

and the rate of increase in public service employment; structural policies dealing with the special problems of energy, food and housing, to ensure a more efficient and competitive economy and to improve labour-management relations; a prices and incomes policy establishing guidelines for responsible social behaviour in determining prices and incomes of groups, and machinery for administering these guidelines and ensuring compliance where necessary.

This last area was administered by the Anti-Inflation Board, implemented on October 14, 1975; it started phasing out its control operation on April 14, 1978, with all businesses and employee groups to be free of controls by December 31, 1978.

By early 1978 progress had been made on all four fronts of the anti-inflation program. Growth of the money supply (defined as currency plus demand deposits) in 1976 and again in 1977 was held to just over 8%, down from the rate of almost 14% in 1975. Government spending growth decelerated during the life of the anti-inflation program from more than 20% per year in 1974 and 1975 to just over 12% in 1976 and 11% in 1977.

There was improvement in the growth rates of the underlying costs and prices in Canada. For example, in 1976 consumer prices, excluding the more volatile food prices, grew by 9.4%, down from 10.1% in 1975. A further decline to a rate of 7.9% was achieved in 1977 and through the first few months of 1978 this rate dropped to 6.9%.

Although food costs are a significant cost item in the budget of the average consumer, food prices have not been amenable to, nor subject to, the influence of the monetary, fiscal and controls policies of the anti-inflation program. It is only by looking at general price developments aside from those in the area of food that a reasonable assessment of underlying cost movements can be obtained.

The progressive deceleration in underlying price changes underway since late 1975 was closely related to the deceleration in the underlying cost increases that also were taking place. Labour, one of the more significant underlying cost items, showed dramatic improvement during two and a half years between the implementation of the program in October 1975, and the beginning of the phase-out of controls in April 1978. For example, labour department base wage-rate settlements data indicate that the average first year increase obtained by groups of 500 or more in the organized sector, excluding construction, declined from 21% in 1975 to 12.3% in 1976 and 8% in 1977. As a result of this deceleration, and an equally significant change in compensation increases in the unorganized sector, increases in average weekly earnings in the industrial sector declined from an average rate of 14.2% in 1975 to 12.1% in 1976 and 9.6% in 1977.

### *Sources*

- 21.1 Gross National Product Division, System of National Accounts (Current) Branch, Statistics Canada.
- 21.2 Industry Product Division, System of National Accounts (Current) Branch, Statistics Canada.
- 21.2.1 Input-Output Division, System of National Accounts (Structural) Branch, Statistics Canada.
- 21.3 Prices Division, General Statistics Branch, Statistics Canada.
- 21.4 - 21.5 Balance of Payments Division, System of National Accounts (Current) Branch, Statistics Canada; Department of Banking and Financial Analysis, Bank of Canada.
- 21.6 Financial Flows and Multinational Enterprise Division, System of National Accounts (Current) Branch, Statistics Canada.
- 21.7 Editing Services, Communications Division, Anti-Inflation Board.