

would otherwise be eligible. With the increase, a total of more than \$1 billion will be paid to more than 1,100,000 pensioners in this year alone.

CANADA PENSION PLAN

Frequently the Old Age Security plan is confused with the Canada Pension Plan. Although the two plans are complementary, they are distinct and separate. The Canada Pension Plan will furnish to Canadians a pension related to the contributions and the earnings they have made during their years of employment; Old Age Security provides a flat-rate pension to Canada's elderly people. The Old Age Security pension is paid solely on the basis of age and length of residence in Canada.

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ECONOMIC PROBLEMS IN NORTH AMERICA

(Continued from P. 2)

see much to be said for attaching all sorts of conditions to such preferences and creating a vast new bureaucratic apparatus to regulate preferential entry to our markets. Such a development would be welcomed only by the protectionists among us....

INTERNATIONAL PAYMENTS SYSTEM

Further advance in the trade field must be accompanied by progress in improving the international payments system. There is not much point in pressing ahead with the removal of barriers to trade if the world financial system is not capable of supporting the increased volume of trade we hope to achieve, and of meeting the balance-of-payments problems that many countries face from time to time....

The international payments system has been subjected to severe strains in recent years as a result of pressures on the major reserve currencies. So far, these strains have been successfully met through the close co-operation of the monetary authorities and the IMF. But these have been essentially *ad hoc* measures. Their success has been due to the ability of the authorities to convince the international financial community that the management of the international system was in firm, competent hands. The longer governments take to settle their differences on basic improvements in the system, the more they leave the burden of short-term financing and adjustment to *ad hoc* arrangements.

Why have countries been unable to reach agreement on these vital questions? Differences over basic political objectives have quite clearly been a contributing factor. But they do not provide the whole answer. There is a genuine concern in Europe that the collective ability to create new international liquidity would constitute a temptation to many countries to postpone or evade actions that are needed to run their own economies properly.

We in North America tend to criticize Europeans for adhering to policies and arrangements which make it harder for us and for the less-developed countries to correct our balance-of-payments deficits. Many Europeans on the other hand, believe that the English-

speaking countries - and they include Canada in that category - have a basic inflationary bias and would press for the creation of excessive amounts of international liquidity in order to cover continuing balance-of-payments deficits that should be eliminated or financed on a long-term basis.

Despite these differences over the creation of new reserves, we have in recent years made progress in the Organization for Economic Co-operation and Development, and in the Monetary Fund, towards a better understanding of the means by which deficits or surpluses in international payments can and should be adjusted. The system of surveillance of each other's economic policies and balance-of-payments positions is laying the basis for further advances in this area....

PROBLEMS OF PROLONGED EXPANSION

During the 30 years since the depths of the depression, we have come to understand much better the workings of our North American economy. Economists have produced much better methods of analysis for us. Statisticians have produced more and better statistics, and should produce even more and bring them out more quickly. Informed and serious economic forecasting has become common in business as well as in government. Politicians have learned much more about economies - even if they do not always reveal it or apply it. Public opinion has accepted the need for a much more sophisticated approach to government budgets, in terms of their effects upon the economy. We all - or nearly all - have come to recognize the need for competent and strong central banks, by which we are now so well served.

It is, I think, largely as a result of the culmination of such developments that we have been able to achieve in North America - and in Europe with some variations - the long period of economic expansion since early 1961. It has brought us to a level of production and prosperity the like of which has never been seen before. Certainly we have our economic problems still - balance-of-payments problems - problems of unemployment arising from a lack of fit between our labour forces and the demands of our markets - problems of productivity for us in Canada in trying to keep up with the fast pace you set here in the States. But we are fortunate to be able to approach these persistent problems in the context of a high level of demand and production.

We face, however, two major problems which arise from the very success we have had in getting where we are. They are inter-related. The first is to prolong our prosperity - to make a successful transition from very rapid expansion to steady growth without bringing about a recession. This seems to us in Canada to require much more difficult judgements and more careful management of the total of expenditures than did the initiation and continuation of our expansion during the past half dozen years. In recent years, we have all been increasingly apprehensive that our abnormally long period of uninterrupted expansion would come to an abrupt end. Now we find the outlook for 1967, particularly in regard to business capital expenditures, very difficult to assess with confidence. Last spring in Canada we tried by budget measures