

### Economic Performance in Relation to Goals

The goals and objectives originally set by the Council have been reviewed in two subsequent *Annual Reviews*.<sup>\*</sup> Although some of the underlying projections in setting these goals were altered slightly by actual developments in the intervening period, the Council believed that as of early 1967 the over-all goals were still valid as standards for measuring many aspects of Canadian economic performance. In its *Fourth Annual Review*, to be published in the fall of 1967, the Council will examine potential output to 1975, and project likely population and labour force changes to 1980.

In its *Third Annual Review*, published in the fall of 1966, the Council said that, while the economy could move slightly away from several of its goals in the near-term future, the underlying situation still displayed indications of sufficient basic strength and balance to make it unlikely that the country faced the danger of a prolonged or major departure from the goals. The gap between actual and potential output had been virtually eliminated by early 1966. The pace of expansion subsequently moderated, bringing about a more comfortable balance between total demand and supply. However, the Council said that over-all demand forces could re-emerge strongly after a relatively brief interval and, with little or no slack left in the economy, the situation could become one of greater exposure to the dangers of general price and cost increases in the latter half of the 1960s than earlier.

**Production.**—Total output in Canada forged ahead strongly through 1963, 1964, 1965 and the early part of 1966. The economy achieved an average annual rate of growth of over 6 p.c. a year in the volume of total output during that period. Despite the subsequent moderation in this rapid growth rate, the Council emphasized that the potential for further sturdy growth of output was relatively high for the medium-term future. An average annual rate of increase in the total volume of output of close to 5 p.c. from 1966 to 1970 was estimated to be required to attain potential output by the end of the decade.

**Employment.**—In less than four years, from early 1963 to the latter part of 1966, there was an expansion of close to 1,000,000 jobs in Canada. This was a larger absolute increase than occurred in the whole of the 1950s. Unemployment declined from 5½ p.c. in 1963 to less than 4 p.c. toward the end of 1966. Meanwhile, the labour force grew very rapidly and a further increase of 10 p.c. was envisaged by the Council for the 1966-70 period, implying a need for about 750,000 additional jobs over the four-year period. In these circumstances, the Council observed, unemployment could re-emerge very strongly and very quickly if a reasonably strong growth in total demand and output were not maintained over the remainder of the decade.

**Prices and Costs.**—Throughout the world there has been a general and widespread pattern of price increases in recent years. In Canada, consumer prices rose at an average annual rate of about 2.1 p.c. from 1963 to 1965, then accelerated at a rate of close to 4 p.c. a year in 1966. Within the over-all index, the rate of increase in food prices was about double that of consumer services and more than triple that of non-food commodities in 1966. Although food accounts for only about 25 p.c. of the market "basket" used in compiling the over-all index, price increases in the food component accounted for close to one half of the increase in the total index over 1966. Meanwhile, labour costs per unit of output in Canadian manufacturing moved up slightly, relative to those in the United States. In Canada these costs in 1966 were back to the 1960 level. In both countries such costs were less than 5 p.c. above their 1953 levels, however. This contrasts with considerable increases in most other industrially advanced countries. If Canadian unit labour costs in manufacturing are adjusted for the devaluation of the dollar in the early 1960s, then such costs have fallen substantially relative to U.S. costs. Part of this com-

<sup>\*</sup> Economic Council of Canada, *Second Annual Review: Towards Sustained and Balanced Economic Growth*. Queen's Printer, Ottawa, December 1965. \$2.75 (Catalogue No. EC 21-1/1965). Economic Council of Canada, *Third Annual Review: Prices, Productivity and Employment*. Queen's Printer, Ottawa, November 1966. \$2.75 (Catalogue No. EC 21-1/1966).