

- The question of whether the export share of services or end-products will continue to increase is not central to whether the economy will continue to support high real income jobs. What matters is the high level of advanced and knowledge-intensive activities that increase productivity of Canadian workers. In the future, firms and workers in Canada should be able to respond to opportunities and incentives emerging in international markets by engaging in more knowledge-intensive activities as they have in the transition from a resource-based to a modern economy. High productivity activities will continue to translate into high real-wage jobs for Canadian workers.

Gloom-and-doom scenarios for the future of the Canadian economy are neither consistent with past trends nor with current facts. Our analysis shows that firms and people in Canada, over the past three decades, have adapted well to these international opportunities and challenges. We see positive signs in the Canadian economy that this trend will continue. In the future, the expansion of our international trade will continue to support high real income jobs in Canada.

## **2. Prosperity and diversity in a natural resource-based economy**

The experience of countries with rich endowments of natural resources in sustaining long term economic growth has been mixed. Canada has been successful in transforming its resource-based economy to an advanced economy. Nonetheless, some commentators pessimistic about Canada have extrapolated the structural changes taking place in the 1990s as representing forces pushing the Canadian economy onto a stagnant plateau of low-incomes that they consider characteristic of resource-based developing countries.

Historically, a number of people have held the view that Canada is destined to remain a resource-based economy. The well-known **staple thesis** posits that economic growth in Canada has been tied to a sequence of exports of staple and primary products, i.e., fish and furs in the 17<sup>th</sup> and 18<sup>th</sup> centuries, timber in the 19<sup>th</sup> century, foodstuffs (principally wheat) in the 19<sup>th</sup> and 20<sup>th</sup> centuries, and minerals (including base and precious metals, pulp and paper, oil and natural gas) in the 20<sup>th</sup> century. The thesis holds that staple exports financed the development of the rest of the economy. For instance, the wheat sector boom between 1886 and 1914, helped real GDP in Canada to grow by 150% while the population increased from 5.1 to 7.9 million.