

Proposed Committee on Unemployment

This comparison is not made in any attempt to minimize the extent of the unemployment situation. It does, however, serve to point up the rather narrow margin between a strong labour market situation and what some persons are now attempting to describe as a serious recession. It also should be pointed out that the January figure of those out of work and seeking work is below that reached in early March of 1950, when the figure totalled 308,000 persons.

In fact there is much similarity between conditions prevailing then and now. Largely reflecting a down-turn in output in the United States and a contraction of overseas markets, the tempo of business in Canada experienced some slowdown in that year which coincided with our seasonal slack period. As a result unemployment climbed to a level higher than had prevailed in any previous post-war year. Immediately the alarmists among us began to clamour for measures to offset a pending depression. The government did take action to extend unemployment insurance benefits, but no major anti-recessionary program was put into operation. Nevertheless, by June 1 the number of persons without jobs and seeking work had declined to 139,000 and this, as you will recall, was prior to the outbreak of hostilities in Korea. Had the government acted promptly to bolster demand at that time, such measures would have served simply to add fuel to the inflationary pressures which were dominant before the end of that year.

This experience shows that it is important to remember that economic conditions are always fluctuating, but many of these fluctuations are minor and largely self-liquidating in character. Any attempt on the part of government to smooth out every minor bump and trough in the trend of business may simply aggravate rather than lessen the extent of fluctuations in the economy.

What then is the nature of the economic climate in which we now find ourselves? Is it a relatively minor adjustment or, as some would apparently have us believe, is it the beginning of a major decline? No one, of course, can answer this question categorically or with complete certainty of being right. This, however, does not mean that we should not look over the evidence systematically and make as sound judgment as possible.

Toward the latter part of 1953 those indicators which gauge the over-all level of activity in the economy began to level off, and in a few cases have declined slightly. This change in trend reflects largely a reduction in the pressure of demand rather than any decline in over-all volume. In other words requirements, which in the past two

or three years have been mounting rapidly, are now simply not expanding at the same rate. This applies to expenditures for defence and for other government requirements, purchases by consumers and also outlays for investment. In each of these instances the rate of expansion has slowed down. The important exception is exports, which are now running moderately below the levels of one year ago.

This levelling off in demand, taken in conjunction with the moderate decline in activity in the United States economy, has brought a change in the tempo of business activity in Canada. This type of situation is invariably accompanied by a hesitancy on the part of business in placing orders, more hand-to-mouth buying, and a tendency to reduce inventories. This causes a temporary slowdown in the pace of business which in the present instance has coincided with the seasonally slack period in the economy.

Such a situation admittedly gives rise to a good deal of anxiety and, I think, has been prematurely interpreted by many as the beginning of a recessionary trend. Before coming to any such conclusion it is necessary to look carefully at the more basic determinants of the level of economic activity.

In this connection current and prospective levels of investment spending are of utmost importance. At the beginning of each year a survey is made of the amount of capital expenditures planned for the ensuing year by business, institutions and governments and also for housing. Compilation of the returns from the 1954 survey are now complete, and a report embodying the results will be tabled as soon as copies can be printed.

The survey indicates a capital expenditure program for 1954 of \$5.8 billion, roughly 3 per cent above the previous record achieved last year. Expenditures for new construction are estimated at \$3,865 million, an increase of 6 per cent, while outlays for new machinery and equipment are expected to be 3 per cent lower. With spending on defence construction now past its peak, the federal capital expenditure program, as presently planned, is a little lower than in 1953. Reports from provincial governments indicate their programs to be roughly unchanged, while capital outlays of municipalities should show a moderate increase. Capital outlays of federal, provincial and municipal governments, taken as a group, are expected to remain about the same as last year. Non-government capital spending will be up by roughly 4 per cent and non-government outlays on new construction are expected to increase by 6 per cent.