

"During the postwar years and through most of the fifties, demand for products was high, productive facilities were strained, physical shortages were evident in many lines and demands on the labour force were indiscriminating. This era has been superseded by a period of sharp and vigorous competition, ample productive capacity (in some cases over-capacity), re-equipped plant and a selective attitude towards the labour market. These changes are perhaps the most pronounced in North America. In its expansion in recent years Canada has relied very heavily upon the development of its natural resources and export of basic materials.

ADJUSTMENT TO ECONOMY

"The Canadian economy underwent some adjustment in 1960 in reaction to the changed international environment. The Gross National Product for the first nine months of 1960 was 2.9 per cent above the same period in 1959 and averaged 2.2 per cent above the level of the preceding year as a whole. This compares with my budget forecast of last March 31 of about 6 per cent. I should add that a slight downward trend which developed in mid-year was reversed in the third quarter and preliminary indications for the final three months of 1960 confirm this 'firming-up'. While growth and expansion thus fell short of our expectations, the fact is the Canadian economy, after a long period of vigorous expansion, is continuing to operate at a very high level, and new records were achieved in 1960 in production and consumption, income, trade and employment. Personal incomes in 1960 rose in total by 3 per cent. Consumer purchases have risen. Industrial production has resumed a modest upward movement showing month-to-month gains in each of the last three months for which figures are available. Employment has averaged 1.7 per cent higher than in 1959 and 3.9 per cent higher than in 1957. Indeed, it is worthy of note that, from 1957 to 1960, employment in Canada has increased at a rate almost twice as fast as that in the United States. Business capital investment, while less than expected at the beginning of the year, remained at a high level.

"A leading element of underlying strength in the Canadian economy has been the stability of the purchasing power of the Canadian dollar. The wholesale price index has shown an extraordinary constancy; the consumer price index advanced only about 1 per cent in 1960.

"Though we must continue to be alert to the danger of a recrudescence of inflationary tendencies, the present position in North America appears to be that most if not all the immediate forces of inflation have been spent, and that more and more people are willing to base practical business and personal decisions on this assumption.

"The strongest feature of the Canadian economy in 1960 was undoubtedly our export

trade, which rose 6.4 per cent in the first 11 months to a new record, and may be expected to pass the \$5-billion mark for the year. This increase was entirely attributable to a rise in sales to overseas countries, notably the United Kingdom, Western Europe and Japan. At the same time our merchandise-trade deficit was reduced to \$116 million compared with \$412 million in the same period last year and a record \$731 million in 1956, and our commodity trade, happily, may be expected to come very close to balance for the year as a whole. Nevertheless, for the reasons I have outlined, it would be unrealistic to expect this gratifying trend to continue without extra effort on our part. To the maintenance and improvement of Canada's exports sales the Government has made an important contribution through the medium of the trade-promotion conference held in Ottawa under the sponsorship of my colleague the Minister of Trade and Commerce, and through the initiation jointly with the chartered banks of new and expanded financing facilities for the assistance of capital-goods exporters. The onus now clearly rests with Canadian producers and workers to mobilize all their efforts for the expansion of existing markets abroad and the development of new ones.

SPECIAL FEATURES OF CANADIAN ECONOMY

"The changes in the external factors influencing the Canadian economy which I have described serve to highlight a number of elements in our current situation which have direct relevancy to Canadian production and employment. One is that to which I have just alluded and which bears closely on our labour force and our ability to keep it fully employed at appropriate wage levels. I refer to the high cost of production which has developed in Canada over the past 15 years. It is clear that Canadian producers are today dependent for their prosperity upon keeping costs down and remaining competitive in both domestic markets and those abroad. I cannot overemphasize the need for establishing and maintaining a proper relation between prices, wages and productivity. This is an issue of the first magnitude and a challenge to employers, to employees and to the self-employed. I regard it also as a challenge to government.

PROBLEM OF UNEMPLOYMENT

"A second element which has come into sharper focus as a result of changes in economic conditions at home and abroad is the paradox of high unemployment at a time of record economic activity. Canada has long been familiar with the problem of seasonal unemployment induced by the rigours of our climate. Indeed, the Government in the past three years has advanced important measures to ameliorate the hardships of seasonal unemployment and to provide additional encouragement

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