The Search for Full Employment

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# The Search for Full Employment

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The Search for Full Employment

1 The Meaning of Full Employment

By “full employment”, I mean that everyone who wants a job can find one that is acceptable in terms of compensation, safety, and other conditions of work.

Why do I want full employment? A story may help answer this question.

1.1 A Short Story

When in Graduate School an event occurred in 1962 with discussion in the Macroeconomics class with Professor Geiger. A featured story in the Dallas Morning News had a headline something like “Labour Shortages in Detroit – Auto Manufacturers Take Action”.

The problem was that GM and other automakers could not get workers in their assembly plants in Detroit. Someone, probably in a union, came up with the bright idea of opening a hiring center in the ghetto in Detroit. Although there was interest, the potential workers had no means of transportation to the factory.

The next step was to establish bus transportation between the factory and the hiring center. This worked, but there was still a problem with people missing the bus in the morning. The next fix was to provide wind-up alarm clocks to the workers. The result was high participation and a successful outcome for all.

The lesson from this example is that in conditions of high employment, social progress is much easier, with employers providing the “juice” to make it work.

1.2 Economic Council of Canada (ECC) Goals, 1964-67

My first job as a professional economist was with the Economic Council of Canada in its early days. As part of its legislation, it was required to set goals for the Canadian economy and to devise policies to achieve them.

The ECC goal for full employment was to reduce the unemployment rate to below 3% by 1970 [ECC, First Annual Review, 1964]. The task would become easier as the relatively young labour force matured. Additional proactive policies could reduce the full employment rate of unemployment attributed to seasonal, frictional, and structural reasons.

The ECC Goals –

• Full employment

• A high rate of economic growth
• Reasonable stability of prices

• Viable balance of payments (Recall that Canada maintained a peg to the US dollar at 92.5 US cents per Canadian Dollar from May 1962 to early 1970, after which it was allowed to float.)

• An equitable distribution of rising incomes,

1.3 Why Full Employment is Important

There are large losses of output with higher unemployment. When people do not work, there is no generation of value-added. Given the finite working life of everyone, these deadweight losses are not recoverable. Those unemployed may see their skills atrophy. Usually they do not have growing skills unless they return to school or undertake other training opportunities. However, without work, there is no income to cover the personal costs of further education.

Full employment means a growing pie – total income or output. Governments, with the current tax and transfer systems, pick up about 40% of the improved incomes. This provides a base for further training and fiscal stimulus in the form of increased expenditures and lower taxes. These moves hasten the arrival of full employment.

A growing pie is easier to share among regions and income classes, improving regional balance in incomes and the distribution of after-tax and transfer incomes. Labour markets and earned incomes will improve that part of the income of individuals provided by employment.

Productivity growth improves with low unemployment. In such conditions, there is a strong motivation to improve the organization of work and to innovate on resource-saving tools and practices. Employers, employees, and governments share the increased income generated by higher productivity. People, firms, and governments also may benefit through lower prices for purchased inputs.

1.4 The Issue of Power

At full employment, workers have their maximum power vis-à-vis their employers. Wages will capture some part of labour productivity improvements. Conditions of work will improve since workers have the option to go to other employers.

The desire for power may be part of the explanation for employers supporting higher unemployment, even if it is at the expense of their sales and profits.
2 The Path of Canadian Unemployment
At the end of World War II, the immediate policy concern was that unemployment would rise back to the levels of the Depression. These fears led to the creation of a favorable policy environment of low interest rates and fiscal stimulus. Pent-up demand from wartime rationing and postponed consumption led to strong consumer demand. The unemployment rate began to fall.

The historical record for unemployment and macroeconomic policy fits with the policy concerns of the period. Five distinct sub-periods are evident from today’s perspective.

1. The years 1946 through 1974 with a proactive policy of lowering unemployment and offsetting external shocks
2. 1975 through 1989, with adjustment to price shocks from OPEC the major concern
3. 1990 through 1999, a proactive policy of “wringing” inflation out of the economy and improving fiscal balances, with no regard for the unemployment rate path
4. 2000 through 2007 with cautious improvement in the domestic economy
5. 2008 to the present with policy dealing with external shocks and continuing fiscal restraint with monetary ease

2.1 The Performance from 1946 through 1974
Although declarations about full employment were common coming out of the Second World War, the practice slowly eroded the objective and transformed unemployment into a social issue to be handled by welfare and unemployment insurance. For an excellent review of this period, see Robert Campbell, 1991, ECC.

Essentially, there was a gradual move away from the full employment goal, adopted right after the Second World War. In spite of the charge to the Economic Council to set the goals for the Canadian economy and to monitor performance, other institutions did not change and pursued objectives of price stability and budget balance.

2.1.1 Age Structure of Source Population
Canada experienced a baby boom in the post-war period, continuing until the early 1960s. As a result, the source population growth (population greater than age 15) was strong. As the 1960s evolved, participation rates rose for women. The combination resulted in rapid labour force growth for most of this period.

Demands on governments for housing, schools, sewage treatment systems, and other infrastructure helped to achieve the improvements in employment. However, job creation to satisfy a full employment objective was not part of the policy packages of governments.
2.1.2 Choice of Exchange Rate Regime (1961-62 and in 1970)

Macroeconomic policy also needed to face several exchange rate regime changes. Canada adopted a flexible exchange rate in 1951, one of the few flexible currencies in the world at that time. For most of the 1950s, the exchange rate was stable near parity with the US dollar, reflecting trade flows, coordination of interest rates, and similar rates of inflation.

In 1960 and early 1961, the Canadian exchange rate rose above parity with the US dollar. With some weakness in the economy in 1961, the federal government through the Budget delivered by the Minister of Finance noted that a weaker currency might help economic growth. As a result, speculators moved against the dollar, driving it down by at least 5%. The balance of 1961 and early 1962 were spent propping up the dollar. Then in May 1962, Canada abandoned its flexible exchange rate and pegged to the US dollar at 92.5 US cents per Canadian dollar.

This change worked through the 1960s, with improvements in the trade balance helping the economy, but with the US voicing rising concerns that the Canadian dollar was undervalued. In 1970, the exchange rate system returned to a flexible one. The Canadian dollar rose back above parity, reflecting the strong foreign investment in the early 1970s and growth in commodity prices.

2.1.3 Who Controls Monetary Policy?

The continuing battle for central bank independence with Governor James Coyne against Diefenbaker was resolved with Coyne’s resignation in 1961.

Louis Rasminsky the new Governor of the Bank of Canada took a different approach. He indicated that he would meet frequently with the Finance Minister. If there was an irreconcilable conflict, then the Minister of Finance could direct a letter to him requesting a different policy setting. Such a letter would signal the lack of confidence of the government in the Bank in spite of the frequent meetings. The Governor would resign under such circumstances.

All subsequent Governors have adopted this stance. By making the stakes for firing the Governor high, the effect has been to avoid such a confrontation and to create the illusion of independence for the central bank.

I suggested in the 1980s that an improvement to the procedure would be for the Governor and the Minister of Finance to write a letter annually, or more frequently if policy changed, laying out the goals for monetary policy so that the public would be aware of what these goals were. This document would be subject to discussion in Parliament. As expected, this proposal was rejected.
2.2 A Story about Trudeau and the Unemployment Rate (October 1972)

When the unemployment rate for September 1972 was first published in October 1972, it had jumped from 6.7% to 7.1%. This triggered an editorial from the Toronto Star damming the Liberals and contributing to a minority Liberal government with the NDP gaining power. In early 1973, Statistics Canada revised the 1972 data to incorporate new seasonal factors. The result was a revised estimate of 6.4%. [McIntosh, 2004]

Many years later, I had an opportunity to discuss economic issues with Trudeau and recalled the jump during the election period. He agreed that the jump was costly, but until that moment, he was unaware of the rate revision downward in early 1973.

3 Living with OPEC, 1975 through 1989

By 1975, the Full Employment objective had disappeared, with all of the policy focus on inflation and OPEC price shocks. Dealing with a global cartel of such an important commodity as oil was beyond the experience of most economists. Some thought that the problem was part of an inflationary force building after several years of low unemployment. They recommended fiscal restraint and monetary tightening.

Others thought the policies should aim at promoting new oil supply in non-OPEC countries, such as the North Sea, Canada, and the US. Nevertheless, the cartel held fast. Some countries began to raise domestic prices for oil to OPEC levels, essentially “joining” the cartel.

3.1 Wage-Price Controls (1975-77)

The Thanksgiving Day Speech by Trudeau announced the introduction of wage and price controls with Bob Johnstone designated to lead the effort. We met the next day and discussed some of the issues and people who could help. My modest effort was to suggest a motto for Canada to match the US motto of Whip Inflation Now (WIN). My suggestion was Stop High Inflation Today (SHIT). It did not make it out of the room!

The objective for the inflation rate as measured by the annual change in the CPI was 8% in the first year, 6% in the second year, and 4% in the third year. The actual performance was below the targets throughout the period. The controls worked better than expected allowing their termination in 1978.

3.2 OPEC Again, 1979-80

Several OPEC price shocks occurred in 1979 and 1980. The US decided to let domestic oil prices move to world oil prices immediately. Canada followed, but with a more gradual phasing in of domestic oil prices to world oil prices.

3.3 Price Guidelines, 1981-83

The CPI jumped with the higher oil prices and the increases in US prices. Don Johnson, then Minister for Economic Development introduced The “Six and Five” program under
his leadership. Again, with an anchor or reference point, the economic decision makers over-achieved, beating the targets on the low side each year.

### 3.4 World Oil Price & Domestic Adjustments (NEP)

In October 1980, the National Energy Program (NEP) introduced policy instruments that would collect some of the economic rent from producers while regulating domestic prices below world oil prices. Alberta took the position that the rents belonged to them and threatened to cut off oil production in early 1981.

A minor contribution to the discussion was a study we undertook with full participation of the federal Energy department and the province of Alberta. It demonstrated that a cutback by Alberta would be damaging to all parties. A compromise had a high payoff. The subsequent policy package in 1981 moved to a compromise not unlike that simulated by us.

In 1985, Pat Carney announced the adoption of market-based pricing for oil and gas in Canada, eliminating the subsidy system in place. The oil industry celebrated!

In 1986, a large drop in OPEC prices calmed the oil patch. However, this price break was helpful in stimulating the US and Canadian economies.

### 4 Wringing Out the Economy, 1990-1998

#### 4.1 John Crow

Lars Osberg & Brian McLean, *Unnecessary Debts* chronicled the adverse effects of monetary policy under John Crow. Canadian interest rates were over 300 basis points higher than the rising US rates. The result was the worst recession in Canada since the Thirties. The annoying part was that the use of tight monetary and fiscal policy was deliberate, with rising unemployment the objective.

The use of higher interest rates led to larger deficits through a drop in revenue and the rising interest costs on the financing the debt. In turn, governments were under pressure to improve their balances through reduced expenditure and higher taxes, worsening the macroeconomic impact of the change. The high interest rates in excess of growth of the economy destabilized the debt to GDP ratio. (The new government in 1993 did not re-appoint Governor Crow to a second term. This step avoided a confrontation with the Bank of Canada.)

#### 4.2 Price Guidelines

The Bank of Canada and the federal Department of Finance struck a monumental policy agreement on February 26, 1991. The agreement was to maintain the CPI change to between 1% and 3%, with a target of 2%. This agreement renews periodically, most recently on November 8, 2011.
This agreement was part of an overall strategy to ensure that the GST introduction in January 1991 would not set off an inflationary shock. The restrictive fiscal policy and monetary policy were other coordinated actions.

The federal government believed it must keep the provinces in line. Hence, the federal government met the fiscal stimulus attempted by Bob Rae in Ontario with countermoves to increase restraint.

Inflation minimization became the only formal economic goal at the federal level from this time forward, continuing today.

4.3 Kill the Messenger
The Economic Council of Canada was one voice pointing out the other goals for an economy that were important. They published a study by Robert Campbell in 1991 focusing on the full employment objective. In 1992, the ECC also published a report examining the impact of Quebec Separation, suggesting that although there would be real income losses, it would not be the end of the world, as we know it. The government had the excuse it needed. Brian Mulroney decided to fold up the ECC in 1992 with the enthusiastic cooperation of the Department of Finance. This silenced the sole voice within government for multiple economic goals.

4.4 “Hell or High Water” Deficit Reduction
A change in government did little to change economic policy. A new Governor of the Bank of Canada was appointed (Gordon Thiessen). At the same time, the government renewed its commitment to inflation targeting through 1998, so there was little change in monetary policy.

In 1994, Minister of Finance Paul Martin announced his overriding objective to reduce the deficit to less than 3% of GDP and to keep it there. This reflected a fear that the deficit would grow exponentially, as it did under the high interest rates from the Crow period. As we now know, this ushered in a period of fiscal restraint never before seen in Canada, with a consequence of fiscal surpluses but as expected, little progress on lowering the unemployment rate.¹

¹ See the collection of articles from the Canadian Centre for Policy Alternatives, Hell and high water: an assessment of Paul Martin’s record and implications for the future, edited by Todd Scarth (CCPA, 2004)
The chart above shows the actual budget balance (red line) and the cyclically adjusted primary balance (CAPB\(^2\)). The CAPB moved to substantial surplus over the 1990s, an indicator of fiscal restraint. Indeed, the restraint increased even more each year through 1999, an unprecedented period of fiscal restraint. This restraint imposed costs on the provinces and resulted in a very slow improvement in unemployment.

The degree of restraint was even larger than indicated above if a full employment target was 3% or 4%. Finance used an unemployment rate of about 7% as the basis for identifying the cyclical component.

4.4.1 An Interesting Lunch with Paul Martin

Shortly after the 1994 Budget, Paul Martin’s office called with a lunch invitation. He wanted me to understand his commitment to reducing the deficit-GDP ratio to 3%. I indicated I thought he would achieve that objective, but urged him to start focusing on the

\(^2\) The primary balance is the difference between revenue and expenditure, omitting net interest paid on government debt. The cyclically adjusted balance is based on a calculation of what revenue and expenditure would be at some target unemployment rate. The CAPB combines these two measures.
unemployment rate that was still above 10% in 1994. He made no commitment; I understood his fervour for getting the deficit down, and he bought lunch!

In subsequent years, the objective of a stable deficit ratio morphed into an objective of surpluses, with little regard for unemployment. As a result, unemployment declined slowly from the peak of 11.4% in 1993 to 6.8% in 2000, finally below the previous low in 1989 after 11 years.

5  Cautious and Steady Improvement, 1999 through 2007

5.1  Appreciation of the Canadian Dollar, 2003-2007

The Canadian dollar rose from 63 cents per US dollar in 2002 to parity by 2008. This led to an improvement in inflation. Finance and the Bank were pleased with the appreciation, reducing inflation and removing their need to beat up the economy with higher interest rates. Collateral damage to manufacturing was not of interest.

The Canadian manufacturing suffered over this period with large declines in employment. (For a detailed study, see Mike McCracken, Bob Jenness, and Carl Sonnen, Economic Effects of Structural Changes in Manufacturing: Retrospective View (Informetrica Limited, 2007)

There was also a missed opportunity to invest by Canadian businesses. Normally, a higher exchange rate encourages imports of capital goods, reflecting their lower price in Canadian dollars. However, businesses must sense the need for an increase in capacity, something not evident in a slow-growth economy

6  Living with External Shocks, 2008 and Continuing

6.1  OPEC Prices

The recent runup in OPEC price for oil has redistributed trillions of dollars per year from net consumers to net producers around the world. If the producers are slow to spend, and if the consumers cutback their expenditure quickly, then this is a recipe for a major adverse fiscal shock to the world economy. Joy among oil producers in Alberta, Saskatchewan, and Newfoundland greeted the higher oil prices. However, consumers in all provinces suffered an adverse shock, coupled with a decline in exports to the US.

It is my contention that the world oil price (WOP) should be less than $50 and maintained there. There is sufficient consumer power (Europe, Japan, China, and the US) to offset the current excesses of OPEC. (Please do not refer to the world oil price as a market-driven outcome, unless you consider cartels a normal part of a market!)

6.2  US Recession Travels North

There was a major collapse of lumber prices and demand in US from their housing market shock, (2007-on) as well as the fallout from the ensuing financial instability.
Higher oil prices, and a collapse of US imports led to further weakness in Canadian exports.

6.3 Fiscal Restraint and Chopping Up Government, 2008 - ?
There is an unfolding story, with identified cuts in people of about 30 thousand from recent federal budgets, with more to come. Expenditure cuts of $9 billion per year, by 2014-15 are in the current pipeline. The rhetoric suggests further expenditure constraint.

7 The Output Gap
When someone who wants to work is unable to do so, the economy loses the value of his or her output. The potential employee loses wage income and benefits, governments lose tax revenues and may have to increase social benefits. Businesses lose sales, both directly and from lower consumer incomes. Most of these losses are not recoverable. Are these losses large or small?

In the simplest form, an unemployment rate moving from 7% to 3% means an increase in employment of 4% of the labour force. In 2013, this would be about 800,000 people. If the average employee produces $100,000 per year, then the gains are $80 billion in output or Gross Domestic Product (GDP) that year. If this improvement continues over many years then the gains cumulate.

This approach is quite conservative, ignoring the effect of falling unemployment raising the labour force participation rate and the multiplier effects of increased employment incomes.

7.1 Okun’s Law Revisited
Arthur Okun posited a relationship between changes in the unemployment rate and GDP growth in the early 1960s for the US economy. He estimated a 1-percentage point decrease in the unemployment rate would translate into about 4 percentage points of additional output. Estimates that are more recent find that a 1-percentage point reduction in the unemployment rate would result in a two-percentage point increase in real GDP in the US economy.

In Canada, we have estimated Okun’s Law as originally formulated and in a more sophisticated form. In both cases, a 1-percentage point reduction in the unemployment rate results in about 2 percentage points of additional economic growth.

7.2 Annual Loss of Output
In 2012, $164 billion of GDP was not produced, about 8.3% of the current level. This is a lot of waste by any standard. Governments would harvest about 40% of the amount or over $65 billion through higher taxes and lower transfer payments, like reduced EI benefits and lower welfare payments.
8 Shortages of Labour

Although there have been alarms about shortages of labour, the evidence suggests that this is not a problem at present. The vacancy survey with its detail by region and occupation shows very few areas of tightness and no evidence of vacancies in excess of unemployment.

Labour shortages if they did occur are not a bad thing, signaling areas requiring higher wages and more training. If vacancies are greater than unemployment this creates an environment of choice, with people able to find a better fit for their skills and objectives.

8.1 Lots of Room

Unfortunately, there is lots of room currently. Of course, some employers expect governments to deliver highly skilled workers to them at the lowest possible wage. Moreover, governments seem to have accepted this role even though businesses pay lower taxes each year.

If employers are concerned about training, then a “grant and levy” system is called for. This means that grants of sufficient size cover the training costs, while levies on all firms finance the training costs. Redesign of work, and adoption of new technologies would be other responses, but not taken by too many employers.

8.2 Immigration Choices

The current approach is to encourage temporary workers to move to jobs in Canada. One effect is to keep wages depressed. By ignoring labour surpluses domestically and hiring temporary workers as needed, there is no need for any training by governments or businesses.

Alternative #1 – Prohibit any temporary workers unless they receive a wage equal to twice the domestic wage for the same occupation. Regular immigration can continue with emphasis on education and working experience and language skills.

Alternative #2 – Treat temporary workers as under Alternative #1. Regular immigration (non-economic) continues under current rules for refugees and family reunification. Link economic immigration to the current unemployment rate. If the unemployment rate is at or below 3%, then economic immigration may continue or even expand as long as the unemployment rate remains low.

9 Productivity and Wages – the Big Wedge

A low unemployment rate is probably a major driver of wage increases. Without full employment, labour lacks the power and there are no wage gains even if productivity rises.

Wage income grows slowly. As a result, disposable income is weak affecting consumption. Government revenues suffer, since they receive a larger share of consumer income than corporate income.
For many years, real wage rates have grown more slowly than productivity increases. This redistributes before-tax income from labour to business. At the same time, the corporate tax rate is falling, making any redistribution through the taxation of profits more difficult.

10 Full Employment Goal
The achievement of full employment will require a major effort by the federal government and the cooperation of the provinces and municipalities. As a starting point, we should adopt an objective of 3% on a national basis. This will imply a regional pattern with some areas above 3% and some below.

New institutions will be required. A consensus of all parties – business, labour, governments, and civil society – should develop Goals for the economy and environment.

10.1 Institutions
It will be difficult to move forward without some new institutions in Canada. I find merit in the Dutch approach with the Economic and Social Council. (In Canada, we could broaden this to include the Environment as well. The challenge to the group would be to build a consensus about the achievement of the goals in the economy.

Membership should include business, labour, the federal and provincial governments, and other institutions that should be inside of the tent. Business associations should be encouraged to form and to be able to speak on behalf of their members. Broader coverage by strong labour unions with broader coverage of the workforce can represent the workers by providing national leadership and a sound research base.

In the Netherlands, there is a requirement for the Deputy Minister of Finance and the Governor of the Bank to attend every meeting of the Council, with no substitutions allowed. A similar provision here might also include the Deputy Minister of Environment and of Human Resources.

In parallel to the Council meetings, there would be a significant research effort, undertaken using the best and the brightest. Maintaining such a high-quality staff would require temporary appointments from the public services, universities, and other organizations. The key is that the people would have to return to their home organization within 3 years. The permanent staff of the Council would be limited to specialized positions, (e.g., IT systems, research support, communications, and administration).

Without a guarantee of key staff returning to an organization, the problem is that the expendable and least bright are contributed. The other option is to recruit the staff without expecting the departments to contribute people. This will take longer and hamper the transfer of knowledge to others.
The Search for Full Employment

10.2 The Possible Goals

10.2.1 Full Employment
Moving aggressively to full employment will require significant fiscal stimulus, improvements in the trade balance, and strong business investment.

As full employment approaches, it will make sense to examine the employment prospects for groups not now performing well. Aboriginals, recent immigrants, and young people with low levels of education will require additional programs. Progress on the macro unemployment rate requires attention to the components, including regional areas of high unemployment.

10.2.2 Stable inflation
The main problem here will be to find ways of disciplining those groups moving outside the agreed guidelines. Currently, the threat is to create high unemployment for all. This is analogous to fighting pollution by closing down the factories. It may work but at huge costs.

Other tools may be more appropriate. Adoption of the regulation of certain prices and wages, tax-based penalties for those exceeding the guidelines, and moral suasion offer some possibilities. All of these instruments are part of the general notion of “Incomes Policies”.

If trade unions and employer councils are to be a major focal point, then they need the power to deliver their members when needed. Compulsory membership of corporations in associations and increased coverage of employees by unions would be essential steps.

10.2.3 Productivity Growth
I contend that full employment will actually increase productivity as workers and employers have confidence in changing production processes. Unfortunately, we lack much recent data in Canada to test this hypothesis.

10.2.4 More Equitable Distribution of Income
Even after the achievement of full employment, there will be an unequal distribution of income. However, the goal is not to achieve equal incomes – differences based on endowments of skills, natural abilities, etc. should result in an unequal distribution of income. However, the distribution should not worsen. To the extent that the distribution of inherited wealth influences the distribution, it may be useful to re-establish an inheritance or estate tax, particularly on high net worth families. Tax and transfer policies should result in a more-equal distribution of incomes than before the application of these policies.

10.2.5 Environmental Sustainability
In all of the dimensions of the environment, we should strive for improvement and then the maintenance of low levels of potential damage. Introduction of various types of taxes
is likely to be efficient and necessary. In some cases, direct regulation may be more appropriate. (This will give the microeconomists a rich field for work.)

10.2.6 Living Up to our International Responsibilities
Assistance to other countries, based on our expertise is one potential area. If Official Development Assistance (ODA) does not work, then search for what would help to improve performance of the LDCs. As a simple example, Canada has developed expertise in running a major capital projects exercise as part of the recent federal budgets. They created a Department of Infrastructure. It would have been useful for them to, at least, consider contributing their systems and expertise to the management of the rebuilding of Haiti after the earthquake. The status there appears to be in disarray, with none of the developed countries who made commitments having delivered on them.

10.2.7 Balanced Growth by Region
There are limits to bringing equality of incomes and growth across regions. However, there are choices. Where government operations are located can be helpful in improving real incomes in a region. The Federal government can provide expertise and dollars to Provincial economic development strategies.

11 Policies

11.1 Macro Policies
Low interest rates, fiscal stimulus, and an incomes policy to allow for lower unemployment.

We need net fiscal stimulus, with lower cyclically adjusted primary balances. There are many demands for improving incomes to the poor, providing social housing and establishing the conditions for day care to allow all to work who wish to do so.

11.2 Infrastructure
Coordinated provision of infrastructure development by the federal, provincial, and municipal governments would be a worthwhile objective. This would serve the goal of lower unemployment, higher productivity, environmental sustainability, and balanced regional growth. We need to take a broader view of infrastructure. For example, our statistical systems, universities, research labs, and similar activities share a “public good” dimension and represent capacity to monitor and improve economic performance.

In addition, the inclusion of privately owned infrastructure (e.g., utilities) and areas not always considered as “infrastructure” would allow for better planning.

11.3 Working Time and the Distribution of Work
Full employment needs some help from the supply side. If people voluntarily work fewer hours, increase their vacation time, start employment later, and retire from formal work at a younger age, then the growth of the labour force will be reduced. (Yes, I realize we are going in the opposite direction now.) A close look at working time, the distribution of
work, and policy options was undertaken in 1994, with an Advisory Group on Working Time and the Distribution of Work, headed by Arthur Donner.

### 11.4 Minimum Wage

The purpose of the minimum wage is to bring into conformity with social norms, the wages paid on entry and for unskilled workers. Some employers would not think of paying the minimum wage, recognizing the inherent needs and value of a staff member. However, others would offer the lowest possible amount. At full employment, starting wages will rise. However, waiting for that may take some time. The minimum wage should be increased, indexed, and with provincial differences reflecting relative cost-of-living in different regions.

### 11.5 Progressive Income Taxation

It is returning in a rather tepid fashion in some provinces – Ontario’s recent introduction of a surcharge for incomes above $500,000 is an example. In contrast, Alberta’s flat tax is an ideological choice, made possible by the oil royalties.

### 12 Final Word

Full Employment is a worthwhile objective. I suggest you embrace it and work for its adoption.

In the last 50 years, I have accomplished little except to anger some politicians and bureaucrats by my repeated calls for full employment.

I pass the torch (or megaphone) to you!

I wish you more success! Lower unemployment remains the most important goal for the economy!