

these improvements will involve further testing of the properties of the model and re-specification of some of the existing equations in the light of the results. Also, data revisions such as those of the national accounts will be incorporated.

In addition, further development of the model for policy applications will be undertaken by many of the organizations making use of it, especially government departments and agencies. This will involve extensive training of the users, and the Council will provide initial support in this area.

The construction reference. In Section 10 of the Council's Act, provision was made for the Council to study and give advice on a wide range of matters under special reference from the Minister. Work on the third such reference, an examination of "Cyclical instability in the construction industry", is now under way, and a report on the findings, with recommendations for improvement, will be issued upon completion of the research.

The long-term future. On March 15, 1972 the Council accepted in principle the recommendation of the Senate Special Committee on Science Policy "to devote more emphasis to the long-term future in its work".

As a first step, the Council will concentrate on future technological change in the broader context of the evolving social and economic environment. Foreign investment has promoted the importation of new products and processes developed abroad. It may also have resulted in curtailment of industrial research in Canada and a reduction in productive employment opportunities for people trained in Canadian universities. Particular attention will be devoted to the sources of innovation and to practical means of stimulating an increase in innovating activity. Also, consideration will be given to the time factor in terms of the lag between invention and prototype, pilot plant and commercial production, initial industrial application, and the broad acceptance of new processes and products.

Two of the Council's objectives will be to explore the sectoral implications of innovation and the impact of diffusing this innovation through the economy. Key sectors, such as transportation and communication, might warrant special attention because innovation in these industries would have an effect on many other industrial sectors. Identifying the sources, vehicles of diffusion, and impact of innovation will be the main thrust of this research.

Regional disparities. In a country such as Canada, with its wide regional differences, its highly decentralized system of private decision-making, and its constitutional system, which divides authority for economic policy decisions between the federal and provincial governments, national economic issues cannot be studied without consideration of regional implications. The Council, from its inception, has been concerned with the problem of regional economic disparity. Chapters in the *Second, Third, Fifth, and Sixth annual reviews* dealt with particular aspects of regional problems. In addition, two staff studies dealt in some detail with the question of interregional disparities in income. The Council must now reassess its approach to regional economic questions and envisage new directions for such research.

In this area the CANDIDE model is likely to provide a useful framework. Some work has already been undertaken on the feasibility of developing a peripheral regional model within the CANDIDE program. Strengthening the model in this way would provide a useful systematic basis for further regional research. The initial report, which provided a foundation for the CANDIDE model, contains some considerations to this effect. Subsequently, members of the research staff of the Department of Regional Economic Expansion (DREE) prepared a proposal for the development of such a regional model. They foresee preliminary results, not incorporating regional interactions, within a year. Also, they have outlined possible work on specific sectors that will increase the ability of the model to capture regional feedback with some accuracy. An arrangement for joint research by the Economic Council and DREE is under discussion.

Social indicators. In the *Eighth annual review*, the Council called for "the development of a comprehensive set of statistical measures to monitor the changing conditions of our society over a broad spectrum of concerns". These goal indicators were defined as information, compiled on a time-series basis, to measure relevant and significant dimensions of a specific goal area. Two types of indicators – Goal Output Indicators, and Goal Distribution Indicators – would give a broad summary view of levels and changes in output as well as the degree of distribution of the aggregate output among regions, income groups, etc. There is general agreement that the measures upon which government decisions presently rely are inadequate