

In figures this meant that wage settlements were running at 17 per cent in 1975; that the merchandise account showed a sudden deficit of C\$534m. in 1975; that the current account deficit (which includes besides merchandise transactions invisibles such as foreign travel and the cost of servicing the Canadian debt) plunged from C\$1.5 bn in 1974 to C\$4.2 bn in 1977; and that the unemployment ratio climbed from 5.3 per cent in 1974 to above eight per cent now, which means that about one million people are unemployed.

The outside world became most aware of the sudden decline of the Canadian dollar. It began in November 1976, when the Parti Québécois Government was returned in Quebec, but in fact that was merely the signal to begin the retreat. Economic reality simply did not justify the rate of C\$1 = U.S.\$1.03 that had been reached in November 1973 at a time of huge current account deficits. Because of political uncertainties in Quebec and for other reasons, compensating imports of capital had passed their peak.

## Not so stark

All of these are subjects that bear closer examination which will relieve the starkness of the picture without, however, dispelling the belief that the problems are severe. They could not be otherwise in a country that is heavily dependent upon the economic progress of others, and at a time when the competitors of Canadian manufacturers, especially in the U.S., are not fully employed and therefore eager to penetrate the Canadian market.

**External Payments:** It is important to remember that the merchandise deficit of 1975 has not been repeated. Helped by the slowing down of the Canadian economy and the fall of the Canadian dollar which made Canadian exports cheaper, the merchandise account produced a surplus of C\$3 bn in 1977, which may grow to C\$4 bn this year. But the Canadian appetite for foreign travel — especially the urge to escape from the winter to Florida, California, or Hawaii — plus debt service pushed the current account into a deficit of C\$4 bn annually. That is nothing spectacularly new: Canada traditionally imports capital to finance industrial development.

What is new is that an increasing portion of that imported capital is in the form of debt, rather than equity. Interest on debt has to be paid even in bad times, whereas dividends can be cut or even cut out.

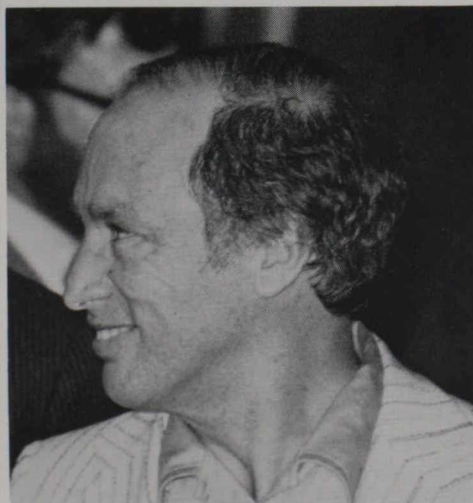
Even so, the Canadian provinces (either directly or through their utility companies) are traditionally heavy borrowers in Wall Street. That led into a paradoxical trap: as an anti-inflationary measure the provinces strove to balance budgets in 1975 and 1976, with the result that their borrowing fell off. It is at least partially true that the borrowing the Canadian Government did in New York

# Looking back on 10 years in office



Mr. Pierre Trudeau's tenth anniversary in office, which fell at the end of April, was not marked — as some expected that it might be — by the announcement of a date for Canada's federal election. It was marked, or just slightly anticipated, by the publication of a new and thorough political biography in which the author, George Radwanski, reveals that Trudeau took steps towards resignation in the summer of 1976 — shortly before the provincial election victory of the Parti Québécois, which in effect reversed a dramatic slide in his political popularity.

He had got as far as laying down resignation procedure for his Cabinet: if the Cabinet as a whole reached a consensus that his resignation was desirable, it was to send him the message through two Ministers: Marc Lalonde and Donald Macdonald. "He knew that if the situation in the polls didn't start improving the Cabinet and the Party wouldn't stand by him out of any sentiment", an associate of the Prime Minister's is quoted as saying.



Mr. Trudeau . . . "complex, sensitive and self disciplined."

Trudeau's reaction to René Levesque's victory in the Quebec election restored his stock with the public and the Liberals, writes Radwanski; but it presented him with his greatest political challenge and "exacted a heavy personal price." It made him determined to remain in office, whatever the cost to his personal freedom, until the Quebec question was settled. At the same time, Trudeau himself feels that it may have helped to cause the ultimate destruction of his marriage.

He is quoted saying, "Margaret was very unhappy for the Levesque victory because she sort of instantly said, 'Now you're never going to be able to get out of politics' and she saw herself locked into this thing

for time indefinite. Until then, both she and I had sort of kept our options open."

George Radwanski, who is Ottawa editor of *The Financial Times*, was granted extraordinary access to Trudeau, his Ministers and aides for the purpose of writing the book: access that included eight hour-long interviews with Trudeau in person. In a foreword, he writes that Trudeau's co-operation was given with no strings attached and was apparently motivated by a desire "to be understood more clearly — for better or worse — as the sort of individual and leader he really is."

In an interview, Radwanski has said that Trudeau veered away from only one topic: a defence of his record as Prime Minister. "He hates self-justification." But he talked freely about his childhood and its attendant problems (as a child he was insecure and inclined to cry when he received either compliments or criticism); about the less attractive sides of his personality; about his problems in handling human relationships.

He was equally frank about his decision to invoke the controversial War Measures Act to deal with Quebec terrorists in 1970, arguing that it was never the dramatic production it was depicted to be. According to Radwanski, the only surprise the crisis produced for Trudeau was the number of people arrested under the Emergency Act: the police had presented the Cabinet with a list of 78 people they wanted to arrest, but then arrested 465. The Trudeau Government decided not to speak up once the arrests had been made, for fear of demoralizing the hard-pressed police force and adding to the general confusion, Radwanski reports.

The book, he says, is an attempt to come to grips with the real Trudeau. It traces his development through childhood, youth, and in politics. What emerges is a picture of a complex, bicultural man, inwardly sensitive, outwardly self-disciplined, hard, at times perverse and nasty.

Of Trudeau today, the author writes, "Discipline is now pursued a little less single-mindedly, he seems a shade more willing to leave himself emotionally vulnerable, and his assertions of independence are acted out less crudely. But those three elements — discipline, and the expectation of finding it in others — sensitivity, and the effort to camouflage it — and the determination to be always his own man — remain paramount."

*Trudeau* is published by Macmillan of Canada at C\$14.95.