

Another assumption for maximum economic progress is that a high level of employment will prevail more or less continuously over the period. You may consider this a tall order. Personally, I am confident that the great depression of the thirties will never be repeated. Under-employment of productive facilities on such a scale is inconceivable now that society has come to understand and is determined to use the instruments of fiscal and monetary policy to promote economic stability and expansion. That milestone along the road of social evolution has been passed.

The question remains whether fiscal and monetary policy will be used effectively not only to prevent a major depression, but to prevent unemployment rising beyond a moderate level if and when temporary recessions in activity occur. There seems to be little division of opinion in Canada over the principle involved. Naturally there will always be differences of opinion over the timing of particular measures, and the magnitude of what should be done. But it is recognized that both monetary policy and fiscal policy should be responsive to changes in general economic conditions, and adapt themselves to serve a broad economic purpose, rather than narrow technical purposes.

The same can be said of most other western countries. In the United States we have seen over the past several years wide variations in monetary policy, to restrain a boom and limit the spread of a recession.

2 In considering our own position in Canada we must recognize the possibility, indeed the probability, that from time to time recessions will develop in large industrial countries and communicate their effects to Canada, particularly as affecting our export industries, and industries competing with imports in the domestic market, and also industries which as a result of foreign ownership or close contacts with their opposite numbers outside our borders, are subject to the same psychological influences as are associated with the recession abroad. The relative impact on Canada may be greater than in the country or origin of the recession. At such a time it is possible that, in the interests of domestic stability, fiscal and monetary policy here might have to go a bit farther than the action being taken in, say, the United States. Such international differences in anti-recession policy might have the result of accelerating structural changes in the Canadian economy. The maintenance of a relatively higher rate of overall activity in Canada than in the outside world in such circumstances would mean that industries producing for domestic consumption would operate at a higher level than those producing for export.

In any case, it is reasonable to expect that exports, though continuing to be a major influence in our economy, will decline in importance relative to the whole. For example, if present trends continue, agricultural production will continue to rise in absolute terms, but not as fast as gross national product, and not as fast as the rise in the consumption of agricultural products in Canada. The exportable surplus may therefore be expected to decline, and before many years have passed we may have ceased to export any foodstuffs except wheat.