

## STATEMENTS AND SPEECHES

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### THE ROYAL COMMISSION ON ON CANADA'S ECONOMIC PROSPECTS

An address by the Chairman, The Royal Commission on Canada's Economic Prospects, Mr. Walter L. Gordon, to the Canadian Federation of Mayors and Municipalities, at Edmonton, August 29, 1955.

... I am delighted to be here ... because of the opportunity it gives me of telling the Mayors of the cities and towns from one end of Canada to the other what the Royal Commission on Canada's Economic Prospects will try to do during the course of the next year - and the kind of help that is going to be needed if the task is to be done well. And I can think of no other group of men and women who will be more vitally concerned with the everyday problems involved in our economic development over the next 20 or 30 years than those of you who have the great responsibility of governing in the municipal field.

As you may know, the Royal Commission is composed of five people - Dr. Raymond Gushue from Newfoundland, who is President of Memorial University in St. John's; M. Omer Lussier, from Quebec City, a consulting Forestry Engineer and former Professor at Laval; Mr. A.E. Grauer of Vancouver, who is President of the B.C. Electric Company; and Edmonton's own Dr. Andrew Stewart, President of the University of Alberta. As I hail from Ontario, we would seem to represent a reasonably good cross-section in a strictly geographical sense. Whether we shall be able to meet successfully the other and somewhat more exacting tests that all forecasters must be prepared to face remains to be seen. All I can promise is that we shall try to be objective and that we shall do our best.

M. Lussier, Mr. Grauer and I returned to Edmonton yesterday afternoon from a trip to the Yukon and the Northwest Territories, down the Peace and Mackenzie River valleys as far as Aklavik. We had a most interesting and useful trip and we met a lot of wonderful people including Indians and Eskimos. and I might mention in passing that we were struck by the intelligence as well as the fortitude of the leading Eskimos and Indians we talked with in Aklavik. We are fortunate to have such people as fellow Canadians. We were impressed with the problems of living in that vast area to the north of us including particularly the difficulties of transportation and the distances to be covered. Everything is relative, and living in Toronto it is perhaps understandable that one should think of Edmonton itself as being pretty far to the North. It

is, in fact, some 700 miles north of Toronto. But it is a bit startling for a Torontonians to realize that Aklavik is another 1,000 miles north of Edmonton.

I do not suppose that this tremendous Northwest will be developed overnight or even in the very near future. But if it contains the oil and the gas and the minerals - not to mention the timber limits - that many people believe it does, developed it will be sooner or later. And obviously as it is developed, Edmonton will share in the benefits.

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I propose to talk first of all about some of the questions about the future which Canadians have been wondering about lately; secondly, to discuss the ways in which the Royal Commission is planning to examine these questions; and lastly, if you will allow me, to indicate the kind of help which the Commission hopes to receive from provincial and municipal authorities.

In the ten years since the war the population of Canada has increased to 15,600,000 people or by 29 per cent (including 344,000 Newfoundlanders who became Canadians in 1949); the working force has gone up by 22½ per cent, and gross national product -- that somewhat mysterious measure of our total physical output which economists and Government officials are always talking about but which most of us do not understand too well -- has increased by about 32 per cent in constant dollars.

During the same ten-year period we have seen the tremendous oil and gas development in Alberta and, to a lesser extent, in the other prairie provinces as well; great changes and developments in the forest and metal industries of British Columbia; remarkable increases in industrial development of all kinds, especially in Central Canada; the production of iron ore in Labrador and in Ontario; a very large expansion in hydro-electric generating capacity in all parts of the country; the discovery of uranium and other base metals, and so on.

It has been a tremendous ten years, and we still seem to be going strong. Clearly these developments will ensure a brighter economic future for Canada and Canadians than any of us, twenty years ago, even dreamed of.

But having said this -- and despite the fact that in most parts of Canada the boom is still booming -- this may be an appropriate time for us to take a good look into the future. Or better still -- if we have doubts about the ancient and entertaining, if not entirely scientific, profession of crystal ball gazing -- for us to do some good, hard thinking about the direction in which the Canadian economy seems to be pointing, and about some of the problems we may expect to be faced with over the next 5, 10, 15 or even 25 years.

Quite obviously in this present period of revolutionary technological change we cannot expect to develop blueprints which will show with any certainty

or precision what conditions will be like in Canada in 25 years' time. If any of us have any illusions about this, we merely have to imagine what a similar Royal Commission in 1905 might have said about the future of Alberta. The Commissioners might well have been optimistic. But could they have been expected to foretell the remarkable expansion of overseas demand for our wheat and other farm products which lasted for nearly 25 years, and the terrible depression which followed -- a depression in which Alberta with Saskatchewan was to suffer more than any other part of the country? Or could a Royal Commission established in 1930 -- when the depression was just getting under way -- have been expected to anticipate that within another 25 years Alberta would be looked upon not only as one of the richest of the Canadian provinces in terms of resources, but potentially as one of the richest areas of the whole world?

I do not mean to suggest that some qualified forecasts about the future cannot be immensely valuable -- even if assuredly such forecasts will have to be revised considerably from time to time. On the contrary, I believe that some assessment of our future prospects and of the problems we may expect to face is highly desirable. Surely it is important for us in Canada to estimate -- even in a rough way -- what the demand may be during the next 20 or 30 years for the kind of products we have for export: newsprint; lumber and other forest products; wheat and other agricultural products; fish; base metals of all kinds; oil and gas; manufactured goods of various kinds; and so on. And having estimated the probable demand for these products, it may be useful to do some thinking about the possible alternative sources of supply to which the importing countries may look if our costs get out of line or if we fail to meet the wishes and convenience of our customers in other ways.

What will be the population of Canada in 1980? If it continues to grow at the same rate as it has done during the past 10 years, it might be 30 million. But at the average rate of increase that prevailed during the 10 years before the war, it would be only 20 million. Are we more likely to end the period with a population which is closer to the higher or to the lower of these two figures?

How is this increasing population likely to be distributed throughout Canada? And what about the age factor? Most of us -- certainly all municipal authorities -- are becoming increasingly aware of some of the problems that are developing out of our sharply higher birthrate; the first post-war wave of babies is now bulging the walls of our public schools. They will be ready for high school very soon, and, by the early sixties, some of them will be ready to go to university. Still others -- and perhaps many of them in this increasingly specialized age -- will need technical training of one kind or another. If this coming generation is not to be let down, this means that we must plan to build more schools, more technical schools or colleges, and more or larger universities. And it means that we shall need more teachers who must be trained and who will have to be paid appropriately if the best type of people are to be attracted to what is, and should be generally regarded as, the most important of all professions.

What are we going to need in the way of housing; of more roads, highways and airports; of hospitals; as well as schools and universities; and of all those services which the municipalities will be expected to provide for an increasing population -- particularly if the drift continues from the farms to the cities? How are all these services to be financed? And will the municipalities be able to develop the necessary administrative organizations which will be required to handle their increased responsibilities?

In thinking about the future we should ask ourselves how the increased numbers of people of working age are going to be employed over the next 5, 10 or 25 years at best advantage to themselves and to the country as a whole. We all know that there was a considerable amount of unemployment in some parts of Canada last winter. Hamilton, Ontario, was one such place. Magog, Quebec, was another. There is no good telling people who are on relief and who want work that the figure of the gross national product is running along satisfactorily, and that the average standard of living is high by any previous comparison. In fact, it is heartless to do so. The question is: are there measures which we in Canada can take which will maintain employment at high levels? If so, what are such measures, what are their limitations, and what will be their cost for the country as a whole?

Will the Canadian economy in future be increasingly tied in with that of the United States? Or, to put it another way, will our prosperity depend increasingly upon the level of prosperity across the line? We have learned a lot since the depression of the thirties. We know that there are many things governments can do to influence the level of economic activity - at least in countries as large and self-sufficient as the United States. I refer to fiscal and monetary policies the control of credit, and the amount of Government spending. We must hope that in the future U.S. Government authorities will use such measures wisely -- or should I say that public opinion in the United States will allow their Government officials to do so. But if they do not act wisely or at the right time, can we in Canada expect to be sufficiently independent, economically speaking, to maintain a desirable rate of economic activity; to stimulate the Canadian economy when this seems to be called for; and to slow things down a bit when the signs point to inflation?

To what extent are certain industries in Canada controlled by non-residents, and is this something we need to worry about? Foreign capital and "know-how" have been instrumental in developing many of our industries much more quickly than would otherwise have been possible. Should we continue to encourage the investment of foreign capital in Canada in every way? Or will we be able in future to generate within Canada the risk capital and the enterprise which will be required for the further development of our resources. If so, will we be able to supply the managerial and technically trained people these projects will require?

And speaking of international control of Canadian industry what about the international labour organizations? Have we anything to fear from affiliations across the line? If so, what is likely to be the effect upon labour rates in Canada and upon costs of production? Do we need to worry about the possibility of pricing ourselves out of some of our markets?

Will the disparity in personal income and in standards of living between the United States and Canada increase, or is it likely to decrease or disappear? We all know -- and for the most part accept -- the added costs inherent in the Canadian nation and its economy. Our country was built in the teeth of strong north-south economic pressures. We have been paying a price for our economic independence in the form of higher costs of transportation, higher distribution costs and smaller markets for our manufactured goods, which makes them more expensive to produce. Moreover, our climate adds to our costs. As examples of what this means, I would refer you to two items in municipal budgeting -- the amounts which have to be provided for fuel and for snow removal.

By a variety of devices, Canadian Governments have attempted to distribute certain special costs of production over the nation as a whole. I refer, again as examples, to subsidies for Nova Scotia coal, subsidies to the manufacturing industries in the form of tariffs, subsidies to Western farmers in the form of freight rates, subsidies to certain new industries in the form of tax relief, and to others through depletion and depreciation allowances. All these things mean that the Canadian standard of living of necessity has been lower than that of our neighbours to the South. But if the demand in the United States and elsewhere for our raw materials increases over the years and prices rise as a result -- and if the prices of the manufactured articles we import tend to fall through increased efficiency and intensified competition -- in other words, if the terms of trade swing in our favour -- is it inconceivable that eventually the disparity in standards of living may be narrowed considerably?

And while we are on the subject of disparities in living standards, what are the probabilities of expansion and development in each of the main regional divisions of Canada? And what are the problems likely to be in those regions or provinces which may be expected to develop more slowly than others?

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You will agree that an attempt to answer even a few of these questions is a formidable task. Unquestionably the Royal Commission has been given a heavy assignment. The Commissioners are convinced that it can be accomplished only on a co-operative basis with the fullest support of all interested organizations, associations and Government officials throughout the country. There seems to be no doubt about the general public interest in the undertaking. And I am most happy to state that there is no doubt either that the needed support and assistance will be forthcoming.

The Commission has recruited a large and able staff headed by Mr. D.V. LePan, on loan from the Department of External Affairs, who has been appointed Secretary to the Commission and its Director of Research. It is interesting to remember that another member of the Department of External Affairs acted in a similar capacity to the Royal Commission on Price Spreads and Mass Buying back in 1934. His name was Mike Pearson - now known throughout the world as the Honourable Lester B. Pearson, Canada's Minister of External Affairs.

Other senior members of the Commissions staff include Dr. John Davis of Kamloops, B.C. on loan from the Department of Trade and Commerce, Professor Yves Dube of Laval University, Quebec, Dr. W.M. Drummond of the Ontario Agricultural College, Guelph, Douglas Fullerton recently with a financial organization in Toronto, Professor W.C. Hood, a Maritimer who is now on the staff of the University of Toronto, Dr. Robert Howland on loan from the Government of Nova Scotia, Professor William MacKenzie of Edmonton and Simon Reisman, formerly of Montreal, on loan from the Department of Finance.

Mr. J.C. Lessard of Montreal, a former Deputy Minister of Transport, has been retained as Transportation Consultant to the Commission and will be available to advise us upon probable developments in this vitally important field.

In all, the staff of the Commission will number some 25 or 30 people. They will undertake a number of studies of particular questions. But, quite obviously, it would not be possible for them -- that is the Commission's own staff -- to begin to cover all the subjects which come within our terms of reference. Accordingly, we have asked many other qualified people and the institutions with which they are connected to undertake specific studies on the Commission's behalf. We have appealed for help to the Provincial Governments, to several of the Banks, to the Canadian Pulp and Paper Association, to one of the largest insurance companies, to the Trades and Labour Congress, the Canadian Congress of Labour, the Canadian and Catholic Federation of Labour, to a number of people in the professions and to people in the Federal Government Service. In every case the response has been gratifying in the extreme. The people we have appealed to have agreed to make objective studies of particular questions for the Commission. And in most cases this work will be done free of charge as an important contribution in the general public interest.

I have referred to some of the Institutions and Organizations which are preparing information for the Commission in order to indicate the broad extent of the support which we are receiving. I have not recited a complete list and, in fact, additional offers of assistance are being received almost every day.

While these various studies are being prepared, the Commission itself will be holding public hearings across Canada. The hearings will begin in St. John's, Newfoundland on Monday, October 17 to be followed by sittings in Halifax, Charlottetown and Fredericton.

The Commission is planning to begin its tour of Western Canada in Winnipeg on November 14 and will sit in Regina, Victoria, Vancouver, Edmonton and Calgary in that order. Hearings will be held in Quebec City, Montreal and Toronto in January with a final sitting in Ottawa some time in February.

We expect to receive briefs from provincial and municipal authorities, farmers organizations, the fishing interests, business and labour organizations and so on. It is expected that a great deal of valuable information will be elicited in this way.

The Commission is requesting that briefs be submitted two or three weeks in advance of the hearings so that the Commissioners may have an opportunity of studying them. We are also asking those who intend to submit briefs to notify us of their intentions as soon as possible so that we may determine how long we should plan to sit in each city. Except in the case of representations by provincial and municipal authorities we shall not expect people to read their briefs in detail at the hearings - the Commissioners plan to read them beforehand - but only to summarize the high spots and to answer questions.

As already intimated, it is expected that the public hearings will be concluded some time in February. Most of the studies which are being undertaken by the Commission's staff and by others should also be finished about the same time. This means that by late winter or early spring the Commission should be able to get down to the hard work of pulling the mass of available information together and of reaching its conclusions.

I should make it clear that the Commission will not be expected to make precise or detailed forecasts about the future or to submit a long list of detailed recommendations. It will, however, be expected to arrive at broad conclusions about the direction in which the Canadian economy seems to be pointed; about some of the problems which seem to lie ahead; and about some of the policies which might be modified or changed to advantage. This is a tall order indeed. It is also a fascinating one.

Now I come to the question of the information which the Commission would like to obtain from the Canadian Federation of Mayors and Municipalities or from individual municipal authorities. If you will bear with me, I should like to spell this out in some detail. Before doing so, I should perhaps mention that all of the Provincial Governments have already been good enough to inquire about the kind of information which the Commission would like to receive from them. This will include their views upon the future expansion and development of the resource industries of their provinces, the probabilities of further industrial development in the secondary - or manufacturing - industry field, and their views upon a number of other subjects which are also of special interest to the municipalities. These latter questions - upon which the Commission would welcome the views of the municipalities as well as those of the Provincial Governments - include:

- (1) The probability of further industrial development within the boundaries of, or closely adjacent to, the municipality concerned. This may not be a matter which represents a serious problem or question of some municipalities, but it is of vital importance to others. Almost one-half of Canada's population lives in urban centres of 40,000 people or more; nearly one-fifth of the population of Canada lives in two municipal areas -- Montreal and Toronto. Do the authorities in these and similar municipalities expect their cities to continue to grow at the same rapid pace as they have done during the past ten years? Is the shift in population from rural to urban centres - which has been going on steadily for more than 100 years - likely to continue? What are the prospects that still more industrial plants of all kinds will be built in or near the areas in which already industry is largely concentrated? What problems will be created, in terms of unemployment and unemployment relief, if the industrial segment of the economy is not prosperous? Would it be better to try to encourage industry to decentralize? What are the problems of the one - or two-industry towns? Are they better or worse off than the country towns with little or no industry?
- (2) What will be the needs of the growing urban population for more schools, technical schools, and universities? Can these needs, including the required numbers of adequately trained teachers, be met by the municipalities? Or will they need outside help?
- (3) What action needs to be taken to redevelop existing depressed or slum areas in our cities? Will the limits of our cities continue to be pushed outwards with the building of single-unit suburban housing, or will there be a shift to multiple housing in central areas -- a building up instead of out? Is it reasonable to expect the municipalities concerned to assume full responsibility for their own re-development?
- (4) With the reducing length of the working week, what will be the requirements of the population -- and particularly of the urban population -- for their leisure time? To put it in other words: will the municipalities be expected to cater to the recreational needs of a growing population with more spare time on its hands? Who should be responsible for providing more community centres, stadiums for athletic events, race tracks and parks, not to mention more museums, art galleries and symphony orchestras?
- (5) What will be the requirements for hospitals and for doctors and nurses? And who should be expected to provide for them?
- (6) Again what will be the demands for more and better roads, throughways and bridges? How do the municipal authorities expect to cope



with the increasing traffic problem? Do the larger cities contemplate building subways, or will they leave this field to Toronto and instead provide transportation by helicopters, buses or bicycles?

- (7) And finally -- and perhaps some of you will think this is a leading question -- are the financial resources of the municipalities adequate to provide the kind of services that quite obviously are going to be needed? And in this connection, and as previously mentioned, will the municipalities be able to develop the kind of administrative organizations and the personnel that will be needed to handle their increased responsibilities?

It will be very helpful to have the views of the Canadian Federation of Mayors and Municipalities on these subjects and, in fact, upon any other matters of importance which the Federation may wish to bring to our attention. Because one thing that does seem reasonably clear about the future is that municipal authorities will be expected to assume greater and greater responsibilities as our civilization continues to grow more complex and as our numbers continue to increase.

I am sure my fellow Commissioners feel as I do that it is a privilege indeed to work on what is turning out to be a great Canadian co-operative effort. All Canadians are interested in the future development of our country and in making sure that wise policies are followed in this regard. The subject is not and should not be allowed to become a controversial one; it is too important to leave room for personal prejudices, or partisanship. Because of its importance all of us must insist that it be examined objectively, dispassionately and without bias. The Commission is pledged to this approach.

In conclusion I should like to repeat that the Commission is more than gratified at the general interest which is being shown, and is grateful beyond measure for the offers of assistance which have been received.

We shall try to complete our report before the end of 1956. I hope that you will not be disappointed in it.

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