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COMMENTAIRES

Economic Goals for Canada to 1970
First Annual Review: Economic Council of Canada

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Following the example of several of the Western European countries, Canada has set up an Economic Council under the chairmanship of John J. Deutsch to « advise upon the medium — and long — term development of the Canadian economy ». Five main objectives have been set for the Council: full employment, a high rate of economic growth, reasonable stability of prices, a viable balance of payments, and an equitable distribution of rising incomes. Though the formulation of these objectives is in some ways distinctive, basically they are similar to those pursued in most other Western nations. The report covers a wide range of problems as this statement of objectives leads one to expect, even though it is of course far from « complete » — whatever this term might mean. I shall limit myself in this review to a consideration of some of the problems of particular interest to the labor economist and industrial relations specialist.

In the center of our interest is of course the unemployment problem. Just as the U.S., but at the inverse of Western Europe, Canada knew little unemployment right after the war, relatively high unemployment rates since then, with a slight tendency toward improvement in the last few years. However, differently from the U.S., Canada is heavily dependent upon international trade, and balance of payments problems — though far from lacking for its Southern neighbor — set narrow limits for policies designed to reduce unemployment. Nevertheless, the report, more ambitious than the U.S. administration — aims at reducing the Canadian unemployment rate by 1970 to 3 per cent of the labor force, 40 per cent below the rate prevailing in 1964. This would involve an increase in civilian employment by about 1.5 million — an annual rate of employment increase of 3.1 per cent during the period of the plan which is twice the average annual rate between 1956 and 1963.

In diagnosing the nature of Canadian unemployment and thus proposing the necessary treatment, the Council resolutely accepts the Keynesian prescription. Expansionary economic policies, an increase in total effective demand are the remedies. In line with this, the Council puts its main emphasis on appropriate fiscal policies, and speaks quite properly of the *danger* of a government surplus — the « fiscal drag » U.S. style — developing when GNP grows. However, main reliance

is placed upon the expansion of fixed business investment which is assumed to grow by 10 per cent annually while public capital expenditure is to grow at 7.5 per cent per annum. Since total output is to grow by 5.5 per cent per year, it follows that consumption is to grow at a rate below that of output. Investment will thus have to carry the main burden of absorbing unemployment, though public capital expenditure is also assumed to grow faster than output. Even though the report refers to investment plans of large Canadian companies for 1966 and 1967 as being in line with the Council's assumptions, I find the discussion of the investment outlook less than convincing. At the least, consideration of alternatives — e.g., government spending taking up the possible slack created by insufficient private investment — might have been advisable.

While basically Keynesian in its approach, the Council does not neglect the problem of the adaptation of the labor force to changing demand conditions, particularly to technological change. In the hot debate carried on, especially in the U.S., between « agregate demand » and « structural unemployment » theory, the Council sides with the first, but it pays its respects to some of the policy conclusions of the latter as well. Thus a series of measures is recommended to facilitate the adjustment of the structure of the labor force to changing demand conditions. In addition, the report contains sound comments on the need of general adaptation to change in the economy. Particularly illuminating are the remarks about the role of immigration in providing Canada with some of its highly skilled and professional manpower, which changing technology requires. Emigration of that group to the neighbor to the South who can offer highly attractive wages, working conditions, and research possibilities is, however, a sizeable factor. It is remarkable that nevertheless Canada has a net balance of immigrants in this highly sought-after category of the labor force. That it greatly contributes to the British « brain-drain » will not come as a surprise; why it should not do so, on any significant scale, in the case of France is less clear to this reviewer.

The issue of price stability produces few comments on the part of the Council beyond the conventional warning against inflation. The need for an incomes policy is implied rather than stated explicitly. The formula used is « responsible restraint in both wage demands and business pricing policies ». No one will be able to find fault with this. The absence of controversial proposals might give rise to an indictment of the report were it not that in the last few years Canada's performance in terms of price stability has been remarkably good, particularly when contrasted with that of most Western European countries. There is something to be said on either side of this argument. On one hand, it might have been an act of both courage and wisdom for the Council to anticipate rather than follow events and to propose policies and mechanisms as a stand-by apparatus in the case of need. On the other hand,

it could be argued with equal conviction that the first Report of this new institution should not have been charged with political dynamite; moreover, no one who is familiar with the almost unsurmountable theoretical and practical difficulties of an effective price and incomes policy will readily criticize the Council for its failure to « rush in where angels fear to tread ». As it is, the Council has done a fine piece of spade work for which it deserves recognition. More specific suggestions of policies would have been desirable in almost all areas treated; perhaps this is due to come in future reports of the Council.

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