



# STATEMENTS AND SPEECHES

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An address by the Minister of National Health and Welfare, Mr. Paul Martin, to the Economic Club of New York, March 9, 1954.

## United States - Canadian Relations

It is a great privilege and honour to join with Admiral Radford, Chairman of the U.S. Joint Chiefs of Staff, in addressing this 189th dinner meeting of the Economic Club of New York. I am grateful that you have chosen to add my name to your Canadian "guest list" which includes some of my government colleagues and our great Prime Minister who, even now, is completing a flight of friendship to Asia and the Far East.

If the world wants a formula for peace, it should look to this continent. Here the United States and Canada have proved to all peoples that two nations can live together side by side, not in fear but in friendship. Over the years, our two countries have demonstrated again and again the value of getting together on problems of mutual concern. Admiral Radford may have something to say about the very extensive cooperation between the United States and Canada on military matters and our combined planned for the defence of this continent.

It seems to me that the real significance of United States-Canadian relations is that, for a century and a third, we have had peace in spite of differences -- friendship in spite of difficulties. It is a comparatively simple thing, you know, to keep the peace when there is nothing to quarrel about. Well, we have had our disputes; but we have settled them! Sometimes we have had to talk frankly to one another, but by calm discussion we have managed to solve every problem that has threatened our friendship.

A case in point was Rouse's Point. This was the name given to an American fort constructed about a hundred years ago which was found -- to the great embarrassment of the United States Government -- to have been built on Canadian soil as the result of a surveyor's mistake. In some parts of the world this discovery would have touched off an "incident" and might conceivably have led to war. But Canada simply moved its border back a bit so that your people wouldn't have to bother tearing down the fort.

I don't know whether the aggressive surveyor was fired as a "subversive" for this act of "territorial expansion" but, in return, your country has seen to it that there hasn't been a loaded gun in the fort ever since.

At the present time, Canadians are worried -- perhaps that is too strong a word -- about a more serious problem. As a people whose prosperity depends to a considerable extent on foreign trade, we are somewhat concerned about your long-term commercial policies. For this reason, we welcomed President Eisenhower's statement in Ottawa last November:

"The free world must come to recognize that trade barriers, although intended to protect a country's economy, often in fact shackle its prosperity. In the United States there is a growing recognition that free nations cannot expand their productivity and economic strength without a high level of international trade....."

A week from today the first meeting will be held in Washington of the Joint United States-Canadian Committee on Trade and Economic Affairs. This Committee, originally proposed by our Prime Minister during his Washington visit last May, will provide an opportunity for our two governments to consider at the ministerial level those steps that can properly be taken to improve economic relations and to encourage the flow of trade between our countries -- having due regard for the interests of other nations.

#### Three Broad Purposes Of Government

In his recent State of the Union message, President Eisenhower pointed out that, during the past year, a great strategic change in the world has taken place. "That precious intangible -- the initiative -- is becoming ours", the President said, and he pledged the American people to the task of holding and using that initiative to promote three broad purposes:

- (a) to protect the freedom of the people;
- (b) to maintain a strong and growing economy;
- and
- (c) to give thought to the human problems of the individual citizen.

Under one or another of these three headings could be classed almost every activity of government designed to promote political, social and economic well-being in domestic affairs and to preserve peace and security in the world at large. It is noteworthy, too, that there is a close relationship between all three. Freedom would mean little in a society that had lost its economic stability; economic well-being would be meaningless in a nation that neglected human welfare.

Tonight I should like to say something about these three broad purposes of government and, in so doing, perhaps to indicate how closely overall objectives in our two countries parallel one another. In some of the details we differ, but we are essentially seeking the same sane ends.

#### Our Identity Of Economic Objectives

Five years ago, our Minister of Trade and Commerce, my colleague, the Right Honourable C.D. Howe -- who is presently Acting Prime Minister of Canada -- outlined our economic philosophy in these words:

"Canada is a free enterprise economy and the initiative for economic expansion rests with private individuals and firms. The Government will endeavour, through its policies, to create a climate within which private initiative thrives and industrial expansion is encouraged."

Just last month, your President expressed the same thought in this way:

"A government always ready, as this is, to take well-timed and vigorous action, and a business community willing, as ours is, to plan boldly and with confidence, can between them develop a climate assuring steady economic growth".

It is abundantly clear from these two statements that in the United States and Canada our economic objectives are fundamentally the same. In both our countries we are convinced of the wisdom of giving full play to individual initiative. At the same time, we recognize that there are certain broad fiscal and monetary measures which governments must be prepared to implement in order to create and to continue an atmosphere that is conducive to a high level of economic activity.

#### Canadian -- U.S. Post-War Economic Expansion

The people of the United States have watched with interest the recent rapid development of Canada. Since the end of World War II, the Canadian economy has undergone a greater expansion than at any previous time in its history. Indeed, Canada, in the last eight or nine years, has experienced a rate of business and industrial development never before achieved by a nation of 15,000,000 people. Translated into human terms this has meant higher standard of living, increased leisure and a vast improvement in the health and well-being of our people. Since 1945 Canada has

- doubled its national production -- an increase in real terms of 24 per cent;
- witnessed the greatest investment activity in its history -- totalling some \$30 billions;
- kept its finances in a state of solvency while most governments were keeping their books with red ink;
- invested a dollar abroad for almost every dollar invested in Canada;
- set new production and employment records and provided its people with the highest real incomes in their history.

And we Canadians feel that our period of expansion is not yet over. On the contrary, in spite of certain temporary set-backs and adjustments in particular industries or localities, we have confidence in the continuation of high levels of economic activity throughout 1954 and for some time to come. And we hope that your people share in that

confidence -- as many who have invested in our future obviously do. For 1954, we forecast a capital expenditure programme of \$5.8 billions -- roughly 3 per cent above the previous record achieved last year!

While our tremendous resources development programme, our stepped-up industrialization and the increased demand for our raw and finished products in the markets of the world have stimulated Canada's unprecedented development in the last few years, post-war economic expansion is by no means a Canadian phenomenon. Similar, though perhaps not as rapid developments have been taking place in this country and in other parts of the world.

For example, since 1945 Canada's population has risen 19 per cent; during the same period, however, there was a 12 per cent increase in the population of the United States. While our gross national expenditure has increased 24 per cent in real terms, your country has experienced the not inconsiderable increase of 12 per cent. To place Canada's greater rate of growth in proper perspective, it should be remembered that our population is still only one-eleventh of that of the United States and our gross national expenditure is still just one-fifteenth of yours.

It is interesting to see how our two countries have made use of their rising output. In the United States you have, quite properly, placed greater emphasis on raising the standard of living of your people. We in Canada, as a nation that has not yet reached your stage of industrial development, have stressed the building up and diversifying of our economy. Between 1945 and 1952 the real standard of living of Canadians rose 13.3 per cent, while in the United States it increased by 15.4 per cent. On the other hand, in 1952 we devoted 18 per cent of gross national expenditure to capital investment, as against 14 per cent in the United States.

#### Differences In Our Economic Policies

I have said that broad economic objectives in our two countries are essentially the same but in our efforts to maintain stability and to encourage growth there have been interesting contrasts in the methods we have used.

First, as to the role governments play in economic affairs as reflected in government expenditures -- and apart from their influence through economic, fiscal and commercial policies -- public expenditures on goods and services and transfer payments absorb about the same proportion of gross national expenditure in both countries -- approximately 27 per cent for 1952. One important difference, however, is worthy of note: In the United States, your governments spend a much greater proportion on goods and services, largely because of defence needs. In Canada, governments spend a great deal more proportionately on transfer payments because of our more comprehensive social security programme, including such measures as our universal family allowances and old age security schemes. I shall have more to say about this a little later.

Another interesting contrast was offered by our respective response to the economic problems posed by the defence production build-up following Korea. Shortly after the outbreak of the Korean war, our two governments initialled a "Statement of Principles for Economic

Co-operation" in which we undertook "to co-operate in all respects practicable.....to the end that the economic affairs of the two countries be co-ordinated for the common defence, and that the production and resources of both countries be used for the best combined results." This was, in effect, an extension of the Hyde Park Agreement of 1941, which was of such importance during World War II.

Canadians immediately set themselves a defence production objective and launched a three-year \$5 billion defence programme, which would be roughly comparable to \$75 to \$100 billions in United States terms. To help keep in check the inevitable pressures of a defence programme of this magnitude super-imposed on an already expanding economy, Canada adopted economic policies somewhat different from those followed in the United States. While in your country extensive systems of priorities and controls were set up, Canada placed its main reliance on indirect controls. However, legislation was put on our statute books which would have permitted a much more extensive system of direct controls than was actually installed.

To accomplish the same ends as your price, wage and salary controls and your Controlled Materials Plan for steel and other materials vital to defence production, we used such indirect measures as accelerated depreciation allowances for taxation purposes in order to encourage expansion in essential industries. We were, I believe, the first country to use the opposite device -- a scheme of deferred depreciation -- to discourage capital expenditures of low priority. Under this plan, depreciation allowances were simply postponed for four years, thus placing a short term financial penalty on investment of a less essential nature -- but, and this is significant, not prohibiting it.

Unessential consumer and business spending were discouraged -- but again not forbidden -- through such indirect measures as a 20 per cent surcharge on corporation and personal incomes; special excise taxes on consumer durable goods that diverted materials and skills from defence production; and an increase of 2 per cent in our sales tax which is levied on most commodities except foods, fuels and building materials.

The significant thing about these differences in economic policy is not the way in which we differ from one another but that we both substantially achieved our objectives of fortifying the defensive strength of our economies and achieving shifts in resources and manpower allocation with a minimum of hardship and as little disturbance as possible to existing business-consumer relations. The speed and success with which our two countries reacted first to the demands of post-war reconversion and then to rearmament after the outbreak of war in Korea, testifies to the vigour and flexibility of our economies.

### The Need For Social Measures

The second great concern of government has to do with the human problems of the individual citizen. In democratic societies, our concept is not just to build business but to give opportunity to produce and to share in the fruits of production to all our people. A country's gross national product is, after all, nothing more than the sum total of the prosperity of millions of ordinary people.

The vast majority of people in our two countries are convinced of the wisdom of our system of free enterprise. We believe that, wherever possible, each citizen should be left free to work out his own well-being. But in a complex modern industrial society there are inevitable imbalances and inequalities against which individual initiative and enterprise cannot always prevail unaided. Thus, there are areas of human need that call for some organized system of community or government action.

The object of government social measures is to minimize to some extent the inequalities of our system without, at the same time, unsettling its complex and finely-balanced pattern of initiatives and incentives. Social legislation and public welfare services are more than organized charity; they are an integral part of a satisfactory social structure. They present a positive and orderly means by which a nation's people can provide collectively against the major hazards of life.

In Canada, we believe that our approach to social security has been responsible and sensible, for it represents a middle-of-the road system. Fifteen years ago government health and welfare expenditures totalled some \$340,000,000 - or about 8.4 per cent of our net national income. By 1952, expenditures by Canada's governments in these two fields had increased to about \$1,500,000,000, but, in terms of net national income, they represented 8.5 per cent - an increase of only one tenth of one per cent!

While Canada is now spending 8.5 per cent of its net national income on social security, the \$14,800,000,000 spent on social measures in the United States represents only 5 per cent of your net national income. In the light of these facts, it is perhaps an exaggeration to suggest, as some people do, that this country is plunging headlong into the morass of the so-called "welfare state".

In a memorable editorial, that great paper of this city, The New York Times, said that "the 'welfare state' has an ominous sound for some people, who fear that the emphasis would be on the 'state' rather than on the 'welfare'". It continued:

"Democracy as we have known it certainly is not consistent with any situation under which most of the national income goes to governments and is paid out in benefits by governments. On the other hand, the impersonal cruelty which thrusts millions of people into poverty is not democratic either. Welfare legislation must go far enough to make sure that no one suffers for lack of the necessities of life and that no one who does his best within his abilities and opportunities is humiliated when he is sick or old. We want a free society and a free market within that society, but we must have a humane and neighbourly society too."

It is for the American people to judge whether or not it is in their interest and within the capacity of the United States to invest five cents on the dollar for human welfare.

Mind you, we in Canada, who are spending 3 1/2 cents out of every dollar of net national income on social security, do not think that we are on the brink of catastrophe because we devote a somewhat greater proportion of our resources to social security than you do. On the contrary, our social security programme is endorsed in its broad outline by all parties in Canada and is therefore solidly founded on the will of the people.

Social Justice Is Good Business

But there is more to social security than its welfare aspects. Quite apart from their humanitarian objectives, measures for social security have broad economic objectives as well. It is not perhaps commonly realized that there is an important relation between the prosperity of a nation and its investment, through responsible social measures, in its vital human resources.

Programmes like unemployment compensation, old age survivors insurance and aid to dependent children -- to mention a few U.S. measures -- are just as much an instrument of fiscal policy as they are an expression of social justice. Social security payments cannot, of themselves, guarantee prosperity but they can and do have an important stabilizing effect and they strengthen the weak links in a nation's economy by putting a floor under consumer expenditures. Thus, the development of social measures which protect the health and welfare of the individual citizen help to protect the very prosperity dependent on his well-being.

In our planning to prevent any widespread unemployment or the threat of serious economic recession, we should take full account of the major contributions made by social measures in maintaining consumer purchasing power and stimulating business activity. If we failed to recognize that social justice is good business, we would be closing our eyes to one of the most significant lessons of modern times.

Protecting Freedom

President Eisenhower's third great purpose was the protection of freedom. Our freedoms all centre on respect for the freedom, the dignity and the integrity of the individual citizen. Our structure of laws and customs can have no higher purpose than to protect the individual from injustice and tyranny -- regardless of its source -- because a state that does not so respect and defend the rights of its least citizen cannot endure. This applies equally to threats from within and without for, as the Secretary-General of the United Nations reminded us ten days ago in Ottawa:

"Mephistopheles, speaking our own language and walking around in our midst, is more dangerous than the devil we paint on the wall."

Today the free world is threatened by a totalitarian system that denies human dignity and exalts the oppressive power of the state. In Communism's campaign of imperialist aggression there are two distinct threats to freedom as we know it. First there is the physical threat that territories will be seized by force or by treachery as

the lengthening record of its conquests shows. But there is also a very real threat to the moral and spiritual values of our civilization which the lords of the Kremlin would replace with the hollow hopes of dialectical materialism.

It is a melancholy thought that today -- at the highest point in our development -- we must again reckon with the possibility of a third, and perhaps final, world war. This would not be a war to end wars; it would put an end to civilization as we know it. In the face of this grim threat, the United States is providing leadership to the free world which our Prime Minister properly acknowledged before the national parliament of more free men than any other parliament in the world -- that of our great Asian friend, India, with its 365,000,000 people.

In testifying to the role the U.S. is playing as the leader of the free world, Mr. St. Laurent said:

"We who live alongside their great and dynamic nation know from our own long experience that the United States is the most unselfish country ever to play this role and that it has no other ambition than to live and let others live in mutually helpful international intercourse. ..."

"As their close neighbours we have special reason to know and appreciate the qualities of the American people. We in Canada see millions of good people who are working hard and unselfishly to build a good and free society in a world of peace. These people differ little in their essential qualities from the great majority of people in your country or in mine or, for that matter, in any country of the world."

Canada, for its part, is now spending 43 cents out of every dollar in its federal budget for a defence effort involving operations on three continents with three broad objectives:

1. The immediate defence of Canada and North America from direct attack.
2. The implementation of undertakings made by Canada under the Charter of the United Nations and under the North Atlantic Treaty Organization or other agreements for collective security.
3. The organization to build up strength in a total war.

Military co-operation with the United States is close, particularly in the sphere of continental defence, as the most probable method of attack upon North America by a hostile power would be by air. Recent indications confirm the fact that the U.S.S.R. has made further progress in the fields of atomic and other nuclear weapons and in the development of long-range bombing potential. Canada and the United States, consequently, remain determined to continue to take all reasonable measures for the adequate defence of the North American continent, because the element of surprise tends today to give a would-be

aggressor an even more significant advantage than in the past.

Combined planning is carried out at all levels of command and a number of combined training exercises have been held by Canada's three Services with their U.S. counterparts. The Canadian and U.S. Air Defence Commands are closely co-ordinated and a joint Canada-U.S. system of Early Warning radar stations has been set up. There is close liaison and exchange of military information between the two countries at all times.

With regard to Canadian production of war equipment, emphasis has been placed on those fields in which Canada is best equipped to operate. These include aircraft, electronics, shipbuilding, vehicles, guns and ammunition. Examples of the items of equipment produced in Canada include F-86 Sabre Jets, all-weather fighters, 155mm howitzers, combat radio equipment and modern escort vessels. Many of these items have been and will be provided for other NATO nations.

#### Constructive Approach To Peace

But our security will not be found in defence preparations alone but in our steadfast efforts to work out through patient negotiation around the conference table a satisfactory formula for lasting peace. We have sought and will continue to seek through the United Nations the establishment of a world order in which the nations can walk together in friendliness and mutual respect. But as long as storms of violence threaten the international climate, we must continue our efforts to build our security, both individually as nations and in the formidable fellowship of the North Atlantic Treaty Organization.

An essential element of our defence programme is the development of economic co-operation among the nations. We must do all we can to foster workable trade relations with one another, to step up the flow of investment capital from one nation to another, and to help the less advanced nations of the world in developing their own resources in their own way.

When the United Nations was established it was recognized that lasting peace could only be found within a framework of stability and economic well-being. Under such imaginative plans as the United Nations Expanded Programme of Technical Assistance, the member nations are doing what they can to assist under-developed countries in improving industry, health, education and other areas of their social and economic lives by providing technical assistance and by increasing the flow of private and public capital for financing economic development. Canada and other Commonwealth nations are supplementing these efforts through their contributions to the Colombo Plan for South and Southeast Asia.

The United States has already demonstrated its deep belief in the future of mankind by giving its support to programmes of this kind. Earlier, its Marshall Aid Plan and its Point Four programme were heartening examples to all the world. Today, the need is not so much for financial aid but for technical assistance and economic co-operation. The under-developed areas of the world present a challenge to American leadership that, I feel sure, will not go unheeded.

As Henry Ford II recently put it, the time has come to "step forth with a hard-hitting programme to speed the peaceful and orderly development of the under-developed areas of the earth and help them to adjust to life in the new age of technology."

### The Path To The Future

Today, history is at the crossroads. The turn we now take will affect the future course of mankind, not for a year or two but for many generations to come. The great question of our time is whether the world will follow the high road of freedom or stumble into Communism's dead-end street.

Here on this continent we have learned that free men in a free society can put to shame all the hollow promises of Communism and its blind philosophy. Our task is to demonstrate to all the world and particularly to the unpledged millions in the great nations of Asia and the Far East that the temptation of Communist propaganda and the strength of Communist force can never match the productivity and humanity of a free society.

In our two countries not all voters think alike on matters of economic and social policy. That is natural and right under our democratic system. But the great majority do share the deep-seated instinct to produce adventurously, abundantly, so that this continent can be in truth a brave new world and so that even the humblest of our fellow-citizens can still find opportunity to sustain themselves on a decent level of life.

For we in the United States and Canada have demonstrated, to the confusion of Communism and all other unproductive and sterile systems, that we can convert each hour of effort into more goods and services than anywhere else in the world. We have also learned the secret of this century: that to endure, prosperity must be shared. We have learned to work out responsible protective measures, measures within our capacity, to quarantine poverty so that its contagion will not, neglected, leave an entire generation sick and dispirited. If in countries like the United States and Canada, the people and their governments are prepared to go on safeguarding freedom, maintaining economic stability, and caring for the human problems of the individual citizen, this continent can, and will in truth, provide the kind of leadership demanded by its role of responsibility in this Twentieth Century. This is the North American pattern for peaceful progress, for in the words of Thomas Jefferson:

"The care of human life and happiness and not their destruction, is the first and only legitimate object of good government."

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