

use of labour by business: such underwriting is generally viewed as wasteful and unnecessary by experts (Economic Study, para. 249 below).

(202) Informetrica studied this option, but in its computer simulation model of the economy it created 898,000 new jobs, not 596,650 as we requested, and thus pushed unemployment down to below 2%. If unemployment had only been pushed down to 4% as requested and the figures for costs and benefits in the simulation were adjusted proportionately, then the following conclusions could be drawn from the findings of Informetrica (see Appendix C):

- Job creation would cost no more than projected in para. 201 above.
- After discounting for inflation, the level of wages and salaries would rise. "Thus, the gains of those who benefit directly will not come from the pockets of those who are otherwise employed," Informetrica wrote.
- In addition to whatever economic gains could be projected for the years 1987 through 1990, the following *extra* increases would occur if the proposal in paras. 199 through 201 were implemented:

Consumption would grow an extra 1.6% in 1987; 2.85% in 1988; 3.1% in 1989; 3.0% in 1990.

Business investment would be 5.35% higher than expected in 1987; 10.77% in 1988; 11.7% in 1989; 13.0% in 1990.

The Gross National Product would be 2% higher than otherwise expected in 1987; 3.3% in 1988; 3.25% in 1989; 4.16% in 1990.

- There would be no significant inflation as a result of the proposals in paras. 199 through 201 (see Appendix C).

(203) Economic expansion would open up new employment opportunities, thereby relieving some of the pressure on government to provide new jobs. In addition, tax revenues would be increased, while government expenses would be decreased, allowing the government to save money for future economic growth.

(204) The Informetrica simulation also showed that 60% of all expenditures went to the service sector and created 87.5% of the new jobs. The 40% of the expenditures that went into the non-service sector only produced 12.5% of the new jobs. Obviously, if the aim is to create as many jobs as possible, the service sector gives the biggest job-bang for the buck.

(205) Essentially, the Economic Council of Canada (ECC) also found that the necessary jobs for the option in paras. 199 to 201 above could be created without increasing the deficit (see Appendix C). However, the ECC considers the scheme inflationary.

(206) These inflationary fears are due to the assumption fed into the Economic Council computer model that any inflationary pressures would be aggravated by expectations of even more inflation: as in the late seventies and early eighties, people would increase their prices and demands for wages not only to keep up with this year's inflation but with next year's.

(207) This assumption may not be warranted. People have seen what happens when they inflate their prices too much: governments strangle the economy through huge interest rates. Having lived through high interest rates recently, people will respond more readily to demands for moderation.

(208) The ECC also remarked that the jobs the scheme would create (paras. 199 to 201) were all in economic activities with low productivity growth. Thus, "the average productivity growth of our work force would be lowered; we would become less competitive internationally; the incomes of, and consumption by, the poor would grow faster than productivity and this would be inflationary too."

(209) The argument about losing our international competitiveness is based on a misconception. We do not compete with other countries in everything (Dobell, para. 36). For example, we certainly do not expect to face foreign competition in our home care for the elderly or day care. Competitiveness is in the import-export field and none of the jobs to be created by the proposed job-creation scheme (in paras. 199 to 201) are in the foreign trade area.