

growth and that all Canadians may share in rising living standards; to recommend what government policies will best help to realize the economy's potential for growth; to consider means of strengthening and improving Canada's international financial and trade position; and to study how national economic policies can best foster the balanced economic development of all areas of Canada.

The initial work of the Economic Council was built around five basic economic and social goals — full employment, a high rate of economic growth, reasonable stability of prices, a viable balance of payments, and an equitable distribution of incomes. In setting these objectives, the Council has faced a twofold challenge. Not only has it undertaken the difficult task of defining goals that have many complex aspects, but it has been very much aware of the necessity of making them consistent with one another, incorporating their many important and complicated interrelationships. The Council has also stressed repeatedly that its concern has been not with one predominant goal, but with simultaneous achievement of the whole set of interrelated goals.

The Council consists of up to 28 members appointed by the Governor in Council. These include a chairman and two directors, who serve full-time in their professional capacity, and 25 members selected from industry, labour, finance and commerce, agriculture and other primary industries, and the general public. No government officials are appointed to the Council. The chairman and the directors (one of whom may be elected as vice-chairman by the Council) are appointed for seven-year terms. The other members, who are appointed for three-year terms "after consultation with appropriate representative organizations", are intended to reflect a very wide diversity of interests from the different private sectors of the economy and different regions of the country. Nevertheless, they sit on the Council as individuals and not as delegates of particular organizations or groups. Their knowledge and practical experience is complemented by a research staff, plus administrative and auxiliary personnel. The Council is therefore a mixed body, served in its deliberations by professional staff.

#### 4.5.1.2 The years to 1980

The Economic Council periodically undertakes an appraisal of Canada's economic potential over the medium-term future. In the *First*, *Fourth* and *Sixth annual reviews*, the Council published measures of the aggregate potential growth of the Canadian economy based on projections of the labour force, its distribution by age and sex, educational attainment, and the number of hours worked per week, along with estimates of the increase in the stock of capital and the rate of increase in productivity. In the *Ninth annual review*, the Council employed a sophisticated new analytical tool, the CANDIDE model (see below), to explore the period to 1980. A wide variety of assumptions were made concerning influences that could affect the development of the Canadian economy over this period. The Council chose to present a number of alternatives indicating what might be achieved. The Council examined six alternatives. In five of the six alternatives, a favourable external environment was assumed, with US growth at a rate as high as the 1960s and a somewhat higher rate of growth for overseas industrial economies. Each of these alternatives differed in terms of assumptions concerning fiscal policy with variations both in the level of government activity and in the type of government expenditure. In the sixth alternative, where a less favourable external environment was projected, partial compensation for reduced foreign demand was assumed in the form of a very high rate of increase in government transfers to persons.

In all of these alternatives, a relatively high rate of growth in over-all output of the economy is projected for this decade, ranging from an annual average rate of 5.5% to 5.7%, in comparison with 5.4% in the decade of the 1960s.

The rate of unemployment for the last five years of the decade ranges from an average of 3.8% to 4.3%. The rate of rise of prices over the decade, as reflected by the implicit deflator of gross national expenditure, ranges from 2.5% to 2.9% annually as compared with 3.2% over the preceding decade but this result is influenced by an assumption of no increase in the rate of indirect taxes and there is also no increase projected in interest rates. The projected increase in output per worker averages 2.4% annually as compared with 2.3% over the 1960s.

Each of these alternative growth patterns was deliberately designed to produce high employment in the second half of the 1970s and, therefore, a low unemployment rate, averaging 4.0% of the labour force. In making its projections, the Council estimated how to