

unemployed represented virtual full employment in Canada. That might be acceptable if the unemployment rate were treated only as a yardstick of the economy's performance, Mr. Trudeau argued. But if it were going to be treated (as government critics almost invariably do) as "an indication of social misery," then realistically government should aim for zero per cent unemployment. "But if you're looking for optimum economic performance," he said, "it can't be zero per cent."

What then should it be? Facts pointed out by the 1968 White Paper on inflation also questioned the validity of the three-per-cent concept. The paper noted that during the thirteen-year period between 1952 and 1965, when Canada had its best price performance since World War II, the rate of unemployment had averaged five per cent. In 1972 the Economic Council of Canada suggested 4.5 per cent was a reasonable unemployment rate. In its 1973 annual review of the Canadian economy, the council examined the shortcomings of the unemployment rate as a precise measurement tool at some length. It concluded that it is "questionable whether the aggregate unemployment rate, alone, is adequate as a measure of the state of the labour market or of the well-being of the population." It was doing an in-depth study that might turn up an alternative yardstick.

There is no precise definition of full employment in Keynes' General Theory, neither in numbers nor percentage of labour force employed. He seems rather to suggest that full employment, as an index of the performance of the economy, can best be identified by what's happening to prices and wages. He identifies full employment with full potential production — the point at which tension between overall supply and demand in the economy is approaching its maximum level.

"Legitimate" price increases

The immediate object of his analysis in 1936 was the high rate of unemployment. But he also argued that there is a clear distinction between legitimate price increases and inflation. As employment increased and output with it, prices would gradually increase, too, because increasing competition for capital and labour would push up costs. But these would be legitimate price increases, Keynes argued, brought about by the effective working of the forces of supply and demand. "No one has a legitimate vested interest in being able to buy at prices which are only low because output is low," he said. Only when a further increase in demand produced no further increase in output, but went entirely into an increase in price would a condition of "true inflation" exist.

During the election campaign, Mr. Trudeau displayed a similar attitude toward some price increases. He suggested that some are quite proper and probably long overdue, arguing that one consumer's

price increase may be another producer's legitimate gain. During a day of speeches in Edmonton, Alberta, he said at one point: "So okay, inflation is a problem, but let's not get obsessed about it." Farmers had been getting too little for their products. Products from under-developed countries had probably been under-priced for years in some cases. "Some of what we're bringing in is probably still too cheap to keep some of those under-developed countries alive," he said.

At another stop he said consumers complaining about high prices overlooked the fact that "some of these high prices are going to countries who for decades have been getting low prices for their products. . . . We were selling them our tractors and our automobiles at high prices, prices going up all the time as our prosperity increased, as wages and profits went up in Canada, and they were still getting very, very low prices for their coffee, for their oil, for their peanuts, for their cocoa and so on. . . . We should keep in mind that some of these countries are beginning to be helped by the increase in costs."

There is other evidence that Mr. Trudeau, as Keynes did, believes the free market system, for all its uncertainties and imperfections, is still the fairest and best available way of allocating income throughout a national economy — but that extensive government intervention is required to ensure a healthy balance between supply and demand and a healthy minimum of income security for the individual. His 1968 government's inflation White Paper, for instance, rejected any attempt by government or its agencies to direct or arbitrate pay relativities. This must be worked out as freely as possible in the economic marketplace. "While it is desirable to keep the rate of growth of money incomes from exceeding productivity growth in the economy as a whole," the paper said, "it is neither possible nor desirable to lay down specific guidelines about the *shares* of national income going to different economic groups." (The paper underlined "shares" for emphasis.)

Looking to the future, in the transcript of an interview published in March 1972, Mr. Trudeau reflected that employment may eventually become less important as a source of income than it is today. "Is it the purpose of industrial growth to produce more jobs in the classical sense, or to produce more wealth? Perhaps our society wants a different mix. Perhaps more jobs is not the first thing we want in the long run. Perhaps it's more wealth with more leisure and less jobs, less hours of work for less people. . . . There is perhaps a different work ethic emerging in our society. Perhaps there is a growing percentage of people, though I'm sure it's still very small, who don't want to continue looking to work in the traditional sense in order to fulfill themselves as human beings. They would like to see a society develop in which access to happiness or to self-fulfilment isn't necessarily through the labour market, but through other

concepts." This attitude was developing slowly, but young people accustomed to affluence were less interested in the pay from a job now than "the kind of fulfilment they will get as human beings."

Canadian governments, especially those of Mr. Pearson and Mr. Trudeau, have concentrated on building a network of safeguards under, instead of controls above, earnings from Canada's free enterprise system, in the expressed belief that the system can best manage prices and incomes from there on its own. If it does so imperfectly, as it does, it is plain from his statements that Mr. Trudeau believes the free market system works less imperfectly than blanket government controls.

In Keynesian terminology current Canadian economic policy may be summed up along this line: To maintain an environment in which the free play of economic forces can sustain an approximation of full employment (synonymous, for Keynes, with full production), government has intervened with a variety of policies to protect the income of the individual in Canadian society at a reasonable level. The interest of the individual, not the state, remains the focal point. This protection is provided in cash through various programmes, including unemployment insurance payments of up to \$100 (£40) per week, family allowances averaging \$20 (£8) per month for every child, and state pensions of up to \$366 (£155) per month for a couple. It is also done in kind through various programmes, including state hospital and medical insurance coverage.

Ultimately the test of economic policy is the result. In a national economy, because it is in constant motion — a process, not a permanence — the result is never final; so the test must always be inconclusive on any absolute basis. But the result of economic policy can be measured at given times. By every measurement in this year of inflation 1974, Canadian economic policies have been as successful as other countries'. This suggests that maintaining the emphasis on freedom works at least as well as turning toward compulsion.

As this article noted at the beginning, there is a rich resource and industrial base for Canada's prosperity. But there is economic policy managing that prosperity. If the British Commons Expenditure Committee had a point in August, when it dismissed compulsory controls as "a fashionable idea which is politically dead, only remaining to be interred," as much evidence to support this interment is perhaps to be found in Canadian economic experience as anywhere. ♦