

## ECONOMIC ACTIVITY AGAIN ON UPGRADE

**MR. HOWE'S ANALYSIS:** "Overall activity in the economy seems once again on the upgrade," the Minister of Trade and Commerce, Mr. C. D. Howe, said in addressing the Board of Trade in Guelph, Ont., on September 17.

Every year in the last decade and a half, he pointed out, had established new records in the level of national output. It might be, however, that 1954 would record no gain over 1953.

Mr. Howe proceeded, in part:

"This pause in the rate of economic progress has caused some misgivings. What, in fact, does it mean? First of all, there is no reason for surprise at some irregularity in economic activity. Although I hope that we have succeeded in preventing serious economic fluctuations, I do not think that we can or should try to eliminate all the ups and downs. In a free society, it is healthy for periods of surging activity and expansion to be followed by periods of consolidation, when relatively inefficient and uneconomic enterprises are trimmed away.

"Nor, of course, is there any need to apologize for a year which is as good as the best year in Canada's history. We can't go on making new records every year.

## NATIONAL OUTPUT

"The trend of national output in Canada reached its peak in the third quarter of 1953. For the next two quarters, total production declined but subsequently has turned slightly upward.

"Industrial output has been running considerably below last year's level but is no longer declining. On the other hand, activity in construction and in most of the service trades is increasing. Total employment, which showed more than the customary decline during the winter and early spring, is now almost back to the level of one year ago. In other words, overall activity in the economy seems once again to be on the up-grade.

Several of Canada's manufacturing industries, he said in an analysis of cost position, had been caught between rising costs at home and ample supplies of low-priced supplies from abroad.

"It is, I suppose" he went on, "natural that these conditions should bring renewed proposals for additional protection of one kind or another against imports. It is frequently argued, for example, that Canadian industries should not be expected to compete with producers in foreign countries where wage rates are but a fraction of those paid in Canada.

"This argument disregards the underlying principle upon which international trade is based. It should be remembered that international differences in wages and other costs

have not appeared overnight but have been evolving for decades. The relatively high incomes enjoyed by Canadians is the result of the effective utilization of an unusually rich inheritance of natural resources.

"Countries with less natural advantages can compete only if they accept lower incomes. In other words, low cost labour is to the industrial nations of Europe and Asia what natural resources are to Canada. It is the utilization of this low cost labour for the production of manufactured goods for sale in foreign markets which enables these countries to purchase the food and raw materials that form the bulk of Canada's staple exports.

"In spite of the recent deterioration in economic conditions, total personal income in 1954 will again be a little higher than last year. With consumer prices having remained steady, higher income has meant more real purchasing power. Thus, supported by this still rising trend of real income, consumption standards have been sustained. Even though purchases of hard goods have declined, this has been more than offset by increased spending on such items as food, shelter and services.

## CAPITAL INVESTMENT

"Capital investment also has been an important stabilizing factor in the current economic situation. The latest survey of capital expenditure intentions conducted at mid-year indicated a 3 percent rise in this year's programme compared to that of 1953.

"Another key aspect of the economic picture which I have not yet discussed is Canada's export trade. Since the beginning of 1953, the trend of total exports has been moderately downward. This decline is accounted for by the U.S. recession and the substantial drop in wheat sales from the unusually high levels of preceding years.

"As things stand at present, with the economic situation in the United States showing signs of having stabilized and with the recent improvement in the base metal market, further deterioration in Canada's sales in this market is unlikely. In recent weeks there has been a marked pick-up in orders for Canadian wheat. While one cannot say what this will mean for the ensuing year's sales, it does seem that the level of exports realized in the last crop year is somewhat below what we might expect to achieve over the longer run.

"I therefore believe that the principal factors which have served to reduce Canadian exports during the past year will not be present in the months to come.

"Meanwhile, other more favourable influences have been entering into the Canadian trade picture. For two years now the hard currency reserves of the non-dollar area have been increasing. This has been accompanied by