

External Affairs
Supplementary Paper

No. 56/2 THE FINANCING OF ECONOMIC GROWTH IN CANADA

An address by Mr. J. E. Coyne, Governor of the Bank of Canada, at a joint meeting of the Canadian Club and Empire Club, Toronto, February 27, 1956.

After ten years of depression and six of war, we have seen on this continent during the past ten years a renewal of the phenomenon of overall growth of the civilian economy. Perhaps it is not too much to say that we now take both the desirability and the fact of continuing growth for granted and when we think of Canada's economic prospects, we think of them in terms of growth, of how much and what kind of growth.

It was to study these questions that the federal government last year appointed a Royal Commission of five distinguished Canadians under the chairmanship of Walter Gordon of Toronto. What conclusions they will come to I do not know, and in any case there will be plenty of room for differences of opinion and further public discussion over the years ahead. I think we must recognize, however, that the Gordon Commission has already done a valuable service in focusing attention on our future economic opportunities and problems, and in stimulating so many studies by outside bodies as well as those undertaken by economists who have come together from all parts of Canada to form the staff of the Commission.

Most of the provincial governments have submitted to the Commission economic surveys of their particular areas, with the emphasis on probable and possible future developments. To have these prepared, and to bring them together in a national survey, is, I think, a very valuable aid to all our thinking on the problems involved. Members of this audience will, I am sure, find the submission of the Government of Ontario extremely interesting. It is a comprehensive, thoughtful and fully documented study of every aspect of future economic development in the Province of Ontario, dealt with from a constructive and progressive point of view.

For Canada as a whole, economic growth has developed on three bases - population, productivity and investment. Our total population is growing more rapidly than most other western countries, both by natural increase and by immigration, and so is the size of our working force. Output per man-hour is also growing in most industries, and so is the total national product. Conceivably the increase in productivity could be converted into more leisure rather than a greater production of goods and services, but that has not been done to any marked degree, so that production per head of population and the material standard of living have risen substantially over the past ten years.

The third factor in our rate of growth has been the high proportion of total product that is devoted to capital