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THE NEED TO PREVENT INFLATION

The following speech was made to the House of Commons on September 8 by Mr. Mitchell Sharp, the Minister of Finance:

...We have had a long and strong economic expansion in the past five and a half years. It has carried us from a condition of serious and persistent unemployment to one of widespread prosperity and virtually full employment. There is still too much unemployment in certain areas of Canada, and among those who are poorly educated and unskilled, but this arises from reasons other than a shortage of opportunities in Canada taken as a whole. Total expenditures of money by consumers, by business, by government — and by those who want our exports — are now more than adequate to support a healthy level of economic growth.

Our main economic problems are now twofold — first the longer-term problems of educating and adapting our growing labour force and improving our capital resources to meet the opportunities presented in our modern world and second the shorter-term problem of preventing excessive total expenditures and excessive increases in prices and in costs of production. It is this second range of current problems which concerns the House today and about which I will speak.

A GOOD RECORD

Canada's general record in regard to prices and costs during the past 30 years has been good. Our war finance and wartime price and wage control were effective and fair. During the period of decontrol and readjustment to peace-time conditions, we suffered some inflation, as everyone else did. Much of it was inevitable as we readjusted to price levels in the

United States and elsewhere. During the Korean War in 1950 and 1951, prices rose too rapidly in Canada as well as elsewhere; I think now we all should have done more to check them. Since that time, from 1952, until about a year ago, our prices were reasonably steady — rising over the period by an average of 1.4 per cent a year in the case of consumer prices — which was less than that of most other countries, though slightly more than that of the United States. This period covered the boom of the mid-Fifties, the period of relatively high unemployment of the late Fifties and early Sixties and most of the recent long period of expansion. Over this period, average hourly earnings of Canadian workers increased by an average of about 4 per cent a year — as shown by our statistics and average personal incomes *per capita* for all Canadians by 4 per cent.

By the middle of last year it was evident that costs and prices in the field of construction were rising too rapidly, and in the summer of 1965 the Government began to cut back its own construction programmes to counteract this, and urged others to do the same. We have kept this policy of restraint since that time, though it has not achieved as much success as I should like to have seen.

Speaking generally, Canadians have been very impatient to get on with very many things both directly and through their governments — and now we are paying the price of trying to do too much all at once.

During the past 12 months, the increases in costs and prices have been spreading in Canada as elsewhere. The chief cause is the continued rapid growth of total expenditures and a very high level of demand, which makes it possible for labour and business to demand more and get it. There are Canadians in