

TRUDEAU AND THE ECONOMY IN THE 1970S



TRUDEAU RESPONDS TO INCREASING CONTROL OVER THE CANADIAN ECONOMY

- Trudeau wanted Canada to be less dependent on the United States.
- He lobbied for increased Canadian ownership and protection of the country's resources.
- Creating Petro-Canada in 1975 was part of that plan. The Crown-owned company would develop and control Canada's presence in the energy sector.



FOREIGN INVESTMENT REVIEW AGENCY (F.I.R.A)

- Review any proposed takeover of a Canadian firm by a foreign business.
- If the takeover was not in the best interests of the Canadian economy, FIRA would recommend to Cabinet that the takeover not be allowed to occur



STAGFLATION

- INFLATION THAT MEANS RISING PRICES WHICH HURTS THE ECONOMY- SOLUTION WAS TO RAISE INTEREST RATES AND “COOL” OUT THE ECONOMY-(LESS CONSUMERS PURCHASING) THIS MEANS SOME PEOPLE LOSE THEIR JOBS IN THE SHORT TERMS
- IF ANTI-INFLATIONARY POLICY IS TOO SEVERE OR IMPLEMENTED FOR TOO LONG ECONOMY WILL SLUMP
- THE PROBLEM WAS TO FIND A BALANCE BETWEEN INFLATION AND UNEMPLOYMENT
- IF BOTH HAPPEN- RISING PRICES AND RISING UNEMPLOYMENT YOU HAVE STAGFLATION

UNEMPLOYMENT AND INFLATION

YEAR	UNEMPLOYMENT RATE %	INFLATION RATE %
1968	4.5	4.0
1969	4.5	4.5
1970	5.8	3.5
1971	6.2	3.0
1972	6.3	5.0
1973	5.5	7.9
1974	5.9	11.0
19745	7.0	10.8
1976	7.2	7.9
1977	8.2	8.1
1978	8.3	9.0
1979	7.5	9.5
1980	7.5	10.2
1981	6.9	12.5
1982	11.9	11.0
1983	11.2	5.9

Wage and Price Controls

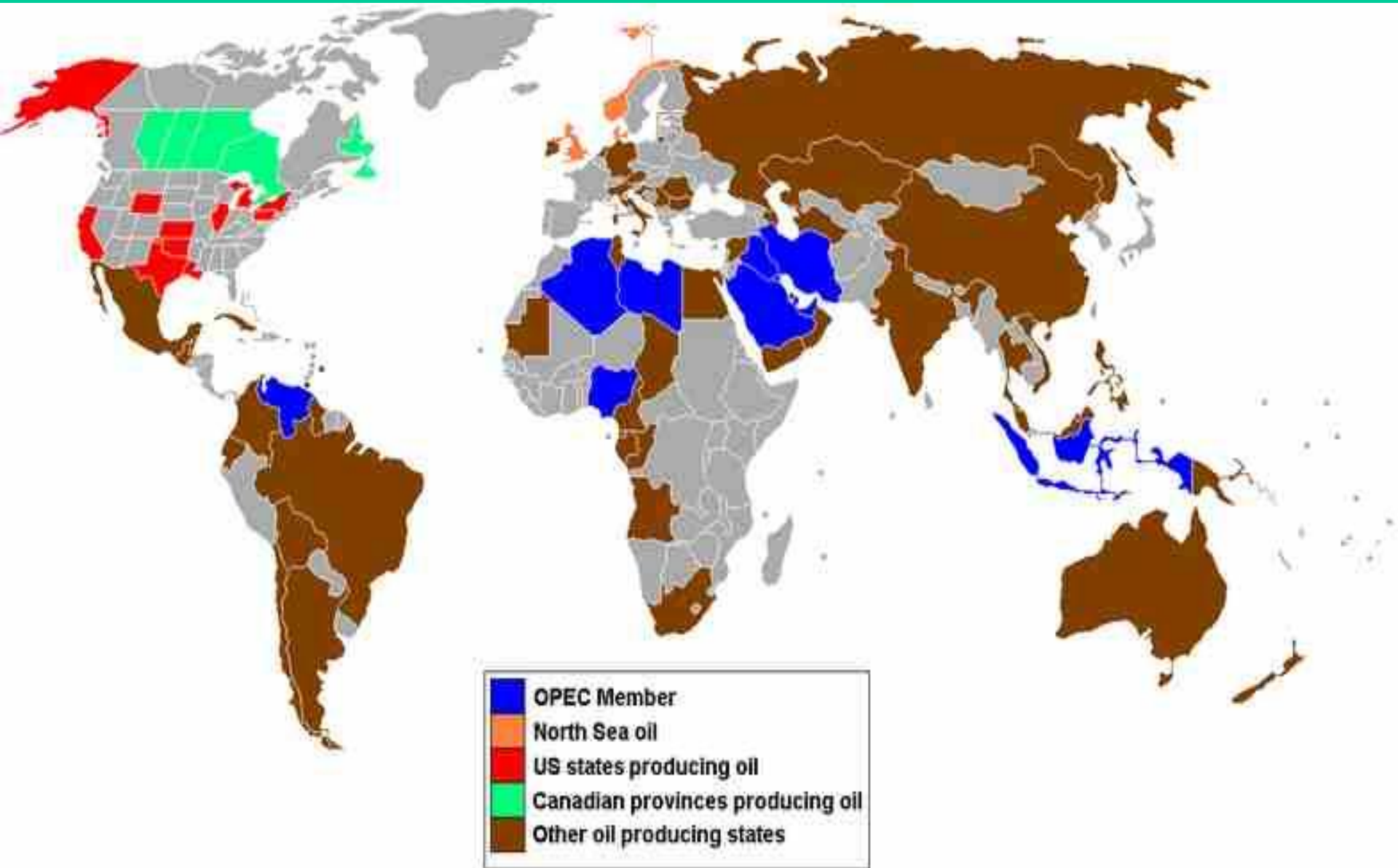
- Trudeau- criticized Wage and Price Controls –said it would not work- he studied at the London School of Economics
- “a disaster waiting to happen whenever they were tried in the world”
- Conservatives run their campaign on Wage and Price Freeze



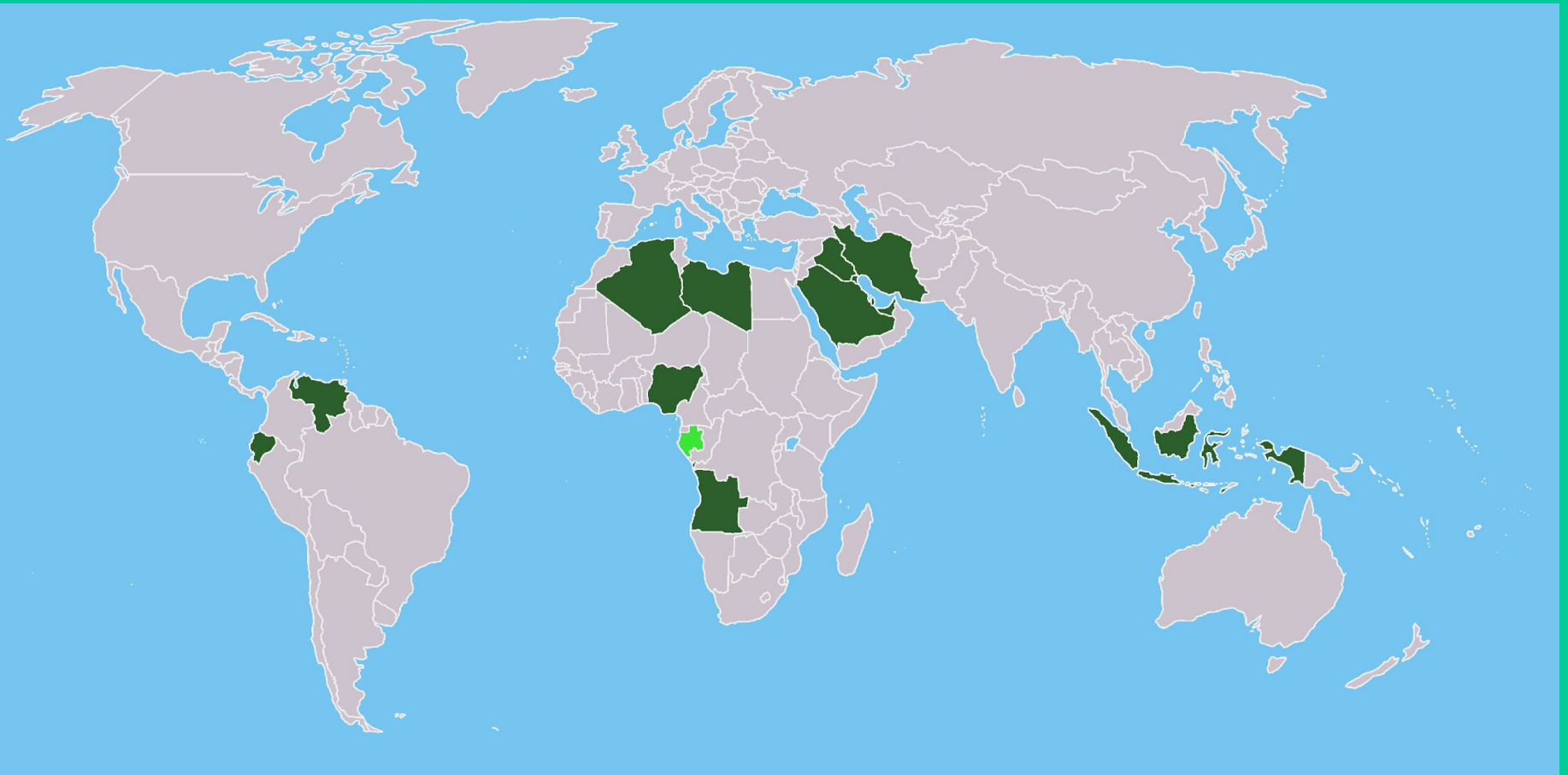
Trudeau and Price and Wage Controls

- Trudeau changed his mind in 1975
- Said unions were driving wages up
- Put in a freeze but it is hard to administer in a modern economy and can be very unfair
- Inflation was controlled but some economists felt it would have happened without control

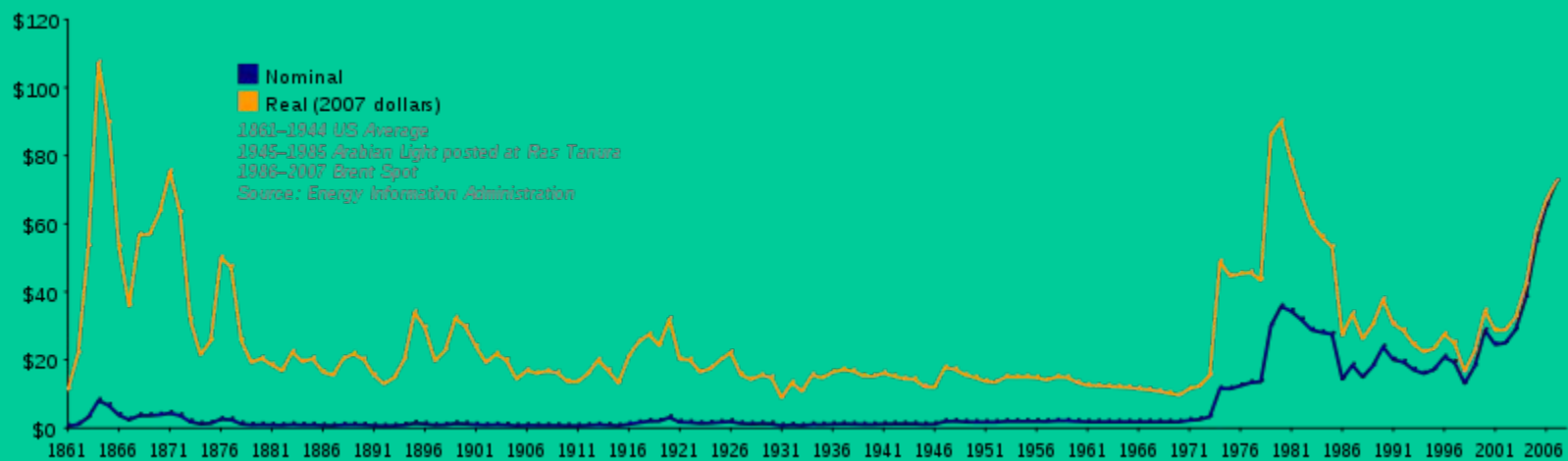
Oil Producing regions in the World



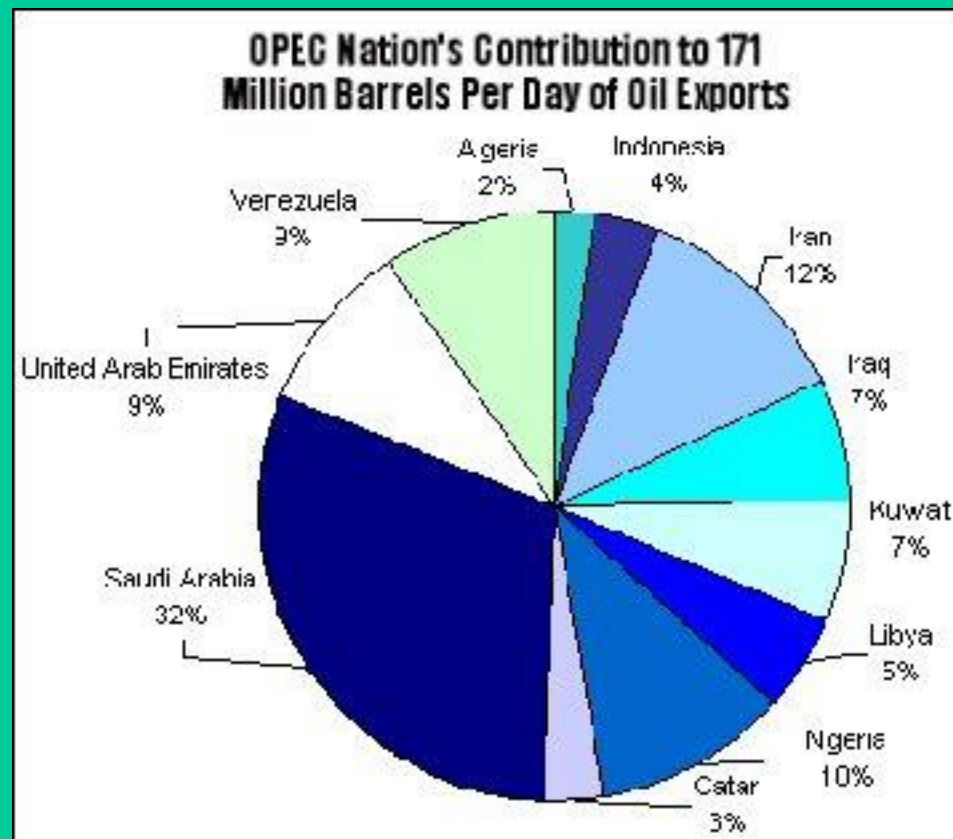
WHAT IS O.P.E.C?



Price spiked due to O.P.E.C.



How does it work?



Canada's primary producer



National Energy Program Goals

- to protect consumers from from large price increases,
- to protect country from further foreign disruption of supply,
- To achieve greater Canadian ownership of the oil industry

How did the program work?

- Gave Ottawa part ownership in every new oil well
- Paid less for oil from established wells (so consumers paid less) and more for new oil wells
- Federal Government was to use the tax windfall to subsidize Canadian exploration and Canadian Consumers

Western Reaction



- Felt province should have full control over resources
- Reduced shipments to 180 000 barrels a day
- “Let the East have Trudeau. Let the West have Freedom?”

Reaction to the NEP

- We have to keep in mind that this country has been built because we have been able to share in this nation..We have to make sure that every person in every part of Canda benefits from the potential and the wealth that belongs to the people of Canada.They have right to share of these opportunities. It's what building a nation is all bout.
- We saw hundreds of billions of dollars leave this province in what was a very unfair program. We're just not prepared to accept that

What was the impact of the NEP?

- Alberta lost revenue during the period to Ottawa
- Boom times not as strong in Alberta (compared to other oil producers like Norway)
- Ottawa held in contempt
- Program ended in 1984- but prices had already dropped so revenue was limited anyway

Trudeau and Debt

