

In examining the potentialities of the Canadian economy to 1970, the Council in its *First Annual Review* said that the most striking single feature is the tremendous increase in Canada's labour force. The rate of increase in the 1965-70 period is expected to average 2.6 p.c. a year—a rate several times that anticipated in most European countries and well over that in prospect for the United States. Numerically, the Canadian increase would total about 1,000,000 workers in the 1965-70 period. This tremendous labour force growth was considered by the Council in the light of the goal of full employment. In no country does this goal mean that everyone in the labour force must be employed; there is always some voluntary unemployment as well as some that is unavoidable as workers move from one job to another. The Council concluded that 3 p.c. unemployment as an average annual rate would be a practical, realistic objective to be aimed at over the remainder of the 1960s, although it stressed that improved manpower policies (including better labour mobility and higher levels of education and skills) would make it possible to aim at a higher employment potential over the longer term. To attain the "full employment" objective in the face of the large labour force increase, Canada would require a net addition of 1,500,000 jobs in the seven-year period ending in 1970. This is approximately the same gain in total employment that occurred over the previous 14 years.

The Council also placed strong emphasis on increased efficiency—on sustained advances in productivity, which are the essence of economic growth and the real source of improvements in average living standards. Basing its judgment on postwar trends, the Council estimated that, with a reduction of the degree of slack existing in the economy in 1963, output per person employed would increase at an average rate of 2.4 p.c. a year over the period to 1970. This productivity potential was combined with the very rapid rate of expansion required in employment, averaging approximately 3 p.c. a year to 1970, to indicate a potential average rate of growth of output of 5.5 p.c. a year in real terms—that is, in terms of volume, after adjustment for price changes. The Council emphasized that its calculations of potential output to 1970 did not represent forecasts of anticipated trends but rather reasoned appraisals of consistent possibilities for the future. The achievement of such an average annual rate over the whole 1963-70 period would mean an aggregate increase of 50 p.c. in total real output and an increase of over 20 p.c. in real per capita income.

Examining the goal of reasonable stability of prices, the Council said that rates of change in prices and costs to 1970 within Canada's flexible market system should be contained within the limits of the range of movements over the decade from 1953 to 1963. Over this decade, for example, the average annual increases in consumer prices and in prices of all goods and services produced in Canada were 1.4 p.c. and 2.0 p.c., respectively, with some moderate year-to-year variations around these rates.

A "viable balance of payments" was taken by the Council to mean not merely the maintenance of a capability for attaining adequate total international receipts to cover international payments, but also to mean a strengthening of Canada's international economic position in the sense that the possible current account payments deficit (which might be of the order of \$1,500,000,000 to \$2,000,000,000 at potential output in 1970) would be lower in relation to total output (and also that the corresponding net capital inflow would be smaller in relation to domestic investment) than has been the case under comparable past conditions of rapidly rising domestic activity. In short, such a performance would call for some improvement in the basic competitive posture of the Canadian economy.

To meet its interrelated goals and targets, the Council called for an appropriate combination of expansionary measures and policies in the fiscal, monetary and trade fields. In particular, the achievement of its goals would require Canada to participate fully in the new possibilities for an expansion of world trade. There was also a requirement for more adequate measures to facilitate the necessary mobility of productive resources from declining to expanding situations within a rapidly changing economy.