

opportunities for high-productivity employment and the acceleration of programs that can make the maximum contribution to improvements in productivity generally in the region. The Council suggested the following guidelines for action:—

- (1) the avoidance, as far as possible, of subsidies merely to create temporary activity or to sustain indefinitely low-productivity industries and declining occupations;
- (2) encouragement of efficient agglomerations of activity—growth centres—within the different regions in order to achieve increasing economies of scale, larger markets and more useful pools of skills, and to avoid uneconomic scatter and dispersion;
- (3) the taking of decisions in respect of investments in social capital in accordance with an adequate consideration of the economic and social benefits to be obtained in relation to costs;
- (4) the recognition of the urgent need to make available additional financial resources to the governments of the lower-income regions and through the appropriate federal agencies in order to help break the vicious circle of low productivity, low incomes, low government revenues and low investments in growth-promoting services which are needed to improve the quality and effective utilization of the available human and material resources—in particular, education, training, research, health, transport facilities, resource and industrial development and the development of wider markets;
- (5) the necessity for close co-ordination in the formulation and implementation of consistent regional development policies and programs among all levels of government; this is particularly important in view of the wide range of programs and policies affecting regional development, both on the part of the provinces and through certain federal agencies such as the Atlantic Development Board, the Area Development Agency and the Agricultural and Rural Development Administration; and
- (6) the avoidance of self-defeating restrictive and divisive measures which interfere with the free flow of goods, capital, labour and enterprise between all the provinces; such measures must be avoided if we are to achieve simultaneously the twin goals of more satisfactory growth in every region and a rapid expansion of the national economy from which all would benefit.

The Council observed: "It is clear that the narrowing of inter-regional income disparities and the achievement of a more regionally balanced economic growth involve large, urgent, and especially challenging tasks. Many decades of experience have shown that these tasks cannot be accomplished by piecemeal expenditures, superficial expedients, unproductive works and mere transfers of income. The appropriate policies and programmes will need to be formulated within a long-run consistent framework and carried out with a continuing regard for the real and underlying problems involved."

Prosperity and Price Stability

The Canadian experience in the prolonged expansion that began in 1961 serves well to illustrate one of the major, recurrent difficulties faced by modern industrial nations in the postwar period—namely, that of achieving reasonable price stability in periods of high growth and rapid gains in employment. In general, the leading nations have demonstrated far better performance in this respect over the past 15 years than in the inter-war period. Much of this improvement can be attributed to a better public understanding of the broad forces at work within modern economies, and to better use of the policies capable of influencing these forces. In particular, there has been a growing appreciation of the importance of total supply and demand within economies and of the role of the "big levers" of fiscal and monetary policy in affecting these aggregates. It is realized that severe inflation is brought about fundamentally by excessive pressure of total demand for goods and services on the available supply, while heavy unemployment is the result of large relative deficiency in demand. It is known that the principal remedy for both of these extreme conditions is the operation of fiscal and monetary policy to restrain or stimulate the growth of total demand, as the case may be, and bring it back into a proper relationship with the growth of potential output.

In 1965, the Government of Canada requested the Economic Council to launch a broad examination into prices, costs, incomes and productivity, and their relationship to sustained economic growth. Specifically, the Council was requested to (1) study factors affecting price determination and the interrelation between movements in prices and costs