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IMPROVEMENT FORECAST IN PRODUCTION, EMPLOYMENT AND INCOME

During a debate on the budget on January 19, the Minister of Finance, Mr. E.J. Benson, spoke on the state of the economy and the present level of unemployment in Canada.

Excerpts from his statement follow:

...In discussing our economy, it is essential to keep our primary objective as a nation foremost in mind. As I pointed out in my budget address, that objective is a steady and sustainable improvement in the real income of Canadians everywhere. This, in turn, requires the fullest possible utilization of the nation's human and material resources. Because of the serious strains imposed on the economy in the past by the long upward surge of costs and prices at home and abroad, the utilization of both our human and material resources at present is below the level any of us would consider desirable. As I have emphasized on a number of occasions, the Government is deeply concerned about the current levels of unemployment existing in this country and the hardship this entails. But I am firmly convinced that, as a result of the strong fiscal and monetary stimulus

progressively injected into the economy during the course of the past ten months, the stage has been set for a substantial improvement in production, employment and real incomes.

In the budget which I presented to the House last month, I pointed out that a development of prime importance was that employment appeared to be rising in Canada and unemployment to be falling when seasonal factors were taken into account. In September of last year, unemployment on a seasonally-adjusted basis reached a peak of 6.9 per cent. It declined to 6.6 per cent in October and 6.5 per cent in November. The figures for December, published only last week, show that adjusted unemployment during that month amounted to 6.6 per cent, which was also below the September peak for the third month in a row.

EFFECT OF GM STRIKE

It is important to remember that this decline in unemployment was maintained during the balance of 1970 despite the fact that a substantial number of workers were jobless as a result of the impact on associated industries of the General Motors strike in Canada throughout the whole three-month period. Had that strike not been in effect or had it been settled sooner, unemployment would have been significantly less than that actually recorded. I might observe, in passing, that the General Motors strike south of the border, which also caused extensive unemployment in industries supplying the automotive company, had been settled by the time the labour force survey was taken last month. Nevertheless, unemployment in the United States rose from 5.8 per cent in November to 6 per cent in December, also on a seasonally-adjusted basis....

...The actual number of people without work always increases sharply in Canada during the winter months even in the best of times, as I pointed out in

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my budget speech last month. During 1966, for example, average annual unemployment declined to the lowest level during the past decade, at 3.6 per cent. In that year, actual unemployment varied between 2.6 per cent in September, when 205,000 workers lacked jobs, and 5.1 per cent in January, when there were 359,000 without work, a differential of 154,000.

The amount of work which can be undertaken in the tourist industry and by farmers, fishermen or construction workers, for example, is severely curtailed in winter by ice, snow and freezing temperatures. Over a period of years, the proportion of the labour force unemployed during the wintertime because of seasonal factors has declined quite markedly. In part, this is the result of the development of new methods that make possible continuation of some kinds of outdoor work. In part, it is the result of the fact that a growing proportion of the labour force is engaged in occupations less affected by seasonal changes. Nevertheless, it remains a fact that during our Canadian winter there are a large number of people who are unable to work at their occupations.

GENERAL EFFECT OF STRIKES

During 1970 as a whole, unemployment in Canada averaged 5.9 per cent, compared to 4.7 per cent in 1969. An important factor which contributed to this increase was the continued rise in the number of Canadians put out of work because of industrial disputes. Since 1962, the amount of time lost as a result of such disputes has been growing at an average annual rate of more than 25 per cent. In the second quarter of 1970 alone, more than three million man-days were lost as a result of strikes or lockouts. On the assumption that each person involved in an industrial dispute results in one other person in a related industry being laid off, industrial disputes in the second quarter alone accounted for some 50,000 persons being added to the ranks of the unemployed. This is quite apart from the strikers themselves, who are not counted among the unemployed. It is estimated that, in the absence of layoffs resulting from industrial disputes, average unemployment during 1970 would have been reduced from 5.9 per cent to 5.5 per cent, which compares with the average rate of unemployment between 1961 and 1969 of 5 per cent.

Perhaps the most important single element in our manpower situation is the fact that Canada has by far the fastest-growing labour force of any country in the industrialized world. It is, of course, obvious that during the past year the creation of new jobs failed to keep pace with the increases in the size of the labour force. Nevertheless, the increase in Canadian employment during 1970 of 1.3 per cent exceeded that in the United States by a third and was significantly higher than the average annual employment growth of every major European country between 1961 and 1968. In two leading European countries,

Germany and Italy, average annual employment actually declined by .2 and .9 per cent respectively during this eight-year period of strong economic expansion.

Even in the period of moderate economic growth which we experienced last year, it is probable the figures will show that in relative terms Canada led the world in the creation of new jobs for its citizens.

MEASURES ALREADY TAKEN

Beginning with the budget last March, fiscal and monetary policies have been geared progressively to promoting a major expansion of the economy as the dangerous pressures of inflationary prices have been brought under control....I would like to outline briefly the measures the Government has taken to turn the economy around during the past nine or ten months. Last March... we produced an expansionary budget, a switch on a cash basis of over \$750 million. In June we increased outlays to the provinces by some \$350 million. Another \$73 million went into a summer employment program for students, and expanded social assistance programs. In August, we pumped an additional \$100 million into the 1970 CMHC capital budget and a further \$140 million in 1971 to finance an additional 15,000 units of low-cost housing. Construction of these housing units is already under way in regions where the need is great and unemployment highest. At the same time there was a special program of \$60 million for capital and other projects in regions of slower economic growth and for manpower retraining.

As I emphasized earlier, we did all these things in stages, as we found that we could responsibly take additional measures consistent with the maintenance of economic stability. By December we determined we could take further action, and we did so. The budget then provided for additional expenditures of \$100 million this fiscal year, and \$400 million in fiscal 1971-72, for a total of \$500 million.

In the December budget, I announced a 10 per cent increase in unemployment insurance benefits, an additional \$23 million for capital improvement projects in areas of highest unemployment, another \$20 million for the development of roads and other local services for the new Montreal International Airport, another \$40 million for CMHC for additional low-cost housing construction on top of the 15,000 units mentioned earlier, loans totalling \$150 million to the provinces for quick job-creating capital projects, an industrial incentives program for south-eastern Ontario and southwestern Quebec, direct loans and loan insurance to the footwear industry, substantial assistance to the shipbuilding industry, and a capital-cost allowance supplement to encourage an early expansion of capital investment in the manufacturing and processing industries. I said then the \$150-million loan program was to encourage provinces immediately to undertake projects that they could not

EMILY CARR STAMP

Emily Carr, a well-know British Columbia painter and writer, will be commemorated during the hundredth anniversary of the year of her birth by a six-cent stamp to be issued on February 12. The stamp is a copy of one of her most famous paintings, "Big Raven".



The artist, who was born on December 13, 1871, in Victoria, was influenced in her work by a deep love for her native province, particularly the culture of the Coast Indians. Though she had been painting since the turn of the century, her style, which was regarded as "modernistic", did not gain favourable recognition in Canada until 1927, when she was invited to exhibit her work at the National Gallery in Ottawa. Six years later she became a member of the Canadian Group of Painters.

In the latter years of her life, ill health forced Emily Carr to give up painting. She turned to writing about her beloved province and, by the time of her death in 1945, she had finished six books. The first, entitled *Klee Wyck*, a series of tales and sketches of West Coast Indians, won for her the Governor General's award for non-fiction in 1941.

The Canadian Bank Note Company of Ottawa is printing 27 million of the Emily Carr issue by four-colour lithography. The red, yellow, blue and black stamp measures 30 mm by 30 mm.

MERCANTILE BANK MAINLY CANADIAN

The Minister of Finance, Mr. E.J. Benson, announced recently that the Federal Government had approved in principle a program to ensure that Canadian residents acquired at least 75 percent ownership of the capital stock of the Mercantile Bank of Canada. Mercantile's "parent", the First National City Bank of New York, will guarantee that this goal is met by depositing three-quarters of its Mercantile holdings with a Canadian trustee.

If a planned ten-year program of issuing new Mercantile shares to Canadian residents is not completed in full, the trustee will sell as many of the parent bank's shares as necessary to increase resident holdings to 75 per cent. By this formula,

the First National City Bank will hold no more than 25 per cent of the total capital stock by December 31, 1980.

A shareholders' bylaw was passed at the Mercantile annual meeting December 9, 1970 to increase the authorized capital of Mercantile to \$40 million from the existing level of \$10 million. An initial \$5 million of this increase will take effect after public notice of the bylaw has been given and after the bylaw has been formally approved by Governor in Council as required by Section 32 of the Bank Act.

The bylaw also makes provision for five subsequent increases of \$5 million each in Mercantile's authorized capital. In each case the increase can take effect only after all previous increases have been fully issued to Canadian residents.

Until the total shareholdings of Canadian residents have reached 75 per cent of the total issued shares of the bank, the provisions of Section 75(2)(g) of the Bank Act will continue to apply — that is, the liabilities of the bank as a whole will be limited to twenty times the authorized capital that has come into effect at any time under the terms of the shareholders' bylaw.

It is Mercantile's intention to issue to Canadian residents the whole of this increase in authorized capital before December 31, 1980, bringing the combined holdings of Canadian residents to at least \$30 million of the \$40-million total capital. If for any reason Mercantile has not completed this program by that time, the First National City Bank of New York must sell shares from its existing holding to bring the total shareholding of Canadian residents up to 75 per cent of total issued and outstanding shares. For this purpose, \$7.5 million of the First National Bank's holdings will be deposited with the Canadian trustee empowered to sell these shares.

POPULATION FIGURES

The population of Canada as of June 1, 1970, was estimated at 21,377,000. This figure is subject to revision when the data from the June 1, 1971, census are available for comparison. In Canada as a whole, males slightly outnumbered females — 10,712,600 males, compared to 10,664,400 females; among the provinces, however, the percentage of males was 53.7 per cent in the Yukon; 51.0 per cent in Newfoundland; about 50.8 per cent in Saskatchewan, Alberta and British Columbia; 50.4 per cent in Prince Edward Island; 50.1 per cent in Nova Scotia and New Brunswick, 50.0 per cent in Manitoba; 49.9 per cent in Ontario and 49.8 per cent in Quebec.

The male percentage in the population also changes from age-group to age-group. There are more male than female babies born each year (in 1968 there were 1,060 male births to every 1,000 female births), giving the high rate of 51.3 per cent for males in the age-group 0-4. However, the larger male mortality

rates lowers this ratio to 51.1 per cent in the age group 5-14; 50.7 per cent for persons 15-24; 50.4 per cent for those 25-44; down to 49.5 per cent for those 45-64; 47.7 per cent for those 65-69; and 44.0 per cent for persons over 70 years of age.

The steady drop in the birth-rate during the 1960s is reflected in the decreasing numbers in the 0-4 age-group. In 1961, there were 2,256,400 in this age-group; in 1966, 2,197,000; and in 1969 an estimated 1,868,300, a drop of 388,000, or 17 per cent, since 1961. The lower birth-rates of the early 60s are also reflected in the very slight increase in the 5-9 age-group between 1966 and 1970. There would have been a decrease but for the addition of immigrants to this group during the period. The effects of the high birth-rates of the years 1946-1959 are now showing in the age-groups from 10 to 24, where the increase in population is still affecting high-school and college attendance and showing also an increase in marriage.

AIR ELECTRONICS TO AIR NEW ZEALAND

Air New Zealand has placed the first order for a "new-generation" visual system for the flight-simulators in which pilots must learn to fly the aircraft of the 1970s with CAE Electronics Ltd. of Montreal. ANZ has also ordered from CAE a DC-10 flight-simulator.

The visual system, which will provide pilots with full-colour viewing of an airport and the surrounding terrain during taxiing, take-off, approach and landing in the simulator, will be developed by CAE and CBS Laboratories, Stamford, Connecticut.

It is a full-colour closed-circuit television system using a field sequential camera-chain and an Eidophor projector. The projector is similar to those used in the NASA Manned Space Craft Centre, Houston, to follow the progress of manned space flights from launch-pad to splashdown, and at other centres such as NASA, Cape Kennedy.

CAMERA ACTION

A three-dimensional terrain model of a typical airport and surrounding countryside provides the camera subject.

The camera moves over the model to duplicate precisely the movement of the flight-simulator through any training exercise. The picture that the camera sees is projected on a screen in front of the cockpit windshield. It is precisely what the pilots would see if they were in an actual aircraft performing identical flight manoeuvres at the real airport.

Daylight, dusk or night-time effects, including all runway lighting and adjacent town lighting can be simulated in any type of weather condition, with the capability for certain "blind landing" approaches.

When Air New Zealand takes delivery of its new

DC-10 flight-simulator with visual system in the autumn of 1972, it will lead the world in the application of real life visual simulation in airline pilot training.

The total cost of the simulator, with its visual system, is about \$3,600,000.

DEVELOPMENT PROGRAM IN MOROCCO

Canada and Morocco signed two agreements late in December in the Moroccan capital Rabat, on the extent of Canadian participation in the DERRO project, a vast rural and economic development program in the western Rif mountains of North Africa. The agreements were for a loan for technical and capital assistance. The Government of Canada and the government of Quebec will co-operate in implementing this joint project under a previous agreement, signed on March 3, 1970, and greeted as "a happy initiative in federal-provincial relations" by Mr. Mitchell Sharp, Secretary of State for External Affairs, and by Mr. Marcel Masse, at the time Quebec Minister for Intergovernmental Affairs.

Under the March agreement, the Canadian International Development Agency, which is responsible for administering Canada's programs for international development, has already sent seven experts from Quebec to work in the Rif region as members of the technical mission for rural and economic development.

Canada will take part in the DERRO project, in the Moroccan province of Tetuan, by supplying experts in rural and economic development for a five-year study and operational mission and providing special equipment for the team, such as vehicles, agricultural tools and miscellaneous implements. The long-term, no-interest loan agreement will also put \$500,000 at the disposal of Morocco for the purchase in Canada of services or goods required to carry out the program. Five Moroccan technicians will benefit from the first study and training fellowships to be provided in Canada under the program in 1971.

The DERRO-Tetuan project involves Canada in the implementation of a far-reaching program worked out by Morocco with the help of the United Nations to ensure in 25 years, at a cost of some \$300 million, the rural and economic development of the country's six northern provinces. The fight against soil erosion and the impoverishment of this mountainous region of 7,000 square miles vitally affects one-tenth of the Moroccan population. The Canadian team will be working near Tetuan, which was the capital city of the former Spanish Morocco. International organizations such as the UN Food and Agriculture Organization, the UN Special Fund, the World Food Program and the World Bank, as well as such countries as France, Belgium and Germany, have agreed to co-operate in the DERRO project.

CANADIAN CLAIMS ON CUBA

The Secretary of State for External Affairs, Mr. Mitchell Sharp, recently announced that the Canadian and Cuban Governments had agreed to begin negotiations in the near future with a view to effecting a lump-sum settlement of claims of Canadian citizens arising out of property, rights and interests nationalized or otherwise taken over by the Cuban Government.

Canadian citizens who had had property nationalized by Cuba were asked to submit details of their claims to the Department of External Affairs before June 15. Failure to register a claim in this way may prejudice a right to possible compensation in the future.

In accordance with well-established international rules and practice in this field, the Canadian Government will be able to take into consideration only claims in respect of property which belonged to persons who were Canadian citizens at the time the property was nationalized or otherwise taken.

ARCTIC WEATHER STATIONS

The operation of the five Joint Arctic Weather Stations (JAWS) in the Canadian Arctic, a combined United States and Canadian venture since their establishment in the 1940s, will be an all-Canadian undertaking by October 31, 1972.

The stations are located at Resolute Bay on Cornwallis Island, Isachsen on Ellef Ringnes Island, Mould Bay on Prince Patrick Island, and Eureka and Alert on Ellesmere Island.

Transport Minister Don Jamieson, whose department has provided the Canadian staff and equipment in the jointly-operated establishments since their beginning, recently said that the United States was withdrawing from the program in line with its decision to reduce its external commitments generally.

The phasing-out of its share in the JAWS support will be undertaken on a progressive basis; the U.S. section of the staff at Alert will be withdrawn this year. Thus the staffs at Mould Bay and Isachsen will become all-Canadian and in 1972 the Americans will leave Eureka and Resolute Bay, all vacancies being filled by Canadians.

The establishment of the stations resulted from the recognition by Canada and the United States of the vital effect of weather activity in the high Arctic on conditions over the rest of the North American continent and of the need for a comprehensive, full-time weather-reporting program in that area. The stations at Eureka and Resolute Bay were established in 1947, those at Isachsen and Mould Bay in 1948, and the Alert station, at the northernmost tip of Ellesmere Island, a scant 500 miles from the North Pole, in 1950.

Though the supplies and manpower have been provided by both countries, the officer in charge at each station has always been a Canadian. Each station is manned, ordinarily by seven upper-air technicians, a heavy-equipment operator, an electrical technician, an automotive mechanic and a cook.

NEW METHOD OF TEACHING MUSIC

Mr. Jean Chatillon, professor of music at the University of Quebec, Trois-Rivières, has just introduced a new technique that is already being hailed as "the most significant innovation in music-teaching since the invention of notation": the "pantonal" method. After carrying out experiments in Canada and the United States, musicologists believe that this method represents an important pedagogical breakthrough.

The method is based on the work of Mr. Conrad Letendre, formerly of the University of Montreal, and its pedagogical aspects have been worked out by the composer and conductor Michel Perreault. It treats music theory using the logic of mathematics. By avoiding memorizing, the student is able to assimilate the subject matter in an active manner. In addition to a number of instruments such as the slide rule, the teaching materials include an exercise book, a scale of progression and a manual used for various studies, which has the main characteristic of containing only musical symbols, without any explanatory text. A set of slides comes with the method, to show how the instruments are played, and a recorded commentary by Mr. Perreault explains the exercises as the student progresses.

Since the beginning of the autumn term, about 20 specialists have been using the pantonal method in the region served by the University of Quebec, which is being studied by about 10,000 students at secondary-school and at university level. After recent experiments involving 700 students from Montreal, the rector of the Trois-Rivières campus, Mr. Gilles Boulet, said that he was most "impressed by the speed with which students learned the various elements of music". After using it for a single day, one teacher said that the method put musical theory within the reach of the largest possible number of people, thus tending to refute the notion that only the most gifted can understand music.

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otherwise afford to finance at the present time.

Activity is moving ahead rapidly. We have reached agreement with Quebec on a full allocation of their \$70-million share of the fund. Contracts are being let for sections of an auto-route through the

city of Montreal which will form part of the Trans-Canada Highway. Already, there are 1,000 men at work on the site and the Quebec government expects 2,400 men to be at work by April. Several times that number of jobs will be created in supplying and carrying material to the site. Our officials have agreed with the government of British Columbia on allocation of that province's \$37-million share of the loan fund for municipal projects in the province. B.C. plans work on these to start immediately. We have been meeting with the other provinces in order to expedite projects and they will be submitting applications within days. There will be no delay in granting approval for qualified projects....

...We took the decisions which succeeded in bringing under control the worst peacetime spiralling of prices and costs, and we have and will take the decisions to achieve a substantial and sustained economic expansion

The effect of all these changes in fiscal and monetary policy over the course of the past ten months has been to provide a very large stimulus for expansion of the Canadian economy....

BRIGHTER FORECAST

At the outset of my remarks, I readily acknowledged that the performance of the economy generally over the course of 1970 was not as buoyant as we would like to see. Nevertheless, there are substantial elements of strength apparent that augur well for the future.

In the budget, I pointed out that real output in the economy has begun to rise again in the third quarter following a pause in the second. It will be some time yet before the national accounts for the fourth quarter are published, but it is encouraging that in November the industrial production index, an important indicator of economic activity, increased by 1.3 per cent over the previous month. This increase, which is the largest month-to-month rise since last February, occurred despite the serious drag on industrial output resulting from the General Motors strike.

A further sign of gathering strength in the Canadian economy is evident in the value of non-residential building permits issued in October and November, which were above the levels of a year ago for the first time in 1970. After lagging earlier in the year, housing construction increased sharply during the latter part of 1970 because of the heavy injection of funds provided by the Federal Government as part of the series of measures adopted to promote faster

economic growth. During the fourth quarter of last year, the number of housing starts was running at a seasonally-adjusted annual rate of 260,500, which is the highest rate recorded since the first quarter of 1969.

Only late last week, the Dominion Bureau of Statistics reported that, as a result of a substantial increase in exports, Canada achieved a merchandise-trade surplus with other nations of \$2.95 billion. This is not only more than double the previous peacetime peak of \$1.3 billion in 1968 but also exceeds the 1945 wartime record of \$1.7 billion by more than \$1.2 billion.

During 1970, business-capital investment lagged significantly behind the increase originally anticipated by private companies contributing to the moderation of economic growth. Despite this shortfall, however, it is encouraging that a recent survey of some 200 large corporations in Canada undertaken by the Department of Industry, Trade and Commerce indicated that these companies expected their capital investment during 1971 would exceed actual expenditures last year by approximately 11 per cent.

A major source of economic strength is the extraordinary progress made during the course of the past year in bringing inflationary prices under control. In December, the consumer price index declined by .4 per cent from the previous month. The year-to-year increase in the index for December of 1.5 per cent was the smallest rise since 1964. Between February and December, the consumer price index also rose by only 1.5 per cent on a seasonally-adjusted basis, which is a substantially smaller increase than that of my other major industrial nation.

During 1970, there was a substantial decline in interest-rates, reflecting the easing of monetary policy started last year and the growing confidence that inflation was being brought under control. By mid-January of this year, the yield on 91-day Treasury bills was 4.66 per cent, compared to yields of more than 7.5 per cent recorded in late 1969 and early 1970. Earlier this month there was a further reduction from 7.5 per cent to 7 per cent in the prime lending-rates of the chartered banks, which, during January, have also led a movement toward lower NHA mortgage rates. There has been a substantial decline in other long-term rates as well. By the middle of this month, the rate on long-term Government of Canada bonds was down to around 6.7 per cent, compared to rates of more than 8.3 per cent at the turn of 1969/70. All of these developments on the monetary front will contribute in a very real way to economic expansion.