

External Affairs
Supplementary Paper

No. 53/23 An address by the Minister of Trade and Commerce, Mr. C.D. Howe, made at the Triennial Convention of the Crown Life Insurance Company, at St. Andrews, N.B., September 2, 1953.

...Looking back over the past few years, one is inclined to forget the difficulties and the crises that arose from time to time and to get the impression that it was all plain sailing. It was not all plain sailing. I ask you to recall, for example, the dollar shortage of 1947, the short recession in the U.S. in 1949, and the Korean inflation. These were very real crises which at the time seemed to threaten the foundations of Canadian prosperity.

One of the reasons that I recall these past crises is that I have no doubt that we shall, during the next few years, face similar crises again and shall have to frame policies to deal with them. It will not be roses, roses all the way. In fact the one prediction that is most likely to come true is that difficulties lie ahead somewhere. As many of you know, who follow current affairs at all closely, some economists have for several years been predicting that a recession may occur six months hence. They were predicting something like this at the end of the war and have been doing so from time to time since. I suppose that sometime their predictions will be justified.

In saying this I am not criticizing the economists. The fact is that in this modern world the uncertainties are so great it is almost impossible to see more than a few months ahead, and it is just as well to be cautious in one's forecasts. But while we must be cautious about the future and take necessary precautions, I suggest it would be a mistake to frame Canadian national policies in the shadow of fear of a coming recession. Certainly if we had done so in the past we would have caused irreparable damage to the Canadian economy. I have already said on other occasions, and I repeat, that I believe the widespread fear of recurrence of depression has been a blight on the post-war world.

There is no inherent reason for the economies of countries with a free enterprise or capitalistic system to be subject to wide-swinging booms and depressions. The Communists, of course, preach that the capitalistic system carries the seeds of its own destruction but they are interested in seeing that the capitalistic system is destroyed so that their views are suspect. Certainly I do not think we should fall for their propaganda.

It is probably true, nevertheless, that in a free-enterprise economy some fluctuations and instability are the price of freedom. What we -- and by we I mean not only government but business and farmers and labour -- should endeavour to do is to see that the adjustments which may have to be made from time to time are made with a minimum of fuss and are prevented from causing a general decline in activity.

These are very general remarks, ... and I do not intend to draw any particularly specific conclusions from them except to say that in thinking about the future of Canada while one should be prepared for setbacks from time to time, it seems to me that the general outlook for Canadian development and standard of living is promising.

As for the present year, 1953, this promises to be another banner year in Canadian economic development. In 1952, our gross national product, that is the total output of finished goods and services, was \$23 billion. On the basis of latest estimates, we may confidently expect 1953 production to attain more than \$24 billion. This increase of more than \$1 billion will be entirely attributable to an increase in the physical volume of production, for the price level has declined slightly over the past eighteen months.

Particularly significant is the fact that the rate of Canadian expansion as measured by capital expenditures continues to rise. At regular intervals my Department makes a survey of the investment intentions of business and government, and, according to the latest compilation, there will be an increase in capital expenditures in 1953 of about 9 per cent over 1952 which was, of course, a record breaking year.

On the consumer side, labour income for the first part of 1953 shows an increase of approximately 10 per cent over that for the same period of 1952. Retail sales showed a 6 per cent growth. It is significant that with the rise in investment outlay, in labour income, and in retail sales, there has been relative stability in prices. In fact, apart from a slight upturn recently, the trend in both the consumers price index and the wholesale price index has been downward over the past eighteen months. An inflationary threat is no longer with us.

The volume of Canadian trade, although somewhat smaller than a year ago, is still at very high levels by any normal standard. Imports during the first half of 1953 are indeed even higher than they were in the first half of 1952, which is a reflection of our continuing prosperity and expansion. Exports, on the other hand, are somewhat lower than they were in the first half of 1952, reflecting in the main some closing in of markets for manufactured goods in dollar-short countries and some price declines for important Canadian staple exports.

While I am on the subject of exports, I should like to make a few remarks about the current grain situation. To those of you who come from Western Canada, it is hardly necessary for me to emphasize the importance of grain to the whole Canadian economy. Let me remind you of a few facts.

Over the past ten years, the average value of the Western grain crop to the farmers who raised it was \$989 million. The average annual value of all metals produced in Canada during the same period was \$478 million and of all primary forest products about \$455 million. Western oil has attracted the attention of the world, and so it should, but it will be a long time before oil begins to rank with grain as a source of wealth. The 1951 grain crop is the last one for which there has been a complete accounting. The value of the grain crop of that year was \$1,500 million. In the same year, the value of oil produced was about \$120 million. It is true that the production of oil in 1952 increased to \$142 million but 1952 also established many new records for Western grain.

Last summer, the Prairie Provinces produced 664 million bushels of wheat. The previous record was 545 million set in 1928. When you realize that the ten-year average wheat crop -- 1940 to 1950 -- was 350 million bushels, you will

appreciate the size of last year's crop. It followed on a crop of 529 million in 1951. And now we are told that this year's Western wheat crop is estimated at 574 million bushels. During the past three years, at the same time as these wheat figures have been achieved, record or near-record crops of oats and barley have also been harvested. In spite of these crops, so unusually large, it was my pleasure a few weeks ago to be able to announce that new records had been set for handling and exports. In the crop year which ended on July 31, producers in the Prairie Provinces marketed through country elevators a quantity of grain which will probably total 825 or 830 million bushels when all figures are in. The crop-year 1951-1952 had set the previous record, but the new figure broke the record by about 90 million bushels. Particularly gratifying, too, was the fact that it was possible for me to announce that record production and marketings have been associated with record exports. Preliminary figures of exports of all grains, including wheat in the form of flour, indicate that 582 million bushels were exported in the crop year ending on July 31. This is an all-time record, exceeding the previous record established in 1951-52 by 77 million bushels. It may be difficult for insurance people to visualize the immensity of that number of bushels so let me put it in terms of dollars. The value of those 582 million bushels will be just over one billion dollars. The value of all Canadian exports in that twelve-month period was just over four billion dollars. One out of every four export dollars, therefore, was earned by the sale of Western grain and its products. And I know that business men of your calibre realize full well the vital importance of exports in our economy.

In spite of record handling and exports, however, you have no doubt been reading in the papers of the congested position of Western grain storage, and I am afraid that you will continue to read of farmers being unable to deliver grain and of grain stored on the farms. You will also have read of our large carry-over from last year. All these problems stem from the unusual size of the crops we have been harvesting. The exports, about which I have been telling you, total in themselves more grain than is normally harvested from a single crop. The only reason for congestion and for increased carry-overs, is that we have been producing crops which, in some cases, have been twice normal in size. Under the circumstances, I cannot regard such quantities as worrisome surpluses. Rather we must consider that we have been particularly blessed by Nature.

Exports during the early months of the new crop year which began on August 1 are expected to be a good deal lower than they were at the opening of the last crop year. It is awkward that this comparative lull in exports, particularly from the St. Lawrence ports, should coincide with the harvesting of another bumper crop. But so far as I can see, it is unavoidable. Canadian grain is being offered to our overseas customers in competition with wheat from all other exporting countries. I would go as far as to say that Canadian wheat is the best buy of any wheat in the world today.

Why then has export demand declined? The reasons are these. Many overseas countries are well stocked with wheat, a good deal of which they purchased from Canada during the past crop season. Secondly, overseas countries are now harvesting pretty good domestic crops which have a claim on storage space.

In passing, I might point out that this lull in demand applies to wheat from all exporting countries and not only to Canada. We are doing at least as well as our competitors.

I do not know how the situation will develop over the next few months, but I feel reasonably confident that we shall be able to deal with the problems that are bound to arise as a result of the current congestion. Looking ahead, I am optimistic about Canada's future as a producer and exporter of grain.

World requirements appear to be growing faster than underlying world production trends and, with some hustling, I think we can continue to find considerably larger foreign markets than in pre-war years. I can assure you that the Canadian Wheat Board which is responsible for handling the western wheat, oats and barley crops, will always be hustling and will lose no opportunities to sell Canadian grain abroad.

In conclusion let me say something about the place of the life insurance business in the Canadian economy. I gather there are now over \$20 billion worth of life insurance in force in Canada or an average of about \$1,400 for every man, woman and child in this country.

The life insurance business has for a long time been one of the most rapidly growing businesses in Canada. At the time of Confederation, life insurance carried by Canadians would average out at about \$10 per person. By the turn of the century it was up to \$80. By 1939, notwithstanding the severe depression that Canadians had experienced earlier in the 'thirties, they had been able to boost their life insurance protection to \$600 per person. And now, it is more than double that, as I have just indicated. If we allow for changes in prices that have taken place in the intervening period, the protection against the hazards of life that the average Canadian now enjoys is about fifty times what his great-grandfather had at the time of Confederation.

The remarkable thing about this growth in life insurance protection has been that it was achieved in a time when Canadians made great strides in industrial advancement. Growing wealth has not made Canadians soft. On the contrary, individual initiative and hard work have made Canada strong and resilient, have enabled Canadians to improve their real standard of living materially, and at the same time have enabled them to make notably greater provisions for social security and protection against a rainy day.

Besides providing for increasing protection, there is another important reason why the growth of the life insurance business has been so important to Canada. Life insurance is a major source of savings of the Canadian people. As a result, life insurance companies are a major factor in channelling savings from the people who save to the people who invest. And I do not have to tell you that Canada would not be the great country that it is today but for the willingness of Canadians to save and to invest in the future of their country.

Remarkable as the progress of the life insurance industry in Canada has been over the life of several generations, I find that in more recent years the Canadian economy has grown so rapidly that your industry has found it difficult to keep pace with the growth of the country.

Between 1939 and 1952 Canada's gross national product and personal disposable income, that is, income after taxes, has about doubled in real terms. Life insurance in force has increased only by about three-fifths in volume terms. Or to put it differently: in 1939 life insurance companies collected as premium income five out of every hundred dollars which the average Canadian earned after taxes. In 1952 only three out of every hundred dollars went into premium payments. Of course total premium income received by life insurance companies was very much greater in 1952 than in 1939 simply because incomes of Canadians had risen materially. The point I should like to make is that the executives of life insurance companies, and a group like your own who sells life insurance, may wish to set yourself as an objective to get in the foreseeable future a similar share of the income of the average Canadian as you used to get before the war. If you succeed in doing that through new imaginative schemes and sheer hard work, you will not only be increasing the protection which Canadians will have, and which I believe they want, but you will also be providing the life insurance companies operating in Canada with greater funds. And this, in turn, will make it possible for life insurance companies to participate financially to an even greater extent in Canada's economic development to the good of their own companies and to the good of all Canadians.

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THE LIFE INSURANCE BUSINESS

By 1952 life insurance companies had collected about \$50 per capita and had experienced a 25% increase in assets since 1939.

The life insurance industry in Canada is a highly organized and efficient business. It is one of the largest and most important of the non-financial industries. The industry is characterized by its long history, its high standards of service, and its ability to adapt to changing conditions. The industry is a source of funds for the government and for the private sector. It is also a source of employment for thousands of Canadians. The industry is a vital part of the Canadian economy.

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