The only alternative for management is to put off the evil day until bankruptcy not merely reduces the numbers on the payroll but eliminates them. Some of the present unemployment may well be traceable to this source.

On the other hand, increasing unemployment obviously prompts government to take steps to alleviate it. Since its basic causes are usually deep-rooted and sometimes obscure, time is needed to determine them, let alone to devise sound remedies and put the remedies into effective operation. Immediate action being called for, "crash programs" of a make-work variety are the order of the day, with a consequent substantial increase in government expenditures. Since periods of high unemployment are often accompanied by declining government revenues, government operating deficits in this combination of circumstances are almost inevitable and the inflationary consequences are a matter of oft-repeated history.

It is submitted that the battle against inflation is never finally won and that eternal vigilance is the price of monetary stability. It is imperative, therefore, that in the selection of government policies with the object of relieving unemployment, those should be used carefully which are likely to generate inflation and thus ultimately defeat their own object.

The immediate relief of genuine distress caused by unemployment is essential, while the adoption of policies directed toward the long-run reduction of unemployment is highly desirable. Since these two purposes are not identical, the proper means of achieving them will correspondingly differ. It is suggested that care should be taken that the two are not confused, or that preoccupation with either should result in the neglect of the other.

Uncertainty as to the degree of government determination to resist the inroads of inflation can nurture fears of inflation and so add to existing inflationary pressures. The Association feels very strongly that a continuation of the policy of having periodic forthright statements of intentions and objectives will do much to quell the fears of inflation and circumvent the inflationary effects of public reaction to them.

The Association commends the work of the Senate Standing Committee on Finance on its study of the threat of inflation in Canada in 1959 and suggests that this committee should maintain at least a watching brief on the subject, continuing from the point of its 1959 report.

Seldom, if ever before, has public controversy ranged with such intensity and persistence around such a complex and highly technical subject. The Senate study did much to bring a new measure of sober understanding to popular discussion of the nature and extent of the inflationary forces at work, but it can not yet be said that the major issues of monetary policy have been clearly defined or placed in their proper perspective.

This is a matter of fundamental importance in relation to employment and economic progress and the Association therefore repeats its suggestion, made during the 1959 enquiry and in earlier submissions to the Government of Canada, that a new study of the nation's financial structure and machinery should be made by independent experts. The purpose would be to identify inadequacies in the information upon which decisions are based regarding the timing and degree of monetary action and in the means by which it is made effective, and to re-examine the relationships between monetary and fiscal policy.