



STATEMENTS AND SPEECHES

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CANADA'S ECONOMIC PREPAREDNESS

Text of an address by the Minister of Trade and Commerce and Minister of Defence Production, Mr. C.D. Howe, to the 65th Annual Meeting of the Vancouver Board of Trade, made on January 29, 1952.

...One of the most significant tests of the health of any enterprise is the provision that is being made for future growth and development. How does the great national enterprise -- Canada -- measure up to that test? The answer is plain. During 1951, one-fifth of our national production was ploughed back into the development of our natural resources and the improvement of our productive facilities. That is the aggregate result of thousands upon thousands of individual decisions made by people in all walks of life in Canada. As an optimist about the future of Canada, I am in good company.

There are, of course, limits to what can be accomplished in these days of material shortages and increased defence preparedness, and the Government's responsibility has been to encourage certain types of investment and to discourage others. Materials, industrial capacity and manpower had to be diverted from less essential industries to defence production without unduly dislocating the economic life of the country. To achieve this objective, the Government has depended mainly upon the use of indirect methods to create an environment in which our economy can best adjust itself to preparedness demands. Some direct controls have had to be introduced but these are relatively few in number, and have been applied mainly in the metals field and at the primary level. In the construction field, the use of steel has been restricted to essential projects. Because of the relatively simple structure of the Canadian economy, this system of handling controls is particularly effective, permitting end-use regulations to be kept to a minimum.

At the same time, the Government has used fiscal and financial measures to encourage the diversion of resources to essential uses, and to check inflation. Restrictions on consumer credit were introduced as early as the Fall of 1950. A reduction was made in the amount of money which could be borrowed under the National Housing Act to finance the construction of new houses. Fortunately, it has been possible to retrace our steps to some extent in the fields of both consumer credit and housing. Bank credit expansion has been discouraged by the Bank of Canada's policy of keeping chartered banks' cash tight, and the banks have also agreed to the suggestion of the Bank of Canada that there should be no further increase in chartered bank loans and non-government investment. The higher taxes