



# STATEMENTS AND SPEECHES

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## "SIGNPOSTS TO TOMORROW"

An address by Mr. Graham Towers,  
Governor of the Bank of Canada, to  
the National Convention of the  
Junior Chamber of Commerce of  
Canada, Winnipeg, June 17, 1948.

It is a tonic of a most palatable kind to be with you today and to absorb some of the enthusiasm which you bring to your affairs.

I consider it also a privilege to be your guest at a convention where you are just entering the period of greatest activity in one of the most constructive programmes that any group of young men in this country has recently embarked upon. It is just six months ago that the Chairman of your National Affairs Committee, Mr. Lloyd Goodwin, and three or four other members of your Executive sat with us in Ottawa to discuss the part that the Junior Chamber of Commerce of Canada might play in helping Canada through what was even then obviously going to be a period of stress. The outcome of that discussion was your determination to help increase the flow of American visitors to Canada, and to help ensure the conservation of the U. S. dollars that were spent in Canada by these visitors.

Since the time when that programme was formally adopted, you have experienced all the hopes and fears of the conscientious gardener. You have had to dig your ground, plant your seed and devote long hours to cultivation. The first green shoots are now beginning to appear but the most difficult task of all still lies ahead. This type of "market" gardening...perhaps it would not be stretching a pun too far by saying "world market" gardening... is an important venture for all of us. I am more convinced than I was last December that your labours will prove themselves well worth while. Certainly I know that no other group of men, young or old, could have exceeded the progress you have already made.

Your retiring President, Don MacKay, has been untiring in his zeal to spread the story of Canada's position throughout many sections of the United States. Your regional organizers have, I think, succeeded in carrying their message to Junior Chamber Units in cities, towns and villages throughout the country and in imbuing them with some of their own enthusiasm. If that statement needs proof I need only refer you to your National Secretary whose files are now full of novel and original suggestions for the specific application of your general programme.

These suggestions have come from the smallest as well as the largest of your Junior Chambers. They make it clear that your local organizations are not following a handbook blindly but are approaching the problem with imagination, vigour and understanding. We who are watching your progress are as intensely interested as you in what the outcome will be.

One of the reasons which led us to discuss with you the possibility that current exchange difficulties would provide an appropriate sphere of action was the knowledge that your organization is truly

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"national" in scope. Because Les Chambres de Commerce des Jeunes is an integral part of your movement, the projects you undertake are ensured appropriate presentation throughout the country. In this particular case, it was and is important that the vigorous and interested participation of French-speaking Canadians be obtained since they, perhaps better than English-speaking Canadians, have developed the gracious arts of hospitality to visitors. We can all take pride that the breadth of our culture offers such great variety of appeal to the stranger.

I am particularly glad, therefore, to see so many representatives of Les Chambres de Commerce des Jeunes here today. I confidently rely on them to offer their English-speaking confreres an example worthy of emulation in the execution of your common project.

Now that your efforts have carried you to the middle point between the sowing and the harvest, I think you will be interested to know what changes, if any, have taken place in our foreign exchange position and...to the extent that I am free to discuss such matters...what general progress has been made toward meeting the main problem and what our future prospects may be.

In considering these remarks, one should always keep in mind that this problem of exchange and balance of payments today is not an isolated ailment. It is one of many problems arising from war. The destructive tornado of battle developed an intensity beyond all expectation, and no one could foresee the extent of the litter it would leave behind. We are still engaged, nearly three years later, in finding our way through that litter, and orienting ourselves...with painfully few of the old landmarks left standing to aid us.

If we look around us we can find any number of signposts pointing...goodness knows where! They are somewhat like the signposts that stood in the basements and warehouses of England during the war when all road signs were removed from the countryside as a means of protection against invasion. They said "London 32 miles" or "Birmingham 185 miles" but they were useless where they were because, while in storage, they were pointing aimlessly.

I like the story about the little country constable who was given the job after VE-Day of relocating the signs in his particular country area. One was to be replaced at a road junction from which five highways fanned out in various directions. The constable was quite new to the area, having been transferred from the north of England during the war, and had no idea where the various highways led. One sign pointed to London, another to Croydon, another to Three Bridges and a fourth to Guildford. He stood in some perplexity at the road junction for several long minutes trying to guess the proper location of the sign. He asked several natives their opinion and received conflicting answers as to which way the sign should point. Finally he was seized with an inspiration. The fifth arm of the sign indicated Sunningdale, the village from which he had just emerged in the course of his duty. Triumphant he set up the signpost, pointing the Sunningdale arm back along the road over which he had just travelled. Automatically, the other four arms pointed to their proper destinations. He had learned, as so many of us must learn, that to go forward with assurance it is necessary to keep in mind where we have just been.

Looking back to last November, we can perhaps best orient our own signposts and see where they are leading us. Our reserves of gold and U. S. dollars by December, 1947, had, as you know, dwindled from something like \$1,500 million to a low point of \$461 million. It was to meet this crisis that the Canadian Government imposed the import restrictions, currency regulations and other measures aimed at conserving our meagre supply of United States dollars. It is still much too early to feel that

a trend has been firmly established but it can be said that at least we have been holding our own since then.

In the first four months of 1948, our overall export surplus on merchandise trade amounted to \$71 million as compared with \$13 million in the same period in 1947...a gain of \$58 million. Exports during this period were up \$86 million but this gain was offset by the fact that imports were also up \$28 million. With respect to the use of U.S. funds for travel, including savings in tourist purchases and in withdrawal of funds for emigration, it is possible to say that savings of U.S. funds are running about 40% of the amount spent for these purposes in the same period in 1947. It would not be wise to conclude that this rate will be maintained throughout the year, however, because of the difference in the character of winter travel as compared to summer travel and other reasons.

Mr. Abbott, the Finance Minister, said in his Budget Speech last month that our exchange reserves had increased from \$500 million at the beginning of the year to \$668 million at the end of April. This total, however, includes \$80 million borrowed by the Canadian Government from the Export Import Bank of the United States. In other words, we have apparently stopped the uninterrupted drain on our reserves which took place throughout 1947 and are a little more than holding our own in 1948.

When one considers where we might be today if the programme of exchange restrictions had not been imposed, the fact that we are doing a little better than holding our own could be regarded as an encouraging performance. But the story is not so encouraging when it is viewed from the other angle...from where we want to be...from where we must be eventually for our own good.

Those of you who are in the merchandising business know that the greater the volume of business you do, the greater the amount of working cash you must hold. Similarly, a reserve of \$500 million might have been adequate when Canada's international trade was at its pre-war level. Today, when we are doing business at a vastly accelerated rate and at much higher prices, what was once a comfortable "cushion" has become an all-too-inadequate reserve. Accordingly, we must not be content with our progress to date. It is imperative, in fact, that we rebuild our cash reserves to the point where they will offer us reasonable protection in future.

In considering this, one must remember that Canadian industry is presently working at close to top speed. Our working force is as close to full employment as is practical. There has been since the war some increase in production, and more can be expected as new facilities come into play, but it will take time before further increase will be substantial. It does not, therefore, seem possible to make immediate large gains in production for export except perhaps to the extent that favourable conditions may produce bountiful crops and to the extent that expenditures of American visitors may be increased. It is necessary, therefore, that we keep a watchful eye on our expenditures of U.S. dollars, and possible that we shall have to do so for some little time to come.

This calls attention to some over-optimistic thinking that has been done...by some Canadians as well as others...in connection with "off-shore" purchases under the European Recovery Program. There is still in some quarters the illusion that ERP by itself will provide the answer to our dollar problem, and that therefore the end to present restrictions and controls has moved closer.

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The facts are that our main interest always has been...and still is...in the degree of success which ERP will have in accomplishing its long-range objectives. The re-vitalizing of Europe is of prime concern to us. Unless world trade has approached a somewhat more normal pattern when ERP runs out, we will find that the greatest difficulties of all have only been deferred, and we shall then have to make drastic re-adjustments in trade to deal with a world totally unlike any we have ever known.

Turning to the more immediate effects of "off-shore" purchases under ERP, it is wise to remember that they are obviously limited to the life of the programme itself. May I remind you that while the original conception of ERP called for a commitment extending over five years, the present authorizing legislation only covers a period of one year and must be renewed at that time to continue.

When all this has been said, however, it is still true to say that ERP will likely prevent things from getting any worse in the near future. The "off-shore" purchase feature of ERP provides a necessary but not completely sufficient condition for the solution of our current foreign exchange dilemma.

In the short run, it will, of course, enable Europe to continue importing essential supplies from Canada and thus enable Canada to earn considerably more U.S. dollars on her shipments to Europe than would otherwise be the case. This in turn will permit us to maintain the flow of essential imports from the United States without which our productivity would be impaired. In other words...it will simply enable us to continue what we have been doing during the past two years. Because we must build up our foreign exchange reserves, as I have just mentioned, we must do better than this...must do more than merely balance our export of goods to Europe against an inflow of sufficient U.S. dollars to pay for our excess of imports from the United States. We must find some way to develop a substantial surplus of those exports earning U.S. dollars so we can receive U.S. revenue beyond our current needs. The ultimate solution must be an increase in our productive capacity. The more immediate solution has been found, in part at least, by restraints on consumption and travel for which we must pay in U.S. dollars in order to give us "breathing space" in which to work out the ultimate and preferable solution.

Your tourist promotion and dollar conservation programme is an important contribution to both approaches to this problem. In encouraging increased American visits to this country, you are helping increase our productivity...in other words, you are helping to export more of one of our resources for greater returns in U.S. funds. On the other hand, in your promotion of the conservation of U.S. currency, you are helping to diminish the expenditure of it for relatively unessential purposes until such time as our efforts on the positive attack have borne more fruit. The distant goal towards which all these efforts are directed is the same, namely, the re-establishment of freer trade.

Let me add one word in passing to the discussion of these general aims. In my opinion, no matter how successful the world may be in restoring trade to more reasonable conditions, we are duty-bound to "remember where we have been". I do no violence to the principles of multi-lateral trade when I suggest that now is a good time to study the risks inherent in our pre-war trade pattern. This pattern relied heavily on one market, while purchasing heavily in another. I should hope that revival in Europe would make it possible to maintain sales at a fairly high level, although it might be somewhat optimistic to expect to continue the levels of recent years. In such circumstances, we must hope that we will be able to spread our risks in the years ahead by increasing our sales to the market from which we obtain the most of our supplies. By doing this, we shall not be reducing our capacity to trade with Europe on a mutually profitable basis. On the contrary, we shall be better able

to do so, in due course, and shall be a stronger, more self-reliant country into the bargain.

Be these things as they may and turn out as they may...it will be evident to the dullest eye that things are on the move. The activity afoot provides just the sort of environment in which the young businessman thrives the best...particularly the young Canadian businessman. Opportunities for either men or nations do not appear at nicely regular intervals in history. Nor do they seem to arise as a rule when conditions are static and lacking in challenge. To say that the problems we are facing now are not of our making and to admit that we would have avoided them if we could does not gainsay the fact that the very problems themselves bring new forces into play...forces which the agile and alert can turn to advantage. Although it is very clear that all is not yet well with the world, it is also worth remembering that the difficulties of our situation today are balanced by other factors that make for progress and opportunity - factors which can make our Canadian tomorrow an exciting sequel to our substantial Canadian accomplishments of the past.

I realize that the problem of tomorrow naturally looms largest of all in the minds of young men. I think it is quite appropriate for a groups like yourselves to form opinions of what things are going to be like. As one who has the opportunity to be in touch with other countries which are contending with the difficulties of re-establishment in a disturbed world, I cannot fail to be impressed by contrasts in the state of mind of many young men in Europe, and in the position of young men in the United States, as compared to your own.

No one should under-estimate the capacity of Europe to recover its position as one of the great centres of world production. Nor should anyone minimize the work and effort which Europe has directed to this end or the great accomplishments already in evidence. The skills and resources of the continent are tremendous and given reasonable stability will again express themselves as a major factor in world economy. But at the same time, the young European today has understandable difficulty in seeing his future whole and unmarred. There may not be full appreciation here of the confusion and bewilderment which keep his mind in turmoil. He is surrounded with what would appear to us almost insuperable problems. In many cases, the mere gaining of sustenance is a struggle of the most urgent kind. His life in the past few years is something he is trying hard to forget. The contrasts between his thinking and yours are startling. It will be understandable, therefore, that large numbers of young men in Europe look on Canadian life as a dream of all that is desirable and have great difficulty grasping the fact that it is not a dream but actuality. You would not have to spend much time in Europe to realize that we can be everlastingly thankful that our lives as young men have been placed in Canada. The problems we face are real and onerous but they are problems that, in the main, are responsive to action and they are balanced by opportunities as great in promise as any that exist elsewhere in the world.

The young American of today provides another helpful comparison. A number of tremendous changes have taken place in his experience. His country today is the world's biggest in everything...production, responsibilities, remuneration and so on. We, for our part, can be thankful that Americans are of a mind to deal with matters and events on the tremendous scale made necessary by events. We can likewise be thankful that they are our neighbours, for there are other powerful countries which would be genuinely uncomfortable in close proximity.

Let me point out, however, that risks increase in the same proportion to the scale of the enterprise. The very size of the responsibility assumed by the United States tends to make it the target for the noisy few around the world. No matter what is done...and no matter how appreciative the majority are...there will always be a vocal minority

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who will find American greatness a provocation and an irritation. This is one of the unavoidable risks of greatness.

Now...in what I am going to say, I do not want to imply that such risks are undesirable challenges. There is something of a parallel in this, however, that concerns the appeal of the American scene to the young Canadian as an individual. This appeal to some extent springs from the scale of remuneration which, in the case of individuals as well as of nations, is the offset to increased risks and responsibilities. I suggest merely that risks must always be regarded objectively by the young Canadian studying his future.

Nevertheless I realize that this at best is a negative approach. The positive comparison comes from a realization of the fact that the young Canadian of today is in the position more or less of the young American of, say, forty years ago. He is confronted with a combination of many of those elements that make for rapid economic development. His future will be determined by the use he makes of the material and opportunities at hand.

Our known wealth of natural resources is still increasing as the frontiers of discovery and development move ahead. Perhaps one of the most significant developments to keep in mind is that power resources, which form the base of all industrial expansion, are in Canada such as to quicken the imagination. For instance, the developed hydro electric power in Canada is five times per capita that of the United States and is being increased rapidly. The development of the Northern Alberta oil fields has led geologists to believe that some of the continent's richest oil resources lie within our boundaries. This discovery comes at a time when the world is increasingly aware of the importance of this commodity. One must remember also that some young scientist...I hope a Canadian... will sooner or later discover the practical separation process that will unlock the oil resources of the Athabaskan tar sands...the unknown which has been estimated by the United States Bureau of Mines to contain considerably more oil than the rest of the world's proven oil resources combined.

You need no reminder of the scale of plans now under consideration to develop the value of natural gas to Western Canada - and the way in which such a development as a rule has influenced the location of industry in other instances.

A suggestive illustration of the potential awaiting vigorous pursuit can be seen in a glance at our forest product industry. Since the end of the war research in this field has shown the road to production of many materials new to Canada. For instance, chemical engineers have always been aware that the sulphite liquor which is left after pulp has been produced by the bleached sulphite process contained all the ingredients needed for production of a number of other products. However, it was not until war-time scarcities developed that the trouble and cost involved in finding practical processes were made worth while in Canada. During the war, however, one Canadian company began the manufacture of industrial alcohol from sulphite liquor. Another will shortly be in production on a large scale. It is worth noting that every gallon of commercial alcohol we make in this way, in addition to realizing waste material, will save U.S. dollars.

In the field of metals, Canada is the world's largest producer of nickel, platinum and asbestos, and a leading producer of copper, gold, zinc, silver and lead. Expansion in the aluminum industry has increased our production of that important metal by more than ten times since 1937. We are one of the world's two major producers of uranium ore and new discoveries of that important substance are still being reported.

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In addition to our Steep Rock Iron Mine, developed during the war, it is now established that there is a very large and rich iron ore deposit on the Quebec-Labrador boundary. When its full potentialities are known, this field may well compare with the Mesabi Range in the United States, which has been for so many years this continent's greatest source of iron. The young American of forty years ago was the beneficiary of the immigration tides that flowed from Europe. Today Canada's population is being supplemented by a similar tide at a rate approximating two-thirds of our natural increase. This tide is composed of individuals selected for the skills which will contribute most to our development. They will add strength and variety to those skills Canadians have acquired during the great industrial activity of the country in the last six or seven years.

Another factor that will be obvious from these remarks is the extent of our recent capital development, and its varied nature. Considering it, one is justified in concluding that we are making real progress in getting away from the status of an agricultural and raw-material economy and enlarging our activities as fabricators and processors of our own raw materials. This maturing of the industrial structure is also parallel with previous American experience.

I have mentioned these things as examples of opportunity and development which deserve a place in the thoughts of young Canadian businessmen as they assess their position, and which appear to more than offset demands which the present has made upon us.

Perhaps I can sum up by saying...as a not-so-terribly-old Canadian myself...that when I think of Canada's future possibilities I remind myself that we are a nation of twelve million active, well-fed reasonably intelligent human beings, inhabiting a vast area, capable of great feats of industrial and social organization, and eager to develop to the utmost the great riches with which the present generation has been endowed. I ignore the dark clouds...originating elsewhere...which now seem to fill the nearby field of vision and inspired by a glimpse of the brightness beyond begin to talk something like a member in good standing of the Junior Chamber of Commerce. And it is an interesting fact, that at least on this continent, Chamber of Commerce boosters have, on the whole, been justified by history. In any case I think it is the part of sanity and health every now and then to look beyond the immediate difficulties...to assume that somehow, with hard work and goodwill, we shall surmount them.

This is the thought I should like to leave with you as a conclusion to my comments on the outlook as it may appear to groups of younger executives in various parts of the world. It also provides an appropriate occasion for a brief return to the subject with which we began...and which is of immediate and official concern to Canadian Jaycees. For, if this beckoning Canadian future we have been talking about is to be fully realized, it behooves us all to turn to tasks immediately at hand. No tasks are more closely linked to that future than your project of stimulating American visits to Canada and in helping to ensure that the American dollars arising from these visits are made quickly available for the nation's needs.

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I realize that the early steps of organization for a project of this kind take time, and that there sometimes arises a feeling among members that progress is slow. Moreover, I know you have been waiting patiently for much of the material needed for your work. For this we and the hard pressed printers must share the responsibility. Nevertheless, supplies have now been delivered...at the very moment when they can be put to best use. I also suggest that when your members know the full details of the work that has been going on...including the most successful presentation to the United States Jaycees made in Philadelphia earlier this month...they will be more than reassured. I shall conclude, therefore, by simply recording my complete confidence in your success. If I may return to my earlier reference to signposts, it is clear from your activities to date that you know the right road to take to accomplish your aims. I am sure you will travel it to the end.

Very truly yours,

and the different sections of the organization...  
 I am sure you will travel it to the end.

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