

in their demands. A continuation of the present trend can only lead to making Canadian Industries even less competitive and result in further unemployment.

SUMMARY

Important as our agricultural and resource exporting industries may be, they alone cannot support a growing population or fully develop the great potential of this country. They can only employ a relatively small and declining percentage of our available labour force, and with economic recovery and development of raw material resources in the rest of the world, the marketing of these surpluses has become increasingly difficult.

We take the liberty of quoting from a recent statement by Mr. J. E. Coyne, Governor of the Bank of Canada:

To go on borrowing while our own people are unemployed, to go on borrowing in order to import more than we export, to import more goods which could have been produced in Canada and thereby provide jobs for unemployed Canadians—in short, to go on borrowing in order to create unemployment—such a course surely cannot be defended on any basis of rationality.

If we are to live within our means in terms of our international balance of payments and avoid further increases in our foreign debt, therefore, our merchandise trade must develop a surplus of well over \$1 billion a year. Last year, our merchandise trade showed a deficit of \$380 million.

What better then, than to seek a greater diversification of our production that will provide a higher level of employment as well as the use and consumption in Canada of a much greater proportion of our primary material and agricultural resources? This can only be done by developing and encouraging Secondary Industry which will at the same time reduce the present large surplus of imports over exports.

No nation has become great and remained so which, at our stage of development, did not create and support a strong Secondary Manufacturing Industry behind some form of adequate protection.

Mr. Chairman, that is our submission, but if I am permitted I would like to make one short comment which is the result of an examination of some of your previous proceedings.

The CHAIRMAN: Yes.

Mr. SIMPSON: In Professor Hood's generally excellent analysis of the factors affecting the demand for labour in Canada, he stressed the importance of business capital formation, at page 65, in creating jobs and pointed out that in successive periods of expansion the rate of business capital formation has decreased, and significantly so in the most recent period.

In his historical review of the post-war business cycles he mentioned several reasons for this but he did not include among them the impact of merchandise imports. In fact, he stated at page 86 that the import argument to his mind loses all significance when it is recalled that imports as a proportion of G.N.E. have, on the average, shown a modest downward trend since 1951, which fact is illustrated in his chart VI at page 64.

This disregard for the effect of import competition is, we feel, an unwarranted conclusion.

In the first place, it could be mentioned that while imports of goods and services, as illustrated on chart VI, do show a modest downward trend from the peak year of 1951, they also show an upward trend from the following year, 1952.