



Bulletin

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FEDERAL GOVERNMENT AND THE PROBLEM OF INFLATION

The discussion of inflation, "a matter of paramount and immediate concern for the country as a whole", was opened by the Prime Minister at the federal-provincial conference held in Ottawa on February 16 and 17. In his statement, Mr. Trudeau outlined as follows the position of the Federal Government:

...It is clear from the presentation on the economic and financial situation given by Mr. Rasminsky that inflation remains the first-priority problem facing Canada today. This is so in spite of the fact that policy restraints on public and private spending, which have been at work both in Canada and the United States throughout 1969, are now beginning to have an impact on the pace of economic activity. This had not yet resulted in a lower rate of prices and incomes inflation, but at least the acceleration in the upward push of prices appears to have been stopped. This is an essential first step. The next major step will involve an actual reduction of the rate of increase. We must bring this about in order to stop the inflationary spiral, and we shall obviously

have to work hard to achieve it. But that effort is essential, and must be pursued until it succeeds, if we are to bring to an end the injustices and instabilities caused by inflation.

DANGERS FORESEEN

I scarcely need to spell out the many evils to which inflation gives rise. By now these are only too obvious, not only to those on fixed incomes but also to farmers, industrial workers, small businessmen and, in fact, almost every group in our society that is not in a position to keep ahead of prices or otherwise to exploit the situation to their advantage. Furthermore, the effects of inflation are not limited to those areas where pressures on the economy are most severe; they show up also in accelerating increases in costs and prices, even in those parts of Canada where economic activity is slack. We would be foolish indeed if we were to conclude that the effort to control inflation is too great, and hence to resign ourselves to trying to live with it. There is a temptation to take that view because the pain of curative efforts is immediate and obvious. The consequences of *not* acting are worse, but they are less apparent here and now. But the consequences of not acting would, in the long run, be an unjust worsening of the position of the weakest and most exposed people in our society, irreparable damage to Canada's international trading position and impairment of the future economic growth of the country and the well-being of all Canadians. It is clear that the longer inflation is allowed to run on the harder it becomes to keep it from getting worse, and the heavier will be the eventual cost of stopping it. Continued inflation will undermine our economy, dangerously alter the structure and stability of our society and impair the credibility of our political institutions. In the long run, it can constitute a threat to our future as a society and as a nation.

It is for this reason that the Federal Government is doing all in its power to combat the wage/price

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spiral that has been steadily accelerating for some years now. You have just heard the Chairman of the Prices and Incomes Commission outline the achievement of the Conference on Price Stability, held last Monday and Tuesday. At this Conference, business leaders and representatives of various professional groups pledged their support to the fight against inflation and, with that object, declared their readiness to make certain real sacrifices. It is clear that, if other groups can respond in the same positive manner, we will be able to look forward to substantial gains in jobs and output as other types of restraint became less necessary.

A SHARED RESPONSIBILITY

If fighting inflation is a task for all Canadians, it is a special responsibility for governments — all governments. The fact that provincial and municipal governments currently account for some 58 per cent of total government expenditures means, of course, that this responsibility will have to be a shared one if we are to succeed. In fact, one of the most notable features in the changing pattern of distribution among the three levels of government has been the decline in the federal share of revenues and expenditures. The rise in the provincial-municipal share of over-all government expenditures from 35 per cent in 1952 to almost 60 per cent at present underlines the importance of working out together a co-ordinated program of government action in order to bring back price stability. In this endeavor we have no alternative: we are condemned to succeed.

FEDERAL CUTBACKS

For our own part, the Federal Government has, as you know, done a number of things:

We have cut down and are holding back the growth of Federal Government spending, while taking steps to increase revenue more rapidly than would otherwise be the case. The estimates for 1970-71, tabled in the House of Commons last Wednesday, show again a substantially reduced rate of increase in Federal Government spending. In fact, those expenditures determined neither by statute nor prior commitment have been held close to their 1969-70 levels. As a result of spending cutbacks in 1969-70 and again in 1970-71, the federal budget has been turned from a deficit into a surplus position, the current year's budgetary surplus being the first such surplus in 13 years. This has eliminated the need to raise additional money through market borrowing, a situation we aim to maintain in the coming fiscal year. We have also, through the operations of the Bank of Canada, limited the growth of credit, increasing the cost of credit and reducing its availability in the process.

SELECTIVE SPENDING

In all these policies we have been striving to minimize the undesirable side-effects which, of necessity,

accompany such broad measures. We have been increasing our investments in programs designed to attract industries to less prosperous parts of the country, and we have been experimenting with and studying the effects of selective policies designed to pinpoint the sources of inflationary pressures, while blunting the sharp edge of restraint on particularly exposed regions and sections of the community. You will have noticed that in our estimates the largest increase, apart from statutory items which are outside our control, is for regional economic expansion. Programs such as those administered by the Department of Regional Economic Expansion are explicitly aimed at improving conditions in the low-income regions, but there are also other government programs which are important in this respect. These include federal expenditures on adult occupational training, unemployment insurance benefits, the allowances under the Canada Assistance Plan, a number of other social programs, and expenditures on highways and public works.

The Federal Government will, of course, continue to moderate the regional impact of restraint through programs such as these, and probably by further refining our policies so as to concentrate the effects of our restraint measures in those areas where inflationary pressures are strongest. For such policies to be fully effective, it would be desirable to have the close co-operation of the provincial governments.

Despite our best efforts, however, there is no doubt that to overcome inflation by relying solely on general measures of the sort I have mentioned would give rise to some hardship, would retard economic activity in those regions which are not a source of inflationary pressures and where we would wish to encourage growth, and might involve some increase in unemployment in areas where it is already distressingly high. The program developed by the Prices and Incomes Commission is not intended as an alternative to general restraint measures but rather as an important supplement to them. The Federal Government supports that program. Its impact will permit some reduction in the severity and duration of the general measures which would otherwise be necessary. It can help to diminish the adverse side effects of those measures. Hence, we all have a very real stake in the success of that program, and it is to our common interest to co-operate in this matter with the Commission as well as among ourselves.

SELF-RESTRAINT BY BUSINESS

The Federal Government was most encouraged by the degree of co-operation that was indicated by the leaders of the business community who joined in the "final statement" of the meeting held in Ottawa on February 9 and 10, 1970. The willingness of the private sector to restrain increases is a most constructive development. The Federal Government hopes that the heads of provincial governments will join it

CANADA-U.S. DRAFT FISHERY PACT

Canada and the United States have negotiated a draft agreement on reciprocal fishing privileges in certain areas off one another's coasts in the light of the establishment by both countries in recent years of exclusive fishing-zones. In making this announcement recently, Fisheries and Forestry Minister Jack Davis said that the agreement was subject to approval by the governments of the two countries.

The instrument was negotiated by representatives of both countries in Ottawa last month. Dr. A.W. H. Needler, Deputy Minister of Fisheries and Forestry, led the Canadian delegation and the U.S. delegation was led by Ambassador Donald L. McKernan. Advisers included state, provincial, federal and fishing industry representatives from the Atlantic and Pacific coasts of Canada and the U.S..

The areas covered by the draft agreement are the east and west coast of Canada and the U.S., including Alaska. The species considered are all those involving commercial fisheries affecting both countries.

The draft agreement is for a period of two years. It applies only to commercial fisheries and to areas defined.

The fisheries of the two countries will continue

much as before in the areas designated as reciprocal fishing areas in the draft agreement.

Salmon-trolling by Canadians in U.S. waters will continue to be permitted only in an area three to 12 miles wide off the coast of Washington State. U.S. salmon-trolling in Canadian waters will be permitted to continue only off Vancouver Island.

Pacific-halibut fishing in each country's reciprocal fishing area will continue.

Such trawl fisheries as have been conducted in each country's reciprocal fishing area by vessels of the other country will continue.

The long-standing practice of transferring herring on the east coasts of the U.S. and Canada will continue, but neither country will fish for herring in the other country's reciprocal area. Fishing for any species of clam, scallop, crab, shrimp or lobster will not be permitted in the other country's reciprocal fishing area. The initiation of any new fisheries by vessels of one country within the reciprocal fishing areas of the other country will require consultation and agreement between the two countries.

Fishing regulations in the reciprocal fishing areas of each country are to apply equally to the fishermen of both countries.

CATTLE LOAN TO UGANDA

Canada is providing a loan of \$1 million for the supply of 600 head of cattle and dairy equipment to Uganda.

The cattle, all registered Holstein-Friesians noted for their high milk production, are being sent a distance of over 7,500 miles in Air Canada DC8 freighter jets which have been specially converted for this long journey.

The first of the 12 flights left Toronto on February 15 with a stop-over at London, England, for refuelling and a change of crew. The 52 head of cattle remained on board in their plywood pens throughout the journey.

The special pens, economically made by a Canadian manufacturer, hold four animals each. On arrival at Entebbe international airport in Uganda, they will become the property of the Uganda Government for use as sheds, etc.

The cattle will remain for some time on Government farms in Uganda before being distributed in small numbers to individual farmers.

The Canadian loan has two components - \$860,000 for the purchase and shipment of cattle and \$140,000 for milk-cooling units.

Registered Canadian cattle are now in considerable demand internationally and, in fact, have already

been provided as part of the Canadian assistance program for the Caribbean.

Dr. H. Kagoda, Deputy Commissioner for Veterinary Services of the Ministry of Animal Husbandry of Uganda, was in Canada recently to inspect cattle and visit Canadian farms. He has since returned to Uganda and was on hand to receive the first shipment.

CANADIAN HEADS NATO COLLEGE

The NATO Military Committee in Brussels has elected Vice-Admiral John C. O'Brien of Montreal as the fourteenth Commandant of the NATO Defence College in Rome. He succeeds Lieutenant-General Sefik Erensu of Turkey.

Admiral O'Brien, who has been Commander of Maritime Command and NATO Commander, Canadian Atlantic Sub-Area, with headquarters at Halifax, since 1966, will take up his new appointment late in July.

The first Canadian to command the NATO College, Admiral O'Brien will head an institution that trains selected senior military officers from member NATO countries who may be subsequently made available for assignment to key NATO military posts, and selected national civil servants who may later serve in key civilian positions within the alliance. Studies include military, political and economic factors affecting member NATO countries.

FLIGHT SAFETY SYSTEMS

The Department of Transport will spend nearly \$7 million on new airport-terminal area-surveillance radar systems for Gander, Edmonton and Vancouver, and the new Montreal International Airport at Ste Scholastique, Quebec.

In making this announcement, Transport Minister Don Jamieson said that the provision of the new radar systems was part of the Transport Department's program to ensure that a high level of flight safety would be maintained in Canada. The new radar installation will be used to replace some equipment in the existing air-traffic control radar network and also to expand this network to meet new needs.

The radar will be the latest type of short-range, high-definition system, providing a notable improvement over existing facilities in performance and reliability.

It is expected that the contract for the new equipment will be let by June, the program being scheduled for completion in 1974.

DEFENSIVE DRIVERS GRADUATE

Over 70,000 Canadian drivers graduated in 1969 from the defensive-driving courses run by the Canada Safety Council. This was the first year the program had been available in all provinces in both English and French.

Major progress was made when co-operating agencies were established in Ontario, Quebec and Newfoundland, the last three provinces without administrative agencies. Considerable expansion is expected this year.

Le Cours de Conduite Préventive was established in Quebec, and machinery was set up to expand the French-language program throughout that province, as well as to French-speaking areas of Ontario and New Brunswick, where there is a demand for the course.

TARGETS EXCEEDED

British Columbia, Manitoba and Prince Edward Island exceeded their minimum targets, and Nova Scotia came close to its annual aim.

The Greater Winnipeg Safety Council headed the list of the provincial co-operating agencies with 9,605 graduates.

The Canadian Armed Forces graduated on impressive total of 24,199. This is not likely to be repeated in 1970 because most people eligible for the course have already taken it.

INSTRUCTORS

At the end of the year, there were more than 2,000 qualified DDC instructors in Canada. The Canadian Armed Forces provided instructors on request to civilian volunteer groups such as safety councils.

During the year, there were 32 instructor-develop-

ment courses in Quebec, 19 in Ontario and nine in British Columbia. There were five in Manitoba, four in Alberta, three in New Brunswick, two in Prince Edward Island, two in Newfoundland and one each in Nova Scotia and the Northwest Territories.

In addition to the provincial courses, 15 instructor-development courses were run by the Canadian Armed Forces. The CSC's target for 1970 is 100,000 graduates.

NICKEL DOWN UNDER

International Nickel Australia Limited, a subsidiary of The International Nickel Company of Canada, Limited, and the Broken Hill Proprietary Company Limited recently issued the following joint statement simultaneously in Melbourne, Sydney and Perth:

"Exploratory work in the Widgiemoooltha area of Western Australia, as previously reported, has located a number of nickel sulphide occurrences. In order to further evaluate their potential, an exploration shaft will be sunk in one of the locations. Additional investigations, necessary for full evaluation, will be carried out from this shaft.

"The shaft will be sunk to approximately 1,000 feet and lateral workings will be given from it into the mineral zones to check the continuity and nickel content of the mineralization, to obtain samples for mill and metallurgical testing, and to assess ground conditions. Diamond drilling will be carried out from the underground workings to explore the downward and lateral extensions of the mineral zones. Preliminary engineering has been under way for some time, and the site preparation for the new shaft will commence immediately. Shaft sinking is planned to begin in April. It is anticipated that the program will be completed early in 1971."

FEWER VACANT APARTMENTS

Fewer apartments were vacant in Canada in February than last June, according to a special eight-city survey conducted by Central Mortgage and Housing Corporation in December. The cities covered by the survey were Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Windsor, Montreal and the metropolitan area of Ottawa-Hull.

While the number of vacancies can be expected to be lower in winter than in summer, the survey nevertheless showed about 2 per cent of apartments vacant in all areas except Montreal. In Montreal, 5.5 per cent were vacant.

Surveys are conducted on a sample basis, and include only apartment buildings with six or more dwelling units. Buildings containing fewer than six units are excluded, as are single-detached, duplex and row dwellings.

This was the first time the Central Mortgage and Housing Corporation had taken a winter survey. The annual survey, usually taken in June, covers 11 cities.

CANADIAN FURS - THE FOX



The fox, smallest member of the dog family, is found throughout Canada. Colored foxes - the red, the cross and the silver - are common from coast to coast and north to the timberline. The colored fox has also adjusted to life in settled areas. The white fox inhabits Canada's barren lands and Arctic islands. The cross fox and the silver are color phases of the red fox. Red fox litters often include cross or silver pups.

Foxes mate in February or March and the young are born in April or early May after a gestation period of about 52 days. The litters average five pups and both parents care for the offspring. Although foxes eat practically anything, their main foods are mice, rabbits and birds. They will on occasion raid farmers' chicken coops.

Ranch-raised silver fox was popular in the first half of this century. Foundation stock was either trapped wild animals or fox pups taken from their burrows.

Jet-black pelts were popular first, then the silvery types began to draw top prices. The shift in popularity is possibly because red fox pelts could be easily and cheaply dyed to imitate black fox fur. No way has yet been found to imitate the unique markings of the silver fox.

As fox-farming developed, breeders developed mutation foxes - glamorous departures from the conventional black and silver animals. The first of these mutations was the platina, produced in Norway from

Canadian breeding stock. At a 1940 auction in New York, one platina pelt sold for a record \$11,000.

LESS DEMAND TODAY

By 1940, world production of fox pelts had increased enormously, but the fashion swing to short-haired furs such as mink was already under way and the demand for foxes began to drop off rapidly. While silver foxes are still produced on a small scale, on Canadian farms business is slower because prices in most years have been below production costs. The breeders who remain in business do so in the hope that some day a fashion reversal will renew their fortunes.

In winter, the color of the Arctic or white fox ranges from a clear white to white with a slight creamy tinge. In summer it is greyish-brown. The blue fox is a color-phase of the white, and blue pups may occur in white litters. The Arctic fox is smaller than the red fox and its bushy tail is shorter.

White fox furs are the staple of the Eskimo trapper. This fur is popular for capes, stoles and collars. Its Arctic background provides a dense woolly underfur quite unlike the smooth, flatter fur of the colored fox. The few blue fox furs that come from the wilds are usually smoky brown in color. The blue fox is raised in large numbers on farms in Scandinavia, Poland and the Soviet Union.

(This article is part of a series on the Canadian fur industry and fur-bearing animals.)

NEW THREAT TO MILDEW

Mildew - the microbiological destruction of cellulose-containing materials - has a new enemy in a family of fungicides, developed by textile chemists on the staff of the National Research Council of Canada. Canadian Patents and Development Limited, a subsidiary of NRC responsible for licensing inventions of government scientists, has

applied, on behalf of Dr. David M. Wiles, head of the Textile Chemistry Section of the NRC Division of Chemistry, and Tony Suprunchuk of the same Section, for patents on a new fungicidal composition and a new method of applying it.

The NRC researchers discovered that the condensation products of aldehydes and ketones with the chemical thiocarbonylhydrazide are highly effective for inhibiting or preventing the growth of cellulose-

destroying fungi. A set of compounds was developed and tests showed them to be cheap to manufacture, odorless, chemically stable and resistant to water leaching.

FREQUENT PROBLEM IN CANADA

Fungus damage is not restricted to the tropics; it is also a serious problem in Canada, where conditions favorable to fungal growth can be found outdoors in summer and indoors all year round. The fungus problem is particularly acute with materials such as cordage, rope, wood and paper products and yarns and fabrics. Cotton, viscose rayon, jute, hemp and linen yarns and fabrics may rot rapidly under conditions favoring fungal growth - particularly moist, warm, still-air conditions.

Two of the most widely-used fungicides available are the pentachlorophenol and pentachlorophenyl laurate types and Copper 8 (copper 8 - hydroxyquinolinolate). The former is unstable to water, giving off products that damage cellulose fibers and the latter releases metallic copper during outdoor exposure.

Because the NRC fungicides lack these limitations, Dr. Wiles believes they may find an immediate initial use for, among other things, the treatment of fire hose. Many fire-hoses are made of a rubber liner and a fiber outer casing. Copper 8 cannot be used because metallic copper damages the rubber, while pentachlorophenol derivatives provide little durable protection.

TOWARD FRESHER AIR

The appointment of Dr. S.O. Winthrop as chief of the newly-created Air Pollution Control Division of the Department of National Health and Welfare was announced recently.

One of the first responsibilities of the new Division will be to establish the machinery and organization to improve the quality of air. Through the Division, the Department will develop closer relations with provincial and federal government departments and will foster co-operation with industry, research institutions and the public.

CANADA SUMMER GAMES, 1973

The Minister of National Health and Welfare has announced that his Department will support the holding of Canada Summer Games in 1973.

Starting March 15, the Canadian Amateur Sports Federation will accept bids from cities wishing to act as host for the Games; 90 days will be allowed for the submission of bids.

The 1973 Games will be the fourth in the series of Canada Games. They follow the First Canada Winter Games, held in Quebec City in 1967, the First Canada Summer Games, held in Halifax and Dartmouth, Nova Scotia, in 1969, and the 1971 Winter Games, scheduled for Saskatoon, Saskatchewan.

FEDERAL GOVERNMENT AND THE PROBLEM OF INFLATION

(Continued from P. 2)

in endorsing the results of that meeting and the restraint program of the Prices and Incomes Commission as directed to the private sector.

We have also received from the Commission a series of "Tentative Proposals re Government Support", and you have heard Dr. Young's remarks on them this morning. I hope we will discuss these in detail. The Federal Government is prepared to take positive measures to implement these proposals and hopes that provinces will be ready to do the same.

Provincial co-operation in following responsible and appropriate economic policies, and in taking such measures as are required to ensure the full success of the effort of the Prices and Incomes Commission, is essential if we are to end inflation without undesirably high sacrifices in terms of output and employment. I therefore appeal to you for such co-operation. As I have mentioned, we recognize that the situation is not the same in all provinces and therefore the extent and nature of action might differ. Nevertheless, the determination to fight inflation ought to be as universal as its harmful effect would be. I hope that this Conference will show a determination to act effectively in the interest of the country as a whole.