

\* \* \* \* \*

"POSSIBLY, PROBABLY THE ECONOMY

IS OFF THE TRACKS".

By George Bain.

Q. And you, sir, are . . . ?

A. Ricardo Malthus Galbraith. I am an economist.

Q. You are an economist? Well, good. Just the other day the Prime Minister told the nation that we are in a period of economic difficulty and I am sure that we would all be very interested if . . . Tell me, Mr. Galbraith, how would you as an economist describe the present situation that we are in at this time?

A. The present situation that we are in at this time? I would say first that during the late Nineteen Fifties and early Nineteen Sixties we passed through a period during which there was relative under-utilization of the productive capacity of this nation, that is to say, of the physical plants in being at that time and the human resources which were available to . . .

Q. Tell me about the human resources. They . . .

A. Although the pattern was not consistent across the country and was particularly to be found in those occupations most subject to seasonal fluctuations in activity, there was an increase in the incidence both of employables seeking placement and of withdrawal of marginal workers from the labor force.

Q. You mean?

A. A lot of people weren't working, particularly in winter. Various external and internal factors then combined to provide a stimulus for a quickening of the tempo and a rapid acceleration of the upward thrust of the . . .

Q. There was a . . . ?

A. Things got better. God knows why. Certainly the Government doesn't; it had nothing to do with it. In any event, due to the previous slack which existed to be taken up, we were able for a time to enjoy a very rapid rate of growth without serious dislocation of the price structure, which had remained relatively stable over a period of years.

Q. The price structure was . . . ?

A. Nobody was sure enough it was going to last to start putting prices up.

Q. I see. And what has happened since then?

A. Since then . . . ? Due to the continuing very high level of capital investment, the strong demand for goods of all kinds, including consumer goods, and the competition among employers for workers of all kinds and particularly those in the skilled categories, the economy has begun to overheat.

Q. Overheat?

A. Everybody put their prices up.

Q. I see. Then I suppose we are in what you, as an economist, would call an inflationary situation? How would you define inflation for the layman, Mr. Galbraith?

A. For the layman? Inflation is having yesterday's wages and today's egg prices. Inflation is what if you see a Brink's Express truck in front of the supermarket, it isn't collecting the day's receipts, it's delivering meat.

Q. And the next thing that happens is that you..?

A. You get a spiral developing.

Q. A spiral?

A. A spiral is what occurs when workers make irresponsible demands for more wages to keep up with the prices which business, with the best will in the world, will have no choice but to increase again if the irresponsible demands of workers for more wages to keep up with prices are met.

Q. Then inflation is a wages problem?

A. Of course. When did you last see a Prime Minister on television telling people about the threat

to the nation's well-being inherent in the rise of the price of bacon?

Q. I understand the C.B.C.'s last request for time for such a purpose came from Mackenzie Bowell. Tell me, now that Parliament has been recalled to deal with the railway strike, what do you think should be done about it?

A. I think the trainmen have to be got back to work and the railways given access to increased earnings from which they would be able to make a settlement with their workers of their wage demand.

Q. Would a pay increase that way be less inflationary than a pay increase paid for by another Government subsidy?

A. No. But it would enable the Government to wash its hands of the matter.

Q. And then?

A. And then the Government should postpone every new expenditure that it is possible to postpone.

Q. These would be things which could be restored when the economy ceased to be overheated?

A. Not necessarily. One would have to consider carefully in those circumstances whether such programs, desirable as they might be in themselves, could really be afforded by the nation in a time of relative recession.

Q. Then you . . . ?

A. You might say that I am opposed to Government spending altogether, except, of course, for the essentials . . . a notebook to write down customs receipts, pen nibs, things of that sort.

Q. And non-essential private spending?

A. But who's to say what's non-essential? There you get into Government interference with the inevitable stifling of private initiative, the cornerstone upon which the lifeblood of this nation depends. It is well in this context to remember the words of a wise economist who said that the nation is no stronger than its weakest motel or shopping plaza.

Q. That was? A. Me.

Q. Thank you very much, Mr. Galbraith. You have been a great help in giving us an understanding of this difficult situation. I think.