour the white-collar, urban preferences of workers, especially young people striking out on their own. The converse of this attractive, preferred life style has been the difficulty of finding an adequate, steady supply of workers, especially young men and women, to live and work in remote areas and in rural communities. The job requirements and the living conditions in remote and rural areas are changing and improving, and a portion of the population shows signs of being attracted to the way of life they

"The chemical industry has placed the whole issue of government policy making and the government/industry interface at the top of its list of urgent priorities. The problem is one of coordination and a clear delineation of the lines of authority with the realization that as Governments take on more authority in the private sector the associated responsibility, accountability and potential liability become real and of awesome magnitude."

Chemicals,
NEC Paper 10

represent. But the adjustment process is by no means smooth and easy. It is also very costly, in terms of changes in pay scales, community development, transportation requirements, worker turnover, and so on.

The process of change also involves population movements from one geographic region to another as relative employment opportunities, levels of income and other amenities change. Barriers to entry in some jobs and professions, and excessive requirements of education or certification also were identified as distortions in the labour market, preventing smooth adjustments.

The probable, longer term trends in job opportunities and life styles in both urban centres and in rural and remote areas across Canada need careful study by all sectors of society in order to bring about a satisfactory adjustment.

The Conference also dealt with the difficulties encountered in absorbing the large number of young people into satisfying jobs, which offer long-term career prospects. The Manpower workshop report noted in this connection that:

"There was general agreement that young people and others in society today want to work and are actively seeking work. There is no doubt that they are displaying a real desire for more rewarding jobs and more flexibility in their work life taking account of, and giving meaning to, personal aspirations and family circumstances. There was considerable discussion in both groups of the sense of personal antipathy and frustration associated with certain kinds of unsafe, dead-end, boring work . . . In many ways, our young people are proving more perceptive about their future than the planners and forecasters."

The need to re-design jobs and working conditions applies also to the increasing proportion of women re-entering the labour force. "Given the increasing importance of the female worker in the Canadian labour force, it was suggested that here, too, there was scope for further effort on the demand side. For example, in-plant day-care facilities and shorter hours will facilitate greater participation of women in some occupations where shortages currently exist."



PRODUCTIVITY

The workshop on Productivity noted that:

"It is thus important that we address ourselves to the problem of increasing the rate of productivity growth unless we are prepared to live with a lower potential for growth, smaller increases in the standard of living, and probably a smaller presence in world markets."

Productivity gains were identified as an important offset to inflationary pressures, also as a means of ensuring efficient use of labour and capital, and as a way to improve the competitive position of firms and industries. The Conference discussion benefited from the paper on Productivity prepared in advance of the Conference by Professor R. Tremblay (NEC Paper 19).

As illustrated in Part II of this Report, a number of the industry Committees had identified productivity improvement in their industry as a matter of high priority.

Productivity measurement was frequently identified as a critical problem to an understanding of how to achieve improvements in productivity performance. "The meaning of productivity is not seen as being the same in those industries where a product can be identified and in those industries where it cannot. For instance, in the health services

industries, output can only be measured with difficulty since the service provided is a mix of cure and care to which precise numbers cannot be attached."

Trends in Productivity Performance

The disappointingly low rate of productivity improvement in recent years raised serious questions about the future potential of the economy. Any reduction in productivity gains will slow the pace at which real incomes of Canadians can be raised. "Concern about productivity tends to be pushed aside at times by other issues that are regarded as being more critical."

It was observed that improved terms of trade for Canada's resource-based exports have some favourable impact on productivity and on real incomes, provided the more favourable position, in fact, continues. However, other major changes are taking place, or are likely to take place in the Canadian economy and within Canadian society, which will be major determinants of the rate at which productivity improves. These factors will, therefore, be significant influences on the rate of increase of real incomes.

The recent low rate of productivity improvement reflected in part the apparent ease with which new entrants could be drawn into the labour

THE CHALLENGE FOR POLICY

PRODUCTIVITY

"Analysis of the recent economic past indicates that future productivity gains in Canada on a scale that everybody has been accustomed to expect during the postwar period can no more be taken for granted . . .

Some of these adverse changes are once-for-all or transitory changes and cannot be expected to permanently drag down the rate of productivity growth . . . The output drift toward [low] productivity industries, as represented by the surge in the government and service industry, may soon stabilize but is unlikely to reverse itself . . .

Nevertheless, productivity gains in the past resulted from improved inputs and some basic structural changes. In the future, the same gains will come less naturally."

Rodrigue Tremblay
NEC Paper 19. Productivity

force under conditions of a strong upsurge in demand, such as existed in 1972 and 1973. The large influx of new workers, many of them inexperienced, will continue to put a drag on productivity improvement while they are being absorbed, properly placed and trained.

At the same time, productivity gains were hampered by capacity limitations in many industries. As employment increased rapidly, there was a decline in the capital stock per employee. This restraint on output, together with other factors, some of them world-wide, imposed inefficiencies, bottlenecks and shortages which further hampered productivity gains.

An important question emerges. "Is the relatively poor productivity performance of the Canadian economy a short-term or long-term phenomenon?"

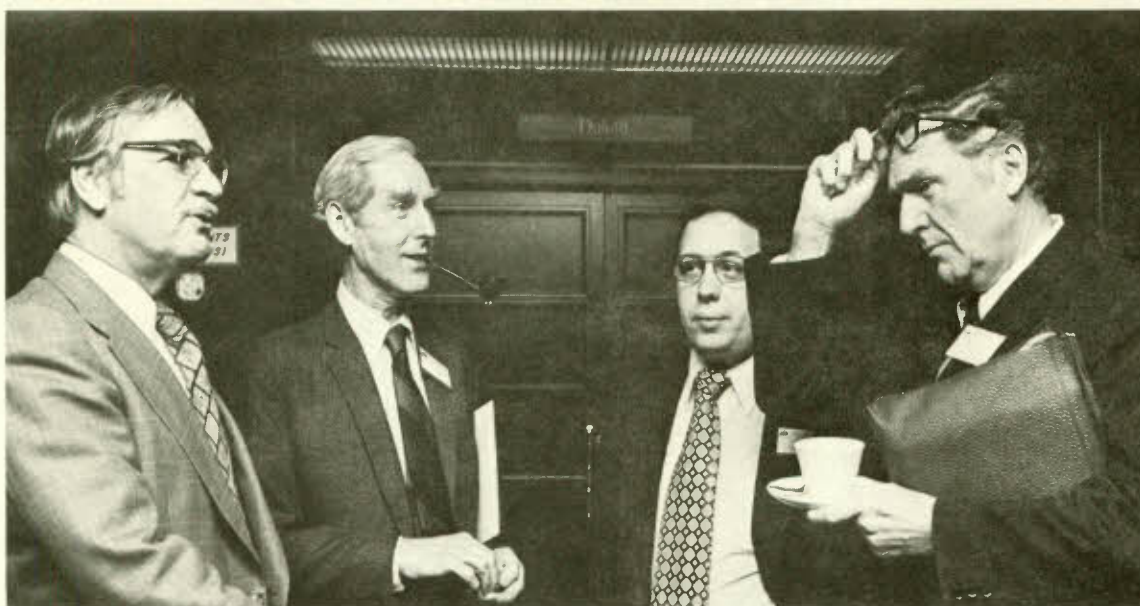
The longer term prospects for productivity improvement will be influenced by a number of basic factors (for examples see NEC Paper 21). Significant among these are conditions of demand

in Canada and abroad. Factors on the supply (or input side) include:

- population and labour force changes,
- structural changes in the economy,
- the level of investment and savings,
- management skills,
- worker skills and attitudes,
- world conditions, political conditions, and social aspirations.

Population and Labour Force Changes

Some of the probable changes in the structure of the population and in the labour force over the coming five to ten years can be expected to favour improved productivity performance; others will tend to offset these favourable factors. The slowing rate of population growth and the increasing proportion of the population in the prime working age groups will tend to improve productivity performance. However, if demand remains strong, more inexperienced workers will once more be drawn into the labour force. These will include a



larger proportion of women who are entering or re-entering the labour force without having had an opportunity to become fully trained or experienced. Also, under conditions of strong demand and rapid structural change, labour mobility can be expected to increase. This mobility can have favourable long-term effects on productivity, but while it is taking place some reduction in the rate of productivity increase might occur.

Structural Changes in the Economy

Even if the rate of productivity improvement were to remain constant in all individual industries, significant changes in the rate of productivity increase for the economy as a whole could occur simply from the change in relative size of the various industries. Some industries typically have rates of gain in productivity well below or well above the average. The overall productivity performance of the economy reflects the changes in relative size of the high and the low productivity industries. This factor of structural change is especially important in the Canadian economy because rapid transitions in economic structure are taking place.

Throughout the postwar years, one of the largest structural changes in employment has been the drawing down of the agricultural work force to meet the more attractive job opportunities in other

industries. The reduction in agricultural employment encouraged productivity gains within agriculture. It also placed a larger part of the total work force in occupations which, through those years, had higher levels of productivity. Thus, both characteristics of the change represented a structural shift that favoured increases in productivity.

Throughout the coming five or ten years, the substantial increases in employment in the service industries (including government service) will tend to reduce productivity gains. This result follows from the low rates of productivity increase which are recorded for service industries. Part of the relatively poor productivity gains recorded in the service sector may be simply the result of poor measuring techniques. "Output" in many service industries (for example, health services) is extremely difficult to measure. However, the swing toward service industries, perhaps especially the increase in the government sector, poses new conditions, new cost and price factors, and new difficulties in assessing productivity performance and efficiency. The apparent effect is to reduce aggregate productivity increases appreciably — so much so that sizeable increases in productivity will be required in other industries simply to offset the braking effect of the growing size of the service sector.

"... underlying the slowdown in the rate of productivity advance have been the rapid growth in employment of people in the low-wage, low-productivity categories and the excessive rates of utilization of capital stocks, with bottlenecks emerging in many areas, including a number of manufacturing industries. However, it is not clear whether these factors alone explain the moderation in productivity advances."

Other important structural changes also are taking place. Agriculture, energy industries and some other primary resource and resource-upgrading industries are increasing in relative size. These changes are likely to have a much smaller, direct impact on overall productivity performance than the growth in the service industries. Other effects of these changes on the economy and on Canadian society, however, are likely to be profound indeed.

Investment and Savings

The amount of capital equipment available to the work force has a substantial effect on labour productivity. Because the labour force in Canada has been increasing rapidly, the amount of investment in plant and equipment has had to be relatively large simply to maintain any given ratio of capital stock per employee. In addition, the industrial structure in Canada, with an emphasis on resource industries, utilities and large-scale transportation requirements, is relatively capital-intensive. To improve labour productivity under these circumstances requires sizeable outlays on plant and equipment, such that the proportion of gross national product devoted to expenditures on plant and equipment in Canada has been high in comparison with that in many other industrial countries.

In recent years, investment in plant and equipment (in real terms) has not been increasing at a pace to maintain the capital/employee ratio. Productivity increases can be expected to suffer under these circumstances. Moreover, even the slowdown in population growth over the coming decade does not necessarily indicate that the rate of investment should decline proportionately. A number of characteristics of the probable economic development indicate that the proportion of GNP devoted to capital investment might need to increase for a time if a favourable productivity performance is to be achieved.

An increase in capital outlays requires a corresponding increase in savings to finance it. These savings can come from domestic sources or be imported in the form of investment from abroad. The view was frequently expressed that savings within Canada, by business, persons and governments, are likely to fall short of the financing needs of investment programs, and that the general contemporary setting of economic policies might well favour consumption rather than saving. A larger inflow of foreign funds would occur under these circumstances. This entire savings-investment outlook emerged as a matter of serious concern in the Conference reports and discussion.



One feature of capital investment that received particular attention were the economies of scale and specialization. Increasing scale and increased specialization in production have long been regarded as important ways to achieve productivity improvements. A number of Committee Priority Papers and participants at the Conference identified opportunities for new initiatives in improving the scale and specialization of Canadian industries. However, a number of constraints also were identified. These included uncertainty about future world conditions, financing difficulties, rising costs, some remaining bottlenecks, and uncertainties about government policies.

In addition, increased scale of operation is not always an answer to productivity improvement. The Agriculture Committee, for example, stated: "Acceptance of simplistic and a priori notions of continuously expanding scale on industrial corporate patterns must be resisted, and the search for best adapted technologies and economic organization must be urgently pursued."

Particular emphasis centred on government policies and on government-industry relations. The need to remove uncertainties and to achieve clarity and stability in the complex of government policies was a matter of serious concern. Problems created for investment decisions by intergovernment disputes were cited as particularly disruptive. The resultant delays in investment decisions could

offset for many years to come any opportunities to increase scale and specialization in Canadian industry. However, it was also recognized in the Conference discussion that initiatives in the private sector also were essential.

Thus, many complex considerations centring on capital investment were seen as especially significant, not just for future productivity performance, but also for the size and scope of the Canadian economy and the nature of Canadian society.

Other Factors Regarding Productivity

Most of the other factors pertaining to productivity have to do with the human element — management and labour, as well as science and technology, and combinations of these. The changes which are taking place in the structure of the labour force, in personal and community preferences, as well as the changing motivations and attitudes toward work, working conditions, leisure and life styles suggest that much, perhaps most, of the potential increase in productivity lies in the broad areas of management and human relations. Emphasis might well shift to job restructuring to meet changing aspirations, and to education and training programs to achieve a better match between members of the labour force and the available job opportunities.



This emphasis on the human factor is important at both ends of the industrial spectrum. The service sector which now employs over 60 per cent of all workers requires high worker morale and efficient management because of its labour intensity and because it is "service" oriented. The service industries usually enjoy the advantages of urban locations in attracting workers, but they also face the costs and problems which arise from living and working in those locations.

At the other end of the spectrum, agriculture and the other resource industries must try to hold and even increase their labour force under conditions considerably different than those in the urban-centred, service industries. Highly volatile demand conditions, instability in capital investment, sharp seasonal variations in employment, and remote area or rural living conditions cause high rates of labour turnover and conditions of work in which steady, long-term gains in productivity are difficult to achieve.

Throughout all sectors of the economy, the search for productivity improvement among these

human factors — involving job satisfaction and job humanization — must be carried out, in large part, at the level of the individual plant or firm. Good practices which are developed in one place can be transferred to others. In the Productivity workshop, "the conclusion was reached that given the importance of working conditions on the level and rate of productivity growth, ways should be sought to achieve a better dialogue between labour and management at the place of work". More attention also should be given to the cost-benefit relations.

"Very little in terms of specific policy recommendations came out as a result of workshops on productivity. Given the complexity of the productivity problem and the extent to which it varies from one segment of the economy to another, this difficulty with productivity was realistically expected. A general conclusion would be to spell out clearly what is meant by productivity and of how to solve some of the measurement difficulties. It may then be easier for everyone to come to grips with the problem."

THE CHALLENGE FOR POLICY

MATERIALS AND ENERGY SUPPLIES AND SHORTAGES

"Unless means are found to reverse the traditional pattern of business cycles, whereby growth in consumer demand leads and investment lags, we run the very great risk that the next cyclical upturn will have to be cut short because of an early re-emergence of widespread shortages . . .

Another set of policy issues concerns measures to shield domestic consumers from temporary shortages (or gluts) in international markets. Disruptions in world commodity markets have produced a marked increase in the use of export and import quotas over the past several years, creating serious frictions in international trading relations. These frictions have been aggravated by various national policy actions (e.g., price controls) which compounded temporary commodity disruptions . . .

Conflicts between federal and provincial policy objectives are one of the most serious impediments to progress in relieving shortages in a number of resource-based sectors in Canada.

Structural shortages must ultimately be resolved by encouraging changes in relative price relationships to take place . . ."

Carl E. Beigie
NEC Paper 20. Materials

MATERIALS AND ENERGY SUPPLIES AND SHORTAGES

A useful perspective on the question of shortages was provided by Carl E. Beigie, author of the report on shortages (NEC Paper 20). Preparation of the report proved difficult partly because "there was a shortage of shortages".

Shortages are difficult to define precisely. In economic terms, a shortage has a price as well as a quantity aspect. We look for goods and services at prices we are accustomed to pay, even though changes in conditions make that price no longer realistic. "Shortages" and "inflation" are very closely linked. "Our concern with cyclical shortages was very close to being also a concern about inflation as such."

Much of the Conference discussion differentiated between short- and long-term shortages

and supply conditions. The effects of various kinds of shortages and the factors making for shortages are difficult to draw together into a concise assessment or policy prescription. Like other economic events, the phenomenon of shortages is greatly influenced by human, even psychological factors.

In introducing his paper, Mr. Beigie commented: "Inefficiency is a superior good. As our incomes rise, we become more and more prone to introduce inefficiencies in the system. This has serious implications for our productivity performance." Over the long run, inefficiencies also have serious implications for the supply and price of goods and services. As supplies become scarce relative to these demands, the inefficiencies and the wasteful use of commodities become constraints that require correction. The signals for the need for corrective measures include more



frequent and more severe shortages and dislocations of supply, and sharp increases or violent fluctuations in prices. The adjustment process, however, may take many years to work through. Serious disturbances and tensions occur while the adjustment is in progress.

Short-Term Supply Considerations

"The differentiation between the short- and the long-term types of shortages is fundamental for the purposes of policy formation in this country."

The focus of much attention in 1973 and 1974 has been on short-term, cyclical shortages. Almost all basic materials seemed to be in short supply for a time, but the sharp curtailment of demand throughout the world brought many commodities back into adequate or even over-abundant supply. These cyclical types of shortages are a continuing and, to some extent, a necessary feature of economic activity. At times, however, the amplitudes of the swings in supply are so violent as to cause serious and long-lasting disturbances.

Some of the short-term shortages may be deliberately contrived in the market place. Better commodity, industry and demand information (and action based on that information), a better monitoring of events and, in some instances, improved production, marketing and stockpiling

procedures might be all that can be done to dampen down these cyclical shortages. Specific, counter-cyclical investment policies also might help to alleviate shortages and bottlenecks, although they are by no means easy to implement.

Any monitoring agency that might be established to deal with shortages "should not be charged with the responsibility for *ranking* the priorities of the various shortages problems — this is a matter for decision-making in a political context."

"Similarly, the instrument or agency should not have a mandate to *prescribe* or even recommend appropriate policies . . . its job would be to identify the policy options."

"It may be that the Economic Council can perform this function and further that the National Economic Conference can provide a productive forum for the Council's efforts in these areas."

Under the economic conditions which prevailed for the past two or three years, the short-term shortages have given support to inflationary forces, including speculation. When demand pressures are excessive, there are many opportunities to exploit shortages for substantial increases in prices and profits. These increases, in turn, generate wage demands which, together with other cost increases, will not be resisted as long as

"Planning for the long term must include development of high-cost sources of oil and gas, as well as coal, nuclear power, and hydro . . . energy strategy should give great weight to the need to encourage exploration for oil and gas and to the need to restrain the growth of Canadian energy consumption as much as is consistent with the basic requirements of a growing economy."

Economic Council of Canada,
Eleventh Annual Review, p. 141

demand pressures or price expectations encourage further increases in prices. Shortages intensify that upward spiral.

"The big monetary and fiscal policy levers — which may indeed still be the best policy instruments in the battle against inflation — are not alone up to the job of coping with materials shortages in the various forms in which they manifest themselves. To say the least, consideration of more selective policies seems warranted."

Long-Term Supply Considerations

Long-term shortage and supply conditions pose additional considerations. Some shortages which initially appear as "short-term" may in fact represent the beginning of long-term structural changes. These will not be readily self-correcting once the boom phase of the short-term cycle has passed. Energy and agricultural products, for example, face potential longer term supply difficulties. These were major concerns of the Conference discussion.

At the far end of the time scale are shortages which might evolve because of the exhaustion of certain resources. Solutions to this difficulty consist in curtailment of demand, in conservation and recycling, and in substitution and adaptation. These long-term concerns about the potential

absolute exhaustion of supplies of non-renewable resources did not occupy much of the Conference discussion.

Touching on long-term supply questions for mineral resources, the Mining Committee stated, "It does not seem to be widely appreciated (a) that total resources are virtually unlimited, (b) that reserves comprise only those resources which have been delineated as viable in the context of current economic and technological conditions, and (c) that because of the cost of finding and delineation, defined reserves will always appear to be limited . . . Shortages, when they occur, result from the failure to find and develop reserves, as well as the failure or inability to finance and build the supply system."

The possibility of imminent shortages as a result of inadequate development policies was a matter of concern to a number of Committees and participants. The Energy Committee, for example, reiterated "its view in the 1973 paper that existing developed energy inventories will not be sufficient to satisfy Canadian requirements in the second half of the 1970s. An aggressive development policy must be pursued to maintain continuity in supply".

The view was expressed by some participants that supply problems in the coming years might be



worse for renewable resources, especially agriculture and fish, than for non-renewable.

Supply questions to 1980, 1985 or 1990 reflect structural changes in supply and demand within Canada and abroad. Analytical and policy tools are extremely blunt for assessing and dealing with these structural requirements, and the market place may well be increasingly less effective as an allocative mechanism. "We have a very difficult time applying specific policies to specific structural problems in individual industries." We have even greater difficulty in trying to assess the interactions and full implications of specific policies and structural changes, to identify inherent conflicts among them, or trade-offs which are necessary between them.

The longer term structural changes also reflect imbalances as a result of changes either in the supply of, or in the demand for, the particular commodities. These can be world-wide in scope, but have particular application in Canada. The world food situation and the world energy situation reflect fundamental imbalances which are likely to continue for many years to come. Regarding the current world food shortage, the workshop reported that "we wish to identify with Canadian policy to assist that problem coupled with the thought that we should direct our aid to those who are also prepared to help themselves".

Major adjustments in commodity prices, in incomes and in their distribution, both internationally and within Canada, follow from the imbalances. The price and income adjustments bring in their train further adjustments which help to determine where people will live, how they will live and how they will earn their living.

Future Conference activities were called upon to assess the probable course of supply changes over the coming five or ten years, and to explore, for policy purposes, various options. However, long lags exist between the formulation of policy, the working-through of structural changes, and of any remedial action that might be taken. Medium and longer term structural changes, which so drastically affect supply, prices and incomes, are continually in progress. Attempts to deal with them, or adjust to them, must begin many years in advance of the desired results, yet remain as flexible as possible in order to adapt to changing circumstances. Improvements in productivity may flow from the adjustment process.

Shortages and fundamental changes in the supply situation spill over from one sector to another. This is clearly evident in the emerging energy situation. All sectors of the Canadian economy and the lives of all Canadians will be affected, to greater or less degree, by changes in energy supply conditions.



The economist's solution to shortages is mainly "to allow markets to work, to allow prices to rise enough to choke off excessive demands and to increase the incentives for supply to increase". This solution is unattractive to specific industries, to many sectors of society and often to the political process.

“All sectors want to be protected from the operation of market forces. These are the pressures that are brought to bear on governments.” In yielding to these very real political pressures, or by delaying action to permit the political forces to become better identified, governments may contribute to “policy-induced shortages”. Specific policies, or the absence of clear legislative, jurisdictional, or administrative signals delay or distort the market adjustment process, and contribute to further structural inconsistencies. Shortages and distortions of supply are made worse. “Government policies do not in themselves induce shortages but rather may exacerbate shortages.”

This problem of government action or inaction and of "policy-induced shortages" can affect short-term as well as long-term supply conditions. The short-term effects are likely to carry over into medium and longer term impacts. This will be especially true if successive waves of stop-go policies are encountered. The short-term shortage conditions of 1973 and early 1974 might

"re-emerge in full force . . . early in 1976". If they do, they might well combine with deepening problems of structural change, for example, in energy and food. Assessments of this possibility and of remedial actions to deal with it are required immediately.

The Conference workshop "generally supported the position that we should move away from two-price systems and toward world-price structures for reasons which the Economic Council has already exposed . . . If the price of some commodities has to rise to ensure supply, the problems this would create for low-income groups should be dealt with through transfer payments mechanisms".

The view that two-price systems were not a satisfactory approach to supply problems was shared by a number of the industry Committees. The Food and Beverages Committee, for example, stated:

"While we in Canada have attempted to isolate ourselves somewhat from the escalation in prices by the expansion of a two-price system for products grown here, world economic pressures seem to be increasingly hostile towards arrangements of this kind. In any case, they would not appear to offer a long-term solution to the problems of the Canadian food and beverage industry."

"Providing firm price quotations to customers is a cornerstone of the construction process; without supplier support to a policy of firm quotations, the ability of the Construction Industry to continue to quote firm prices is seriously jeopardized."

Construction and Housing,
NEC Paper 11

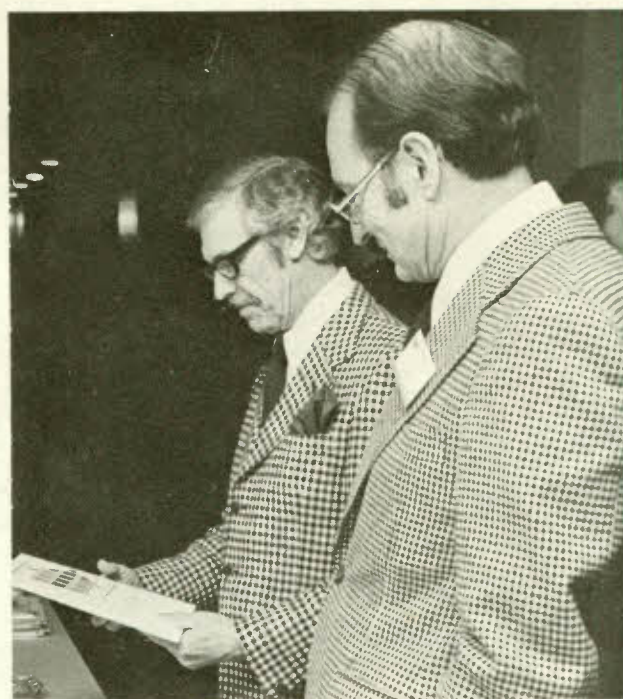
Other Conference Concerns

Within the discussion of the four main Conference issues, and within the statements by the industry Committees, a number of important concerns were identified that do not receive adequate emphasis in the foregoing summary of Conference issues. Some of these are summarized below and illustrated in Part II of this Report by the views expressed by the industry Committees. These concerns are part of the wide range of issues, opportunities and complex interactions which come within the Conference activities.

The subjects dealt with in this part of the Report include:

- The Role of Governments
- Land-Use, Communities, Incomes, Resources and the Environment
- Financing, Investment and Saving
- Industry Outlooks
- International Considerations
- Institutions and Institutional Changes

In addition to the perceptions of the industry Committees on the concerns listed above, Part II contains a sampling of the expressions of priorities and recommendations by the 16 Committee Priority Papers. Many of those priorities and recommendations also relate to the above subjects.



THE ROLE OF GOVERNMENTS

Outstanding among the concerns at the Conference were many features of government — for example, the rapid expansion in the role of governments; uncertainties about, delays in and conflicts within government policies, policy considerations or policy implementation, industry-government relations; inter-government conflicts and the need for a greater evaluation of the roles of government and for new forms of accountability of governments for their policies and actions. Concern over government actions or inaction, and over government policy, or the absence of well enunciated policy, ranked high in the priority concerns of a number of the industry Committees.

At the same time, it was recognized that there is a tendency to look to governments to solve all problems. Governments respond to initiatives and to pressures from the public, and spokesmen at the Conference recognized an increasing need for the public, in its various organizations and groups, to take initiatives and to communicate more effectively with governments. Decision-makers in the private sector must understand better the process of policy-making, with all of the constraints and conflicts which must be accommodated within government policy. The very process of interaction and of handling priorities, trade-offs and



constraints is in a state of transition. Efforts are needed to improve the processes and the institutions which serve the goals and objectives of society.

The Conference concerns over "government" may be thought of in four groupings:

- (1) Government policies and jurisdictions,
- (2) Inter-government conflicts,
- (3) Industry-government relations,
- (4) The growing importance of the government sector in the economy and for society.

A few illustrative expressions of these concerns by individual participants are given in this section, and supplemented by statements of Committee concerns in Part II. There, for example, reference is made to some major government policy thrusts, in such areas as: A National Food Policy, Other Resource Industries, Transportation Policy, Some Manufacturing Concerns, as well as the other items listed above.

"The single most important issue which vitally affects the opportunities which are clearly visible... is the resolution of the conflicts which

exist between federal and provincial governments, and the recognition that the whole matter of government-industry interface requires a great deal of attention, the objective being to reduce uncertainties and speed up the decision-making process."

"There is a tendency to try to shove off on to the political sector, and on to any other sector of which you are not a member, the responsibility for the *tough* decisions which we really all have to participate in... There are trade-offs that are going to hurt and unless sessions like these begin to try to decide how much of those trade-offs we are going to effect, there is no magic in the political process that is going to make those decisions for us."

"I don't want to be accused of demanding too much gradualism of government because I think that will just give them another excuse not to do anything."

"The private sector — management and labour — has a responsibility in meetings like these to work more intensively to resolve the differences... as much as we can to quantify the generality and resolve these trade-offs. If we are



going to ask the government to give us leadership, we on our part can't back away from our differences and just refuse to discuss them . . . "

Food

"The food question in this world is really a horrendous problem and challenge. It is going to affect the economic and social environment of the whole world . . . The recent World Food Conference did not give any assurances of this enormous world problem being tackled effectively . . . It is a question of enormous resource application."

Transportation

"The Canadian transportation system has arrived at a sort of plateau in that the capacity of rail, highway, roads, perhaps shipyards and other systems are really full. Our Committee was dominated by the thought that there was not a climate for private capital raising sufficient to expand the system and that therefore we would shoot out of the top of the plateau unless we could raise more money quite soon." "We are running into major bottlenecks in our transportation system. I think this is a very serious question for the Canadian economy."

LAND-USE, COMMUNITIES, INCOMES, RESOURCES AND THE ENVIRONMENT

Any assessment of economic outlook is part of an ultimate concern about where people will live, how they will live and the environment in which they will live. Both the 1973 and 1974 Conferences were criticized by some participants for not addressing more directly and emphatically these ultimate questions of society and social well-being. It can only be said in defence of the Conference program, as a new institution, that it has not yet been able to move effectively into such all-embracing, complex and not well-documented concerns.

The 1974 Conference did touch upon a number of these broader economic and social concerns. In addition to the viewpoints contained in Part II of this Report, taken from the industry Committee Priority Papers, the following statements from the plenary discussion at the Conference illustrate some of the interests in these matters.

"Do we value the kind of society we now have, with its freedoms, its opportunities, its flexibility? "



"Are we pursuing in this country goals — economic growth and standard of living goals, and goals in respect to shares that are basically incompatible with each other? The question of 'shares' in our society is a fundamental one and the resolution of that problem has to start with basic agreement about how much there is to go around in real consumption terms."

"Economic growth cannot be the only measuring stick for the quality of life . . . how can we assure that the impact of economic growth will be a positive one, well planned and well managed? . . . Good design, based on human needs and aspirations, helps to establish harmony between economic growth and the enhancement of the environment."

"If people want clean air and clean water and clean spaces, they may have to do away with the second car and the skidoo and things like that because we cannot afford both unless we increase our productivity in all sectors."

"There is a growing feeling in society in general that there is a lack of commitment to equity — equity, fairness, justice, whatever you call it. There is a breakdown in the pecking order in terms of the income hierarchy."

"It may well be that reliance on market forces will have to be modified . . . the context in which they operate will have to be modified by priorities, by basic goals and basic long-term assessments of resource potential and environmental considerations."

FINANCING, INVESTMENT AND SAVING

An area of discussion closely related to the Conference issues of Inflation, Productivity and Materials Supply is that concerning the financing of investment programs, the generation of necessary savings, and the operation of the financial market system. Many participants viewed this saving-investment question as one of the top priorities in any assessment of Canada's economic outlook. Concern was expressed not just about the adequacy of the financing available, but also about the stresses and strains imposed on the financial institutions and the financial system by current and prospective economic conditions. For smooth, efficient economic development, it is essential that financial activities and institutions themselves operate smoothly and effectively. The expressions of views in Part II of this Report illustrate some Committee concerns over these matters.

THE CHALLENGE FOR POLICY
SAVINGS AND INVESTMENT

"The Financial Institutions Committee suggests that there are great opportunities in the next two years for both governments and the corporate sector to re-introduce confidence in the capital markets and move toward a resolution of the problem . . . This would bring goals closer to real expectations . . . We regard, (therefore), the saving and investment process as one of the key elements in overcoming inflation."

Financial Services,
NEC Paper 14

INDUSTRY OUTLOOKS

One of the purposes of the National Economic Conference is to assess the outlook for individual industries, as seen by senior decision-makers in them. The individual industry assessments can then be viewed in terms of their apparent consistency or inconsistency with one another and with views about the outlook for the economy as a whole. This process of evaluation of the outlook for individual industries did not proceed in a formal way in the 1974 Conference. In large part, the absence of a detailed evaluation resulted from the fact that the 1974 Conference, unlike that in 1973, was designed to concentrate on "priority issues" rather than on "industrial outlook". Most industry Committees confirmed the broad parameters of the outlook for their industries as these had been presented and discussed at the 1973 Conference. Some modification and updating were, in general, all that the Committees found it necessary to do.

Some of the principal industry concerns related to the rising costs of doing business, the rapid changes in prices of inputs, the much higher financing requirements for investment projects and the inadequacy of internally generated cash flows

in respect of those financial requirements. The weakness in some international markets, the continuing shortages of some kinds of labour, and concern over the delays and uncertainties of a wide range of government policy decisions or actions were also among the widespread concerns of the industries.

The expressions of views, taken from the industry Committee Priority Papers, which are contained in Part II, illustrate some of the specific concerns of the individual industries. The 1974 Conference was not able to deal in much detail with the interactions and the total effect of these individual concerns, except in terms of the four main Conference issues.

INTERNATIONAL CONSIDERATIONS

The world environment and Canada's international relations in the face of rapidly changing world conditions was not a major part of the Conference program in 1974. As noted above in The Economic Setting, the Conference benefited from a talk by Dr. Bernstein on the international monetary outlook. With Canada's open economy, in which most of the 16 industry Committees have substantial trading and financial relations, various



aspects of the international situation inevitably drew comment within the Committee Priority Papers.

The expressions of views in Part II of this Report illustrate some of the points of emphasis on international trade and finance contained in the Priority Papers of the industry Committees.

INSTITUTIONS AND INSTITUTIONAL CHANGES

Much of the Conference discussion led to the conclusion that the institutions which are so important to Canada's economic and social well-being need re-examination in the light of the substantial changes taking place in the country and in the world. "Institutions", in this context, cover the full array of ways in which economic and social activities are organized and managed — ranging, for example, from the free enterprise, market system, to community self-help programs and to training programs in individual companies or for individual skills. With such an array, the discussion tended to be haphazard rather than systematic in the selection of institutions which came under

consideration. Various government departments and regulatory bodies came in for considerable attention. Not surprisingly, also, the National Economic Conference itself, as a new institution with considerable potential, and its sponsor, the Economic Council of Canada, were the subject of criticism and of constructive recommendations.

For the most part, institutions now exist to deal with the economic and social changes that seem likely to occur in the coming five or ten years. Improvements can always be made in the operation of individual institutions and perhaps especially in their interactions. Moreover, the long-term changes that are affecting the institutions often make their operation less effective. The entire market system, including both national and international financial markets, was seen by many participants as facing extraordinary uncertainties and strains which reduce its effectiveness. At the same time, the institution of "government" is growing in importance and complexity. The responsibilities of governments, at all levels, are becoming much more pervasive. The growth of the government sector creates new problems and strains even as governments seek more effective means to deal with outstanding problems.

"There is an air of urgency in solving problems like the federal-provincial conflict. There is a real role for this Conference in conveying such an urgency to the politicians in this country."

Many recommendations were made in the course of the Conference both for the improvement of existing institutions, and for the establishment of new ones. One broad area of concern was human well-being — education, employment, incomes, health, communities, and so on. Another area of concern related to government policy formulation, implementation, evaluation and review. A third area of concern related to business institutions and to industry-government relations. The expressions of views contained in Part II of this Report illustrate a few of the comments on a broad range of national institutions.

The high priority given to these "Other Conference concerns", both in the Committee Priority Papers and during the Conference discussion arises in large part from the perception that, individually and collectively, these concerns are the fundamental economic and social conditions which either cause, or result from, the course of development in the four main Conference issues — Inflation, Manpower, Productivity and Materials and Energy Supplies and Shortages.

Although much of the discussion highlighted the problems, the worries and the difficulties, the immense potential for the Canadian economy and

for Canadian society was also well recognized. In that context, the concerns were not over any lack of *means* with which to improve the lot of Canadians, but rather with the *ways* in which those improvements should be sought. The prospect of being unnecessarily inefficient or short-sighted in the ways in which we approach Canada's potential, the priorities, the constraints and the trade-offs was the central focus, rather than any inherent lack of resources — human and material — with which to move forward.

National Economic Conference and Economic Council of Canada

"I agree with steadiness and gradualness providing events don't entirely overtake us. We should try to understand where we are going, and we are not looking hard enough . . . It is in these areas where new institutions may be necessary."

"There could be some build-up to a Conference of this nature to make it a truly national Conference. You might hold meetings prior to this, say, in Halifax, in the West and in Central Canada. We could then come to a Conference of this nature far better equipped to deal with things in the short period of time we have."

"The objectives of the meetings need to be sharpened and shared more than they were . . . [we] need a group process regarding concerns, priorities and recommended action."

"An opportunity like this for people from different sectors and levels of society to get together is very important, and I would like to see it continue . . . I'm going to get what I deserve if I sit back and let all these learned people make decisions about my life."

"We have made great progress since last year, but we have not yet dealt with the mechanisms . . . the mechanisms for governments and others which will let us try to resolve some of these problems. But I am very heartily in favour of the Conference as such."

Challenge for Policy

A Summation by the Conference Chairman

John J. Deutsch

My task in concluding this Conference is to review briefly the major issues and priorities that it identified.

I cannot hope here to enumerate all of the specific conclusions and recommendations made in the findings of the sixteen sectoral Committees, the reports of the various workshops, and other documents that were prepared for this Conference. The Economic Council will direct these more detailed statements to the appropriate authorities. My role is rather one of detecting some of the common threads of concern about public policy in this country and the need to get on with some basic decisions.

It is apparent that we in this country have to sustain a high level of capital investment. This is essential to support employment as we approach what could become a recession, and to avoid the recurrence of shortages when the economy again is operating close to its full potential.

We will run into capacity limitations pretty quickly in many areas unless we maintain the expansion of productive facilities in this country. One of the most critical areas is energy and its closely related fields. The other is transportation, in which we are reaching capacity limits affecting very important regions of the country and their future.

We need also to maintain high levels of investment in order to achieve good levels of productivity. This is going to be heavily dependent on the extent to which we have modern facilities and modern equipment available to us. Also, we need to maintain high levels of investment to restrain inflationary pressures in the future. When the economy revives from the recession, we will face again the inflationary test. The degree of that inflationary pressure will depend on the extent to which we run into bottlenecks and shortages and lack of capacity.

Because we must have high levels of investment, we have to concern ourselves very seriously with the rate and course of inflation. High rates of inflation, as has been pointed out in the Conference and in the Conference papers, destroy our capital markets. We need effective capital markets and efficient ways to mobilize our savings. We run high risks here, with all the consequences that flow from them, if we are not able to finance the investments we require. Inflation is an enemy of effective capital markets and can bring about their collapse. It is very difficult under these conditions to borrow on a long-term basis. Everything is pressing into the short-term markets. Yet, our needs are very long-term needs — energy, transportation, and the very large industries we are now trying to develop on a world scale.

There are many other reasons why we must concern ourselves with the rate and course of inflation in this country, because too rapid a rate of inflation produces many social inequities in our society. We are now engaged in various activities trying to overcome at least some of these inequities. Those affected are mostly the weaker elements in our society — the lower paid workers, unorganized workers, pensioners, older people, etc. By inflation these people are handicapped; their claim on the country's resources is reduced, often very unjustly.

Indexing can operate to a limited extent to take care of this problem. Perhaps such measures are unavoidable if we are going to retain any kind of equity through an inflationary period. But indexing is not a general device to solve our problems of inflation. General indexing of everything would, in my view, simply exacerbate the very problem of inflation itself.

In the field of manpower, it is clear that individuals are more concerned now with a wider range of goals than has been customary in our society. With respect to the quality of work, satisfaction from jobs, and matters of this kind, we are confronted with changing social goals, and these must be taken into account in all our manpower programs. The kind of jobs we are creating, the kind of training that is required, the conditions of work that become established — these and other factors now have to be considered by employers, and those in trade unions and in the educational and training system, in the light of these changing social goals.

I'm not trying to say we have given up the work ethic. But what people are seeking out of their "jobs" and out of their careers now comprise more than we have been accustomed to expect. As we get more prosperous we have wider choices about what we want to do with our lives. This has an effect on the kind of opportunities people are seeking. All of us have to take that into account in trying to plan the futures of industry and other institutions.

These manpower changes have effects, too, on the way we try to measure the changing levels and

rates of economic activity. I'm convinced that our unemployment measurements don't mean the same as they did fifteen or twenty years ago. This business of using these manpower measurements as an indicator of the capacity of the economy is much more tricky and uncertain than in the past. We now find that we have at the same time severe shortages of manpower in many areas, while the indicators we've used in the past seem to indicate that there is an over-all surplus of large proportions. There are some very puzzling things in this picture. I think we need to up-date our approach as to how we measure these matters and how we judge them. There is a vast field of work to be done here, and I hope those involved in the manpower area will address themselves to it. We now lack understanding of what is really going on.

Another area whose importance is changing in our society is agriculture. We have taken agriculture for granted for a long time. It has been a highly productive industry. Very few industries in this country have had greater productivity increases than agriculture over a long period of time. It has contributed greatly to our rising standard of life.

Also, agriculture has provided immense manpower for the rest of our society. We talk about immigration as being a great source of manpower. Well, the greatest source of manpower in Canada for the last twenty years has been our own agriculture. It has provided more of the labour force increase than any other source. The movement out of agriculture has affected the shape of our society fundamentally. The enormous urbanization that we have seen, the explosion of these great cities that we live in, have come to a very large extent from the migration out of agriculture.

We have taken this industry for granted and everything that surrounded it. We cannot do that any more. We look now to this industry to deal with one of mankind's most urgent problems, the problems of food, its cost, and its price. Canada and the United States are going to be the major sources of food for international aid and trade. Canada is going to be very deeply involved in this very critical problem. Agriculture will make a sizeable

new claim on resources in this country both in capital and manpower, and also for technology and supplies. We have seen a major change in the position of this industry, and we must accept that in all policy-making in the future.

The participants in this Conference have expressed a major concern about the clarity, certainty, timeliness and "steadiness" of government policy. We have many serious uncertainties here. There is lack of clarity in many of the major policy approaches and there is open conflict in some critical areas. This results in critical delays in decision-making.

What we must emphasize here is the consequence of delay. There is a long lag, usually, between the time you take a decision and the time you remedy the matter you are dealing with, especially in the field of public policy. If there are things that have to be done, you cannot simply keep putting them off and delaying your decision, hoping that you will stumble on something or somebody to solve the problem. By that time it is usually much too late. This is the thing I think is the most important in our circumstances. Whether it is energy, manpower, manufacturing capacity, agriculture, food supplies, or transportation needs — any of these things — there is a long lag before we can implement plans and make the investments and adjustments needed to overcome the problems and bottlenecks.

The timing of decision-making is critical. If the decision is not made in time, the crisis cannot be avoided. Our political processes have got to realize this. We cannot afford the luxury of long, drawn-out and dramatic disputation across thousands of miles of territory and hope that someday, somehow, we will reach a decision, or some kind of compromise. If that decision, that

compromise, is not timely, we cannot avoid the crisis. It is no answer to say afterwards, "Well, we couldn't do anything about it." This applies to all the issues we have discussed at this Conference. We need timely decisions if we are going to avoid shortages, inflation and unemployment in the future.

Once again I have referred to the question of inflation. In this Conference we have emphasized the need for steadiness of policy. In running all our basic policies — that is, our monetary policies, policies of government expenditures, and public activities of all kinds — we have to keep our eyes on longer term goals, and our policies have to be consistent and steady. Stop-go, ad hoc, and short-run actions are never going to cope with the problems of inflation. We face the great danger that when we come to the next business revival we shall have to start from yet another high platform of inflation. Do we start with nine or ten per cent inflation? Where do we go from there? Do we go off into the next round to levels of fifteen to twenty per cent inflation?

If that happens, I suspect we will see very important social and political changes in our society. Do we value the kind of society we now have, with its freedoms, its opportunities, its flexibility, and its possibilities for social improvements? Or do we invite some other social system or political system which will come out of a continued and ever higher rate of inflation? Such a continued, ever higher rate of inflation would produce social stresses, social changes, and strains that we will not be able to deal with except by different and more arbitrary processes than we have been accustomed to. We must have steady, long-range and timely policies if we are going to avoid these much larger dangers which the country might well face.

"The forward planning required by some industries is being held up because of the hiatus between the provincial and federal governments particularly in the resource sector where they haven't settled policy decisions . . . Some decisions must be made."

Follow-up to the 1974 Conference

During the 1974 Conference, and subsequent to it, general support was given to the National Economic Conference as a new institution to help to clarify national priorities, policies, trade-offs and constraints in the medium and longer term economic and social outlook. A number of criticisms were levelled at the format and procedures, and many recommendations were made to improve and expand the Conference program.

The Conference Steering Committee, at its meeting at the close of the 1974 Conference, made two recommendations to the Economic Council of Canada.

(1) There should be an extensive follow-up of the results of the 1974 Conference and, in particular, that the Report of the Conference, together with the Priority Papers of the 16 industry Committees, be sent to federal and provincial cabinet ministers, other interested elected representatives and senior government officials. Responses from these and other sources should be communicated back to Committee members and to other Conference participants, as appropriate.

(2) The 1975 Conference program might be organized along broad sectoral lines in which major national concerns such as Food, should be examined comprehensively and in a way which would

establish a more direct flow of information through the early stages of preparation, into the workshops and the plenary sessions and into the follow-up program. Other topics to be considered might include Transportation, Savings and Investment and Manpower. Provincial and regional perspectives should be brought to bear on these questions of national concern.

The Economic Council, which sponsored the 1973 and 1974 Conferences decided, at its meeting on January 20, 1975, that it would not sponsor a third National Economic Conference at this time. The matter will be reviewed at a later Council meeting, as part of the Council's overall review of its role and priorities.

The immediate work program of the Conference Secretariat, therefore, is to carry on the follow-up program arising from the 1974 Conference. This work will continue as long as activities following from the 1974 Conference can benefit from it.

Participants in the Conference programs to date, and others interested in the concept and the institution of the National Economic Conference, are invited to submit their views and recommendations to the Chairman of the Economic Council.

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NATIONAL ECONOMIC CONFERENCE
1974
SUPPLEMENTARY COMMITTEE PAPERS

1. "Consumers Priorities"

Robert E. Olley
University of Saskatoon

2. Support Paper to the Report Prepared by the Machinery
and Metal Fabricating Committee: "Industries Reclas-
sified: Today's Behavior Shapes Tomorrow's Results"

W.H.C. Simmonds
National Research Council
of Canada

3. Support Paper to the Report Prepared by the Retail
and Wholesale Trade Committee: "Major areas of
primary concern to workers in the Retailing and
Wholesaling Industry"

Clifford Evans
Canadian Director
Retail Clerks International
Association

and

Daniel Gilbert
President
Union of Canadian Retail
Employees

4. Support Paper to the Report Prepared by the Retail
and Wholesale Trade Committee: "Housing"

Daniel Gilbert
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Union of Canadian Retail
Employees

5. "Priority and Support Papers to the Report Prepared
for the Education and Manpower Training Committee"

D.O. Davis
Vice-Chairman
Council of Regents
Ontario Colleges of Applied
Arts and Technology

Part II

SOME FURTHER CONSIDERATIONS

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(A) THE FOUR CONFERENCE ISSUES

(1) INFLATION

(a) REPORT OF THE INFLATION WORKSHOP¹

Introduction

The inflation workshop considered the problem in three parts:

- 1) Causes
- 2) Effects
- 3) Corrective Measures

1) Causes

The groups agreed that inflation in Canada has arisen from a variety of sources but major emphasis was laid on these:

1) International Factors

The groups felt that international factors are important, perhaps even more in terms of price increases than of shortages, but that international sources of inflation should not be over-emphasized. Some noted that international events are moving in such a way that they are already beginning to reduce inflationary pressures and that external sources will be less important in the near future.

2) Internal Factors

The groups took the position that a number of factors internal to the Canadian economy are also very important.

The first of the internal sources cited was the lack of steadiness in the application of fiscal and monetary policies. Many people may in fact recognize the policies that are required but too often such policies are not being implemented. It was generally agreed that a more independent approach, involving steady pressure on the economy through fiscal and monetary policies would, in logic, require:

- a) allowing greater appreciation of the exchange rate and acceptance of the consequences of this for trade. Possible adverse effects on trade might, for example, be remedied by other means such as government support for "turn key" proposals;
- b) greater variation of interest rates according to market conditions, and here again accepting the idea that possible adverse effects on industries like construction could be remedied by more direct measures.

¹ This report was presented to a plenary session and was based on the deliberations of sections "A" and "B" of the Inflation workshop. Section "A" was chaired by the Honourable J.-L. Pepin, President of Interimco Ltd.; the "B" section, by the Honourable W. Hamilton, President of the Employers' Council of British Columbia. Messrs. P. M. Cornell and H. E. L. Waslander of the staff of the Economic Council of Canada served as rapporteurs to the two sections.

The workshop also deplored the general complacency of leaders and the public alike with respect to inflation. This complacency, it was suggested, extended to the Economic Council of Canada itself. Indeed the Council may have contributed to it by its own acceptance of an "average performance" philosophy on inflation. It was pointed out however, that the attempts to do much better than one's major trading partners can create difficulties of its own.

This complacency has been reflected in competitive and uncoordinated vying for position by many groups in society, including governments as well as a variety of private interests. Particular reference was made to speculators. The difficulty in taking more stringent measures against this process may well be related to the fact that Canada, by comparison with countries such as Germany, has never before suffered from the effects of an advanced degree of inflation.

Few fingers were pointed at the rise of aggregate wages and profits. It was suggested that when all groups began to require automatic adjustments to compensate for price increases, with certain groups, perhaps even with justification, looking for something more, the result was that inflation fed on inflation.

Governments were singled out for particular attention. It was noted that they had been in a position where revenue increased automatically with higher prices. Consequently, they had been spending more and transferring resources from the private to the public sector. Government spending has recently been increasing more rapidly than Gross National Product. Even though this may have reflected increased spending on individually justifiable programs such as transfer payments (redistribution of income) it did contribute further to inflation. In part at least, the financing of these additional expenditures came in the form of increases in the money supply.

2) Effects

The groups laid their main emphasis on income distribution, wider social effects, and disruption of capital markets.

With respect to the first of these, the central focus was on the fact that inflation redistributes incomes, including wages and profits, in irrational and unintended ways.

Even more important, such redistribution could be socially disruptive. It leads to an increase in social tensions and a breakdown in respect for what many would consider to be useful institutions.

The market economy, and particularly the capital market, is one of the threatened institutions. The uncertainty caused by the recent burst of inflation is making people shy away from long-term investments. There is a tendency now to borrow short for the support of long-term projects. This is leading to a potentially dangerous financial situation. Large firms might well be able to protect themselves against uncertainty but smaller enterprises are likely to be hit heavily. The volume of savings itself would also be adversely affected.

These problems have been masked to a certain extent so far. However, the damage to our investment machinery that has already taken place is bound to show up more explicitly in the face of the very large investment demands projected for the remainder of this decade. This creates the possibility of even greater inflationary dangers in the future, and a temptation to continue the stop-go policies of the past.

3) Corrective Measures

Here again, it was agreed that the remedies are many but the following came in for specific mention:

1) Direct Controls

Broad direct controls of prices and incomes were not approved by the groups. It was suggested, however, that controls might be useful in certain specific instances, such as spreading price changes in particularly important items over longer periods.

2) Indexation

Sharp differences of opinion were registered in respect of indexation. Certainly it was not considered as a panacea and many in the groups stated that its growing use in Canada was really a confession of failure. Others felt, however, that its use could be defended in present circumstances as the least damaging of available alternatives. It was suggested, for example, that increased resort to negotiation of one-year collective bargaining agreements based on expected rates of inflation might be more inflationary. The partial indexation that presently exists in Canada might be interpreted as the worst of both worlds; only governments are really able to resort to it and this led to capital market distortions.

3) Monetary and Fiscal Policies

Monetary and fiscal policies still hold a great deal of attraction as anti-inflationary instruments and it was generally agreed that a much less erratic course had to be followed in their application.

4) Other measures

Much greater attention needed to be paid to planning, both on a global and a sectoral basis. There was a particular need for more adequate institutions focusing on industrial and economic development and trade.

Greater attention should also be paid to the dismantling of power blocs and bottlenecks, however legitimized by existing legislation. It was suggested for example that the construction industry, professions, and some quasi-public institutions such as universities should be singled out for more intensive examination of the ways in which they might be aggravating the inflation problem. Then, too, there was an emphasis on the need for both greater federal-provincial co-ordination and co-ordination of activities in the private and public sectors. Some would like to see ceilings on government expenditures.

5) Timing of Corrective Measures

Whatever the disagreements regarding particular corrective measures, it was stressed that fiscal and monetary policy should be implemented only gradually.

No total program of positive solutions emerged from the discussions. There was a feeling of impotence on the part of many of the discussants and this was reflected in a broad call for leadership. Some suggested that the idea of "leadership" was not exclusively a political phenomenon, and that it should in fact be exercised at all levels of society and in a variety of groups.

(b) INDUSTRY COMMITTEES' VIEWS ON INFLATION

The views expressed in the following quotations from the Priority Papers of the industry Committees illustrate the pervasiveness of concern about inflation throughout Canadian industry.

1. Agriculture

"Agricultural price developments of the last two to three years have been a contributing factor to general price inflation. Broadly, agricultural returns have improved, much more however to crop than to animal production. Generally, the public recognizes this as a necessary, overdue and permanent readjustment in relative prices to agriculture, and therefore some redistribution of income in favour of agriculture."

"... readjustment of farm prices to the relative levels of the late sixties and the first years of the 70's cannot be anticipated."

3. Energy

"The Committee believes in the role of prices for encouraging more efficient energy use; flexible energy pricing is fundamental to a rational pattern of energy consumption."

"Even if there were no inflation, rising energy prices would nevertheless be felt because virtually all increased Canadian productive capacity for energy will rely on inherently higher cost sources. In other words, a significant proportion of the rise in future energy costs will be accounted for by higher absolute costs. The Committee emphasizes that such increased costs to the economy represent a reduction in our real standard of living which cannot be eliminated by subsidies, income transfers, compensation or controls."

4. Food and Beverages

"While we in Canada have attempted to isolate ourselves somewhat from the escalation in world prices by the expansion of a two-price system for products grown here, world economic pressures seem to be increasingly hostile towards arrangements of this kind. In any case, they would not appear to offer a long-term solution to the problems of the Canadian food and beverage industry."

5. Textiles and Clothing

"Cost factors were violently disturbed in the past 12 months. Labour costs increased abnormally at all levels of the industry. Material costs rose rapidly as shortages drove up the price of natural fibres and of the petrochemicals and wood pulp used in man-made fibres. The most spectacular increases occurred in the price of imported materials as foreign supplies served their local markets first while the shortages lasted. Finally, the long chain of working capital in the industry was burdened by rising interest rates. This is jeopardizing under-capitalized firms and inhibiting new capital investment in the industry."

"In relative terms, the prices of fibres, textiles and clothing declined in the ten years prior to 1973."

"This exceptional price performance entailed sacrifices. Industry profits were generally unsatisfactory; firms went out of business; imports grew faster than domestic production in various sectors of the industry; capital investment was retarded in some sectors. The industry cost structure might indeed be substantially lower today if the price competition in earlier years had been less severe. The industry implemented price increases since the latter part of 1973 in response to the cost increases previously described. The greatest price increases by far, however, were those quoted for imports. Import prices soared

simply because foreign suppliers were serving their domestic customers first throughout the shortage; they felt little responsibility to supply their export market in Canada either reliably or at reasonable prices under the circumstances. The Canadian industry sees in this experience the value of self-sufficiency in a world of recurring shortages."

"Looking ahead, the industry will need further price increases in order to justify the investments to replace existing assets, to accelerate its productivity gains, and to pay higher wages."

6. Forest Products

"But unquestionably, in terms of major expansion, inflation is taking its toll."

"In the first place, rapidly rising levels of cost have introduced an element of nervousness and uncertainty which makes for financing difficulties in projects requiring very large capital expenditures over a period of two or three years. In fact, it is increasingly apparent that new pulp and paper capacity must be largely dependent, for the time being at least, on internally-generated funds."

"Apart from its broad social consequences, inflation is directly affecting the forest industry in a number of ways. It is generating serious labour unrest and work stoppages. It is distorting earnings, inhibiting expansion, and in the case of building materials, necessitating tight money policies which have led directly to a serious business slump. So it is a critical problem."

7. Machinery and Metal Fabricating

"The Committee was in agreement that its Report should focus on inflation as the priority issue and treat productivity, manpower and supply problems as sub-sections of this issue. In essence, this approach is less concerned with a recap of the various dimensions of inflation than with solutions to the problem."

"The Committee is extremely concerned at the increasing growth of government expenditures at all levels, and feels that there is a strong link between this growth in government expenditures and the inflationary situation."

"... the Committee noted the spiralling influence of taxation in an inflationary period."

"There is no evidence that Canada is locked into a permanent state of double-digit inflation or that conventional stabilization and supply policies will prove ineffective in controlling inflation. Moreover, it is unlikely that the Canadian economy could remain as open to international trade and financial flows as it currently is, if economy-wide, unrestricted indexing and monetary correction were adopted here unless similar measures were adopted in other major industrial nations. The Committee would be concerned that such indexing would not only lock the Canadian economy into existing and perhaps higher rates of inflation but reduce public support for measures designed to curb inflation by creating its own brand of inflation psychology."

"However, the Committee agrees with cost-of-living arrangements when negotiated within the private sector, and with publicly-legislated cost-of-living escalator provisions where inflation threatens substantial hardship."

8. Transportation and Transportation Equipment

"A rather dramatic rise in unit transportation costs in the foreseeable future is inevitable owing to increasing labour, fuel and equipment costs, although these may be partially offset by increases in the allowable size and weight of equipment."

9. Electrical Products

"Inflation has also had an impact on the effective use of our manpower resources. Managers must devote an increasing amount of their time and energy to devising escalation clauses, and accounting procedures in an attempt to cope with and measure the true effect of inflation. At the same time, the eroding effect of inflation on the purchasing power of the individual employee is a major cause of labour unrest."

10. Chemicals

"The question of inflation pervades the entire scene in the chemical field. It affects the cost of capital, the cost of manpower, and the cost of raw materials and supplies. If it continues unchecked, Canada will undergo a process of economic correction which will be painful for all elements of the economy."

11. Construction and Housing

"Indexation as a means of accommodating rising prices should be avoided; this is simply cost-plus pricing and will lead to inefficiencies and increased government regulation of business affairs."

12. Communication Services

"In other words, world wide inflation is not an excuse to do nothing in Canada, and the goal of alleviating the present severe inflationary pressure should be the number one priority."

13. Retail and Wholesale Trade

"Along with the products themselves, Canadians are importing the inflation of other countries which, in most cases, have a higher rate of inflation than their own. The protective tariffs and barriers set up by the Canadian Government are themselves inflationary in nature, as the eventual selling price of the imported product will of course include the amount of duty imposed; and the domestically manufactured product, which does not contain this cost element, will nevertheless tend to sell at about the same price level as the imported product."

14. Financial Services

"... there is a widespread feeling that the major cause of inflation is excessive growth of money supply. However, there is also the view that rapid rates of increase in money supply are a response to other underlying inflationary trends in the economy and the money supply increase is, in itself, not a cause of inflation. We think excessive rates of growth in monetary supply have been a fairly major contributing factor in the current inflation."

"The Financial Institutions Committee suggests that there are great opportunities in the next two years for both governments and the corporate sector to re-introduce confidence in the capital markets and to move toward a resolution of the basic problem. . . This would bring goals closer to real expectations."

"We regard, therefore, the savings and investment process as one of the key elements in overcoming inflation."

"While we believe that there may be some slowing down of the rate of inflation over the next year, we believe that the components are in place for a continuation of inflationary pressures for some time to come. World demand for all kinds of commodities and forms of energy is rising at an accelerating rate and we do not think that the required investments will meet total demands before the 80's. We are not confident that all political bodies will have the will to balance investment/consumption priorities in the

economies and allocate scarce resources to investment and away from consumption. The wage demands and tight money costs associated with inflation have still to work their way through the price system. This process will take place over the next few years and lessen any chance of easing inflationary pressures. Thus, a continuation of an examination of policies to deal with inflation is entirely appropriate."

Regarding sources of funds: "... the capital markets are in a substantial state of disarray ..."

16. Health Services

"Like most service industries, the health industry is labour-intensive and to the extent that wages and salaries are the great bulk of the health industry costs, inflation imposes a rather heavy burden on the industry and one which has to be supported without much latitude to lighten it."

"Since the health industry is largely financed by the public sector, and since the tax intake of the public sector has increased rather dramatically, the inflationary process may not have here the same distortion effects as elsewhere."

(2) MANPOWER

(a) REPORT OF THE MANPOWER WORKSHOP¹

The participants of both workshop sections on Manpower reviewed the issues raised by the lead author, particularly the need and aspirations of young workers and women returning to the labour force and the responsibilities of governments, management and labour to develop appropriate training programs and employment opportunities. There was a general feeling that Professor Strand's conclusions were appropriate as far as they went, but there were other factors and values inherent in manpower shortages and the related issues of the work ethic and job enrichment that warranted serious consideration. Old ways of doing things are confronted by new imperatives.

In line also with the Report of the Committee on Education and Manpower there was a need to place these matters in the perspective of a continuum which includes education, vocational and technical training, career orientation and counselling, placement, and retraining which could be viewed as an integrated whole. Such activities, along with forward planning, ought to be fitted to community priorities, but meshed also in the wider context of macroeconomic manpower planning. This in turn pointed up the need for improved communication and co-operation between the various agents involved in the manpower effort — the educators, local, provincial, and federal governments, labour organizations, industry management, and the individuals themselves.

It was emphasized that a good deal of effort might be undertaken from the demand side of the market. The nature of work itself, in a large number of occupations, requires careful scrutiny — not only remuneration and physical working conditions, but also the important intangible aspects of jobs which confer status or prestige, and opportunities for self-fulfilment. Through the years a great deal of work will

¹ This report was presented to a plenary session and was based on the deliberations of sections "A" and "B" of the Manpower workshop. Section "A" was chaired by Sylvia Ostry, Chief Statistician of Canada; the "B" section, by Mr. H. Thayer, Education Director, International Association of Machinists and Aerospace Workers. Messrs. R. A. Jenness and K. Newton of the staff of the Economic Council of Canada served as rapporteurs to the two sections.

be needed, within the bounds of economic realism, in the area of job redesign, enrichment and enlargement. In addition, attention will undoubtedly be paid to the social and cultural environment wherein a large number of jobs — particularly those which are increasingly being rejected by members of the work force — are located.

There was general agreement that young people and others in society today want to work and are actively seeking work. There is no doubt that they are displaying a real desire for more rewarding jobs and more flexibility in their work life taking account of, and giving meaning to, personal aspirations and family circumstances. There was considerable discussion in both groups on the sense of personal antipathy and frustration associated with certain kinds of unsafe, dead-end, boring work.

Despite the best of intentions, however, dirty and unattractive jobs will still have to be done. It was recognized that if these jobs are to attract sufficient personnel, and they cannot be redesigned or reorganized, they will have to be better paid. In some cases, whole productive processes may have to be abandoned, to be replaced by others which are more satisfying and more rewarding for the workers involved. Of course, raising the wages for low-skill, traditionally unattractive jobs in any substantive way could generate serious social tensions. Workers throughout the occupational hierarchy will naturally seek to preserve their income levels relative to other groups, and a significant escalation of wages for groups at the lower end of the spectrum could simply set off a domino effect of wage demands throughout.

By the same token, members of both sections rejected the idea of bringing in unskilled or unselectively chosen immigrants as a method of filling unattractive jobs without first attempting to develop better working conditions for Canadians now unemployed or underemployed. While immigration was important to the continuing growth and cultural enrichment of Canada, it should evolve in a supportive rather than a job competitive manner.

Considerable discussion focused upon the shortage and turnover of workers in primary industries. While this situation was largely the result of seasonality, remoteness, and the physical requirements of these jobs, the urban orientation of most young Canadians, the availability of unemployment compensation and, in times of strong growth, more attractive opportunities elsewhere were also important factors. If these industries genuinely want to attract and hold their workers, they must provide adequate living, recreational and other social amenities to hold them. There was also some discussion of more flexible use of public funds for industry-specific training and enriched mobility assistance to and from remote jobs. Within the specific industries themselves, labour and management together might take the initiative in examining the content and structure of the employment becoming available, and the training and upgrading needed to fill the new jobs, with the support of both levels of governments.

There was considerable discussion in one of the sections about the role of professional associations and licensed groups setting unnecessary skill requirements or barriers for jobs. In the other section, discussion of this issue focused on artificially high education requirements set by employers. In the health industry, for instance, there have developed, at least in Quebec, certain occupational rigidities in classification which prevent vertical mobility, impose high entry requirements, and raised health-care costs overall. In the longer run, all industries should be looking to themselves to eliminate artificial work barriers, and to do the training to facilitate less costly systems of delivering goods and services, using more flexible work scheduling and improved systems of career planning. The initial emphasis of education should be of a general nature, to render young workers more adaptable. The main emphasis of government-funded training should be to recycle workers no longer required in their own industry, to other opportunities.

Given the increasing importance of the female worker in the Canadian labour force, it was suggested that here, too, there was scope for further effort on the demand side. For example, in-plant day-care facilities and shorter hours will facilitate greater participation of women in some occupations where shortages currently exist.

It seemed apparent, to members of both working groups, that a large number of young entrants to the labour force have been conditioned to the notion of automatically aspiring to a white-collar profession. These feelings are re-enforced by the orientation of the media to the life style of the white-collar, urban workers. We have, in short, lost our conception of the propriety and desirability of manual work. This suggests the need for more realistic work orientation at the earliest stages in the educational system, since the system is itself, by its very nature, white-collar. Exposure at an early age to a blue-collar environment could do much to ease the difficulties which many of our young people experience in adjusting to the competitive realities of the world of work.

It was felt by one of the groups that manpower development should be viewed as a life-time prospect, with retraining at various stages of an individual's career being clearly necessary. More specifically it was suggested that an agency with appropriate representation from all participants in the manpower effort — federal, provincial and municipal governments, industry and labour representatives, and educational authorities — be set up to enquire into a life cycle concept of education and training which could include a system of "training or related leave credits" for all members of the work force. It was felt that an enquiry into the lessons of the European experience in this regard, and its possible applications in Canada, would prove most rewarding.

Finally, several participants reminded the groups that there is a danger of being too conformist, and, indeed, pessimistic on the future of manpower development in Canada. In many ways, our young people are proving more perceptive about their future than the planners and forecasters. Much of the observed unemployment among young people is undoubtedly a search process for more satisfying jobs. And, on the whole, it seems clear that most have the flexibility and capacity to adjust to rapidly changing challenges and social environments no less than — and perhaps even more than — we who are gathered in this room today.

(b) INDUSTRY COMMITTEES' VIEWS ON MANPOWER

The concern which was expressed during the Conference reflected the attention given to questions of manpower by the industry Committees in their Priority Papers. Some illustrative views of the industry Committees are contained in the following quotations.

"This business of using these manpower measurements as an indicator of the capacity of the economy is much more tricky and uncertain than in the past." (J.J. Deutsch in his Conference summation.)

1. Agriculture

"As has been indicated, the present situation in Canadian agriculture is a growing difficulty of obtaining labour, both for seasonal work on crops and for full-time employment in animal production."

"To establish the labour force involves farm cost-price relationships, farm structure and labour management on farms adequate to permit the payment of competitive wages, to conduct well organized programs of recruitment and training, and to provide improved arrangements regarding housing, holidays, hours of work, job security and pensions, all of which are cost increasing."

2. Mining

"The industry expects a continuing strain on available manpower. There is a reluctance on the part of available skills to enter the industry and to seek opportunities in isolated locations. Apart from this, there is a need to improve on the excellence of the industry's work force by more education and more training."

Minority Report, Mining Committee (Lynn Williams, Director, District 6, United Steelworkers of America)

"Measures to increase the attractiveness of mining for workers are the most appropriate way to insure that an adequate number of skilled people are willing to work in the industry in the future."

5. Textiles and Clothing

"The manning of clothing and textile plants has become a problem, in many cases limiting production. The industry assigns high priority to this problem. Partial solutions may be found in various directions including: investment programs, employment guarantees, shifts designed for the working mother or student, and modified immigration policies."

"The provision of more well-trained, well-motivated employees is therefore the first priority of the clothing industry."

"To some extent, the shortages of women operators for the clothing industry and workers of both sexes for the textile industry might be alleviated by re-establishing a flow of suitable immigrants, particularly to Quebec which has been attracting fewer immigrants in recent years. The sole objective of this suggested change in immigration policy is to provide a sufficient number of workers and not to restrain wage rates."

"Management, at the same time, recognizes an urgent need to re-design employment packages to attract manpower from the existing socio-economic scene."

"The Committee supports the establishment of better training schools for clothing workers, to be located outside the plants and to be operated by government. There is also a potential for major productivity gains through the introduction of standard successful techniques to the functions of management, communications, information processing systems and transportation, as well as production, where these are lacking."

6. Forest Products

"This third priority issue is a difficult subject, largely because we are so lacking in guideposts. But it is of great importance, there being so much evidence that changes in social values, and attitudes to work, the work environment, and authority are having a profound effect on labour management relations and industrial productivity."

"Indeed the whole field of manpower is perhaps the mystery of the decade."

"Yet today in the forest industry, as in other industries, there is increasing absenteeism and employee turnover. Amongst many older workers, there is a resistance to change and amongst younger workers an impatience with such institutions as the seniority system. There is a growing boredom and frustration at simple, repetitive tasks, and increasing resistance to old concepts of authority, illustrated dramatically in the tendency of individual locals in large labour organizations to set their own course. Bargaining committees have a very difficult time these days, and an increasing number of negotiations are settled by third parties, often on political rather than economic grounds."

"These trends are so much in evidence that in the forest industry we must begin to examine much more seriously all the traditional structures and practices into which concepts for the organization and performance of work have evolved."

"The place of women in the work force must certainly be broadened. In forest products manufacture, including logging, the tentative efforts made so far seem to have been successful, and indeed the participation of women may have important implications as a partial answer to the problems of absenteeism."

"For the manpower shortages that do exist in the industry, several causes can be pinpointed. These include expansion of the industry; lack of adequate training programs, especially with the introduction of more complex machinery; failure to recognize the need to upgrade living conditions in remote areas to meet changing social conditions; lack of adequate, low-cost transportation facilities to these areas; boredom in some repetitive production jobs; and ease of obtaining unemployment insurance and welfare benefits."

7. Machinery and Metal Fabricating

"Serious labour shortages on a geographic and skill basis have continued to develop on an increasing scale. That this should exist side by side with high and rising levels of unemployment is a matter of great concern to the Committee, which recommends that a more energetic and active manpower policy is required to match people and jobs, and to provide more efficient training and retraining programs so that the work force may be properly equipped to deal with changing structural and technological demands."

8. Transportation and Transportation Equipment

"The Industry wishes to reiterate its views on the critical situation in the supply of both skilled and unskilled manpower as one of the foremost priority issues of the country."

9. Electrical Products

"Community colleges are making an increasing contribution to supply resource skills, but academic upgrading should not be built unnecessarily into these programs. Failure of apprenticeship training schemes is cause for concern, as is the decline in engineering graduates. Initiatives in the public sector in training or retraining appear not to be meeting the needs of the industry."

"The school system may be a contributing factor in the declining interest in skilled employment, both in subject matter and in the nurturing of attitudes. It may be that our school systems are at fault in tending to direct young people into academic pursuits whether or not these are appropriate or fulfilling."

"Industry must also recognize its responsibility for taking a greater initiative in selling itself to potential employees and providing greater opportunities for these people to understand and participate in the goods producing sector."

10. Chemicals

"The difficulty this Committee encountered is that there are very few statistics available by which one can project whether or not there will be sufficient numbers of skilled people available to man and operate the installations after they are constructed. But practical experience in manning many of today's plants indicates that labour shortages are real. There is considerable difficulty in obtaining university graduates, trained operators and other personnel in many areas. The Committee recognizes that there is competition for available manpower between the public and private sectors."

"It is recognized that Canada's work force is one of our foremost assets. The strengthening of this work force through training, through intensive university programs and through selective immigration is of utmost importance to the chemical industry."

"The Committee recommends that preferred attention be given to the development and allocation of manpower resources. The work force should be strengthened by close attention to training, to stepped-up university programs, and by selective immigration."

11. Construction and Housing

"There is a consensus within the Construction Industry that its manpower requirements will be high relative to what seems reasonable to expect will be available on the basis of historic trends."

12. Communication Services

"The sector is, in some cases, setting standards of employment too high for the jobs to be performed. This only results in hiring over-qualified people for routine jobs which are below their personal goals and educational levels."

"The availability of manpower in the managerial, engineering and technician ranks of the communications sector is not a critical problem in the immediate or foreseeable future to 1980. Our area of concern at the present time is the availability of people to perform what might be termed the routine work of the industry at unsocial times and poor working hours. The problem is compounded by the fact that automation and the new technologies being introduced to the sector are increasing the proportion of routine jobs. There is a need to enrich these jobs and to improve the work environments in which the worker must perform."

13. Retail and Wholesale Trade

"The heavy reliance of the industry on regular part-time employees; the "fragile" labour base of the industry (an unusually high proportion of students and other casual workers); the high (and very costly) rate of turnover of labour within the industry; all of these factors make the problem of providing continuing employee training programs, both challenging and costly. The need for training and retraining programs however remains as essential as ever."

"The industry, educational institutions and governments, singly or in combination, should improve the availability and quality of training courses offered to those already employed in the trade. Particular attention should be paid to those affected by technological change (such as front-end automated systems) in order to assure that the industry does not lose access to people who have already acquired skills needed in the distributive trades. Existing government retraining programs should be adapted to encourage more in-house training. Efforts to increase mobility should be built into manpower development programs and subsequent placement efforts."

15. Education and Manpower Training

"The high unemployment rate in the 14-24 age group indicates that:

- our young people are receiving too much, or too little, or the wrong kind of education and guidance to prepare them for the work world of the future; good economic conditions alone will not solve their employment problems;
- training young people before they meet the labor market is the most useful, economical, and effective way to meet the shortage of skilled and technical manpower."

"The concept of manpower resources — including not only those presently employed and preparing for employment, but also the retired, women, the handicapped, the unemployed — embraces both measurable actualities and indeterminate potentialities . . . Manpower development is a total pattern of individual development including the acquisition of labor force abilities, skills and competences as well as a social consciousness, ambition and motivation."

"Our society is suffering from a serious conflict with respect to education. On the one hand, there is the need for more down-to-earth, career-oriented education which will relate better to employment

and the world of work. On the other hand, there is increasing pressure for more "relevant education" which relates to social problems, to the development of the whole person for more freedom of choice with no compulsory courses. In brief, our society is addicted to status and so-called "work oriented" courses do not have status."

"It would be our desire to help the greatest number of people prepare themselves through programs of "individual development" to take an active and useful part in earning a living; and, through programs of "individual fulfillment" to be persons of importance in and to society; all to be accomplished at the minimum cost to the taxpayer."

"It is also important to point out that the majority of secondary students at the grade 9 level are destined to go directly into the world of work as graduates of secondary school or as drop-outs, without going on to post-secondary education; these young people because they lack marketable skills, are not equipped to enter employment. The priority covering "career education" should be of value in solving this serious problem."

"We must find the answer to better use of the skill and knowledge of the men and women in their pre-retirement years (50-65) and also after retirement. How to transfer this skill to students and the younger workers is the challenge. To place a dollar value on the abilities of the retired worker as he leaves the office or shop at the time of retirement would be impossible but it is a priceless resource that is now practically untapped."

16. Health Services

"At a time when we feel that it is crucial to make the conventional illness-oriented system more effective, it is essential that the available manpower should not be subjected to arbitrary limitations arising from overspecialized education or excessively narrow professional or trade designations, or barriers to changes of function. A more flexible educational program and some effort to ungild a number of activities would probably lead to the passage from trade-based organizations to industry-based organizations in the health sector."

(3) PRODUCTIVITY

(a) REPORT OF THE PRODUCTIVITY WORKSHOP¹

At the aggregate level, Professor Tremblay in his paper has drawn our attention to the weak productivity of the Canadian economy in recent years and to some of the factors that will tend to keep the rate of productivity growth in the future lower than what it has been in the post-war period. At the present time, the effect of growth of the productivity performance on the Canadian economy is being obscured by the high rates of labour force growth. This situation is not expected to last indefinitely. Indeed, there are indications that labour force growth will slow down in the years to come. It is thus important that we address ourselves to the problem of increasing the rate of productivity growth unless we are prepared to live with a lower potential for growth, smaller increases in the standard of living, and probably a smaller presence in world markets.

¹ This report was presented to a plenary session and was based on the deliberations of sections "A" and "B" of the Productivity workshop. Section "A" was chaired by Ronald Lang, Director, Legislative Department, Canadian Labour Congress; the "B" section, by Professor W.Y. Smith, University of New Brunswick. Messrs. N.E. Wale and B.A. Keys of the staff of the Economic Council of Canada served as rapporteurs to the two sections.

At the committee level, productivity was also generally recognized as a significant problem. This is particularly the case in agriculture, food and beverages, textiles and clothing, electrical products, retail and wholesale trade, and health services. In other committees, such as mining and chemicals, productivity was not seen as being a high priority item. The view was expressed that concern about productivity tends to be pushed aside at times by other issues that are regarded as being more critical.

One very important aspect and problem of productivity is that of the method of measurement. The meaning of productivity is not seen as being the same in those industries where a product can be identified and in those industries where it cannot. For instance, in the health services industries, output can only be measured with difficulty since the service provided is a mix of cure and care to which precise numbers can hardly be attached.

One of the factors that will tend to reduce the rate of productivity growth in the future is the shift of economic activity towards the service industries. These industries, which account for about 60 per cent of total employment, typically record lower than average productivity increases. Although it was recognized that there may be a problem of measurement in this area, interest was expressed on the sort of incentives that could be provided in this sector to improve productivity.

Economies of scale were seen as a means to improve productivity performance. The Electrical Products Committee drew attention to the need for a strong domestic market and access to significant export markets. Government was seen as playing an important role in this area through its trading policies and practices.

The role of government in reducing uncertainties with respect to investment decisions was also raised in the workshop. Emphasis was placed on the problem of inter-governmental disputes, on resources, for example, and the resultant delays in the decision-making process. The point was brought up forcefully, however, that private industry could take initiatives in decision-making in general without looking upon government as a major obstacle. It was recognized that the economy in recent years had lacked the necessary additions to the capital stock. It was also felt that not enough attention had been devoted to investment in research and development as a means of improving productivity performance.

There was considerable discussion of productivity at the plant level. The general subject of working conditions and more particularly that of job satisfaction and job humanization received attention. The need for additional research on means to improve job satisfaction was raised. More generally, the workshop discussed the incentives that could be given to labour in order to increase its productivity. The conclusion was reached that, given the importance of working conditions on the level and rate of productivity growth, ways should be sought to achieve a better dialogue between labour and management at the place of work. It was also mentioned in dealing with productivity at the firm level, that costs as well as benefits are frequently associated with productivity improvement measures and that more attention should be given to the cost-benefit relationship before such measures are undertaken.

Lastly, very little in terms of specific policy recommendations came out as a result of the workshop. Given the complexity of the productivity problem and the extent to which it varies from one segment of the economy to another, this difficulty with productivity was realistically to be expected. A general conclusion would be to spell out clearly what is meant by productivity and of how to solve some of the measurement difficulties. It may then be easier for everyone to come to grips with the problem.

(b) INDUSTRY COMMITTEES' VIEWS ON PRODUCTIVITY

Much of the concern of the Committees dealt with ways in which improvements in productivity could offset other problems identified in the outlook. These matters are illustrated in the following quotations from the Committee Priority Papers, along with a number of specific references to the need for productivity improvement.

1. Agriculture

"It is of the greatest importance to the public interest that the fullest and most imaginative support be given to improvement of productivity, including agricultural productivity."

"Farmer support for stepped-up efforts to apply and develop improved technology will be and is being stimulated by improved returns, but such efforts will be most successful if combined with careful planning and policies that protect producers from bearing unfairly the economic costs of productivity gains."

3. Energy

"Aggressive funding of research on the discovery, recovery and processing of energy resources should be undertaken by industry and government on a selective and co-ordinated basis."

4. Food and Beverages

"Compared to a 5.5 per cent gain in 1972, productivity increased 3.2 per cent in 1973 but is expected to decline by 0.6 per cent in 1974."

5. Textiles and Clothing

"In view of increased cost factors and the labour shortage, the rising productivity trends of the industry must be accelerated."

"The second priority of the clothing industry is to achieve major gains in productivity to offset the sky-rocketing costs of labour and finance. Productivity can be enhanced in the short term by the vigorous application of available techniques in the fields of systems, management, warehousing and communications as well as in production engineering."

"Although the textile industry has been increasing its productivity at a higher rate than Canadian manufacturing generally in the last ten years, the problem might be alleviated by a more vigorous program of capital investment aimed at even higher gains in productivity with a reduced requirement for night and week-end workers. Accelerated gains are achievable in various sectors of the industry if the investments were made. However, companies are seriously inhibited from making such investments by the poor historical earnings record of the industry, by the ambivalence of governments toward the industry, by the inflated cost of new equipment, and by the penalties of running capital-intensive plants below their potential capacity. The task of achieving a higher level of profitability thus becomes the second priority of the textile industry, as a prerequisite for continuing strong investment."

"The monitoring of world technology for solutions to productivity problems is a difficult and diffuse responsibility and one which might go undischarged. Given sufficient support, the task might be assumed by a competent group within either industry or government."

6. Forest Products

"In these circumstances, another important priority for forest products manufacturers will be to improve productivity, restrain cost advances, and develop a competitive edge internationally by keeping their plants modern and efficient."

7. Machinery and Metal Fabricating

"It was generally agreed that inefficiency, that is, 'waste' or 'unnecessary costs', not only increases the absolute level of prices in the economy but may also increase the rate of inflation."

"If the private sector is to give productivity growth the attention it rightfully deserves, both a statistical base and a sound methodology to measure the contributions of labour and capital must be developed to permit productivity comparisons."

"Committee members also remarked on the need for a generally acceptable and practical method of measuring the efficiency of public sector investments, as well as the costs and benefits of public sector intervention in private sector decision-making."

8. Transportation and Transportation Equipment

"Such technological developments as trucks and trailers of greater size, unit trains with robot controlled diesel power, ships and jet aircraft of higher capacity per unit of labour made it possible for the unit cost of transportation to increase at a far lower rate than that of labour or of most other products. Indeed in some instances the cost of transportation actually fell over several years."

"This era is now over. In many situations on highways, railways and the Seaway, bottlenecks have begun to appear."

9. Electrical Products

"The priorities set forth in this paper identify the Conference issue of productivity as an area of major concern to the electrical industry."

"A point which must be emphasized is that productivity in this industry is determined to a great extent by the action of governments in creating the type of environment which will enable producers to become world competitive on a cost basis."

"Productivity improvements under the control of individual companies such as cost reduction efforts, methods improvement and investment in facilities, are ongoing programs within the industry. In recent years, however, the benefits from such programs have been more than offset by the increased cost of doing business."

"There is great need for a better understanding of productivity and more precise guidelines for its measurement in order that valid comparisons might be made within the industry. The term productivity means different things to different people, and even the committee members had difficulty in reconciling their views on this subject. Therefore it is recommended that a study be conducted to define and clarify this issue. Such a study should consider inputs from labour, business and government and could perhaps be conducted under the auspices of the National Economic Conference."

13. Retail and Wholesale Trade

"... increasing productivity within the trade industry presents a very strong challenge. The industry is labour-intensive. In the general merchandise sector particularly, there is still a great reliance on personal selling. In all sectors of the industry, there are growing indications that the consumer still demands a great deal of personal service and attention when shopping."

"There are a number of ways that productivity can be increased within the industry. The major ones are as follows:

- Continued training and up-grading of present personnel;
- Long-range planning as regards employment and utilization of personnel;
- Increased distribution efficiency;
- Purchase and implementation of sophisticated electronic equipment, leading to automated functions both within the warehouse, and at the retail front-end;
- Refixturing older units, replacing old units with more modern and more productive new units."

"The need to obtain more efficient transportation, meets squarely the conference issue of developments in productivity."

"Yet it is generally conceded that the next major steps in improving productivity within the industry will come about through the investment of massive amounts of capital in expensive and sophisticated technological equipment. The industry will have to compete for capital for this purpose against industries with superior profit margins and more favourable corporate tax rates."

"It is the Committee's strong recommendation that differences in corporate tax rates should be removed, and that productivity-related investments by the distributive trades should be afforded the same preferential tax treatment (accelerated write-off) as is presently enjoyed by secondary industries."

15. Education and Manpower Training

"5.3 — rising educational costs will not go unchallenged, and that improved "Productivity in Education" — and a reduction in the duplication of educational plant, personnel, and services — must be recognized as two of the most effective means of lowering such costs;

5.4 — improved "Productivity in Education" is practical, possible and profitable; and that it can be attained without sacrificing the quality of education."

16. Health Services

One area of development would be "... the improvement of the efficiency of the existing health care delivery system by eliminating impediments to fruitful cooperation within and between professions and institutions, by introducing more fluidity in the substitution of different inputs, by focusing its aim more systematically on high risk populations broadly defined ... and by giving a greater relative importance to prevention and rehabilitation, etc. In brief, induce more flexibility and better marksmanship for the existing system. Such a refurbished delivery system would deal more fully with the complete health care cycle from prevention at home, through intensive care to home care and convalescence."

"The health industry is not only producing health, it is also producing care ... A more encompassing definition [of productivity] would have to include the whole array of health maintenance and health promotion activities, for instance, and many of our recommendations have to do with improvements in the productivity of the industry in this broader sense."

"Finally, one must guard against the temptation to extend automatically to the health industry all the traditional rules of the economic game in use in other industries. Productivity gains and efficiency have to be interpreted here in a broader context and in full cognizance of the special constraints operating on the industry. The benefits to society of a better health care system are materializing often outside of the health sector and what would often be regarded as an "inefficiency in the small" generates much "efficiency in the large"."

"... to increase the productivity of the system by acting on motivations and organizational design ... are dramatically more important than the benefits to be expected from the conventional efforts to increase efficiency by only reallocating resources but without an explicit attempt to influence motivations and organization forms."

(4) ENERGY AND MATERIAL SHORTAGES

(a) REPORT OF THE ENERGY AND MATERIAL SHORTAGES WORKSHOP¹

I would be less than candid if I did not confess that in our workshop we "spun our wheels" for a time, particularly in the morning segments which were devoted to discussions of our general perceptions of the shortages problem.

In retrospect, perhaps our lack of initial high productivity is hardly surprising as we were, after all, a diverse group of people whose direct encounters with the problem of shortages varied widely. If there was a discernible general tone to the morning phase, it was to the general effect that there was little concern that the shortages phenomenon constitutes a *priority* problem, or set of problems, confronting us in Canada in the short run.

Perhaps the simplest explanation for our difficulty in coming to grips with our subject was really covered by Carl Beigie's opening comment that we found ourselves, for the present at least, embarrassed by a shortage of shortages.

We did, however, note the urgent nature of the current *world food* shortage and wished to identify with Canadian policy to assist that problem. It was thought, however, that we should direct our aid to those who were also prepared to help themselves.

The discussion in section A divided fairly evenly into considerations of cyclical shortages on the one hand and all other types of shortages on the other. And our concern with the former — cyclical shortages — was very close to being also a concern about inflation as such. Thus we noted the fact that, in the last business slowdown, demand had slackened and projects had fallen; that companies were unable — or unwilling — to respond to the very rapid growth that developed in 1971-73. We noted too that high interest rates, or perhaps more broadly, high costs of capital induced firms to keep inventories low and also retarded the implementation of investment plans with the general consequence that shortages and bottlenecks materialized quickly and this, in itself, had a ratchet effect on the inflation process.

Now, with interest rates and the cost of capital still high, with the near-term economic prospects not encouraging but, perhaps most importantly, with new uncertainties associated with intra-governmental wrangling all in the picture, the new investment that might relieve the inflation pressures in the near-term and the potential shortages in the medium-term, is in risk of being postponed or cancelled.

We were on the side of motherhood in taking the view that to alleviate cyclical shortages we would wish to see business cycles smoothed out from the demand side. In the unlikely event that this blissful state will be achieved we were, I think, of the view that we should contemplate the use of very specific policies aimed at inducing industries — perhaps selected industries — to embark on what we might

¹ This report was presented to a plenary session and was based on the deliberations of sections "A" and "B" of the Materials and Energy Supplies and Shortages workshop. Section "A" was chaired by J. M. Smith, Chairman, Executive Committee, Woods Gordon & Co.; the "B" section, by Mr. Charles Perrault, President, Conseil du Patronat du Québec. Messrs. R. A. Matthews and N. M. Swan of the staff of the Economic Council of Canada served as rapporteurs to the two sections.

call "countercyclical investments" perhaps by means of special incentives through the tax system or in other (unspecified) ways. I suppose we were saying here that the so-called big monetary and fiscal policy levers — which may indeed still be the best policy instruments in the battle against inflation — are not alone up to the job of coping with material shortages in the various forms in which they may manifest themselves. To say the least, consideration of more selective policies seems warranted.

In the matter of temporary shortages — which was a category mentioned in the background paper on "Energy and Material Shortages" — our general conclusion was that this was not a matter to which public policy should address itself. Possibly, in some commodities, the concept of buffer stocks has a place but our deliberations on this matter were inconclusive. We rather felt, rightly or wrongly, that this was essentially a defensive type of action, to be dealt with at the level of the individual firm.

Much the same could be said for "contrived shortages" — "administered shortages" as we preferred to call them. In so far as such shortages, by whatever name known, are externally imposed we roll with the punches and, for want of a better alternative, seek out other import-dependent partners in hopes of mustering some negotiating muscle. When the contrived or administered shortages are domestic in origin, I believe our workshop generally supported the position that we should gradually move away from two-price systems and towards world-price structures for reasons which the Economic Council has already exposed.

In this regard, section B wished to put forward the suggestion that if the prices of some commodities had to rise to ensure supply, the problems this could create for low-income groups should be dealt with through transfer payment mechanisms rather than attempting to meet that problem through rationing systems.

Turning next to the matter of "policy induced" shortages we concluded essentially that there was no such thing — or put more accurately, governmental policies do not in themselves induce shortages but rather may exacerbate shortages — possibly because the policy responses tend to be expedient and not sufficiently weighted to long-term considerations or considerations which give sufficient weight to the various trade-offs that belong in the larger equation.

In an effort to achieve something which might be described as tangible output from our day's work, in both workshop sections we concluded our discussion, perhaps too ambitiously, by considering whether or not there was need for a more systematic monitoring of our resource situation in its broadest context.

We considered, for example, such things as: a) the need for mechanisms to identify, more explicitly than in the past, areas or markets where shortages could be expected to emerge; b) the need to bring out the broader implications of impending shortages — not only in terms of the way shortages might impact on our economic performance generally but how what seem to be rather specific bottlenecks can have surprisingly far-reaching consequences when traced through the grid of input/output relationships; c) the need to identify the policy options open to decision-makers to meet, counter or alleviate the impending shortages problems.

What the appropriate mechanism — or agency — might be to carry out these functions was not clearly resolved in our session. We were, however, of the view that the mechanism, or agency, should not be charged with the responsibility for *ranking* the priorities of the various shortages problems — this is a matter for decision-making in a political context.

Similarly, the instrument or agency should not have a mandate to *prescribe* or even recommend appropriate policies. Rather, as I said earlier, its job would be to identify the policy options.

It may be that the Economic Council can perform this function and further that the National Economic Conference can provide a productive forum for the Council's efforts in these areas.

These last views, however, are matters for more careful consideration and debate than we were able to achieve in our sessions.

(b) INDUSTRY COMMITTEES' VIEWS ON MATERIALS AND ENERGY SUPPLIES AND SHORTAGES

The following quotations illustrate some of the perceptions of the industry Committees on the question of energy and material shortages.

3. Energy

"... existing developed energy inventories will not be sufficient to satisfy Canadian requirements in the second half of the 1970s. An aggressive development policy must be pursued to maintain continuity in supply."

4. Food and Beverages

"Thus, the Canadian food and beverage industry is faced with a problem of supply as well as of price, with little hope that either will be resolved before 1976 at the earliest."

7. Machinery and Metal Fabricating

"The standard remedies, however, may not be enough, and they should be supplemented with vigorous short and long-term antibottleneck policies which will quickly recognize malfunctions in the economic system and take appropriate action to correct them. The objective of such a policy would be to concentrate on bringing about a balance of the forces of supply and demand in those sectors most likely to fuel the inflationary process."

"The Committee agreed that international influences have contributed to the development of shortages in Canada. However, domestic political, economic and social conditions, not only in the Seventies but during the Sixties as well, undoubtedly played an important, though still undetermined, role in creating the current materials and labour shortages."

9. Electrical Products

"The materials which are used by this industry are indigenous. Therefore, the further processing of these materials into finished products is an essential step in a program to insure security of supply and a viable manufacturing capability . . ."

"Materials constitute a significant part of the cost of all electrical and electronic finished goods. It is important, therefore, that the cost of materials be competitive with the cost to our world competitors. To achieve this, the domestic suppliers of raw materials must have a tax environment which will not threaten their ability to operate competitively."

"It is in the components area that the industry has the greatest imbalance of trade and this poses a threat to some lines of finished goods."

10. Chemicals

"... it is imperative that Canada embark on an intensified program of exploration and that existing known reserves of energy materials be developed for commercial use as a matter of special urgency. The jurisdictional wrangling which is going on and the uncertainty regarding taxation policy can only slow down this development."

11. Construction and Housing

"In the materials supply area, the key trend which has developed and to which the Construction Industry objects has been the change in suppliers' selling price policies to pricing goods at time of shipment from the long-standing policy of quoting firm prices at the time of order."

13. Retail and Wholesale Trade

"The trade industry experiences more or less repetitive shortages of Canadian produced goods . . . the industry purchases increasing quantities of these products from foreign manufacturers."

(B) OTHER CONFERENCE CONCERNS

Examples of Industry Committees' Views on "OTHER CONFERENCE CONCERNS"

The following viewpoints, taken from the Priority Papers of the 16 industry Committees, illustrate some of the principal concerns of Conference participants which do not receive emphasis in the discussion of the four Conference issues of Inflation, Manpower, Productivity and Energy and Material Shortages.

The Committee viewpoints are arranged in this section under the following headings:

- The Role of Governments
- Land-Use, Communities, Incomes, Resources and the Environment
- Financing, Investment and Saving
- Industry Outlooks
- International Considerations
- Institutions and Institutional Changes

In addition to the Committee viewpoints in this section, many of these concerns find expression in the following section of the Report where a few examples of the priorities and recommendations of the 16 industry Committees are given.

The Role of Governments

(1) Government Policies and Jurisdictions

NATIONAL FOOD POLICY

1. Agriculture

"The underlying food production/population balance in the world . . . is precarious. However, there is great potential in Canadian and world agricultures for increased production via application of technology and increase in cultivated land area."

"What is emerging, in a complex of new policy developments and policy thinking at provincial and federal levels, and among producers and others, is an intensified search for the better definition of a food and agriculture policy for Canada. Such a policy must, as noted in this paper, embrace a whole range of considerations — economic, social, environmental. Security of supply, stability of producer returns, equity to consumers, preservation of a healthy rural-urban and regional balance in social and economic structure, effective exploitation of export market opportunity, long-term preservation of our land inheritance — all these must form part of such a policy. Not least among the issues involved is the degree of planning and control required to achieve desired ends — as well of course as the challenging task of defining those ends."

"A 'food and agriculture policy' cannot be blue-printed in advance — the situation is too complex and dynamic for that. The basic supply-demand forces and relationships must be recognized and respected. Nevertheless it must be concluded that an urgent and necessary task facing Canada is to develop processes of policy-making that set basic directions for the food economy on which there is consensus, and to design policies that maximize coherent and constructive programs on a national basis."

4. Food and Beverages

"If we are indeed facing a period of world-wide food scarcity and rapidly rising prices for raw foodstuffs, it is obvious that increasing the efficiency and competitive ability of the Canadian food and beverage industry is vital to its long-term health. Investment, however, requires money. While inflation may be an added incentive to investment in the short term, in the longer term the high cost of money goes hand-in-hand with continued inflation, serves as a deterrent to investment or becomes built into the cost structure of industry."

"In the domestic economy, further development of policies to encourage expansion in agricultural production would be most appropriate."

13. Retail and Wholesale Trade

"The world food problem further emphasizes the need for a Canadian food policy as articulated in last year's report."

"The Committee commends the Federal Government's commitment in the last Parliament to the development of a national food policy, and reaffirms the objectives of such a policy as set out in last year's Committee outlook paper."

16. Health Services

"Taking a broader view of health, we must recognize the possibility that the distributional effects of inflation (especially of an inflation where the prices of food and shelter have risen more than other prices) may have had important effects on the quality of nutrition in Canada."

OTHER RESOURCE INDUSTRIES

2. Mining

"The taxation system related to mining was implemented in the immediate post-war period and produced, as expected, income, national wealth, and contributed to the overall national welfare. The measures now implemented and contemplated will erode the industry's contribution to national income, to the national wealth, and to the overall national welfare."

"It is one thing to exact a 'fair return' for the public treasury from Canada's natural resources; it is quite another thing to determine 'what is fair'."

"Recent changes in taxation at the provincial and federal levels coupled with uncertainties present in federal/provincial relations and government/industry relations have resulted in a serious decline in exploration activity . . . Judicious action by governments and a clarification of things to come in this sector are essential to promote an atmosphere favourable to sound planning and development."

"These uncertainties as to policy, a fluctuating government policy, added to the rapid escalation in materials and labour costs give cause for concern. In April, 1973, twelve National Mineral Policy Objectives were enunciated and endorsed by the federal and provincial governments. Some consultative

mechanism to translate these objectives into coherent policy and concrete objectives is essential between the federal government, the provincial governments, and the industry."

"The Committee recommends that government's return ought to be based on a share of earned income. This share should, as a matter of principle, be one that allows the industry to operate and compete in the international market place."

Minority Report, Mining Committee (Lynn Williams, Director, District 6, United Steelworkers of America)

"The United Steelworkers, which represents the vast majority of workers in the mining industry, has been very vocal in its support of the various measures which have been taken to ensure that the mining industry will, in the future, pay an equitable share of the nation's tax burden.

It would be surprising, if such a basic revision of the tax structure could have taken place without some conflict between the different levels of government. The primary conflict now is over the question of whether or not mineral royalties will continue to be deductible from taxable income for federal income tax purposes. The question is a complicated one that will require serious negotiations between the governments to settle. In the meantime a serious area of uncertainty exists for mineral producers, particularly in British Columbia. The removal of this uncertainty is a high priority for the industry.

It is the union's view that royalties, such as those now being levied in British Columbia should not be regarded as taxes, but rather as payments to the public for the minerals themselves. Since the loss by the public of its resources is proportional to production and not to earnings, we feel that royalties based on production and selling prices are the correct method of compensating for this loss. These royalties must be considered separately from income taxes which all corporations pay, whether or not they use up non-renewable public resources.

"We are in fundamental opposition to the proposition put forward by some mining industry spokesmen that mineral resources are worthless in themselves, and that only the extraction process gives them value. The recognition of the intrinsic value of unextracted, and even unexplored mineral deposits is the key to a rational evaluation of the whole issue of mineral taxation."

3. Energy

"Government policies must provide an environment which will encourage resource development at a rate sufficient to ensure continuity in Canadian energy supplies."

"... there is increased urgency for energy resource development, especially in the light of recent trends in some energy inventories, notably oil. *The Committee cannot over-emphasize the lengthy lead times involved in bringing large scale energy projects to fruition* and the necessity for a proper policy environment in which orderly industry planning can be conducted. Thus, it is imperative the Government move to clarify regulations governing the energy industry and long-term energy pricing policies."

"The Committee protests the continuing uncertainty and confusion caused by competing government revenue policies and the slow approach towards the development of firm regulations governing exploration and development, especially in frontier areas."

"The Energy Committee submits its recommendations in the hope they will contribute in a constructive way to securing the development of energy supplies for Canada. The Committee sees this as the prime objective of the energy industries and the main energy policy issue to which Governments should address themselves."

6. Forest Products

"Priority number one is for governments in Canada to decide what they want and can reasonably expect from the forest resource, in terms of financial benefits both national and provincial. If there are to be goals, then they should be long-term, and realistic in relation to international competition. They should be expressed in a framework of consistent and dependable fiscal policies within which industry can operate profitably and plan with confidence for the future."

"There have always been the usual business risks. They are being compounded by the possibilities of abrupt and unforeseen changes in the economic environment, caused by government initiatives."

"The inability of some governments in Canada to settle on formulae for reasonable public returns from resource development, and in general the lack of a co-ordinated and determined effort to provide an attractive business climate, have clearly raised doubts in the minds of those who might otherwise invest in the Canadian forest products industry."

10. Chemicals

"Canada requires a national energy policy — a policy which is consistent with the relative value of the various hydrocarbons. This policy must look at total available energy and manage all energy segments wisely in order to maximize the value of each."

TRANSPORTATION AND COMMUNICATIONS

8. Transportation and Transportation Equipment

"If the present uncertainty regarding investment in the transportation industry is not eradicated by the establishment of clear and consistent policies on the part of government, then within the next 18 months there will be slowdowns in throughput and increases in the transportation cost which will themselves exacerbate the inherent difficulties of the situation in the railway and trucking industries."

"We particularly support and emphasize the view that competition should be the principal means of setting price and quality standards and of assuring the economy of an adequate supply of the means of transportation."

"The implementation of broad national objectives, specifically along the lines of regional economic development and the abolition of regional disparities, should be detached from the management of Canada's system of transportation."

"The Motor Carrier industry strongly supports the National Transportation Act in the sense that it favours competition, but is very critical of what it calls 'Government ad-hockery' in implementing the philosophy and the basic objectives of the Act."

"Define the area of 'public interest' and subsidize it; but otherwise detach the management of Canadian Transportation from a National policies of regional development and equalization of regional disparities."

"Analyse the long-term outlook on investment needs and follow through consistently on policy objectives and legislation in the Transportation sector, and act jointly in impressing upon the Government the need for a well thought-out and implemented long-run Transportation policy."

"Gear the National Railway Transportation policy towards development and utilization of Canadian-designed equipment. Utilize this equipment as an export base and continue long-term export financing by government agencies."

13. Retail and Wholesale Trade

"As it was a year ago, transportation remains one of the major areas which affects both the current and future growth and productivity of the industry."

"There are many recurring and common complaints within the trade industry as regards the transportation system. With regard to the railway system, there appears to be a shortage of equipment, including refrigerated cars, wheat and grain cars, etc. Scheduling of railway cars is undependable. Service is slow in many cases, trucks that travel the same distance as rail cars, arrive sooner. Pilferage remains relatively high."

"A trend in recent years is for distributors to organize their own fleets of trucks. Many distributors are willing to pay a higher cost for movement of product by truck, in order to obtain faster and more dependable service."

12. Communication Services

"While recognizing a need for Government regulation in many of these areas, the Committee expresses concern that over-regulation is undesirable, and that there is a current trend towards several tiers of regulatory bodies involving the Federal, Provincial and Municipal levels."

"At the present time, there appears to be increasing conflict between the Federal and Provincial Governments with respect to what is the appropriate distribution of regulatory powers in relation to this sector."

MANUFACTURING INDUSTRIES

(Other than those included above.)

5. Textiles and Clothing

"The Textile industry should identify practical proposals to solve the twin problems of attracting capital and attracting manpower within the contemporary socio-economic scene, with a view to enlisting the assistance of government under the Textile Policy to the extent such assistance may be necessary to implement identified solutions."

10. Chemicals

"... governments at all levels, in assuming increased responsibilities, should make every effort to avoid impairing the efficiency of the Canadian economy. This will inevitably occur to the extent that government involvement engenders uncertainties, delays, jurisdictional disputes and conflicts of objectives which represent new imponderables in the business planning process."

"A second difficulty industry faces in adapting to government activities is the often frequent and sudden reversals which take place in economic policies made in response to purely temporary or short-run cyclical or political developments."

"... we would make an urgent plea that government evolve a longer-run strategy focusing on our nation's impressive economic growth potentials of the 1970's, and that, to the fullest extent possible, public policies consistent with this strategy, be implemented using a time-horizon of five to ten years."

"Government Accountability

The chemical industry is concerned that governments often extend their activities into the private sector of the economy without fully understanding the long-term consequences of their actions. To a

considerable degree, the dangers inherent in this process would be considerably reduced if full consultation with industry took place during the formulation of policies which touch directly on industry."

14. Financial Services

"In this respect, we are concerned about the kinds of policies being followed by the North American Governments. Tight money and high interest rates are, by themselves, the kinds of policies which have, in the past, resulted in a serious deterioration of the investment process rather more readily than they slow down the consumption process."

"We regard the saving and investment process as one of the key elements in overcoming inflation . . . Inflation discourages the kinds of savings which result in constructive investments. Indexing rewards to savers is one method of improving this situation. Indeed the current movement of corporate and individual investors to short-term securities is a method of self-indexing."

"We are not confident that all political bodies will have the will to balance investment/consumption priorities in the economies and allocate scarce resources to investment and away from consumption. The wage demands and tight money costs associated with inflation have still to work their way through the price system. This process will take place over the few years and lessen any chance of easing inflationary pressures. Thus, a continuation of an examination of policies to deal with inflation is entirely appropriate."

(2) Inter-Government Conflicts

2. Mining

"Apart from the more normal, accepted, and intrinsic nature of risk and uncertainty in the minerals industry, there is now an added dimension of uncertainty facing the industry because of unresolved issues between Canada's two major levels of government. There has been, in consequence, a shift in the direction of new investment decisions to external political jurisdictions. If this shift should assume larger proportions and/or becomes more permanent, (as all present indications suggest), the outcome can only be to diminish quite seriously, an important sector of Canadian economic life."

"The Committee recommends prompt action by the Federal and the Provincial Governments to resolve the question of jurisdiction over natural resources and thus to remove the current uncertainties affecting the industry."

1. Agriculture

"... coherent national agricultural policy development in Canada will require a high degree of federal-provincial co-ordination and co-operation."

8. Transportation and Transportation Equipment

"The trucking industry is caught in a jurisdictional straight-jacket between federal and provincial governments and strongly urges the setting up of uniform inter-provincial legislative codes."

10. Chemicals

"The chemical industry has observed, and is being directly affected by, an increase in the temperature, of federal-provincial relationships, especially during the past eighteen months or so. Provincial governments are asserting their interests more forcefully, and are challenging the economic objectives and

policies of the federal government in numerous areas. Federal-provincial conflict is nothing new in Canada; but the Committee suggests that the current emphasis on conflicts in the industrial strategy area is novel, and calls for special attention."

"In many cases, the conflict takes the form of a lack of agreement on industrial priorities."

15. Education and Manpower Training

"Manpower policies and planning at the Federal and Provincial levels [should] be clarified, improved, up-dated, and duplication within government bureaus at the same levels of government be eliminated."

16. Health Services

"5. We recommend that the relevant federal and provincial bodies launch immediately a complete review of medical and health-related training in Canada with the view of suggesting some guidelines for a more fluid and flexible education system for health workers which would prepare them better for the new forms of co-operation likely to emerge."

"6. We recommend that the relevant provincial and federal bodies examine carefully methods to ungild professional activities and to promote, within the constraints imposed by the necessity of high quality of care, easier entry into practice of certain now routinized activities."

(3) Industry-Government Relations

1. Agriculture

Priority Issues, including:

"To deepen and strengthen the processes of industry-government directional planning and participation in policy formulation and implementation. 'Industry' embraces not only producers of agricultural products, but the supply, processing and distribution sectors of the food system."

"To develop effective stabilization policies and where desired supply management policies, in order to create conditions for steady productivity improvement, regularity and abundance of production, and effective smoothing of the income flow over periods of prosperity and recession."

2. Mining

"The Committee's number one priority, namely Government/Industry relations is of such overriding importance that failure to resolve it now will result in fundamental damage to the mining industry."

"As a matter of principle, the Committee recommends that the mining industry should be asked to pay to both levels of government in taxes and royalties at a rate which is neither more nor less than any other industry."

"The Committee recommends also that the overall level of tax be based on earned income not on revenue."

"The market system should be allowed to operate."

3. Energy

"The basis for sharing returns for resource owners should be firmly established before the conclusion of investment commitments by the developer. Policies for sharing returns must leave the developer with adequate incentives to proceed."

"Government regulations on such items as building codes, energy conversion, and efficiency standards should be designed to improve the efficiency of energy utilization and discourage wasteful use."

6. Forest Products

"The principal institution through which our system marshalls productive resources is the private business corporation. As a group, business managers are frustrated by the fact they are inarticulate in defending the system within which they must work. The frustration is aggravated by the conviction that others, specifically politicians, should share the responsibility — indeed carry the major load of the responsibility — for understanding, explaining and defending the system and its institutions."

"Further waves of forced growth in productive capacity, stimulated by the federal and provincial governments, should be avoided."

7. Machinery and Metal Fabricating

"The Committee looks to more development of domestic resources and urges that further manufacturing of those resources be encouraged, with Federal and Provincial governments providing an environment conducive to such development."

"Determining the most appropriate policy should be largely a function of the characteristics of the sector for which it is being considered. In other words, the special circumstances of the various industries should be taken into account. Only a comprehensive, well reasoned approach will suffice. Detailed studies, consultation with labour and business representatives, and the coordination of diffuse and frequently competing government policies would be required."

"So far as regulatory policies are concerned, Committee members want to assist in developing such policies rather than simply reacting to them. In this respect, the Committee urges greater use of 'Green Papers' and private consultation with industry and labour experts, particularly on highly technical subjects, before legislation is drafted."

12. Communication Services

"Because communications is so vital to our nation and its future direction we recognize the need for a close liaison between Government and the communications sector; however, the Committee feels that the apparent rapid and recent growth of the size of 'Government' is of sufficient concern to rate it a priority."

8. Transportation and Transportation Equipment

"Effective liaison between senior levels of government and the innovating sector of the industry has become imperative if negative expectations and general pessimism are to be discouraged."

"Industry, government and labour have been unable to devise a system to adjust transportation capacity to the projected increase in demand, along the lines of sound investment reasoning and decision-making."

"The increased participation by the various levels of government in transportation of financially self-sufficient kinds provides no satisfactory solution because it remedies the symptom but leaves the disease untreated."

"If the present uncertainty regarding investment in the transportation industry is not eradicated by the establishment of clear and consistent policies on the part of government, then within the next 18 months there will be slowdowns in throughput and increases in the transportation cost which will themselves exacerbate the inherent difficulties of the situation in the railway and trucking industries."

10. Chemicals

"In many respects the 1974-77 period is ill-equipped to accommodate the emergence of such a new major industrial sector but the stakes are so great that risks must be accepted. The chemical sector can contribute to the nation's aspiration of highly productive real growth. This situation challenges all levels of government, management and the Canadian work force."

"The Committee respectfully submits that this priority item, headed Government-Industry relations, should be identified as the major Conference issue even at this late date. By Government-Industry relations we mean government policy-making and the government/industry interface. We recommend this because in our opinion this matter has emerged in the past year as a make or break issue for Canada."

"At the present time the public sector is competing with the private sector for essential resources. This is particularly true in regard to Capital and Manpower. We urge that Governments act to avoid and reduce this area of competition."

9. Electrical Products

"Provincial government incentives have resulted in a proliferation of plants to serve local markets. This has resulted in further fragmentation of the productive facilities in an industry which is already beset by problems of scale."

"The Federal Government has also contributed to fragmentation by offering subsidies to establish new plants to the detriment of the existing industry."

"There should be a review of purchasing practices and investment incentives of all governments which tend to fragment parts of the industry by encouraging a proliferation of plants making the same product. This reduces opportunity for economies of scale and reduces cost competitiveness."

15. Education and Manpower Training

"Success in establishing manpower programs is best attained through 'community orientation' by the effective use of committees, etc. — representing business, labor, industry, education, government, and the community at large, working together."

"The importance, status, etc. of the INDIVIDUAL not to be lost sight of in establishing manpower policies and planning."

Land-Use, Communities, Incomes, Resources and the Environment

INCOMES AND SOCIETY

1. Agriculture

"The search for ways better to ensure that all people receive incomes at least sufficient for proper nutrition and shelter will surely, and properly, be a result of food and housing price developments in the economy."

"This has led to a suggestion for more far-reaching policies than any yet seriously contemplated in Canada . . . for smoothing out the flow of income to farmers through some form of stabilization fund system. Serious consideration of such far-reaching proposals on a comprehensive basis would require they be the subject of major national study and debate in much more depth than is at present in prospect."

6. Forest Products

"Any attempt to indemnify people generally against the costs associated with these shared goals, through increases in income that exceed real increases in productivity, is inherently dishonest, immoral and inflationary."

"If the market system needs defending, that defence must be based on the benefits which the system produces for all of society. The importance of society at large understanding the economic process seems obvious. The educational process that this requires must surely be one of the principal responsibilities of those who are elected to govern us."

7. Machinery and Metal Fabricating

"In recent times most Western economies have experimented with an incomes policy in one form or another. There is no conclusive evidence that they work, except perhaps in the short-run, and much evidence that they do not. At best, they treat the symptom, not the cause, and the Committee believes that they should not be considered as a solution to the problems Canada is currently facing."

14. Financial Services

"In the past few years, the evidence has been that real incomes of the labour component have not grown in line with increases in prices."

16. Health Services

"The Committee expressed also some unease that the maldistribution of income, goods and resources was not identified as one of the key Conference issues."

"These self-imposed risks can only be eliminated by individuals and collectivities deciding to alter their life style in order to eliminate them. Good educational programs may indeed be the only way in the long run to change the habits of a population. However in the short run and for the bulk of a population which has already acquired a pathological life style, there may not be any other way but to design an incentive reward system which shall lead them to alter their pattern of behaviour."

LAND-USE AND COMMUNITIES

1. Agriculture

"Interest has been greatly stimulated in land-use policy and the preservation of the agricultural land resource as a combined result of increased food prices, depletion of food reserves and the obvious physical fact of urban encroachment on the most fertile land."

A substantive priority issue of the Committee is "To develop a land-use policy which will provide a rational preservation of agricultural land, and in particular to develop viable rural communities."

"Considerations of social and economic policy needs for rural communities can, however, be distorted by traditional concepts that do not take into account sufficiently the requirements and opportunities of modern technologies and market requirements . . . we must seek to support and enhance a rural community pattern that best serves present day needs in the framework of modern communications."

"The main focus of planning processes is however still on urban as opposed to agricultural requirements. This bias should be corrected as rapidly as possible by giving adequate attention to long-term agricultural land requirements."

"In particular, policy must be directed to the creation of viable rural communities which involves judgements related to measurement, social costs, desirable development from an environmental point of view, creation of conditions attractive to farm and farm-service labour requirements. . ."

RESOURCES AND THE ENVIRONMENT

2. Mining (Minority Report by Lynn Williams, Director, District 6, United Steelworkers of America)

"Our view is that Canadian resource policy should be based on current technology. Such a policy must obviously be continually re-evaluated in light of new technological developments. To make irrevocable decisions now, in anticipation of assumed technology in the future would be foolhardy."

"The real question about the rate of utilization of resources is whether or not the market dictates a rate of extraction which is socially appropriate. Measures to quantify and price social costs so that they will be included in the ultimate market decisions are the best way to insure the correct rate of utilization. Royalties, and environmental protection measures are steps in this direction."

3. Energy

"Practical and realistic procedures and requirements for acceptable environmental protection should be predicated on thorough cost benefit analysis, with further refinements based on experience. Construction of projects satisfying initial environmental requirements should be allowed to proceed without critical delay."

"... the Committee believes greater weight must be placed on measures to reduce the rate of growth in energy demand, without damaging the potential for economic development."

"... an improved and better delineated environment for development would enable the industry to plan for optimum use and phasing of facilities. In turn, this would enhance productivity."

"The Committee reiterates its view in the 1973 Paper that existing developed energy inventories will not be sufficient to satisfy Canadian requirements in the second half of the 1970's. An aggressive development policy must be pursued to maintain continuity in supply."

6. Forest Products

"So it is essential to the continuing vitality of the industry that emerging environmental objectives be rationalized with efficient forest management and manufacturing practices."

"Another important result of these changes is the requirement for substantially increased investment in roads and logging facilities as the industry moves into less accessible areas and marginal forests, and this is aggravated also by more intensive management controls which require simultaneous and continuing access to several operating areas."

10. Chemicals

"Canada must look at total available energy and manage the use of all energy segments wisely in order to maximize the value of each. To achieve this a national energy policy is needed — a policy which is consistent with relative value of the various hydrocarbons. This may require a system of industrial priorities in order to approach the theoretical potential which otherwise might be forfeited for lack of planning and forethought."

"The implications of failing to act on the priority items identified by the Committee are horrible to contemplate. They revolve around the loss of a tremendous opportunity through the mismanagement of our resources. It would mean that we in Canada had been unsuccessful in putting together an effective use of our skills and had therefore wasted the kind of opportunity that occurs to a nation only very rarely."

Financing, Investment and Saving

7. Machinery and Metal Fabricating

"The Committee urges the Federal Government to provide strong fiscal incentives to increase domestic personal savings, not only to restrain the inflow of foreign capital but to channel a substantial part of the increase in after-tax income into productive Canadian investments. The Committee also recommends that all levels of government minimize their demands on the Canadian capital market during this period of heavy business investment so that these major private sector projects may be financed primarily by Canadian savings."

10. Chemicals

"Thus we have the serious problem of inadequacy of internal cash generation and availability and cost of external capital. In high technology, high capital cost sectors new facilities conceived in 1972-73-74 will be built in 1974-78 and earn their first profit in 1979-81. Financing such 'world scale' facilities requires particular understanding between the investor and the taxing authorities. The lack of experience in planning and carrying through the growth of such a capital intensive sector of the economy can be identified as a major Canadian weakness."

"Government has been a powerful competitor for the nation's capital resources in the past, and some relief for industry would result if the public sector's demands on the nation's capital markets were lessened."

"The Committee recommends that as a matter of high priority action be taken by Government to increase cash flow and savings. In this context, it is the Committee's view that in the current inflationary environment, there is a need to continue the current two year writeoff provision for manufacturing and processing corporations."

16. Health Services

"As the financing and the production sides are growing in proportion and as governments are helped by inflation to tax away a larger portion of the income flows, consequently government is more capable than other actors in the economy to shoulder the increased costs of production of public services."

8. Transportation and Transportation Equipment

"In consequence, the Transportation sector has found itself increasingly unable to secure the cash-flows which are essential at a time when transportation throughout capacity must be increased very rapidly if the future needs of the economy are to be met."

4. Food and Beverages

"The extremely high cost of money is another major concern of every segment of our industry, regardless of the particular mix of capital and labour it employs."

13. Retail and Wholesale Trade

"The net effect of the above unfavourable economic condition is that there will be some curtailment of the capital expenditure programs that are necessary in order to ensure a desirable rate of growth, and increased productivity, in the medium term."

14. Financial Services

"... large increases in corporate profits have been an illusion. . . "

"... the capital markets are in a substantial state of disarray and the questions which now arise are even more fundamental:

- (1) Will there be a proper balance between consumption and investment so that savings will be generated?
- (2) Will the capital markets be able to continue as an effective means to allocate funds across different projects? If not, what will replace it?
- (3) Will the private sector corporations be able to raise enough equity in the markets, or by way of retained earnings, to maintain proper equity to debt ratios on their balance sheets, or will they have to lean even more heavily on the banks than before?
- (4) Will Governments dominate what little capital market there is to finance their own expenditures?
- (5) We would support, therefore, any kinds of incentives for capital market instruments to stimulate savings both in the private and corporate sector. In addition, governments must become net savers in the economy and contribute towards stabilizing the capital markets.
- (6) Confidence is a very important factor in the savings/investment process. Governments must realize that the investment process is a vital one for the country, particularly in maintaining small and medium sized business, and direct their efforts to restoring confidence in paper obligations as a method of saving money."

Industry Outlooks

1. Agriculture

"Agriculture is being recognized more clearly as an industrial sector that is not only basic to human life but in its modern form is a massive user of energy and material resources — and that use must increase rapidly, on a global basis, if the world's food needs are to be met. What is most new in agriculture today is not the underlying forces at work, but a heightened awareness of them and a search for a better understanding of the implications."

"The price and market developments of 1972-74 have, then, focussed attention as never before on the anatomy and mechanisms of the complex grain-livestock farm sector."

3. Energy

"In the area of oil and gas, the Committee is disturbed by evidence of a loss of exploration skills from Canada . . . Such a drain cannot be quickly reversed."

"Arrangements should be pursued to coordinate major construction programmes and alleviate labour, equipment, material or capital shortages."

6. Forest Products

"For manufacturers of forest products, as for most industries, 1974 offers a very peculiar platform from which to contemplate the future. Rarely have so many aspects of general economic life been in such a troubled state simultaneously."

"We have rapid inflation and serious labour unrest as industrial production slows; interest rates at the highest level in modern history as equity markets lie in disarray; shortages of materials and manpower as unemployment edges up; and perhaps most important, many people in a number of the more prosperous countries beginning to experience a decline in their standard of living, for the first time in memory."

"Moreover, attitudes to investment in the forest industry have changed considerably. Whereas for many years increased production and enlarged manufacturing capacity had a very high priority, today the wise management of capital is of primary concern. This implies a much more careful assessment of the relative attractiveness of various alternative possibilities for investment. Inevitably, it sometimes leads to the conclusion that a foreign jurisdiction offers a more hospitable climate for investment."

"Probably there is no way to correct cyclical variations in demand. But if we are to be a healthier industry than in the past, then producers will have to learn to live with them and still maintain their profits at a fair and reasonable level."

7. Machinery and Metal Fabricating

"The Committee's report was arrived at, and the National Economic Conference takes place, against a backdrop of widespread pessimism with regard to the world economic situation. The Committee, however, wishes to reaffirm its confidence in the Canadian economy, which, because of its inherent strengths, can be expected to out-perform the economies of most of the industrialized nations in the next few years."

5. Textiles and Clothing

"... if the requisite capital and manpower can be attracted, the industry has the potential to greatly extend its role as an upgrader of Canadian resources and to supply textiles and clothing reliably, with increasing efficiency, to the Canadian consumer at reasonable prices."

4. Food and Beverages

"For 1975, output is forecast to expand by 3.5 per cent and by another 3.5 per cent in 1976. Both these years, then, would fall short of the long-term average growth in the industry. However, it is an improvement over the 1974 growth and should mean a slightly improved productivity trend both in 1975 and 1976. In view of the magnitude of current wage demands, there is little likelihood that the foreseeable rise in unit labour costs will drop back to the historical trend rate of approximately 2.6 per cent a year. Even with higher labour productivity, unit labour costs which have escalated 9.3 per cent in 1974 are expected to go up 10 per cent in 1975 and a further 7.1 per cent in 1976."

9. Electrical Products

"Greater economies of scale can be achieved with a stronger domestic market base and in a tax environment which will enable the industry to generate a greater proportion of the investment funds

needed to serve that expanded market more effectively. In recent years, the industry by virtue of its unsatisfactory profit margins, has not been in a position, nor has it been encouraged, to invest the significantly higher level of capital funds now required in order to remain internationally cost competitive."

10. Chemicals

"In regard to all priority items, time is of the essence. If we are ever to build a viable chemical industry in Canada, the time is now (with particular reference to the petrochemical sector). Considering the findings submitted to last year's Conference, we have already lost a year. It must be realized that the other countries of the world are moving forward on programs of their own. They will not wait for us to resolve our problems."

"The Committee points out the urgent need for a positive approach to the development of a strong world scale petrochemical industry in Canada and recommends the close cooperation by industry, labour and government and all levels to take advantage of the opportunity which exists."

13. Retail and Wholesale Trade

"In the grocery sector, these before-tax profit margins decreased from an average of 3 per cent for the years 1964 to 1970, to 2 per cent for the year 1974.

In the light of the above circumstances, all segments of the trade industry anticipate extreme difficulty in maintaining present profit margins in the future. Yet it is from these future profits, (and the level of profit performance) from which will come a significant portion of the capital needed in order to achieve both growth and increased productivity in the medium term."

16. Health Services

"Our health care system is primarily concerned with illness and 'cure' rather than health and prevention, and its institutions, its personnel, its incentive-reward systems are primarily directed to the mobilization of most of the resources to this end."

"... two areas of development should be considered. First, the setting-up of a complementary system largely geared to deal with health promotion and more sensitive to and integrated with the behavioural, social and environmental circumstances. This complementary system is not meant to replace the conventional curative system in existence but rather to complement and support it. For instance, this system would pay much more attention to occupational health than has been heretofore done."

"What is missing is the machinery of cooperation between the different agencies whose dominium is transgressed by these issues."

International Considerations

2. Mining

"The Committee is concerned about the potential erosion in foreign markets and in export revenue resulting from a loss of mineral production through ill-advised government policies."

"The mining industry agrees that there is a need for a more aggressive posture by Canada to secure better terms of access for our more highly processed goods in world markets. Our posture ought not to be such as to encourage retaliation. In other words an open policy designed to constrain the outward flow of raw materials for a policy of exports restricted to refined metals could, and should, result in similar policies by our trading partners."

3. Energy

"Economically attractive imports of energy should be undertaken if security of supply is to be assured. Subject to suitable safeguards, surplus energy should be exported on a flexible basis."

4. Food and Beverages

"The Canadian Government should seek ways to contain the increase in prices of world food commodities (including Canadian food commodities for export). A review of the mechanism of international commodity agreements between supplier and consuming countries, should be undertaken to place these on a more effective basis from the point of view of the food system."

6. Forest Products

"There is also another aspect to the matter of international competition, and it involves the question of profitability during difficult times. This was a critical problem during the chronic world over-capacity in the pulp and paper industry of the 1960's, and more recently in 1970-72. It will be very serious in the months ahead for lumber producers, unless construction activity intensifies."

"The total burden of taxation, which still is considerably higher for Canadian forest products companies than for their competitors in the United States and Scandinavia, should be reduced."

8. Transportation and Transportation Equipment

"By aggressively pursuing the export market the industry [Rail Equipment Manufacturing] has achieved a degree of production stabilization which a reliance on the widely fluctuating domestic market would not have made possible."

"While car makers are optimistic that the pre-1973 export-import pattern between Canada and the U.S. will re-establish itself; the part makers are more pessimistic."

"Canadian aerospace manufactures depend on exports as their major market using the Canadian market as a spring-board."

"If transportation capacity is to be increased and the equipment export sector is to remain internationally competitive then industry must have access to the capital funds and trained manpower required to make the necessary improvements in productivity."

9. Electrical Products

"Thus, while there are severe limitations placed upon Canadian exports of electrical products, the domestic market is one of the most open in the world. This situation contributes to both problems of scale and international competitiveness."

"Canada already has one of the most open markets in the world for electrical products because of its geopolitical structure. Any further exposure of some segments of the industry will destroy their ability to continue to upgrade resources and to provide jobs involving high technical skills. Therefore, Canada's efforts in the Tokyo round should be directed toward reducing non-tariff measures which now prevent Canadian goods from entering foreign markets. Until there is concrete evidence that these barriers to Canadian exports have been removed, Canada should not negotiate any reduction in tariff rates."

13. Retail and Wholesale Trade

"Under the conditions imposed by the above factors, a continuing shortage of manufacturing capacity on the one hand, and increasing consumer demand on the other, there can only result a too heavy

reliance on the importation of the needed products from foreign manufacturers. These imported products will, in general, carry higher prices than would be the case if they were manufactured in Canada."

"It is felt that if tariffs or other non-tariff quotas were set in a more flexible and innovative manner, and subject to regular review, then a greater incentive would be provided to increase domestic secondary industry capacity, which in turn would result in generally lower prices for the particular products being manufactured."

Institutions and Institutional Changes

8. Transportation and Transportation Equipment

"An immediate setting up of a Canadian Urban Transport Council will be the first step in assessing the scope of the problem and in assigning to the respective levels of government their functions and responsibilities. Financial participation by the two senior levels of government in the research and development of new urban transport systems will be necessary."

13. Retail and Wholesale Trade

"The industry's ability as an institute to research, develop, and articulate the interests of the distributive trades, with reference to public policies, the interface with other industries and consumers' interests, should be further enhanced. Existing institutions such as the Retail Council of Canada, the Grocery Distributors' Institute, etc., should play a key role in these developments. For example, the emerging debate on a national transportation policy provides, or should provide, an important opportunity for the industry to become actively involved in the quest for higher efficiency and lower cost in the distribution of goods in Canada."

15. Education and Manpower Training

"6.2 — the Canadian Foundation for Economic Education, a non-profit organization, a non-political body, [should] be encouraged and supported in its program of expanding the educational aspects of practical economics;"

16. Health Services

"11. We recommend the creation of a National Health Council with representatives from each region and each sector of the health industry as well as from consumers and government. This Council would be charged with the task of monitoring at all times the changing needs and problems related to the promotion of health of Canadians and to bring to the attention of the federal and provincial authorities some of the issues calling for immediate action either in the health care system or in other systems (transportation, industry, etc.)."

"13. We recommend that the National Health Council (or any body created to perform its function) and the relevant formalized committee of ministers and/or deputy ministers or health departments (federal and provincial) take as their first task the spelling out of the steps necessary to create a system for the promotion of health as a complement to the existing illness-oriented curative system."

THE NATIONAL ECONOMIC CONFERENCE AND THE ECONOMIC COUNCIL OF CANADA

9. Electrical Products

"There is a great need for a better understanding of productivity and more precise guidelines for its measurement . . . it is recommended that a study be conducted to define and clarify this issue. Such a study . . . could perhaps be conducted under the auspices of the National Economic Conference."

6. Forest Products

"We believe that the National Economic Conference offers a valuable opportunity for the participants to look not only at their own industries but also at trends within the economic and social order of which they are a part. All of us should be seeking, through the Conference, to make a contribution which can strengthen the economy, and be acceptable to Canadians as a whole."

"The Economic Council should intensify its research efforts relative to the economies of foreign markets, and make these available to Canadian industry."

12. Communication Services

"A particular concern in this regard relates to the development of priorities and the establishment of an information base which is adequate to enable decisions based on a more complete view of the sector and national needs. We need to improve the frame work of consultation and co-ordination between the sector and 'Government'. This might be examined more carefully by the Economic Council of Canada. It might be an expanded role for the Council to examine the allocation of capital, resources and people in a new way at a crucial time."

8. Transportation and Transportation Equipment

"In view of the urgency of the longer-term outlook of investment needs in transportation, the Committee requests that a number of meetings be scheduled following the National Economic Conference, for the purpose of discussing and analyzing the long-term outlook of the industry and of assessing its capital needs as a high-priority item."

14. Financial Services

"It is the task of the Economic Council to set goals for Canadians. The goals that were set for inflation for last year and this year were, of course, not met. It will be surprising if the Council's goals for the next three years do not indicate a diminishing rate of inflation. Goals are desirable, but what about expectations? There is a fair dispersion of views within the Financial Committee. It is their view that inflationary forces may ease in the near term as a result of a slowing down of the world economy generally. However, as the economies pick up subsequently, there is a great deal of fear that inflation will pick up also. If so, we will end up three to four years from now with the same problems that we are suffering in 1974 — except worse."

16. Health Services

"The strong bias of the selected Conference issues toward the production system and the deliberate orientation of the first two National Economic Conferences away from distribution issues have as a consequence had the result of not relating clearly the Conferences issues to a number of recommendations and action priorities put forward in the Outlook Paper of 1973 and in the present Action Priorities Paper."

"We have recognized earlier that one of the great handicaps of the policy-maker in the health industry area is that he lacks appropriate benchmarks and indicators by which to gauge the results of his action . . . We shall therefore submit to the Conference two recommendations on the research front: first, the development of a set of health status indicators (as we suggested last year) but also the development of meaningful health care indicators . . . Secondly, the development of research programs on the ecology of health care consumption and health services utilization."

7. Machinery and Metal Fabricating

"To summarize, the Committee's recommendations to the Economic Council call for the following:

- A research program to locate and measure imported inflation with a view to considering the feasibility of promoting self-sufficiency in certain critical areas.
- A detailed examination of the role of government spending in the inflationary process.
- Stronger fiscal incentives to increase domestic personal savings so that more funds will be available for Canadian investments.
- A more effective use of monetary and fiscal policies supplemented with a more vigorous antibottleneck program.
- Specific, rather than general, measures to cope with increases in the cost of living. For example, while certain privately negotiated and publicly legislated cost of living arrangements met with approval, the Committee was not in favour of general indexing.
- Programs to provide more information on the price determining mechanisms.
- A more active manpower policy to provide: more efficient training and retraining; improved data on regional and national labour conditions; and the development of a national inventory of manpower needs and resources.
- The publishing of more detailed information on productivity along with a more highly developed methodology of 'social accounting' to facilitate investment decision-making in both the public and private sectors.
- More effective communication of government intentions regarding regulation and/or taxation policies and greater consultation with business and labour before their implementation.
- An assessment of the effectiveness of the National Economic Conference before another is called.
- Feasibility studies of the timing and frequency of possible future Conferences and the composition of their Committees.
- Reorganization of possible future Conferences on the basis of major problems or by groups of industries exhibiting similar business characteristics."

(C) SELECTED PRIORITIES AND RECOMMENDATIONS FROM THE PRIORITY PAPERS OF THE 16 INDUSTRY COMMITTEES

(This selection is illustrative only
and is not a complete set of priorities
and recommendations from the Committees.)

AGRICULTURE COMMITTEE (NEC Paper 1)

PRIORITY QUESTIONS AND ISSUES

A. Institutional and Procedural

To deepen and strengthen the processes of industry-government directional planning and participation in policy formulation and implementation. "Industry" embraces not only producers of agricultural products, but the supply, processing and distribution sectors of the food system.

B. Substantive

1. To develop effective stabilization policies and where desired supply management policies, in order to create conditions for steady productivity improvement, regularity and abundance of production, and effective smoothing of the income flow over periods of prosperity and recession.

2. To maintain and develop access to international markets for Canadian agricultural products and to participate internationally in orderly marketing, stabilization, and maintenance of reserves for agricultural crops through policies which are consistent with maximizing returns and the competitive position of Canadian agriculture.

MINING COMMITTEE (NEC Paper 2)

The Committee has identified the following three top priority items as being critical to the mining industry.

1. Government/Industry Relations

Jurisdictional disputes, conflicts in policy, uncertainties as to objectives and taxation, are contributing to the impairment of the Canadian economy through increased uncertainty in business planning. The Mining Committee, therefore, places the issue of the relationship between governments and industry as its number one priority. The two areas of vital concern are:

- (a) Federal — Provincial Policy Conflicts
- (b) Levels of Federal — Provincial Taxation

2. Market Access and the Utilization of Canadian Minerals

The Committee is concerned about the potential erosion in foreign markets and in export revenue resulting from a loss of mineral production through ill-advised government policies. Canadian

policy in international trade should (a) recognize our small home market and the need for access to foreign markets, (b) recognize the growing world trend toward "resources diplomacy", and (c) recognize the full implications of a policy directed to further domestic processing of surplus natural resources prior to export.

3. The Use and Availability of Human Resources

Canada's working force is an important national resource. The Committee is aware that a basic difficulty facing the Canadian economy now and in the immediate future is the general shortage of many labour, technical and professional skills. It recommends improved and expanded training by industry to develop the skilled tradesmen so necessary in modern mining operations.

MINING – MINORITY REPORT (NEC Paper 2) (By Lynn Williams, Director, District 6, United Steelworkers of America)

We are in fundamental opposition to the proposition put forward by some mining industry spokesmen that mineral resources are worthless in themselves, and that only the extraction process gives them value. The recognition of the intrinsic value of unextracted, and even unexplored mineral deposits is the key to a rational evaluation of the whole issue of mineral taxation.

The real question about the rate of utilization of resources is whether or not the market dictates a rate of extraction which is socially appropriate. Measures to quantify and price social costs so that they will be included in the ultimate market decisions are the best way to insure the correct rate of utilization. Royalties, and environmental protection measures are steps in this direction.

Measures to increase the attractiveness of mining for workers are the most appropriate way to insure that an adequate number of skilled people are willing to work in the industry in the future. There are several areas where this could be done. Some examples are:

- (a) The acknowledgement by mining companies that they have a special social responsibility in isolated 'company towns'. The provision of decent housing, and cultural, educational and recreational facilities could go a long way towards transforming remote sites into real communities.
- (b) The recruitment of existing social units, such as husbands and wives, fathers and sons, or close friends. Stable social groups would reduce turnover.
- (c) Consultation with workers at the local union level about technological changes. This means the willingness to seek out opinions, as well as listen to suggestions.

ENERGY COMMITTEE (NEC Paper 3)

1. Government policies must provide an environment which will encourage resource development at a rate sufficient to ensure continuity in Canadian energy supplies.

2. The basis for sharing returns for resource owners should be firmly established before the conclusion of investment commitments by the developer. Policies for sharing returns must leave the developer with adequate incentive to proceed.

3. Energy prices must reflect inter-fuel competition and maintain incentives to develop higher cost domestic energy resources. The role of energy prices in influencing demand growth should be recognized.

4. Arrangements should be pursued to coordinate major construction programmes and alleviate labour, equipment, material or capital shortages.

FOOD AND BEVERAGES COMMITTEE (NEC Paper 4)

The Canadian food and beverage industry proposes the following priorities in dealing with its problems:

1. The Canadian Government should continue to encourage an international approach to the problem of inflation.

2. The Canadian Government should align its domestic policies to moderate world inflationary pressures. These would include domestic monetary policies, pricing policies for major Canadian exports, and a review of the long-term implications of the two-price system for exports.

3. The Canadian Government should seek ways to contain the increase in prices of world food commodities (including Canadian food commodities for export). A review of the mechanism of international commodity agreements between supplier and consuming countries, should be undertaken to place these on a more effective basis from the point of view of the food system.

A review of future markets should be undertaken. While fluctuations are typical of the marketplace, we need to examine their effect and find ways of dampening excessive fluctuation and of discouraging short-term speculation.

In the domestic economy, further development of policies to encourage expansion in agricultural production would be most appropriate.

4. The Canadian Government should continue its efforts to place the pricing structure of the world oil industry on a sound basis.

TEXTILES AND CLOTHING COMMITTEE (NEC Paper 5)

ACTION ITEMS

1. The Government of Canada should review the present economic environment of the industry with a view to recognizing the importance for Canada to maintain a higher degree of self-sufficiency in textiles and clothing.

2. The Government of Canada should review the procedures and results of the Textile Policy set forth in 1970, adjusting mechanisms, as necessary, to ensure that the intent of the Policy is effectively fulfilled.

3. The Clothing industry should determine for itself regionally the practical assistance it requires (in fields such as production engineering, systems, communications, warehousing, logistics and management) with a view to requesting the Federal Government, under the Textile Policy, to establish productivity centres which will quickly enhance productivity through the application of existing techniques.

4. The Textile industry should identify practical proposals to solve the twin problems of attracting capital and attracting manpower within the contemporary socio-economic scene, with a view to enlisting the assistance of government under the Textile Policy to the extent such assistance may be necessary to implement identified solutions.

5. The Federal Government should address the problem of market disruption generated by imports sold below their foreign cost with a view to providing an effective solution.

FOREST PRODUCTS COMMITTEE (NEC Paper 6)

In this light, then, the issues which the Committee feels are deserving of high priority include the following:

- a) The impact of government action;
- b) New initiatives in forest policy;
- c) Manpower requirements and changing employee attitudes;
- d) The effect of international competition;
- e) The problems and prospects for new investment.

MACHINERY AND METAL FABRICATING COMMITTEE (NEC Paper 7)**RECOMMENDATIONS**

The Committee's recommendations, summarized in Section VIII of its Report, include the following:

- A study of the impact on Canada of imported inflation.
- An examination of the effect of government spending on the inflationary process.
- Fiscal measures to increase domestic personal savings.
- A more effective use of conventional stabilization policies and an antibottleneck program.
- Specific, rather than general, measures to cope with increases in the cost of living. In other words, the Committee is not in favour of general indexing.
- A more active manpower policy with particular emphasis on training.
- More information on the concepts of productivity and "social accounting".
- More effective communication and consultation between governments, the private sector, and labour.
- An assessment of the National Economic Conference before calling another.
- Feasibility studies on possible future Conferences' timing, frequency and Committee composition.
- Reorganization of possible future Conferences on the basis of major problems or by groups of industries displaying similar business characteristics.

TRANSPORTATION AND TRANSPORTATION EQUIPMENT COMMITTEE (NEC Paper 8)

This Committee agrees in broad terms with the conclusions of the Committee on Transportation and Communications for the 1973 Economic Conference, that no major change is required in transportation legislation in Canada. We particularly support and emphasize the view that competition should be the principal means of setting price and quality standards and of assuring the economy of an adequate supply of the means of transportation.

Basic Priorities:

(a) The Federal Government should satisfy themselves that the provisions of the National Transportation Act have been fully utilized by users of transport. The rate appeal section of the Act is an example.

(b) The responsibilities of the Canadian Transport Commission, the National Harbours Board and the St. Lawrence Seaway Authority should be reviewed in seeking to ensure the effective application of the Act and to provide for better rapport between organs of Government and the decision-makers at the regional level, be they private enterprise or less senior levels of government.

(c) The competitive conditions between public and privately owned transportation enterprise should be reviewed in order to ensure equitable conditions of management and forward planning, especially in the realm of accounting practices, provision of required investment funds, and the cost and rate of return of such funds.

(d) The implementation of broad national objectives, specifically along the lines of regional economic development and the abolition of regional disparities, should be detached from the management of Canada's system of transportation.

In areas where private enterprise can provide most efficient transportation services, it must be allowed to earn its keep. But, in recognition of the Federal Government's concern with the implementation of broad national social and economic development objectives, it is accepted that the principle of subsidies from diverse sources of taxation revenue, in those areas of transportation which are classified as being in the public interest is applicable.

(e) The Committee recommends that the system of accounting for the investment dollar in the realm of public means and modes of transportation should follow the established practice in our financial markets, if such funds are to be raised and allocated efficiently. The total transport cost ultimately falls upon the consumer or taxpayer.

ELECTRICAL PRODUCTS COMMITTEE (NEC Paper 9)

The Canadian industry has the capability for satisfying the electrical needs of the future and for processing many of Canada's indigenous resources and materials to a higher level of fabrication. Despite its demonstrated capability, however, the industry has yet to realize its full potential.

Four major priorities have been identified by the industry:

1. Improve International competitiveness.
2. Develop a more appropriate trading policy.
3. Resist further fragmentation of productive facilities and domestic markets.
4. Place greater emphasis on developing manpower requirements.

CHEMICALS COMMITTEE (NEC Paper 10)

The Committee has identified four top priority items as being critical to the chemical and chemical products industry.

1. Government-Industry Relations
2. Availability and Cost of Basic Raw Materials Particularly Hydrocarbon Feedstocks
3. Availability of Manpower Resources
4. Availability of Capital Resources

CONSTRUCTION AND HOUSING COMMITTEE (NEC Paper 11)**RECOMMENDATIONS**

- (1) Large industrial projects be encouraged to proceed, with a matching of construction supply and demand being a result of co-ordinated efforts of the Construction Industry and Industrial clients.
- (2) The undertaking of construction programmes be attuned more closely to the capacity and human needs of Canada.
- (3) The supply of serviced land for residential construction must be increased until there is an indication that land prices are rising no faster than general price levels.
- (4) A joint meeting between the Construction and Energy Industries is needed in order that all involved in the energy construction programmes may acquire a better understanding of what is needed by way of energy developments and how this might be accomplished in an orderly manner.
- (5) Financial assistance be provided to a joint Construction management-labour task force in order to identify and deal with problems such as manpower training and mobility programmes relevant to construction.
- (6) Manufacturers of materials used in the construction process should be encouraged to assist in restoring stability in the construction market by adopting selling price policies based on firm prices at time of order.
- (7) Indexation as a means of accommodating rising prices should be avoided; this is simply cost-plus pricing and will lead to inefficiencies and increased government regulation of business affairs.

COMMUNICATION SERVICES COMMITTEE (NEC Paper 12)**Priorities**

Inflation

Size of "Government"

Regulation

Capital Allocation and Capital Markets

Developments in Productivity

Manpower

RECOMMENDATIONS

1. Both industry and all levels of government in Canada must exercise restraint with respect to the growth of capital expenditures, in relation to evaluation of needs and timing of projects. We must review all programs and operations, with a view to postponement or even rejection of those that are unnecessary at this time. In addition, careful examination should be undertaken of all possible ways of achieving increased levels of productivity and efficiency.

2. Need a clear division and definition of regulatory responsibilities appropriate to the development of the sector. It is also essential that there be adequate mechanisms developed for co-ordination of regulatory bodies on a national basis.

3. Development of an information base which is adequate to enable decisions based on a more complete view of the sector and national needs. Establishment of mechanisms to determine national priorities in the allocation of capital.

RETAIL AND WHOLESALE TRADE COMMITTEE (NEC Paper 13)

- (1) The Rapid Escalation of Costs, Including Capital Costs (Inflation); the Consequent Delaying of Capital Investment Programs
- (2) Supply Shortages, Including of Domestically Produced Goods, and of Housing
- (3) The Need to Increase Productivity

Transportation (Distribution of Goods) — There are "many recurring and common complaints within the trade industry as regards the transportation system".

Governmental Tax Incentives

It is the Committee's strong recommendation that differences in corporate tax rates should be removed, and that productivity-related investments by the distributive trades should be afforded the same preferential tax treatment (accelerated write-off) as is presently enjoyed by secondary industries.

National Food Policy

The Committee commends the Federal Government's commitment in the last Parliament to the development of a national food policy, and reaffirms the objectives of such a policy as set out in last year's Committee outlook paper.

Fiscal Restraint

This Committee . . . recommends that all levels of government undertake a detailed reassessment of existing programs and expenditures to assure that they continue to serve a necessary purpose.

FINANCIAL SERVICES COMMITTEE (NEC Paper 14)

CONCLUSIONS

We regret to say that Government actions by their very unexpectedness over the past two years, have contributed markedly to this problem. Unless there is a great deal of change in this respect, financial markets will continue to be unsettled.

Accordingly, we see the following problems which must be resolved over the next two years.

- (1) Savings expectations have been damaged by inflation. Investments in even the most conservative of stock market securities, which have represented life-long savings of people, have deteriorated substantially. In addition, pension fund assets have undergone a marked deterioration with consequent costs and uncertainty for peoples' retirement expectations.
- (2) In an effort to protect themselves against inflation and in a sense index themselves, savers (both corporate and private) have moved to shorter and shorter term saving vehicles.
- (3) A well functioning capital market assists in distributing supply of savings, whether domestic or imported, across the choices of investment available. Any other mechanism necessarily rests on arbitrary decisions.

- (4) The Committee feels that the current apparent easing of the pace of the economies provides an opportunity to take measures to stimulate the capital markets. Reinstating confidence is the most important factor.
- (5) We would support, therefore, any kinds of incentives for capital market instruments to stimulate savings both in the private and corporate sector. In addition, governments must become net savers in the economy and contribute towards stabilizing the capital markets.
- (6) Confidence is a very important factor in the savings/investment process. Governments must realize that the investment process is a vital one for the country, particularly in maintaining small and medium sized business, and direct their efforts to restoring confidence in paper obligations as a method of saving money.

EDUCATION AND MANPOWER TRAINING COMMITTEE (NEC Paper 15)

SUMMARY OF OBJECTIVES, PRIORITIES AND RECOMMENDATIONS

Priority No. 1 — Establish Manpower Policies and Sponsor Planning

— it is recommended that:

- 1.1 — manpower policies and planning at the Federal and Provincial levels be clarified, improved, up-dated, and duplication within government bureaus at the same levels of government be eliminated;

Priority No. 2 — Sponsor Education for Reality

— it is recommended that:

- 2.1 — "Career Education" be so defined and structured that it will include not only programs for those individuals in the field of professional education (medicine, law, engineering, etc.) but will also include programs for those in educational and training programs offered in secondary and post-secondary educational institutions;

Priority No. 3 — Provide "Career Information" Services

— it is recommended that:

- 3.1 — an effective information system be established which would provide to government, business and industry and the individual, data relative to manpower characteristics such as employment opportunities, the education and/or training needed for specific disciplines and job descriptions. Such a system should be co-ordinated on a senior governmental level and should be premised on a local community basis to ensure — through counselling, etc. — maximum utilization by individuals of all ages. Funds should be provided to develop such a system;

Priority No. 4 — Encourage Community Orientation

— it is recommended that:

- 4.1 — it be fully realized and resolved that the greatest opportunities for the success of "education and manpower" programs is through action at the community level in the involvement of representatives of business, labor, industry, government, education, professional and trade associations, and the community at large. Only through local councils, committees,

institutions, and individuals discussing the real problems and needs of the community will there be presented for discussion and adoption worthwhile and constructive answers and solutions;

Priority No. 5 — Establish Productivity in Education

— it is recommended that the Conference stress that:

5.1 — a "strong economy" depends upon:

- a knowledge of manpower needs,
- adequate educational and manpower programs,
- provision for technological change, and
- a government attitude that encourages and stimulates business and industry;

Priority No. 6 — Expand Economic Education

Priority No. 7 — Encourage Individual Development and Fulfillment

HEALTH SERVICES COMMITTEE (NEC Paper 16)

PRIORITIES INTO ACTION

It is most important that these priorities be translated into operational terms and that they be directed to specific agencies for implementation. This should be done while keeping in mind the general direction which provides the main thrust behind the six action priorities and the current constraints imposed onto us by existing constitutional, legal and organizational arrangements. In this section we would like to establish the base for the transition from the priorities into the specific actions we shall put forward in our recommendations, using the following schema:

General direction, priorities and recommendations

General direction	Component	Priorities	Recommendations:	
			ways & means	agencies
2 areas		6 items	13 recommendations	
a/ increase the productivity of the existing illness-oriented system	Consumers	I. the health education of the young II. the design of incentives for adults (as individuals but also in their organizations) to avoid self-imposed risks		
	Producers	III. the design of incentives for health industry workers and organizations to develop more efficient work patterns		
	Production system	IV. the study of the ecology of health care consumption and of the pattern of services utilization V. the development of programs to deal with high risk populations		
b/ create a new health promotion system		VI. the design of a system of health promotion to complement the existing illness-centered curative system		
section 3.1		section 3.3	section 6	

RECOMMENDATIONS

1. We recommend that the provincial departments of Education and Health develop a comprehensive program of health education in a broad sense (to include nutrition, sport, physical education, appreciation of the services available in case of need, proper use of the system of services available, etc. . .) for the primary and secondary school systems, with the view of reevaluating this segment of the curriculum, and enforce a set of rules and procedures to ensure that qualified personnel is charged with these teaching duties.

2. We recommend that the relevant federal and provincial authorities take advantage of the Olympic year in Canada (and its preparation) to organize a very important campaign to promote physical fitness and physical sports for young Canadians.

3. We recommend that the Department of Health and Welfare in cooperation with the departments of Consumer Affairs at the federal and provincial levels and with other relevant departments develop a whole incentive reward system in order to promote avoidance of self-imposed risks in adults. These could range all the way from information programs on hazardous products to much heavier fines or penalties for behavior regarded as dangerous and need be directed to organizations, corporations, etc. . . , not just to individuals.

4. We recommend that the Department of Health and Welfare in cooperation with relevant provincial authorities develop a national program to promote a higher level of health consciousness in Canadian adults and to develop specific programs to promote a higher degree of physical activity as part of the Canadian way of life.

5. We recommend that the relevant federal and provincial bodies launch immediately a complete review of medical and health-related training in Canada with the view of suggesting some guidelines for a more fluid and flexible education system for health workers which would prepare them better for the new forms of cooperation likely to emerge.

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