capital investments were ended. Exemption in two stages of production machinery and equipment from the 11-percent general sales tax was announced, but the first reduction did not take place until April 1967, in the hope that this would encourage firms to postpone for a year or longer plans to buy such equipment. The construction programs of all Government departments and crown corporations for the 1966–67 fiscal year were cut by 10 percent.

In addition to these fiscal measures, a very tight money situation was permitted to develop by the summer of 1966. And on January 1, 1967, the general sales tax was increased by 1 percentage point to a total of 12 percent. Finance Minister Mitchell Sharp predicted that the effect of these various measures would be to restrain price increases while probably reducing the rate of growth in gross national product by about 5 percent in real terms.

The effect on economic growth was far more drastic than that. The former vigorous expansion was slowed to a crawl.

The accompanying table shows what happened. For each quarter it gives the volume of GNP, seasonally adjusted and expressed at annual rates in dollars of constant buying power, and also the amount by which it exceeded GNP for the same quarter of the previous year.

Before the applications of restraints, real GNP had been growing at a rate of about 5 to 8 percent per year. For the previous 5 years, it had averaged 6.4 percent per year. But in the second half of 1966 it fell to about 5 percent, in the first three quarters of 1967 to about 3 percent and in the fourth quarter 1967 to 2 percent.

This sharp decline in the growth rate was particularly serious because of the rapid rate of increase in the country's labor force. Between 1961 and 1967 the Canadian labor force grew at an average annual rate of 2.6 percent, compared with 1.7 percent in the United States. Between 1966 and 1967 it increased by 3.7 percent.

ECONOMIC GROWTH, UNEMPLOYMENT AND CONSUMER PRICES IN CANADA, 1964–68

Year and quarter	Gross national product[1]: Amount (millions)	Gross national product[1]: Growth over same quarter of previous year (percent)	Unemployment: Number[2] (thousands)	Unemployment: Rate[2] (percent)	Consumer Price Index: 1949=100	Consumer Price Index: Change from same quarter of previous year (percent)
1964—I	$41,252	7.0	335	4.9	134.4	1.7
II	41,872	7.4	328	4.7	135.1	2.0
III	42,004	6.3	317	4.6	136.0	1.8
IV	42,440	5.2	314	4.5	136.1	1.6
1965—I	43,648	5.8	290	4.1	137.1	2.0
II	44,180	5.5	296	4.1	138.2	2.3
III	45,364	8.0	269	3.8	139.3	2.4
IV	45,832	8.0	251	3.5	140.1	2.9
1966—I	47,188	8.1	259	3.5	141.9	3.5
II	47,728	8.0	257	3.5	143.5	3.8
III	47,520	4.8	289	3.9	144.8	3.9
IV	48,244	5.3	276	3.7	145.6	3.9
1967—I	48,552	2.9	289	3.8	146.2	3.0
II	49,252	3.2	317	4.1	148.2	3.3
III	49,012	3.1	317	4.1	150.6	4.0
IV	49,212	2.0	355	4.6	151.1	3.8
1968—I	50,392	3.8	353	4.5	152.8	4.5
II	50,796	3.1	397	5.0	154.3	4.1
III	51,380	4.8	401	5.1	156.0	3.6

[1] Seasonally adjusted at annual rates and in constant (1957) dollars.
[2] Quarterly averages of seasonally adjusted monthly data.

Source: Dominion Bureau of Statistics.