

GOVERNMENT



OF CANADA

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REPLY OF THE GOVERNMENT OF CANADA
TO A QUESTIONNAIRE ON EMPLOYMENT FROM
THE UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL

(The material was submitted by the Canadian Government on March 1, 1949, in accordance with Resolution Nb. 104 (VI) adopted by the Economic and Social Council on March 3, 1949.)

Canada is a federal state, and the division of power between the Dominion and the provincial governments is determined by the British North America Act of 1867, its amendments, and the judicial interpretation placed upon it. Specifically, the powers required to carry out a policy of full employment and economic stability are in part Dominion and in part provincial. The answers to this questionnaire attempt to deal in detail only with the policies of the Canadian Government and refer only in general terms to the economic and social policy fields of provincial and municipal governments.

Has your Government made any commitments concerning policies or programmes to promote full employment and economic stability in the form of constitutional provisions, statutory provisions, Government pledges and declarations? Please send the major official documents pertaining to these commitments.

Answer:

The economic policies of the Canadian Government are directed toward the maintenance of a high and stable level of employment and income. The principles governing the Government's policy for promoting full employment and economic stability were set out in a White Paper entitled "Employment and Income", presented to Parliament in 1945. The reconstruction policies outlined in this Paper included the orderly transition from economic conditions of war to those of peace, the promotion of Canada's export trade, the encouragement of private investment, the maintenance of a high level of consumption expenditures, and the use of government expenditures to offset cyclical fluctuations in capital expenditures by the private sector of the economy. In addition, research facilities were to be increased to raise the technical level of primary and secondary industry in Canada, and placement and training facilities improved to increase the mobility and adaptability of the Canadian labour force. The Government's policies were further developed and made more concrete in the "Proposals of the Government of Canada" presented to the Dominion-Provincial Conference in August, 1945. Some of the proposals put forward were wholly the responsibility of the Dominion Government, and were included as part of the Government's broader and more comprehensive economic programme. The other proposals, however, required provincial co-operation and were contingent upon reaching a satisfactory financial agreement with the provinces.

The Proposals in broad outline covered the following points:

- (1) The encouragement of external trade through export credits and support of international efforts to restore world trade and lower tariff barriers.
- (2) encouragement to private enterprise to produce and provide employment by such measures as early cancellation and settlement of war contracts, orderly decontrol of prices, wages, manpower, trade, etc., appropriate tax and fiscal measures.
- (3) promotion of increased public participation in national development, including the conservation and development of natural resources, improved transportation and communication facilities, public works, and forming part of a public investment programme designed to complement private investment and timed to offset wide economic fluctuations.
- (4) development of a well-integrated housing programme, including community planning, slum clearance, and public assistance to low-rent housing.
- (5) adequate re-establishment assistance for war veterans, including increased facilities for training and placement of workers.
- (6) provision of a greater measure of social security through unemployment insurance, family allowance, old-age pensions, health measures, vocational training and other rehabilitation services to improve employability.
- (7) new financial agreements between federal and provincial governments to stabilize provincial finances and, by giving the Canadian Government exclusive rights in certain progressive tax fields, to provide for federal responsibility for the major fluctuating items of public expenditure.

The comprehensive proposals put forward at the different sessions of the Conferences proved unacceptable to some of the provinces and the Conference adjourned in April, 1946. Since that time, the Canadian Government has entered into agreement with seven of the provinces for the rental of individual and corporate tax fields and succession duties, with the two largest provinces abstaining and with some of the major issues left in abeyance.

The economic policies of the Canadian Government during the post-war period have contributed in no small part to Canada's present high levels of employment and income, and have gone far towards achieving many of the objectives set forth in the White Paper and in the Government's Proposals. The orderly transition from war to peace has taken place without interrupting Canada's industrial expansion, which was greatly accelerated under the stimulus of war. Controls were relaxed as circumstances made this possible, but were retained where necessary as an anti-inflationary measure. Goods and materials in short supply were allocated to meet increased consumption and investment demands and at the same time fulfil international obligations and maintain export markets. Fiscal and monetary policies were directed towards increased production and further industrial development. The budgetary surplus level curtailed so as not to interfere with private investment in capital plant and equipment for productive purposes; low-rental homes as well as rehabilitation credits and services, were provided for veterans; social security measures were extended. In the international field, Canada contributed to efforts aimed at restoring world trade on a more stable basis and co-operated in measures to ensure greater economic and political stability among the nations of the world.

The economic circumstances of the postwar years have been such that Canada has been experiencing a period of full employment rather than underemployment. There has, therefore, not been the immediate urgency for developing detailed Dominion-provincial plans, for the support of employment and income, in the public investment and social security fields.

(a) Constitutional Provisions

The only constitutional change of note in the British North America Act that has affected the division of powers in the economic and social fields was the amendment of 1940, which made it possible for the Dominion to introduce a national unemployment insurance scheme and its ancillary national employment service. In preference to seeking further constitutional amendment of the B.N.A. Act, the Dominion - Provincial Conference of 1945 sought to achieve smoother inter-governmental working arrangements through reciprocal agreements.

(b) Statutory Provisions

Before the war, and particularly during the thirties, a number of Acts of economic significance were introduced by the Canadian Government, primarily to deal with the problem of low incomes among primary producers. During the war years and in the transition period, the Government has added to this basic legislation a number of statutes designed directly or indirectly, to maintain full employment and promote economic stability.

Earlier legislation contributing to the stabilization of the Canadian economy includes the following:

1. Old Age Pensions Act, 1927.
2. Canadian Farm Loan Act, 1927.
3. Bank of Canada Act, 1934.
4. Prairie Farm Rehabilitation Act, 1935.
5. Canadian Fisherman's Loan Act, 1935.
6. Canadian Wheat Board Act, 1935.
7. Prairie Farm Assistance Act, 1939.

8. Agricultural Products Co-operative Marketing Act, 1939.
9. Dominion Housing Act, 1935, repealed and replaced by National Housing Act, 1938 (non-operative)

Among more recent statutes are the following:

10. Unemployment Insurance Act, 1940.

Under this Act the Unemployment Insurance Commission was established and provision made for insurance against employment in certain fields. By an amendment to the Act in 1946 the National Employment Service was set up to collect information on employment and make it available at employment offices, to assist workers in obtaining employment for which they are fitted, and to assist employers in finding workers suitable for their needs.

11. Vocational Training Co-ordination Act, 1942 and Youth Training Act, 1939.

These two acts are to help the Canadian worker to become satisfactorily established in industry. Training is provided jointly by the federal and provincial governments and covers youth training, including assistance to students; supervisory training for industrial foremen; apprentice training for indentured apprentices; re-establishment training for civilian workers and war veterans. Assistance is also given under the first Act for vocational training at secondary school level.

12. Family Allowance Act, 1944

This Act provides allowances for children under sixteen years of age provided they attend school regularly as required by the laws of the province in which they reside. The amounts payable are fixed by schedule and apply equally to all income groups.

13. Agricultural Prices Support Act, 1944.

This Act is to safeguard primary producers against penalties of sudden changes and dislocation of trade in agricultural products. The Board established by the Act has the right to prescribe prices at which it may purchase agricultural products in the market. It may also pay producers the difference between the price it sets and the average price at which the product sold in a specified period. The Board can also appoint commodity boards to purchase and dispose of agricultural products, to facilitate trade between governments, promote exports, direct production, pay subsidies etc.

14. Fisheries Prices Support Act, 1947.

Under this Act, a Board has been established to assist Canadian fisheries in adjusting from wartime to peacetime conditions and to maintain fair and stable returns for the fishing industry. The Board has authority to buy fisheries products under certain conditions and to dispose of them by sale or otherwise. It has not the power to fix prices, but it may pay producers the difference between a price prescribed by the Board and the average price of the product during a specified period.

15. Farm Improvement Loans Act, 1944

This Act provides intermediate and short-term credit on reasonable terms for a wide range of farm improvements.

16. Export Credits Insurance Act, 1944.

The first part of this Act provides for a corporation to insure Canadian exporters against credit losses on exports or agreements to export general commodities or capital goods. The second part deals with credits to foreign countries to facilitate and promote Canada's export trade.

17. National Housing Act, 1944

This Act, a continuation and extension of the Dominion Housing Act of 1935 and the National Housing Act of 1938, is designed to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions, and the expansion of employment in the postwar period. The 1944 Act, as amended to date, provides authority for the Government to undertake the construction of housing accommodation, provide assistance (through loans and guarantees) for home ownership and low or moderate rental projects, operate a rental insurance plan to safeguard investors, provide grants-in-aid for slum clearance, and undertake and encourage research in housing and community planning.

18. Industrial Development Bank Act, 1944.

The Bank provides credit, on a long-term basis, to establish or expand small or medium-sized industrial enterprises that are dependent upon a high level of employment and income, and therefore find it difficult to obtain credit readily from other sources, except for a very limited period. Loans are made to individuals or corporations, other than those engaged in primary industries or in trade and service enterprises.

19. Central Mortgage and Housing Corporation Act, 1945.

The corporation was set up to carry out the functions of the Housing Act and to co-ordinate the Federal Government's housing programme.

20. United Kingdom Financial Agreement Act, 1946.

Under this Act a loan of \$1,250 million was extended to the United Kingdom, interest free until 1951. The purpose of the credit was to facilitate trade between the two countries, and assist the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate gold dollar reserves and to assume the obligations of multilateral trade.

21. Canadian Commercial Corporation Act, 1946.

The Corporation set up under this Act assists in the development of trade between Canada and other nations and carries out procurement functions for foreign governments and for such international agencies as U.N.R.R.A. Some purchasing has also been done in occupied countries for Canadian importers.

22. Foreign Exchange Control Act, 1946.

This Act controls and protects the value of the Canadian dollar in relation to foreign currencies. It also ensures that Canada's resources in foreign currencies are available to meet Canada's needs as a nation and are used to promote trade and other normal currency transactions with other countries.

23. Agricultural Products Act, 1947.

This Act is a temporary Act to fulfil the Government's obligations in the sale and export of agricultural products to other governments under agreements made during the war and postwar period. The Act can be extended for one year at a time.

24. Canadian Maritime Commission Act, 1947.

The Commission considers and recommends policies and measures needed to consolidate the public administration of the merchant marine and to encourage the expansion of Canada's shipbuilding industry and ocean shipping.

25. Export and Import Permits Act, 1947.

This Act regulates and controls the export and import of commodities in short supply to ensure an adequate supply and distribution in Canada. Allocation of goods is needed because of strong demand factors that exist in the Canadian economy today and to fulfil international contracts and obligations.

26. Dominion-Provincial Tax Rentals Agreements Act, 1947.

Under this Act, agreements have been authorized with seven of the provinces whereby they agreed to vacate for a period of five years, the fields of income tax, corporation tax and succession duties. In exchange, the provinces receive annual payments computed on a basis that takes account of increasing population and gross national income and, in times of recession, guarantees a minimum amount of compensation.

27. Emergency Exchange Conservation Act, 1948.

Under this Act, imports of certain specified types of goods have been restricted in order to stop the drain on Canada's foreign exchange reserves. The Act falls into two parts, each administered by a different authority. Consumer goods, largely of the luxury or less essential type, are covered by Schedules I and II of the Act, and are either prohibited or allowed to enter on a quota basis. The restrictions on many of these items have been gradually lifted as the dollar reserve situation improved. Schedule III covers the import of capital goods on a permit basis, whereby such imports are directed towards increasing Canadian production facilities and developing more essential industries. The Act also includes restrictions on funds for travel in hard currency countries.

28. Emergency Gold Mining Assistance Act, 1948.

This Act is designed to assist the gold mining industry in meeting the increased costs of production.

In addition to the above, the following legislation was passed to assist in the rehabilitation of veterans to civilian life and their re-establishment professionally or in business, farming or commercial fishing, as well as to provide allowances for disabled veterans, war widows and orphans.

29. Veterans Land Act, 1942

30. Veterans Insurance Act, 1944

31. War Service Grants Act, 1944

32. Veterans Rehabilitation Act, 1945.

33. Veterans Business and Professional Loans Act, 1946.

34. War Veteran's Allowance Act, (revised) 1946.

To further Canadian participation in international organization, a number of statutes have been passed to put into effect agreements pertaining to such groups as the United Nations Relief and Rehabilitation Administration⁽¹⁾, the Food and Agriculture Organization⁽²⁾, the International Monetary Fund⁽³⁾, and the International Bank for Reconstruction and Development⁽³⁾. Canada's support of Article 41 of the United Nations Charter for carrying out measures decided upon by the United Nations to give effect to its decision, was confirmed by the United Nations Act of 1947. The Charter of the United Nations was approved by both Houses of Parliament, and the instrument of ratification signed on November 1st, 1945. The charter of the International Trade Organization, prepared at Havana, and the General Agreement on Tariffs and Trade (Geneva, 1947) have been endorsed by the Government and are being put before the present session of Parliament for approval.

(c) Government Pledges and Declarations

As mentioned previously, the Government has set forth its full employment policy in the White Paper on Employment and Income and the Proposals of the Government of Canada. Further statements on the government's policy for maintaining of a high and stable level of employment have appeared in recent budget speeches and in the speeches from the Throne⁽⁴⁾

Question 2

Has the responsibility for the implementation of a full employment programme been allocated among existing central or local agencies or have special agencies been set up or planned for this purpose? Describe the functions of the agencies with regard to:

- (a) Observation, analysis, and appraisal of economic trends to determine the need for and the type, timing and magnitude of possible governmental intervention.
- (b) Preparations of full employment plans, programmes or projects.
- (c) Execution of such plans, programmes or projects.

Answer

In Canada the division of responsibility and powers between the Dominion and provincial governments was set out in the British North America Act. The changing functions of government since 1867, particularly

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- (1) United Nations Relief and Rehabilitation Administration Act, 1944.
 - (2) Food and Agriculture Organization of the United Nations Act, 1945.
 - (3) Bretton Woods Agreement Act, 1945.
 - (4) "In this paper, the Government has stated unequivocally its adoption of a high and stable level of employment and income, and thereby higher standards of living, as a major aim of Government policy". White Paper on Employment and Income, p. 23.

"We know that to attain these great purposes, we must frame our policies and direct our efforts towards achieving and maintaining a high and expanding level of employment and income. This is what we have done, and this is what we are continuing to do". Budget Speech, May 18, 1948.

in economic matters, have required reference to the Privy Council to determine the limits of the legislative power of the two levels of government. Section 91 enumerating the responsibilities of the federal government, including the Dominion's power to regulate trade and commerce and to make laws for the "peace, order and good government of Canada", has received different emphasis at different periods, in comparison with the broad interpretation that has been given to that part of Section 92 dealing with property and civil rights in the provinces. As a good deal of present day legislation regulating the economic life of the Dominion was unthought of in the days of Confederation, it does not come within the specific enumerations of Section 91, and has, in many cases, required co-operation between different levels of government before it has become effective.

The powers of the Canadian Parliament in matters of economic policy are of a broad and general nature. Under the B.N.A. Act, the Dominion has, among other things, the power to regulate international and inter-provincial trade and commerce, fisheries, banking, currency and coinage, weights and measures, bankruptcy and insolvency, and certain other economic matters. The central authority has the right to tax in any form, whereas the provinces may only tax in certain fields. The Dominion has control of all interprovincial and international transportation and communication, and has concurrent powers over agriculture and immigration. In general, the Dominion is restricted to regulation of interprovincial and international business activity, but it has certain powers of economic regulation such as supervision over companies with Dominion charters; power to discourage trade combinations and other similar economic practices and, by declaring it to be for the general advantage of Canada, control over certain fields such as the grain trade.

The provinces have exclusive power over such matters as local welfare and the administration of municipal institutions. They also control the natural resources of the province, such as mines, forests, inland fisheries as well as public lands. Provincial governments are limited to direct taxation for raising revenue for provincial purposes, but they regulate all intraprovincial trades, businesses and business transactions, and have control over property and civil rights within the province, as well as over all matters of a local or private nature. Jurisdiction over most aspects of social legislation relating to health and welfare measures, old age pensions housing, etc., belongs to the provinces.

In practice, the Federal Government has been able to initiate and carry through broad economic policies necessary for the development of the Canadian economy. But increasing participation by governments in economic matters over the past few decades, has led to legislative and administrative difficulties between federal and provincial levels of government in this country. In times of emergency, such as war, the Federal Government has an overriding authority, but it is of a temporary nature and for a limited time only. However, at other time when close economic integration on a nation-wide scale has made uniform government action essential to the national interest, federal and provincial governments have worked together to overcome constitutional difficulties. To deal with economic problems that overlap with the provincial sphere, the Federal Government has spent money directly on housing, family allowances, agricultural and unemployment relief. The constitutional amendment of 1940, providing unemployment insurance and a national employment service was introduced to provide the central government with more effective means of dealing with unemployment. Another measure used was the conditional grant which sets certain standards or conditions for programmes undertaken by the provinces with the aid of funds from the central government. Another device for meeting the problems created by divided jurisdiction has been concurrent legislation, i.e. measures passed by both federal and provincial authorities to cover the same case. In such fields as agriculture, where the two governments have concurrent powers under the B.N.A. Act, duplication of services and administration difficulties can be and are avoided in this way. However, there

are technical difficulties in devising legislation that does not overlap and yet covers every point, and in which each government deals only with its own field of jurisdiction. The Canadian Government's Proposals of 1945 were an attempt to reach more comprehensive and satisfactory arrangements for federal-provincial co-operation within the constitutional limitations of the B.N.A. Act.

At the federal level, the economic policies of the Government are formulated by the Cabinet as a whole, and those relating to domestic affairs are integrated in the first instance through the Cabinet Committee on Economic and Industrial Development. This Committee reports to Cabinet on matters relating to general economic and industrial development; with appropriate measures for maintaining a high level of employment and income in Canada as a whole or in a particular region; and with public investment policy, including the preparation and operation of a shelf of reserve construction and resource development projects. All government departments and agencies concerned with economic matters are responsible for providing information and analysis of the trends and important issues in their particular fields, that may be needed in formulating government policy. In addition, a comprehensive central statistical service has been built up over the years and latterly an economic research branch established in the Department of Trade and Commerce which brings much of this information and analysis together for the purpose of providing coherent reviews and forecasts of economic development in Canada.

Each of the provinces has set up departments or bureaux to carry out its constitutional responsibilities. The degree of development is not, however, uniform throughout the nine provinces. Social legislation is more advanced in some provinces than in others, while the development of natural resources has taken place more rapidly in such provinces as Ontario, Quebec and British Columbia, than in some of the less industrialized provinces. While the war was still in progress, most of the provincial governments took an active interest in studying their reconstruction needs in the postwar period and plans were made for stimulating employment and the further utilization of natural resources. As a result of growing interest in the economic side of government policy; new bureaux or departments have been established, or those already in existence have expanded their activities. Encouragement is given to new industries, efforts made to attract foreign plants, and to foster foreign trade as well as build up domestic markets. All the provinces are developing their tourist trade; industrial research facilities are being expanded; rural electrification programmes and increased hydro-electric facilities are being developed. There has also been expansion in resource development and conservation programmes, and extensive improvements in highways and other transportation facilities are under way.

Question 3

Estimate the magnitude of the average total unemployment and its relation to total workers for the year 1947. Describe the structure of the unemployment, e.g., to what extent it is due to (a) labour turnover (b) inadequacy of materials and equipment, or (c) lack of adequate markets; to what extent it is concentrated in special industries or areas, etc.

Answer:

The total number of wage-earners in Canada (all hired employed persons plus all unemployed) varied between 3,295,000 and 3,421,000 persons during 1947. These figures included paid agricultural workers (119,000) and domestic workers (67,000 women only) and excluded the following: "own account" workers without paid employees (945,000); employers with own business, farm or profession (213,000); unpaid family workers on farm or in business (390,000). The figures in brackets are averages for the year.

Unemployment during 1947 varied from a seasonal high of 141,000 workers or 4.3 per cent of the total wage-earners, to a low of some 73,000 persons, or 2.1 per cent of the total wage-earners as defined above (see Tables 1 and 2).

On the whole, Canada's employment problem has been one of labour shortages in a number of major industries rather than one of under-employment. The variation in unemployment figures last year was largely of a seasonal character, showing improvement in the months when logging and farming operations required more workers. In proportion to population the largest amount of unemployment was in the Maritimes where production difficulties in the coal mining industry and a lower level of industrial activity have created some regional problems. Some of the unemployment would be due to labour turnover and shortage of iron and steel. Annual data for June 1, 1947, show that unemployment was only 1.8 per cent of the total Canadian civilian labour force, which numbered 4,997,000 persons, and represented the total supply of labour available at that time.¹

(1) Canadian Statistical Review, September, 1948, Bureau of Statistics.

TABLE I. - CANADIAN EMPLOYMENT STATISTICS FOR 1947.

(thousands of person 14 years of age and over)

Item	March 1st.	May 31st	Aug. 16th	Nov. 8th
Employed wage-earners				
Agricultural workers	69	122	168	116
Non-agricultural workers(1)	3,085	3,111	3,158	3,218
Sub-total	3,154	3,233	3,326	3,334
Unemployed persons	141	91	73	87
Total wage-earners(2)	3,295	3,324	3,399	3,421
Unemployed person as a percentage of total wage-earners	4.3	2.7	2.1	2.5

(1) Includes domestic workers.

(2) Excludes own account workers without paid employees; employer with own business, farms or profession, unpaid family workers on farm or in business.

TABLE 2. - UNEMPLOYMENT IN CANADA BY REGIONS, 1947

(thousands of person 14 years of age and over)

Region	March 1st	May 31st	Aug. 16th	Nov. 8th
Maritime Provinces	21	21	15	17
Quebec	46	28	23	22
Ontario	40	24	19	22
Prairie Provinces	21	-(1)	-(1)	13
British Columbia	13	-(1)	-(1)	13
Canada	141	91	73	87

(1) Estimates of less than 10,000 are not given as sampling error associated with them is relatively large.

Question 4

What measures are being taken to eliminate unemployment?

Answer:

Interpreting this question to refer only to current unemployment, Canada's labour problem has been and still is one of shortage of workers rather than unemployment. To meet the shortage, immigration has been encouraged, training courses have been developed (under both Dominion and provincial auspices), and a number of less essential public projects have been deferred. The placement facilities of the National Employment Service have minimized the time that would otherwise have been lost in moving from one job to another and helped to keep frictional unemployment at a minimum. In the four or five points where local unemployment developed, transportation was given to workers to other points where jobs were provided through the National Employment Service. These measures are, of course, in addition to the general policy for maintaining employment outlined elsewhere in this report.

Question 5

(a) What elements in present Government policy are aimed at preventing a decline in economic activity in the future?

Answer:

1. Promotion of world trade

Because Canada's prosperity is so heavily dependent upon her exports, one of the most important aspects of the Government's present economic policy is the encouragement given to trade - not only in the promotion of Canada's trade with other countries, but in the restoration of world markets through support of international measures designed to help achieve this result. Canada has taken an active part in the establishment of the International Trade Organization and in the negotiation of the Geneva Trade Agreements, as well as participating in such world organizations as the International Monetary Fund and the International Bank for Reconstruction and Development. Support has also been given to the European Recovery Programme, as a means of rebuilding the Western European economy on a more stable basis, and very substantial credits have been extended to foreign governments for financing Canadian exports to our traditional markets. Measures have been taken to facilitate trade with governments of other countries and to improve commercial relations between the Canadian exporter or importer and his counterpart in other countries. The expansion and strengthening of the Commercial Intelligence Service, the efforts of the Canadian Commercial Corporation and the various agricultural boards to smooth out trading difficulties and find markets for Canadian products, are all measures working toward a continued high level of Canadian exports. Insurance against credit loss through the Export Credits Insurance Corporation is making it possible for Canadian exporters to carry on trade with countries where economically as well as politically the situation is still unsettled.

2. Exchange Control

Control of the exchange value of the Canadian dollar through the Foreign Exchange Control Board and the effectiveness of the Emergency Exchange Conservation Act in stopping the drain on dollar reserves are stabilizing factors in the economic picture.

3. Encouragement of greater industrial development

Recognizing the need for greater diversification in Canadian industry and a strengthening of the industrial base to offset to some extent

Canada's vulnerability in external trade, the Government has encouraged more processing of primary products prior to export, the setting-up of new plants, and, where economically sound, the expansion of new industries developed during the war. Temporary import controls affecting capital goods, which were necessitated by the shortage of U.S. dollars, are being used also to direct capital investment so as to maintain essential facilities required for the efficient functioning of the Canadian economy, particularly in relation to basic utilities and the manufacturing industries. Where Canadian costs are competitive, branch plants are encouraged to make more parts or whole products here in Canada for sale in world markets. Through the use of the credit facilities of the Industrial Development Bank, a number of small businesses are expanding their facilities or new plants are coming into operation. Recently, the Government has announced a plan for providing loans to steel companies to encourage expansion of production facilities in the iron and steel industry and so eliminate shortages that have been crippling industrial expansion and production.

4. Anti-inflationary measures

To prevent inflation in the Canadian economy and to restore the price system, the Government pursued a policy of orderly decontrol in the period following the end of the war. Certain controls in such fields as the export of certain commodities, rents, foreign exchange, were retained to deal with particularly acute problems. Public works have been postponed and public investment confined to essential construction and development projects. The Government's budgetary surplus has been used to reduce the national debt and tax reductions and adjustments made where they would aid in the encouragement of industrial expansion and production. At the same time, fiscal policy has been recognized as a factor in modifying inflation during the present boom.

5. Allocation of goods in short supply

In order to make the best use of available resources in the reconstruction period, certain essential goods in short supply have been controlled, e.g., directives on inter-mill movement of primary steel to keep all available facilities in the mills in full production. A system of export and import permits have been used to prevent unemployment in Canadian industry due to a shortage of urgently-needed materials and equipment, but at the same time to maintain as large a flow of goods to our traditional markets as possible. Agencies such as the Agricultural Supplies Board have also tried to make sure there were adequate supplies of foodstuffs and other primary products for both the Canadian producer and consumer, and arrange for the distribution of such supplies throughout the whole Dominion.

6. Increased social legislation

In the past few years, the introduction of unemployment insurance and family allowances, the increase in pensions paid to disabled veterans, aged and blind persons, and health and hospital grants to be paid the provinces, have meant an extension of social security measures in Canada that will assist in maintaining consumption expenditures and, indirectly, employment levels. Further expansion of social legislation in such fields as health insurance is dependent upon Dominion-provincial agreement and co-operation.

7. Improved facilities for training and placement of workers.

The vocational training projects sponsored jointly by the Dominion and the provinces have helped to fit for employment such groups as veterans, student nurses, university undergraduates, apprentices, industrial foremen, as well as war workers who had to be retrained for civilian jobs. The placement facilities of the National Employment Service, including the work of the Bureau of Technical Personnel, have assisted workers to find employment and aided employers in obtaining suitable labour. The movement of workers from low employment areas has also helped to relieve regional unemployment in Canada.

8. Safeguards for primary producers.

The Canadian Wheat Board Act and the Prairie Farm Assistance Act have for some time acted as safeguards for primary producers. Price returns for agricultural workers are more stable as a result of the co-ordinating work of the Wheat Board in marketing Canadian grain in inter-provincial and export trade in such a way as to promote the sale of wheat and other grains abroad. The Prairie Farm Assistance Act assures the farmer of a return for his labour even in years of crop failure. The Agricultural and Fisheries Prices Support Act are also providing means whereby the Canadian farmer and fisherman may be assured of more adequate and stable returns. These Acts have already been used to dispose of surplus supplies of potatoes, apples, canned fish, and were designed to give further security to the fishing and farming industries.

9. Stimulus to housing

Another important factor in the Government's policy is the stimulus given to house construction in Canada through the operations of such measures as the National Housing Act, the Veterans' Land Act, the Farm Improvement Loans Act, and the Canadian Farm Loan Act. The operation of these Acts, the allocation of materials in short supply, and subsidies for the production of certain building materials, have all helped in providing the largest housing programme in Canada's history. The Government's housing policies have included the building of homes for veterans (now extended to include living quarters for defense personnel), as well as loans and guarantees for the construction of home ownership and medium and low rental housing units. Rental insurance to safeguard a minimum return for the investor, double depreciation on rental projects, grants-in-aid for slum clearance, research on problems related to housing and community planning, are also part of the Government's housing programme.

10. Development and conservation of natural resource.

Because of shortages of labour and materials, many projects for the development of Canada's national resources have been and are being deliberately deferred at this time. However, in addition to the Government's normal programme of research, experimentation and demonstration in this field, some new measures and the expansion of others with long-range effects have been put into operation. For example, surveying and mapping work, basic to the development of such resources as mines, forests, fisheries, etc., have been greatly increased. Extensive development work is being done in certain areas of the Yukon and Northwest Territories, a part of Canada as yet unorganized as a province and in which the Canadian Government carries out responsibilities similar to those of a provincial authority. The Government has assisted in the recent oil developments in Alberta by extensive geological surveying in the immediate area, by giving top priority for materials and equipment, by providing favourable tax allowances, and by furnishing technical advice and information. An important development in Western Canadian agriculture has been the soil and conservation work of the Government under the Prairie Farm Rehabilitation Act. Other resource development measures include assistance to the marshland reclamation work in the Maritimes, the initiation of the Eastern Rocky Mountain Conservation scheme with the province of Alberta, the establishment of the Forest Insect Control Board and the Prairie Provinces Water Board.

11. Public Investment

For the present, public investment expenditures on the part of the Federal Government are being restricted to essential, urgently-needed projects, but at the same time machinery and procedures, as well as a reserve shelf of federal projects, are being developed for future use in a large-scale investment programme.

Question 5

(b) Are there any "automatic economic stabilizers" inherent

in the existing governmental economic machinery which would tend to mitigate a decline in effective demand?

Answer:

Unemployment insurance payments and the operations of the Agricultural and Fisheries Prices Support Acts are the more important automatic economic stabilizers in the Canadian economy, while the Prairie Farm Assistance Act and the Canadian Wheat Board Act are other measures contributing to this end. The more progressive nature of the Canadian tax structure in recent years has introduced a greater degree of economic stabilization into the economy, as revenues of this type fall off more than proportionately when incomes fall. The system of family allowances will also help to stabilize consumer purchasing power in periods of declining income. Under the provincial tax agreements, provincial governments are assured of certain minimum payments which protect them against the danger of a serious drop in revenues. Not only the Government, but opposition parties as well, have indicated that, in the face of economic recession, government expenditures would be maintained as part of the general policy for keeping employment at a high level. A large backlog of public investment is accumulating during the present boom period, and can be used as the basis of the Government's programme for offsetting a decline in economic activity.

Question 6

Are any short or long run national economic plans (including development plans) in operation based on the full utilization of available resources? If so, explain the methods of allocation of resources and of assuring an effective demand for the commodities produced under the plan.

Answer:

From the time of Confederation, Canada's development policies have been directed primarily to the development of the natural resources of this country rather than to national economic planning in relation to specific industries. Along broad lines, the national tariff programme, transportation subsidies, land settlement policies, etc., have all been designed to encourage greater economic development and industrialization in Canada.

A more direct approach has been made in recent years through more comprehensive resource development programmes and measures to stimulate industrial development. During the war, deficiencies in Canada production (e.g. rubber, oil) were filled as a result of a co-ordinated government programme. The measures employed to deal with the present foreign exchange shortages are being directed towards the encouragement of increased Canadian production in certain fields, where this is possible on an economic and competitive basis. The Government now has extensive plans for natural resource development but, in view of the full utilization of resources today, these plans are being deliberately deferred. It is proposed to proceed with them on any sign of slackening in the present investment boom.

Question 7

Should unemployment develop as a result of a deficiency in effective demand, what programmes and provisions are available to offset it? To what extent, if at all, do they include:

- (a) Increased governmental expenditures on goods and services
1. Public works and development projects

The Canadian Government has recognized the need for a broad, integrated public investment programme of useful projects that will be timed

to offset a decline in private investment. In the Proposals of the Government of Canada, a programme involving all levels of government was outlined that would, in addition to providing employment, add to the productive wealth of the country through the conservation and development of natural resources and additions to its capital equipment. In that part of the programme entirely within Dominion jurisdiction, the Government planned to undertake public works; conduct surveys, mapping, inventory work essential for the conservation, development and management of natural resources; expand its research operations in such fields as agriculture, mining, forestry, fishing, construction, develop inter-provincial or regional resources such as the watershed on the east slope of the Rockies; initiate demonstration projects on special resource problems; provide improved national transportation and communication facilities; carry out census surveys on facilities and conditions in the primary industries, housing, community and regional planning. Preparatory work in many of these fields is now under way.

In co-operation with the provinces, the Federal Government planned to assist in raising provincial standards for the conservation, protection and development of natural resources; in providing new access roads to undeveloped mining and forest areas; in the construction of such transportation facilities as the Trans-Canada highway, railway grade crossings, airports; in promoting such national programmes as facilities for technical education, hospitals, etc.

Recognizing the principle that timing the execution of public projects is most important in stabilizing employment and income at a high level, the Government Proposals suggested that this integrated public investment programme, should include useful postponable projects on which expenditure could expand in times of low employment and contract when employment is high. To encourage provincial and municipal governments to adopt timing policies similar to those of the Federal Government, timing grants were to be given the provinces for fully-planned projects executed in a period designated by the Dominion. In order to ensure adequate projects for such a scheme, the Canadian Government also proposed to offer the provincial and municipal authorities grants covering part of the cost of planning approved projects.

Lack of success on the part of the Dominion-Provincial Conference to reach agreement made it impossible to proceed with discussion and implementation of a national public investment programme on the scale outlined above. However, in its own investment policy, the Dominion has adopted the practice of timing its programme to complement private investment. A public projects branch has been set up to screen the Government's own programme so that only essential projects will be undertaken at the present time. This Branch is also gathering together information on the size and scope of the current investment programme and is building up a federal shelf of worthwhile public projects for the future. During the reconstruction period, the Government has provided a special vote to cover construction areas of acute unemployment, to finance essential development projects if normal channels of finance are unsuitable, and to provide funds for planning public construction projects and advance acquisition of sites.

Shortages of material and labour have led to some restriction of investment expenditures on the part of provincial governments. This should help to produce a backlog of projects that can be undertaken in a future period of slackening private investment.

2. Investment by existing public-owned enterprises

Utilities such as hydro-electric commissions, railways, telephone companies, have fairly extensive plans for future developments. As these projects usually involve long construction periods there is still a great deal to be done and the investment programmes of such enterprises will form an important part of Canada's overall plans for offsetting future unemployment.

(b) Stimulating consumption through:

1. Increased payments (in money or in kind) of allowances, pensions, etc.

Government policy has been in the direction of increasing and stabilizing consumption expenditures by developing a social security programme that will support maintenance of consumption expenditures in spite of a decline in employment e.g., unemployment insurance, family allowances, pensions for aged and blind persons and for veterans. The Dominion-Provincial Proposals included some increases in coverage of old age pensions and also proposed health insurance measures. These measures, if put into effect, would serve as added factors in preventing any substantial declines in levels of employment and income. The Canadian Wheat Board Act, the Prairie Farm Assistance Act, the Agricultural and Fisheries Support Acts, through payments made to farmers and fishermen, would also help to underwrite consumption expenditures.

2. Subsidies with view to reducing prices or raising wages in private enterprises

No provision has been made for extensive use of subsidies for this purpose. There are a few instances where such a measure can be used, e.g., payments for farm plumbing equipment under the National Housing Act.

3. Reducing profit margins in governmental enterprises; in private enterprises

No statement of government policy in this respect has been made.

4. Reduction or change in structure of taxation

The Government has indicated that reduction in appropriate tax fields would be made as a means of increasing consumption expenditures in a period of declining economic activity.

(c) Encouragement of private domestic investment by:

1. Reduction or adjustment of taxes.

Government policy has been to reduce taxes as a means of encouraging an expansion in production. During times of unemployment, the Government plans to develop its fiscal policy so as to encourage the increase in private investment and eliminate or minimize taxation contributing to a higher level of production costs.

Tax-free arrangements relating to research expenditures are already in effect. Adjustments have also been made in special cases to render a tax less burdensome to certain industries or to meet special circumstances where it is in the national interest to do so. There have been a number of tax concessions of this nature.

2. Facilitation of credit

This is one of the measures that the Government has recognized (in the White Paper on Employment and Income) as a means of stimulating private investment. To supplement the sources of credit provided by non-government agencies, a number of statutes have been passed that make it easier, particularly for small-scale investors, to obtain credit. Through the Industrial Development Bank, credit is provided particularly for the small business man to establish or expand his plant, where other means of financing are not available. The Farm Improvement Loans Act provides intermediate and short term credit to farmers to improve and develop their farms and to better their living conditions. Loans are made to purchase farm machinery and livestock; for installing agricultural equipment or a farm electric system; fencing or drainage, as well as construction and repair

of farm buildings. Long-term loans are available to farmers through the Canadian Farm Loan Board, a federal agency operating in all provinces. Housing loans up to a specified amount under the National Housing Act (administered by Central Mortgage and Housing Corporation) cover joint loans for home-ownership or rental units in urban or rural areas; direct loans by the Corporation for approved projects if other credit facilities are not available; loans to limited dividend companies or primary industries; and home extension loans.

3. Reduction of interest rate

Interest rates on government bonds and other high grade securities are still low, although some increases took place last year. In most cases the interest and discount rates charged by the commercial banks are comparatively low. Official opinion in Canada is that, in general, interest rates are now of relatively minor importance in determining the level of expenditure and production.

(d) Increasing net exports by means of:

1. Government grants to foreign countries
2. Government loans to foreign countries
3. Encouraging private loans to foreign countries or direct foreign investment; if so, what measures are contemplated
4. Other measures: specify

As one of the chief exporting nations of the world, Canada has done a great deal to restore and stabilize world markets. Foodstuffs, raw materials and equipment from Canada have played an important part in postwar world recovery. Through relief grants, credits and loans, this country has made a substantial contribution to the financing of economic rehabilitation in Europe. These credits and loans have helped to maintain employment in the transitional period and also aided in rebuilding the structure of international trade and political stability that are so vital to Canada's future.

Question 8

Should a decline in effective demand develop, it is expected that steps of the type listed in Question 7 above will be taken from the start or will it be possible to do so only after the fall in effective demand has developed? What are the methods for anticipating the time of the downturn and its extent?

Answer:

The responsibility for influencing and directing economic affairs to maintain full employment has been recognized not only by the Government, but also by all the major political parties in their platforms and programmes. The necessary statistical and economic services required to detect developments likely to interfere with full employment have already been set up, and steps could be taken promptly to counteract any such tendencies at an early stage.

Question 9

If your full employment programme involves increased governmental expenditures is it proposed to offset it partly or fully by increasing tax rates? If so, what taxes?

Answer

A specific answer to this question would involve a forecast of government tax policy that cannot be made at this time. The answers given above to other questions indicate the general nature of fiscal policies now contemplated.

Question 10

Should a budget deficit result from the full employment programmes, what limitations would be placed on the rise in the public debt (such as balancing the budget over longer periods, keeping the ratio of the national debt to the national income below a certain limit, etc)?

Answer:

There are no arbitrary constitutional or statutory limitations upon the size of the public debt, but the effects of any change in the debt would no doubt be considered by the Government and Parliament in the light of circumstances and prospects at the time.

Question 11

How is it proposed to deal with the problem of the transfer of labour in case some industries or areas are hit especially hard, e.g.; if industries largely dependent on exports lose their foreign markets.

Answer:

This problem has already arisen in Canada. In 1947 there was local unemployment in some Nova Scotia areas and through the Employment Branch of the Unemployment Insurance Commission a number of the unemployed were transferred to Ontario and Quebec. The Federal Government paid the transportation charges and jobs were found through the local employment offices of the National Employment Service.

The seasonal transfer of labour has been an important element in the labour situation in Canada for some time. The National Employment Service has participated in the movement of farm workers to help in the harvesting of grain in the Prairies; of hay, grain, fruits, vegetables and tobacco in Central Canada; of fruit in British Columbia and the Maritimes. Workers also cross the international boarder to help in the potato crop, the sugarbeet harvest, grain harvest, and pulpwood cutting in the United States, while American combine crews and tobacco pickers, for example, move into Canada. This movement is now organized by the National Employment Service and supplements the former methods used in meeting seasonal labour requirements in agriculture and lumbering.

Question 12

- Should an attempt to maintain full employment in the face of a decline in exports lead to balance of payments difficulties:
- (a) What national measures are envisaged to deal with the problem?
 - (b) What type of assistance would be requested of the existing Specialized Agencies of the United Nation?
 - (c) What other international measures might render additional assistance?

Answer:

Canada has had no recent experience of this particular problem. If there were an overall decline in exports which might lead to unemployment it is anticipated that Canada would make special efforts to stimulate exports. At the present time the Canadian Government is co-operating in every way possible in the international efforts that are being made to restore world trade on a multilateral basis and open up more markets for Canadian goods.

It may be noted, however, that in 1947 Canada faced balance of payments difficulties caused, not by a decline in exports, but by inability of European soft currency countries to pay for Canadian exports either in kind or in dollars, and by an increase in our imports from the

United States at a time when prices were rising rapidly and Canada was experiencing an investment boom. To stop the drain on Canada's dollar reserves, certain dollar-saving measures were introduced under the Emergency Exchange Conservation Act. Restrictions were placed on imports of certain consumer and capital goods, as well as limitations on funds for travel. The primary purpose of these measures has been to cut down on the spending of American dollars, but every effort is also being made to build up exports to hard currency countries and to produce in Canada more of the type of goods that were formerly imported from the United States. As a further safeguard against dwindling dollar reserves, an emergency line of credit of \$300 million was obtained from the Export-Import Bank of the United States, all the drawings on which, amounting to \$150 million have since been repaid, and replaced by a private loan of the normal type.

Question 13

If your government is responsible for the administration of non-self governing territories which are not participating in the work of the United Nations regional economic commissions, describe the policies designed to maintain full employment in these territories in the light of the above questions.

Answer:

Not relevant.

Question 14

Comment freely on any subject relevant to the problem of achieving or maintaining full employment and economic stability which is not covered by the preceding questions.

Answer:

As the answers to the preceding questions may not give a very coherent picture of Canada's policy for maintaining full employment, a brief summary of the principal features might be useful. As Canada is now in a period of full employment and in an inflationary, rather than deflationary period, the policy outlined in such documents as the White Paper on Employment and Income do not represent present economic policy but indicate the lines which government policy would take if the country were moving into a period of declining economic activity. Pervading all the Government's economic policies is the desire to keep the Canadian national income and employment at high and stable levels, and the problem is being tackled on a number of different fronts. The Government's plans for maintaining full employment are based on a combination of fiscal, monetary and economic measures, and all these measures are designed to be put into effect on an appropriate scale as the need arises. The strengthening and stabilizing of Canada's export trade and the maintenance of consumer and investment expenditures are the primary objectives toward which these measures are directed.

Canada's dependence on exports makes it vital that every effort should be made to re-establish peacetime markets for our export commodities to remove trade barriers and restore multilateral rather than bilateral trading. Participation in international measures for world recovery, such as the European Recovery Program or commodity agreements to stabilize demand for exports at a high level, the promotion and facilitation of trade at home and abroad, are all measures aimed at supporting Canadian trade with other nations.

Fiscal and monetary measures will help to keep both consumption and investment expenditures at a stable level. Unemployment insurance family allowances, and other social legislation, payments to primary

producers, reductions in taxes, will aid in increasing and stabilizing consumer income. Private investment will be encouraged, when necessary, by appropriate measures. The backlog of opportunities for public investment, including resource development measures, that has accumulated during the boom period will help to offset a decline in private investment. The improved placement and training facilities now available to workers have added to the mobility and adaptability of the Canadian labour force. The encouragement that is being given to expanded industrial development on a competitive basis, coupled with a more extensive resource development and conservation programme, should help to strengthen the Canadian economy against minor fluctuations in world trade.

The Canadian Government has clearly stated its objective of maintaining employment in Canada at a high level. In view of the changing and fluctuating economic situation of today, it is not possible to draw up a blueprint of all the policies needed to achieve this objective. But the Government is ready to take any measures necessary to cope with unfavourable circumstances, and is well aware that rapid, bold, and imaginative steps will have to be taken to deal with the threat of unemployment or declining incomes.

RP/C
May 31, 1949

