

in the existing governmental economic machinery which would tend to mitigate a decline in effective demand?

Answer:

Unemployment insurance payments and the operations of the Agricultural and Fisheries Prices Support Acts are the more important automatic economic stabilizers in the Canadian economy, while the Prairie Farm Assistance Act and the Canadian Wheat Board Act are other measures contributing to this end. The more progressive nature of the Canadian tax structure in recent years has introduced a greater degree of economic stabilization into the economy, as revenues of this type fall off more than proportionately when incomes fall. The system of family allowances will also help to stabilize consumer purchasing power in periods of declining income. Under the provincial tax agreements, provincial governments are assured of certain minimum payments which protect them against the danger of a serious drop in revenues. Not only the Government, but opposition parties as well, have indicated that, in the face of economic recession, government expenditures would be maintained as part of the general policy for keeping employment at a high level. A large backlog of public investment is accumulating during the present boom period, and can be used as the basis of the Government's programme for offsetting a decline in economic activity.

Question 6

Are any short or long run national economic plans (including development plans) in operation based on the full utilization of available resources? If so, explain the methods of allocation of resources and of assuring an effective demand for the commodities produced under the plan.

Answer:

From the time of Confederation, Canada's development policies have been directed primarily to the development of the natural resources of this country rather than to national economic planning in relation to specific industries. Along broad lines, the national tariff programme, transportation subsidies, land settlement policies, etc., have all been designed to encourage greater economic development and industrialization in Canada.

A more direct approach has been made in recent years through more comprehensive resource development programmes and measures to stimulate industrial development. During the war, deficiencies in Canada production (e.g. rubber, oil) were filled as a result of a co-ordinated government programme. The measures employed to deal with the present foreign exchange shortages are being directed towards the encouragement of increased Canadian production in certain fields, where this is possible on an economic and competitive basis. The Government now has extensive plans for natural resource development but, in view of the full utilization of resources today, these plans are being deliberately deferred. It is proposed to proceed with them on any sign of slackening in the present investment boom.

Question 7

Should unemployment develop as a result of a deficiency in effective demand, what programmes and provisions are available to offset it? To what extent, if at all, do they include:

- (a) Increased governmental expenditures on goods and services
1. Public works and development projects

The Canadian Government has recognized the need for a broad, integrated public investment programme of useful projects that will be timed