



CANADA

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## CANADA'S ECONOMY IN 1967

*The following is part of an address by the Minister of Finance, Mr. Mitchell Sharp, to the annual convention of the Truck Loggers' Association of British Columbia in Vancouver on January 20:*

...With five clear years of economic expansion under our belts by the time of my first and main budget, in March of last year, the signs of overheating in the economy were quite obvious. There had been local hotspots during 1965, of course, and your own boom in investment in pulp and paper capacity here in British Columbia had been one of them. Construction had been another very over-extended sector, especially in the Montreal area.

But 1966 saw the emergence of a new situation. A significant increase in food prices took place, largely resulting from supply problems outside our immediate control. There also emerged more general, more insidious, and in the longer run more dangerous demand pressures throughout the economy, acting through both wages and prices. Part of the pressure came from the large business investment programme; part came from the welcome increase in exports; part came from the expansion of social and other services demanded of governments at all levels; and part from an upsurge in consumer demand for goods and services. There were no culprits; we all, from perfectly understandable motives, were together simply trying to take out of the economy more than it could physically provide. By the beginning of 1966 there were virtually no idle resources to be drawn into production. Almost all the resources that had lain in wasteful idleness in the stagnant years of the late Fifties had been called into play. The impetus of our progress — welcome as that progress

was — had carried us even beyond the limits of our physical capacity.

Against this background, my budget in March was designed to persuade business to defer some of its investment plans for a while, by means of the refundable tax reduced capital-cost allowances and a delayed reduction in the sales tax on machinery and equipment. To counter the growing pressure on the consumption side, personal income taxes were restored to about their former level.

### RESTRAINTS ON INFLATION

Practising what we preached, we took action to restrain Government expenditure. Many new programmes and projects were deferred. Our total construction programme was cut by ten per cent. Needless to say, we did nothing to restrain exports. It would have been ridiculous, as I'm sure you will agree, to think of exercising any restraint on our export trade, even if that would have helped to reduce inflationary pressures. In any event, we needed those exports to pay our rapidly-mounting bill for imports.

That was the situation in March of last year at the time of my first budget. By September, the Government felt it desirable to take further action to restrain potential inflationary pressures and to call for co-operation from management and labour in price and wage policy.

Commitments had been made during the summer for additional federal expenditures that Parliament wanted, principally those relating to old-age pensioners. It was quite apparent that the Federal Government could not throw fuel on the fires of