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REPORT ON CANADA IN 1948

An address by Mr. Douglas Abbott,
Minister of Finance, at the Annual
Luncheon of the Canadian Women's
Club of New York, January 15, 1949.

I am very grateful for this opportunity of addressing you today -- grateful because of the nature of my audience and grateful because of the subject I am allowed to discuss. Because most of you are either of Canadian origin or have close associations with Canada, I am sure of sympathetic understanding of what I am to say about my country and its problems. And because you are not residents of Canada, I can immodestly sing the praises of my own country and its achievements without being accused of seeking your votes. With this in mind, I decided to talk to you about Canada's position in 1948 -- bring you up to date, as it were, on happenings in the old hometown.

On other occasions I have suggested that there are three essential tests by which the growth or achievement of a nation can be judged. Is it increasing its strength as an economic unit? What about its achievements from the social point of view? And lastly, is it showing capacity for growth as a political organism? Applying these tests to Canada would seem to me to provide an excellent pattern for my talk to you today. I do not mean to suggest that these are the only tests by which to judge Canada's growth as a nation, nor do I believe for a moment that a record of achievement in these fields alone is sufficient basis for complete satisfaction on the part of any Canadian. But as Minister of Finance in the Canadian Government, I feel that I should confine my remarks to those subjects in which I have a special interest.

Let us then apply the first of these tests to Canada. Has it shown itself capable of expanding its production and its productivity, thereby providing a rising standard of living for the mass of the population?

The best single measure of this is the national income, the aggregate of all the incomes earned by all Canadians. Look back ten years to 1938. In that year the net national income was just under \$4 billion and, of course, it had been much smaller than that in the earlier 'thirties. In the year just passed -- 1948 -- according to preliminary indications, the corresponding figure will probably be in excess of \$12½ billion -- better than the best of the war years by nearly \$3 billion. After making allowances for price increases during the intervening years and for population growth, it is safe to say that the average Canadian today enjoys a standard of living at least half as high again as he did before the war, and a good deal higher than at any time in the past. Equally important to the economic strength and solidarity of the nation, the benefits of rising incomes have been widely distributed. There is, I believe, a much fairer distribution of income than at any time in the past.

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We are better off than we were ten years ago, partly because nearly everyone who wants a job is working. We have what has come to be called "full" employment, with unemployment, practically non-existent and with a real shortage of labour in certain sectors of the economy. The disappearance of unemployment, however, does not account by any means for all the increase in national income. There has also been a very substantial increase in productivity. This has been made possible by a vast increase in mechanization in our primary industries and by rapid acceleration of the industrialization of our economy. Into four or five years of the war period we concentrated an expansion in industrial plant and equipment that would normally have required more than a decade to achieve. We enormously diversified our productive mechanism and, what is more important, we found that we could make the most complicated types of equipment efficiently and at least in many cases as economically as any other country. There was a time when we feared that the end of the war would leave us with a huge area of vacant factory space and a large amount of idle equipment. But that is not at all what happened. On the contrary, our business men found it possible quickly to convert our wartime industrial capacity to peacetime uses, and found it necessary to increase enormously their investment in plant and equipment. In fact, the total capital investment in Canada -- investment in industrial plant and equipment, public utilities, housing, public projects, etc. -- has been proceeding at a wholly unprecedented pace -- a pace even more rapid than that which prevails in your country, and one which is straining our resources of labour and materials and contributing to an upward pressure on costs and prices.

Our increased output of foodstuffs, raw materials and manufactured goods has been reflected in the rapid expansion of our export trade. As you are no doubt aware, however, the traditional market for a substantial portion of our exports has been Western Europe and since the end of the war we have had to finance a substantial portion of these exports by loans and credits. We felt it of the utmost importance in our own interest as well as the interest of world peace and prosperity to promote the rapid recovery of the war-torn countries. In proportion to our size and resources, we have, I believe, done as much as any other country, including your own, to achieve that objective. But the necessity of selling part of our exports for credit, coupled with heavy imports from your country for which we paid cash, resulted in a heavy drain on our exchange reserves, which, of course, consist of gold and U.S. dollars. So severe was this strain that in November 1947 the Canadian Government was forced to take drastic measures. At that time severe restrictions were placed on the imports of a great many commodities, and Canadians who wished to travel in the United States for pleasure purposes were limited as to the amount of U.S. dollars they could purchase. Many articles, such as fresh fruits and vegetables, textiles and clothing, automobiles and electrical appliances, which Canadians had imported in huge quantities, were either banned or placed on a quota list. I need not tell this audience that no Canadian, least of all myself, liked the restrictions. On a personal basis we Canadians do not like to have our supplies of imported goods cut short and our visits to friends and relatives south of the line restricted. And on a national basis, we as a great trading nation, do not like to have to put up barriers to international trade, barriers which we have long deplored and which we have worked so hard at the Havana and Geneva Conference to reduce.

Fortunately, we have found in our friends to the South that same spirit of sympathetic understanding and co-operation which has come to mark all our dealings with each other. The active assistance of American firms in finding ways and means to increase the U.S. dollar earnings of their Canadian branches or subsidiaries or to reduce their use of such dollars, lowering of certain U.S. tariffs under the Geneva Agreements and the use of ECA dollars for offshore purchases in Canada, have all been of great value to us. On our side, Canadian business men have made a heroic and highly successful effort to expand dollar markets for Canadian goods and Canadian consumers have co-operated with the Government in a most encouraging fashion.

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As a result, our official reserves of gold and U.S. dollar exchange, which had fallen to a low of \$461 million on December 17, 1947, increased to \$998 million as at December 31, 1948. Of this increase, the sum of \$150 million represented the proceeds of the long term loan sold to three American life insurance companies last August. The rest was due to our improved trade position. This marked improvement in our foreign exchange reserves allowed us, at various times in 1948, to relax our import restrictions. We hope to make further relaxations from time to time and I can assure you that we do not wish to keep up for a day longer than is necessary these unpopular and undesirable barriers to trade and travel between the two countries.

It would be misleading, however, to exaggerate the significance of our improved position. To the extent that the improvement has been the result of increased exports to the dollar area, it is evidence of the initial success of our long term positive program. To the extent, however, that it is due to the restriction of imports, a program which we are pledged to drop as soon as possible, and to the operation of the ECA program which is of a temporary nature, we cannot look to them as positive or permanent solutions. We must make a great deal more headway with the positive or expansionist part of our program before we are confident that we are really out of the woods. Failing the restoration of a world in which trade can be carried on on a multilateral basis and with convertible currencies, this really means that we must achieve a much closer balance in our trade with your country. In the split and troubled world in which we live today, we can no longer afford to buy \$2 billion worth of goods from the United States and sell you only \$1 billion worth of goods in return. However much we might like to do so, we simply cannot continue on that basis.

In the recent past there has been a number of economic developments in Canada which give promise both of a better balance in, and also of a substantial expansion of, our mutual trade. What I have in mind is the discovery of vast supplies of important raw materials; iron ore in northern Quebec and Labrador; uranium in the northwest; oil in Alberta and titaniferous ore in Quebec. As these are developed, they should lead to a further tremendous expansion in our production and economic power and to a strengthening of our trading position with the United States.

By any standard of measurement then, Canada has grown and is growing as an economic power. Indeed that growth has been phenomenal. In physical terms, it has nearly doubled our production. It has placed Canada third amongst the trading nations of the world. It has given our people a standard of living surpassed only by that which you enjoy.

It is obvious that this growth in economic power has been possible, and natural that it should have brought with it substantial improvement in the second of the two fields to which I have referred. During the last decade Canada has made rapid strides as a social organism, that is to say, in assuring to its people reasonable standards of social wellbeing. Educational facilities and services, general and vocational, have been vastly improved and extended. In health, recreation and other community services we have also made progress. In housing as well, though here acute shortages of materials and skilled labour have made it difficult to keep up with the demands of a rapidly rising rate of family formation and a rapidly rising standard of living.

We have also made progress towards the attainment of a greater measure of social security. In this field perhaps it is natural for a Minister of Finance not to be unduly sentimental but to appraise results in terms of the extent to which a program of this sort strengthens the economy, increases production by assuring a more intelligent and more healthy population, lessens the haunting worry of unemployment and family illness that might otherwise impair morale and productivity, makes systematic provision

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in advance against the inevitable contingencies and to that extent makes it unnecessary when adversity comes for the state to step in with improvised and expensive construction or other remedial programs. Inevitably there will be differences of opinion in regard to such matters and progress can only be permanent if the steps taken carry the general judgment. Advances in social welfare involve a price, and willingness of society to pay that price must be a condition of such advances.

In our federal state, responsibility for social security is divided between the provinces and the central government, and it has been the aim of the Government with which I have been associated to promote the maximum degree of co-operation between these two levels of Government. In August, 1945, the Dominion Government put forward proposals which assumed a broad federal responsibility, in co-operation with provincial governments, for the support of national minimum standards of social services. Unfortunately, it did not prove possible to achieve agreement of all provinces on the financial arrangements which was a necessary condition to the acceptance by the Dominion of these added responsibilities.

Nevertheless, even though progress has not been as rapid as some might have wished, it has been substantial. Before the war our social security program was limited to a relatively meagre old age pension plan. During and since the war, however, we have improved this plan and expanded our social security program to include unemployment insurance and the payment of family allowances in respect of every Canadian child under sixteen years of age. Within a few years, therefore, the prospect of the "dole" has been banished from the minds of many tens of thousands of workers who have now been able to accumulate the right to receive payments over a substantial period in the event of unemployment, and the principle has been accepted that children are a national asset in which we can afford to invest on a substantial scale. You may get some idea of the magnitude of these plans when I tell you that the expenditure by the Federal Government of Canada on the three forms of social security I have mentioned has been multiplied over tenfold in the last ten years.

In 1948 we advanced another step in this field. The Federal Government in May, 1948, announced that it would assist financially any provincial government which would undertake to expand and improve its public health program. The new program which commits the Federal Government to an additional expenditure of \$150 million over a five-year period on health services will assist the provinces in a number of fields. It consists of three parts: the first, a health survey grant; the second, a group of grants covering generally public health, tuberculosis, venereal diseases and cancer control, mental health, crippling conditions in children, professional training and public health research; and the third, a grant to assist in the provision in hospital accommodation.

Much remains to be done and progress will depend to a very large extent on our success in working out the necessary co-operative arrangements with the provincial governments. The progress we have already made, however, we have begun to share with others.

Many people have been looking to Canada for a home in which to pick up again the scattered threads of life which the troubles of Europe have severed. We are happy that about 104,000 of these people have been able to enter Canada in 1948. Of these, the largest group, over 46,000, consisted of displaced persons from the refugee camps in Western Germany. These people, coming principally from the countries of Eastern Europe, have brought to Canada many new skills which will serve to diversify the fabric of our national life. Their industry and their hardy independence will strengthen the fibre of our people. I think that all of us in Canada and the United States have something to learn from the coming of these new citizens to our shores. They have come to build new lives in a New World. If they,

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many of whom have lost everything in the holocaust of war, can look to the future with hope, surely we who have suffered so little can be confident in our ability to go forward building on our secure foundations of economic, social and political freedom.

My third test, the test of political unity, of growth in our efficiency as a political organism is the most difficult to apply, for it is intangible, a thing of the spirit which cannot be measured or counted.

"Canadian statesmen", says Professor Lower in his recent stimulating history of Canada, "Colony to Nation", "accomplished one of the greatest acts of state-building in history when in 1867 they brought together scattered provinces and two peoples into one country. Though the extremists would more than once have wrecked it, the structure built has never failed in crises to rally to it the moderate men from both races. It has stood through the storms of two world wars. In every generation Canadians have had to rework the miracle of their political existence. Canada has been created because there has existed within the hearts of its people a determination to build for themselves an enduring home. Canada is a supreme act of faith."

Yes, the founding of Canada was indeed a supreme act of faith. And I believe that I can say today, without boasting, that the faith of our fathers is being justified in this generation. A nation has emerged distinctively Canadian, not just a group of provinces or a group of peoples united for certain common purposes. We have had our domestic squabbles, bitter at times as family quarrels frequently are, but we have emerged from the second world war with our unity strengthened by working together in a cause greater than ourselves, with a new sense of pride in a great achievement and a deepened consciousness of the glory and the responsibilities that we are to share. We as one of the so-called "Middle Powers" have been in full accord with the far-sighted and magnanimous leadership shown by your great country in the European Aid Program and now in the discussions which are proceeding for a defensive pact of the countries bordering the North Atlantic aimed at making more assured the future peace of the world.

There is one development in the political field which seems to me to have a unique significance, the agreement reached at Ottawa last month between the representatives of Newfoundland and Canada on the terms for a political union of the two countries. Many of you will recall that twice in the past Newfoundland has considered confederation with Canada, but that on both occasions the two countries were unable to reach agreement. This time we hope that the dream of a federal union embracing all of the former British colonies in the northern half of North America will be realized. We now expect that the necessary legislation embodying the terms of union will be passed by the Parliaments of Canada and the United Kingdom in time for the actual union to take place on March 31st next.

It is our earnest hope that this larger union of peoples who spring from a common heritage, held together by bonds of mutual economic advantage and friendly intercourse, and displaying for all the world to see the advantages of democratic parliamentary institutions, will fulfill the prediction of the old proverb "In unity there is strength". In a world divided by ideological differences, mistrust and ignorance, it is encouraging to find an example of this sort -- an example of a people, a proud people with a fine tradition, voluntarily and without any semblance of outside pressure, agreeing to throw in its lot with another people. It is also a challenge to Canadians to do everything possible to make sure that the new partnership will justify the faith of those who brought it about and promote greater prosperity, greater security, and greater happiness for the people of Newfoundland.

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If my address has emphasized achievements, it is not because I do not place at their true worth the failures of the past and the difficulties of the present. We live in a world perhaps as full of difficulties and dangers for all countries as history records. We have also our own special difficulties. While we are attacking them aggressively, nevertheless we have still economic and political problems which will demand from our people their best in intelligence and courage and constructive statesmanship.

But in these days when so much is being said by so many about the dark clouds on our horizon, I felt that today I might review our achievements rather than dwell on our shortcomings and so take heart for the future. 1948 has witnessed some great developments in Canada, and if we build on our successes rather than on our failures we shall indeed have a land of which to be proud. We as Canadians are pleased that our country is making material progress. We as North Americans take pride in the fact that we are contributing to the development of economic prosperity, democratic freedom and social justice in a continent which is destined to play a leading part in the fight for human progress. We as citizens of the world must accept the responsibilities of leadership which that prosperity demands should be ours.
