



CANADA

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CANADA AND CAPITAL

An Address by the Honourable Mitchell Sharp,
Minister of Finance, to the Economic Club,
New York, November 14, 1967.

...The Canadian economy has enjoyed a long period of expansion since the low point it reached in 1960. We have seen a vast increase in our production, in our employment, in our trade, in our incomes, our savings and our capital investments. We weathered quite successfully a short but very sharp exchange crisis in 1962 that was the culmination of a readjustment -- a necessary readjustment -- in the valuation of our currency relative to others.

This period of expansion reached the stage of a boom in late 1965 and 1966 which was curbed with some success by monetary and fiscal policy. In retrospect one can say we should perhaps have moderated our expansion somewhat earlier, but the measures of restraint we took were sensible and salutary and were recognized as such, I believe, here in New York.

In the past 12 months, the rate of expansion in our economy has been much more moderate; the boom has given way to a more sustainable rate of growth. This moderation in the expansion was welcomed and indeed, it was the objective of official policy. Our budget of last June 1 was intended to permit a rate of expansion that we could expect to sustain without excess either in the direction of inflation or of unemployment.

However, the momentum in the increase of costs and prices has persisted, notwithstanding the lesser momentum in production and demand. Wages and prices have been rising at too rapid a rate. Earlier this year I had hoped that the moderation in our rate of expansion of aggregate demand, and of production, would lead to a significant moderation in the rate of increases in prices and costs. This has not yet taken place to any substantial extent.

The price inflation and the cost inflation are harming Canadians in several ways. Their effects are inequitable, giving gains to the economically strong and injuring the economically weak. They are eroding the competitive position of Canadian industry in competition with producers and traders in the United States and elsewhere. They are producing "feedback" effects through their influence on the demands which labour is making for wage settlements substantially larger than the increases in productivity that are going on. And finally, they have led to a belief on the part of investors that prices will continue to rise