

Character of Current Economic Problems

What I would like to discuss with you today, however, are some of the economic problems arising out of elements of both strength and weakness in our economy. Most of our economic problems are not just questions of black or white. Instead they are questions of what shades of grey, the lighter or the darker kind.

Some of our current economic problems are said to arise: (1) out of the inability of some of our manufacturing industries to compete against foreign imports, necessitating lay-offs in Canada; this has led to demands for increased protection; (2) out of our too great dependence on the U.S. market, making Canada subject to the at times substantial fluctuations of the American economy; this has led to complaints about "too many of our eggs being put into one basket"; and (3) out of our dependence on a basically free enterprise economy with its problems of industrial adjustment, unemployment and business losses; this has led to demands for the government to take up the slack whenever and wherever it occurred.

We hear a good deal about these three problems these days. They are, however, nothing new. Other generations face them also. It is true that the manner in which we handle these problems will have some effect on the kind of economic situation we are facing. But the point to remember is that these problems are always with us. No simple and clear-cut solutions appear to be in sight. Each generation has to do today is to sketch the best way it can. All I propose to offer any solutions.

Foreign Competition Facing Canada's Fabricating Industries

Some of our manufacturing industries, for example, our electrical equipment and textile industries, have found it necessary to curtail operations in 1954 and to lay off men. The reason given was not so much declining markets - though this was the case in some instances - but the inability of these industries to compete against lower-priced foreign imports. Now the case is being made that the solution to this problem is to be found in providing increased protection for these industries. This would enable them to sell their products at higher prices in the domestic market and to keep lower-priced foreign-manufactured commodities out of the country. Whether increased protection is meritorious or not, whether it is the solution to the problem or not, is a matter for Parliament, the government, the industries affected and the general public to decide. The point we may want to consider is the economic ramifications of this problem.

Let us look at how the Canadian economy operates. About half of our national income is earned in so-called commodity-producing industries, covering the output of our resources industries, our advanced manufacturing industries, and the construction industry. The other half of our national income is earned in service industries, by people working in the utility industries, in trade, financial and general service operations, or employed by governments. If resources industries are defined broadly to include not only the extraction and growing, but the processing as well, of