Trudeau made it clear that the best-known element of Keynes' theory, monetary and fiscal management of aggregate demand — or "fine tuning" as economists like to put it — remained the foundation of his government's economic policy. His government's past budgets, he said, had tried to keep "the narrow balance. . .: to ensure the right amount of stimulus and restraint in the right areas. And this will continue to be our policy. . . . Our approach to inflation is concerned with alleviating hardship on individuals. . . . We will continue to act on many fronts. . . . It's a matter of tuning your budget and your government action in a way which steers that narrow balance between over-stimulation and under-stimulation."

Keynes said years before that the main purpose of government intervention in the economy is to keep it operating as close to maximum potential as possible without pushing it beyond a boom into a recession. "The right remedy for the trade cycle is not to be found in abolishing booms and thus keeping us permanently in a semi-slump," Keynes wrote; "but in abolishing slumps and thus keeping us permanently in a quasi-boom." The micro-economic issues may have changed since then, but from Mr. Trudeau's post-election statement, the macro-economics are still basically as Keynes had defined them.

If, however, the election outcome may be interpreted as a milestone vindication of his theory, Keynes' ghost has Mr. Stanfield to thank as much as Mr. Trudeau. By advocating as a chief weapon against inflation a policy of compulsory controls, Mr. Stanfield gave Canadians the clearest alternative to choose from on a major economic issue in many an election campaign.

Controls rejected

Long before the campaign began, Mr. Trudeau had been saying Mr. Stanfield's approach was simply not on. Several years earlier, Mr. Trudeau had come to a conclusion similar to one the British House of Commons Expenditure Committee reached in August of this year, following its study of approaches to economic policy. During the campaign he put his position as succinctly as ever. A harsh compulsory controls policy in Britain and the United States had already been discredited as a "proven disaster looking for a place to happen."

Mr. Trudeau's position, in a variety of speeches and interviews, is quite clear. He is not opposed to temporary control on specific prices; he arranged for that on the price of oil within Canada last winter. And his government has introduced legislation that would empower it to apply a special high tax rate to specific cases of "windfall profits" from inflation. It is compulsory controls as a blanket solution to inflation that he has rejected. They have, he says, been a failure wherever they were tried.

In the United Kingdom, he told an interviewer in April 1974, they only caused the downfall of the Conservative government "and class warfare." In the United States they had reduced supply, but not demand, and only increased inflation. Canada, with no such policy, had one of the best records at managing inflation on comparative basis. He pointed out that Canada's inflation rate has usually been below the average of all countries in the Organization for Economic Co-operation and Development. The point was not that Canada's performance was outstandingly superior, but that it was as good as or relatively better than most countries' — without a compulsory controls policy.

Does this mean there is some inherent benefit from adhering to freedom and rejecting compulsion as a fundamental principle of government economic policies? When massive unemployment and business stagnation were the plagues of Western economies in the 1930s, Keynes believed the answer is "yes". Now that prosperity and inflation are the dominant problems in Western economies, Mr. Trudeau has made plain he believes the answer is still "yes".

Keynes did not advocate government intervention to manipulate overall demand and thereby produce full employment because he wanted to see free enterprise capitalism replaced. He feared capitalism would not survive without such intervention; his General Theory was developed, he said, to restore "capitalistic individualism" to health. And although he was intent primarily on seeing unemployment eliminated, he also foresaw the inflationary consequences of his theory's success — and had some ideas on what to do about that, too.

By the time Mr. Trudeau came to power in April 1968, the Canadian economy was rather thoroughly underpinned by policies which could, broadly, be described as flowing from Keynesian economics. In 1975 it will be thirty years since Canada was formally pledged to the kind of interventionist policies advocated by Keynes. The Canadian House of Commons in 1945 — for the first time and only nine years after the General Theory was published — unanimously approved as a fundamental goal of economic policy the pursuit of full employment. Mr. Trudeau is perhaps the first Canadian prime minister to be confronted with the full inflationary consequences of this decision. His predecessors were more preoccupied with bringing the Canadian economy to the healthy state Keynes had theorized was possible with the right policy mix.

Social welfare expanded

When L. B. Pearson turned over the office of Prime Minister to Mr. Trudeau, he also turned over responsibility for one of the most thoroughly developed social welfare systems in the world — a system expanded substantially since by Trudeau governments. Mr. Pearson said this social welfare system was an essential part of the foundation under Canada's rapidly expanding national wealth. In this he was not out of tune with Keynesian economics.

It is sometimes overlooked that Keynes did not advocate broad monetary and fiscal management alone as a remedy for the unemployment of his day. He also advocated the use of taxes, including death duties, to raise the general level of consumer demand by redistributing income on a less inequitable basis. He disputed the belief, still held in some circles today, that capital investment depends mainly on the savings of the wealthy. As long as there was not full employment, he argued, the growth of capital depended more on consumer spending than individual savings. Up to the point where full employment prevails, he wrote, "measures for the redistribution of incomes in a way likely to raise the propensity to consume may prove positively favourable to the growth of capital."

Boosts for consumer

Keynes envisaged the state "exercising a guiding influence" on consumer demand partly by tax policy, partly by influencing interest rates "and partly, perhaps, in other ways." He also thought it likely that "a somewhat comprehensive socialization of investment" would be needed to bring about "an approximation of full employment." But that need not exclude "all manner of compromises and of devices by which public authority will co-operate with private initiative." The various programmes, gradually developed since World War II (and some from before), which comprise Canada's social welfare system readily fall into the "other-ways" category of Keynesian policies for strengthening consumer demand. It would be easy, also, if space were available, to list "all manner of compromises and of devices" by which public authority has co-operated with private initiative in Canada, both to encourage investment and sustain demand.

The establishment of the Canada Development Corporation by a Trudeau government to use public funds for large capital investments in new and existing enterprises is a ready example. Announced plans to establish a government-owned oil company is another. Government tax and other incentives to encourage regional economic development are one more, as is the existence of the government-established Industrial Development Bank. There are others.

There is no more dispute in Canada now than in other Western countries with Keynes' interpretation of how an economy works. Full employment — and the income in the form of profits and wages accompanying it — flows from production, which is determined by demand, either in the form of capital investment or of consumer spending. "Any fluctuation in investment not offset by a corresponding change in the propensity to consume will, of course, result in a fluctuation in employment," Keynes wrote. While attaching importance to investment, he advocated "at the same