

stances, it is remarkable that the annual value of the Canadian exports during the transition period never fell below two-thirds of that of 1944—the peak war year. Purchases in Canada by war-devastated countries have been supported during the post-war period by large export credits extended to them by the Canadian Government and more recently by United States Government financing under the European Recovery Program.

While the above three factors—increased investment, increased consumption expenditure, and the large volume of Canadian exports—have contributed to the demand for goods and services that has ensured high levels of employment and income, the great increase in demand for goods and services since pre-war days has not been an unmixed blessing. It has imposed a heavy additional inflationary pressure on the Canadian economy during a time when it was not fully geared for civilian production. At the same time it contributed to the foreign exchange problem by pushing the level of imports of goods and services from the United States from \$1,200,000,000 in 1945 to \$1,975,000,000 in 1947. A decrease in annual government expenditure on goods and services from \$3,700,000,000 to an estimated \$1,500,000,000 over the same period of time, together with a change from deficit to surplus budgeting, has acted as a restraining influence on inflationary forces, while the gradual easing of general wartime controls with the retention of certain key controls has prevented the full impact of the inflationary pressures from being felt in the economy.

### **Changing Government Functions**

As a result of the adoption of the policy of a high and stable level of employment and income, there have been some changes in the Government's approach to problems of broad economic development and, in certain fields, a more active participation in economic activity than before the War. The implications of such a policy became more clearly defined during the War and in the immediate post-war period. Four main tasks evolved: (1) the need to integrate the Government's efforts to assist in the maintenance of a high and stable level of national income and employment; (2) the need to devise economic units within the Government effective and flexible enough to cope with the changing day-to-day economic problems that have an important bearing on the execution of the first task; (3) the need for an objective appraisal, both in quantitative and qualitative terms, of what is involved in making the most effective use of Canada's resources, both human and material; (4) the need to establish a two-way liaison between the Federal Government and the Provincial Governments, management and labour, and consumers and producers in order to ensure that the effort to maintain a high level of employment and income would be a truly national one.

**Policy Formulation.**—The growing recognition of the implications of the employment and income policy led to the establishment of the Cabinet Committee on Economic and Industrial Development in May, 1948. This Committee succeeded the Cabinet Committee on Reconstruction established in 1944, but has wider terms of reference. The Committee is to advise the Government on: (1) matters connected with general economic and industrial development; (2) appropriate measures to maintain a high level of employment and income in any region or in Canada as a whole; (3) public investment policy as related to public projects and resources development, including preparation and utilization of a number of reserve projects and use of the special projects vote.