

Canada Becoming More Independent of Economic Events in the United States.

The fact remains, however, that the largest proportion of our trade is with our neighbour to the south. Remembering the experiences in the 'thirties, it is understandable that some people are worried about what substantial economic fluctuations in the United States may do to the Canadian economy. The suggestion is made that every time Uncle Sam sneezes we in Canada, together with our friends in Western Europe, are likely to catch a cold. Well, the evidence of the last decade suggests that this diagnosis deserves re-examination.

Here is what happened during the last two recessions the United States experienced, one in 1948-49 and the other in 1953-54. In the first of the two U.S. recessions since the end of World War II, Canada continued on her path of economic expansion. In the more recent period of adjustment, declines in economic activity that did occur in Canada were of much more moderate proportions than in the United States. Let me give you a few quantitative illustrations:

	Percentage Change		Percentage Change	
	4th Quarter 1948 compared with 4th Quarter 1949	2nd Quarter 1953 compared with 2nd Quarter 1954	U.S.	Canada
Gross National Product (1)	-4.2	+3.0	-3.8	-0.7
Gross National Product (excluding agriculture) (1)	-0.2	+2.8	-3.9	-0.5
Gross Domestic Investment (excluding inventory change) (1)	-5.2	+0.4	-2.2	-3.0
Commodity Exports	-19.4	-5.0	-6.6	-10.3
Consumer Expenditures (1)	+1.4	+6.7	+1.0	+3.6
Government Expenditures (1)	+7.4	+16.5	-9.6	-2.8
National Security Expenditures (1)	-(2)	-(2)	-17.7	-9.0
Index of Industrial Production	-7.3	+0.3	-9.4	-3.4
Population (3)	+1.7	+2.2	+1.7	+2.8

Why have Canadians been spared a good many of the effects of the last two U.S. recessions, an experience shared by a number of European countries, particularly in the more recent period? Well, in the case of Canada our more rapid growth of population and of the domestic market as well as a continuation of our resources development had a good deal to do with it. As far as Western Europe is concerned, these countries have finally reached

(1) Seasonally adjusted annual rates.
 (2) Not available.
 (3) As of June 1.