SECTION TWO: THE NATIONAL CONSTRUCTION SCENE

2.1 ECONOMIC CHARACTERISTICS

The gross national product of the United States, at $C 5800 billion in 1987, was approximately 10.6 times larger than that of Canada. As summarized in Table 2-1, the American economy has expanded at a real[1] annual rate of 3.1 percent during the past quarter century, which is a considerably lower rate than the real Canadian growth figure of 4.3 percent during the same period.

Interest rates are the prime levers for controlling economic growth in both Canada and the United States. Interest rates in Canada generally move in parallel to those in the United States because of the large amounts of capital which freely moves from one economy to the other and the potential impact upon the Canadian currency which results from a large discrepancy in interest rates. Rates have declined in both countries from the 20 percent range in 1981 to prime rates of 9.3 percent and 10.5 percent respectively in the United States and Canada in 1989. However, interest rates, particularly in Canada, have risen during the latter months of 1989, making the spread between Canada and U.S. rates higher than that which traditionally exists, thus strengthening the Canadian dollar and making exports less competitive. Pressure will likely grow during 1990 to reduce the Canada-U.S. interest rate spread.

In recent years, both economies have enjoyed strong growth. During the past five years, Canadian and American economic growth has averaged 4.3 percent and 4.0 percent respectively. As a result, unemployment has decreased from almost ten percent of the U.S. labour force in 1982 to around six percent in 1988, and from eleven percent of the Canadian labour force to below eight percent during the same period. The unemployment figures perhaps understate the growth somewhat as the size of the labour force, on which the unemployment figures are based, has also grown during this period.

The majority of these new American jobs have come from firms with less than 100 employees. Indeed, some 95 percent of new jobs created during the past six years have been from small start-up businesses. Nineteen of every twenty new jobs have been created in the service sector and currently approximately 70 percent of all American jobs are in the service sector. As in Canada, there has been a clear shift of employment in the last decade from manufacturing to services; total

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[1] meaning the growth in Gross National Product discounting inflation.