

An immediate result of the lag in economic growth, therefore, was an increase in unemployment. From a peak of 7.6 percent at the beginning of 1961 it had been reduced to 4.5 percent at the end of 1964, based on quarterly averages of seasonally adjusted monthly figures. As the table shows, the decline continued at a slower pace through the end of 1965, and then held steady at 3.5 percent through the first half of 1966. This compares with an average of 3.8 percent in the United States.

Commencing with the third quarter of 1966, however, both the number of unemployed and the unemployment rate began to rise. By the third quarter of 1968 there were 140,000 more unemployed than at the beginning of 1966, and the unemployment rate had risen to 5.1 percent.

The Canadian economy had been "cooled down" with a vengeance. But what was the effect on prices? It was minimal and short term. The Consumer Price Index, which had risen by 3.5 percent between the first quarter of 1965 and the first quarter of 1966, rose by another 3 percent between the first quarter of 1966 and the first quarter of 1967, and then shot up still more rapidly than before restraints were imposed. By the first quarter of 1968 it had risen by a further 4.5 percent.

Altogether, between the first quarter of 1966 and the third quarter of 1968, a rise in the unemployment rate from 3.5 to 5.1 percent was accompanied by an increase in the price index of 9.9 percent. During the same period, in the United States, a drop in the unemployment rate from 3.8 to 3.6 percent was accompanied by a price rise of only 9.3 percent. The restraints in Canada succeeded in slowing down the growth rate and forcing up the unemployment rate, but they had no appreciable effect on the rate of price increases.

THE GERMAN EXPERIENCE

The performance of the West German economy in recent years shows a startling contrast. Unfortunately there is a certain lag in the availability of German data to us, so that complete data are not available beyond 1967. In the comparisons that follow, the United States and German data cover the same period, 1962 to 1967.

5-YEAR ECONOMIC PERFORMANCE, UNITED STATES AND GERMANY, 1962-67

[In percent]

	Total change		Annual rate	
	United States	West Germany	United States	West Germany
GNP at constant purchasing power.....	27.0	19.1	4.9	3.6
Real ¹ GNP per person employed.....	13.9	21.4	2.6	4.0
Gross hourly earnings in manufacturing.....	18.4	41.9	3.4	7.2
Cost of living.....	10.3	14.4	2.0	2.7
Real hourly earnings.....	7.3	24.0	1.4	4.4
Average ² unemployment rate.....			4.6	2.5

¹ Absolute level.

² Adjusted to U.S. definition.

Source: OECD "Germany," I.G. Metall; "1969 Economic Report of the President."

Between 1962 and 1967, GNP expressed in dollars of constant buying power grew in the United States at an average rate of 4.9 percent per year, and in Germany at an average annual rate of 3.6 percent.