

Conflicts in the Economy

We behold in the economy of this continent today a strange co-existence of conditions normally associated with inflation and conditions normally associated with deflation. I suppose there never has been a time when contrary forces were so openly at work in conflict with each other in the economy, as in recent times. In the winter of 1957-58, we witnessed a relatively high level of unemployment and evidences of recession in business activity which happily yielded in the spring of 1958 to stronger and healthier forces in the economy. Even with continuing unemployment, we must be aware of inflationary forces present in the economy. The concurrent existence of higher than normal unemployment and a disturbing inflationary potential is puzzling and confusing economic observers, not only in Canada, but, as I observed in my travels last autumn, in many other countries.

The next factor of which full account must be taken is that the Canadian economy cannot be isolated from world influences. As an exporting nation, we are sensitive to changes in the economic climate in various parts of the world; we are particularly vulnerable to financial and economic trends in the United States. We have been inescapably reminded of this factor in the year just closed.

Events of 1958

An economic review of the year 1958 must recognize the primary importance of two events, both of which augur well for the future prosperity of Canada. In the first place, it is now widely recognized that the spring of 1958 marked the bottom of the recession in North America and that economic activity is once again on the increase. Secondly, the Commonwealth Trade and Economic Conference which took place in Montreal in September confirmed our most optimistic hopes about the strength and cohesion of this great Commonwealth association of free nations. It is perhaps fair to say that the ground work was laid in Montreal for the pursuit by the Commonwealth of a more vigorous role in the larger task of bringing about a prosperous and expanding world economy.

From the Montreal Conference emerged agreement on the desirability of the restoration, as soon as possible, of convertibility of exchange, the removal of discriminations and restrictions against imports from dollar countries, and the enlargement of the resources of the International Bank and Fund. As a sequel to the Montreal Conference and the later meetings at New Delhi has come a gratifying series of recent announcements. The United Kingdom and other countries of Europe have taken important steps toward convertibility and removal of discrimination, and it now seems assured that the resources of both the Bank and Fund will soon be substantially increased. These important developments promise bright opportunities for energetic