

Full employment and price stability

In its *Thirteenth Annual Review**, the Economic Council of Canada again emphasizes the need to stimulate the economy through measures to encourage increased business investment. While the period ahead will probably be one of general economic recovery, without an added stimulus, the pace of expansion will not be sufficient to bring the economy back to high levels of capacity utilization — assumed by the Council to correspond to 4.5 per cent unemployment — by 1979.

The Council takes a more optimistic view than most observers about the external conditions that will influence Canada's economic outlook for the next few years. It expects the United States' recovery to continue at the current rate throughout 1977, with growth rates slowing in 1978 and 1979. External pressures on Canadian price levels will weaken. As well, fuel import prices will rise an average of 6.6 per cent a year, compared to 23.5 per cent in 1975 and more than 200 per cent in 1974.

In Canada, the conditions that have led to higher prices should be significantly moderated as a result of the Government's anti-inflation policy, provided that the pattern of restraint continues to be supported by monetary and fiscal policies.

Thus, in the absence of unforeseen developments or changes in policy measures, "The combined effects of the recovery abroad and the efforts undertaken to curb domestic inflation will generate a relatively high rate of gross national product in Canada and a moderate rate of increase in the consumer price index," says the *Review*. The GNP will increase at an average of 5.7 per cent a year in real terms. The recovery will be spurred initially by improving export markets. However, investment will subsequently replace exports as the main source of expansion, increasing at a rising rate averaging close to 6 per cent over three years. Increases in the consumer price index should decline from the current level of 7.8 per cent to less than 6 per

cent by 1978, although the depreciation of the Canadian dollar and the removal of the anti-inflation controls may alter the picture somewhat. Despite the recovery, growth in real disposable income for each person will fall short of the increases recorded in the early 1970s.

Performance indicators

To achieve its full employment target, the Council sets out interim performance indicators which presuppose government initiatives to encourage additional investment in plant, machinery, and equipment. With such a policy, investment could grow at almost 7 per cent a year over the 1975-79 period. The rate of growth of gross national expenditure (or GNP) would also rise, and unemployment rates would drop generally to 4.5 per cent, or to 3 per cent for men aged 25 to 54, by 1979.

Since higher levels of investment would expand productive capacity, this drop in unemployment could be achieved without causing a corresponding increase in inflation. However, the additional investment could accelerate the demand for imports, causing a continuation of balance-of-payments deficits on current account.

Full consultation urged

The Council, which remains concerned about the potential recurrence of inflation, urges upon all levels of government the development of a general consensus on the question of decontrols. "Continuing restraint on all fronts will be necessary if we are to escape new rounds of inflationary pressures." The Council stresses that efforts be made to facilitate the productive exchange of ideas on a broad range of issues between the Government and various economic interest groups, noting that: "We agree with the Canadian Labour Congress that it is important for the major economic participants to be involved not only in the decontrol decisions, but also in a continuing critical appraisal of our national priorities and achievements." While decisions are ultimately the responsibility of the Government, based on its political judgment, the Council advocates a process of wide consultation as an important prelude to policy-making.

Recently, there has been a trend

towards promoting more direct participation of this sort as, for example, in the discussions following the Federal Government's green paper on immigration and those that have surrounded the preparation of revisions to the Bank Act. However, the Council believes that the Government should go beyond these *ad hoc* consultative mechanisms to establish a more permanent means of consultation on broad policy issues. This should involve not only representatives from organized labour and business, but also persons representing consumers, unorganized labour, and other interest groups from all parts of Canada.

Storm stalls SSEA's S. American trip

The start of a 16-day visit to three Latin American countries by Secretary of State for External Affairs Don Jamieson was delayed by an accident to his plane during an attempted take-off in a blizzard in Ottawa, January 10.

No one was injured when the minister's military Boeing 707 went off the runway into about five feet of snow as the pilot aborted his take-off following an indication of a technical malfunction.

Mr. Jamieson delayed his journey until the following day, when the weather improved.

The minister was scheduled to be in Brazil until January 17, in Peru until January 21 and in Colombia until January 26, when he will return to Canada. Accompanying him are officials of the Department of Industry, Trade and Commerce and the Canadian International Development Agency.

Canada/France interim fisheries arrangements

Following consultations between Secretary of State for External Affairs Don Jamieson and Foreign Minister Louis de Guiringaud of France, in Paris on November 3, and subsequent discussions between officials of the two countries in Ottawa on November 25 and 26, the two Governments agreed to exercise restraint in the application of their fisheries regulations to each other's vessels in a stock management area, Division 3PS, of the International Commission for the Northwest Atlantic Fisheries (ICNAF). Enforcement by

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