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CANADA'S RECORD OF ACHIEVEMENT

Address by Hon. Douglas Abbott, Minister of Finance,
before the Canadian Club of Montreal, April 19, 1948.

When the Minister of Finance addresses a public gathering at this time of year he has an uncomfortable feeling. He suspects that what his audience really wants to hear is whether taxes are going up, staying where they are, or going down. But, as you well know, gentlemen, there is a tradition of budget secrecy for which I have learned to have great respect.

What I will say today therefore will have no connection whatever with the forthcoming budget, nor, in fact, will it deal with any of our current problems except in an incidental way. I am going to ask you today to look beyond the details of the many economic and political problems that beset us in this troubled and uncertain world of 1948. I am going to ask you to direct your attention to the record of Canada's growth as a nation during the past few years. I am going to ask you to look at that record in broad terms -- in the terms that, in my judgment, are of greatest significance for the Canadian people as a whole.

It seems to me that we Canadians have been thinking too much about our problems and too little about our achievement. We have been tending to get our sights out of focus. I feel we need something to restore our perspective.

In so shaping my address as to emphasize the broad achievements of the recent past, I hope I will not be accused of any Pollyanna optimism. No one is more conscious than I

am of the failures of the past and of the difficulties and dangers that now confront us. Indeed, perhaps no one has done more in the recent past to direct the public mind to our current problems. Today, therefore, I attempt a more pleasant task -- at least for me.

The growth or achievement of a nation can be judged in many ways, but I suggest that the essential tests are these: First, is it increasing its strength as an economic unit? 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? Second, what about its achievement from the social point of view? Is it making reasonable progress in providing its people with the services and the forms of security they consider important? Third, is it showing capacity for growth as a political organism? Is it performing its political functions with increasing effectiveness? Are the political ties that bind the people together being strengthened? Finally, is it growing in stature as a nation among the nations?

Let us apply the first of these tests to Canada. Are we increasing our productivity and our production? Is the standard of living of our people rising?

The best measure of this is the national income, the aggregate of all the incomes earned by 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 early 'thirties. For the year just past -- 1947 -- the preliminary estimate is \$10.7 billion-

exceeding the best of the war years by over a billion dollars. 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. The net income of farmers and other unincorporated businesses, chiefly the former, rose from \$800 million in 1938 to \$2,467 million in 1947; and salaries, wages and supplementary labour income, taken together, from \$2,476 million in 1938 to \$6,125 million in 1947.

We are better off than we were ten years ago partly, of course, because nearly everyone who wants a job is working. There are no completely reliable figures of the numbers unemployed in 1938, but I am told that those out of work in that year probably exceeded 400,000 out of a total working force of 4,400,000. In addition, there was at that time a good deal of hidden unemployment, represented by workers on short time and by under-employment of various kinds. By way of contrast, when the latest figures were gathered early in November last, less than 90,000 Canadians out of a total civilian working force of some 5 million were looking for jobs.

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. I am sure you were all impressed, as I was, by the way our farmers responded in wartime to the call for greater production, how year by year they surpassed their previous records, even though thousands of their sons and daughters joined the forces or entered war factories. In many respects that was a superhuman effort by men and women who put duty to their country before personal needs and desires. But it was also a demonstration of the advances that have been made in recent years in farming methods and practices. Our farmers have shown that they are capable of greater output than ever before.

I do not need to tell a Montreal audience about the remarkable strides that have been made in the industrial sectors of the economy during and since the war for the evidence of that growth is here about us everywhere we look. Into four or five years of war, 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 in most cases as economically as any other country. We became one of the chief arsenals of democracy and we feared that when the war was over, we might be left 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 the wartime industrial capacity to peacetime uses, and found it necessary to increase

enormously their investment in plant and equipment. I am astounded at the information I receive as to the plans that are still underway for further expansion and improvement. Before the war business enterprises were investing in new construction, equipment and machinery, apart from housing, about \$400 million per year. Last year they invested in the neighbourhood of \$1½ billion, and, if they carry out their present intentions, the total in 1948 may reach \$1½ billion.

It is a great source of satisfaction to me as one of the representatives from this city, as I know it is to you, that Montreal business men lead the way in this great industrial effort. According to the information gathered by the Government, expenditures on capital development in the Greater Montreal area in 1947 were \$83 million and are expected to reach about the same total in 1948. These are the largest figures for any urban area in Canada.

From the point of view of our dollar position and because of its general inflationary effect, it would be better for everyone concerned if the programme of capital expansion and improvement were spread over a longer period, and I am hopeful that this will be one of the results of the dollar-saving plan. But there can be no doubt that as the new plant and equipment get into production, Canadian industry, already endowed with new skills and improved "know how", will be in a position to achieve even higher levels of output.

At this point may I pause to record one of the most striking impressions received by my officials and myself

as a result of our experience with the dollar-saving programme. No one regrets more than I do the necessity for the interference with normal business routines and business plans which that programme has involved. However, a reassuring aspect of this programme is not merely the co-operation which we have received from business generally but the ability of Canadian industry to adapt itself to the changed situation and to find new materials or new markets where it is necessary to do so. I had expected a measure of this capacity in the case of the larger industrial corporations but what has surprised me is the number of small concerns that have found it possible to market at least some of their products in the United States. This and other developments give encouragement to the view that if all concerned make a whole-hearted effort to achieve the objectives at which the programme of my colleague, the Minister of Reconstruction and Supply, is aimed, we will be able to sell more of our manufactured products, as well as our primary products, south of the border and thus help to attain that better balance in our exchange relations with the U. S. which is imperative.

May I also be permitted to refer to the very big things that are under way in the development of our natural resources. We have all been heartened by the very significant oil discoveries in and around the Leduc field in Alberta and one does not need to give much play to the imagination to visualise the transformation which will be wrought in the economy of Western Canada if further exploratory work and drillings continue the record of success so far achieved.

I can only mention the exploratory and developmental work which is planned for or actually going on in the Northwest Territories, in Labrador and the lower St. Lawrence, and certain other parts of Canada where enterprising men seek to unlock the hitherto unknown treasures of nature or to turn into productive use and into dollars materials that were formerly going to waste. Mr. Chairman, I verily believe that we are on the threshold of really great developments-- on the verge of a new dynamic era in our country's history which should lead to a further expansion in our production and economic power.

It is obvious that this growth in economic power has made possible, and natural that it should have brought with it, substantial achievement 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 well-being. Educational facilities and services, general and vocational, have been vastly improved and extended. In this connection may I suggest that we should not underestimate the future effect upon our national life of the educational opportunities offered on such a comprehensive scale to our veterans and accepted by them with such avidity and such industry and success. 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. He must ask himself whether a programme of this sort strengthens the economy, whether it increases production by assuring a more intelligent and more healthy population, whether it lessens the haunting worry of unemployment and family illness that might otherwise impair morale and productivity, whether it makes systematic provision 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 programmes. 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 of course 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 nonetheless been substantial. We are inclined to forget that, apart from Old Age Pensions, the important national instruments of welfare policy are less than ten years old. Unemployment Insurance dates from 1940. The first Family Allowances were paid in July 1945. Within eight 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.

Much remains to be done. I should like to see improved health services and a better system of old age pensions, but these are matters which involve the provinces as well as the Dominion, and I cannot say when the difficulties that stand in the way of the required co-operation will be overcome.

The 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 stimulating book "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 support of 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 a supreme act of faith and I suggest to you today 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 time 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 of the common destiny that we are to share. I know that there are some who would exploit the differences between the provinces and the racial groups for their own purposes, but can anyone who witnessed Canada at war or who mixes, as I do, with people from all parts of the country really doubt the existence of a common Canadianism?

In my opinion, the essential political unity of the country has been immeasurably strengthened by the enhanced ability of the provinces as a result of the new

tax rental agreements to discharge the functions allocated to them under the British North America Act. There were some who contended that in putting forward its financial proposals to the provinces the Dominion Government sought to bring about greater centralization. Nothing could be farther from the truth. Our aim was to strengthen the provinces financially and to make it possible for all governments to discharge their responsibilities adequately and efficiently.

While, as I have said previously, we did not achieve complete success in our initial efforts, nevertheless I believe that at least we have made a major contribution to the political and economic unity of the country by underpinning the financial resources of seven of the provinces, those provinces which were most vulnerable to the strains of economic adversity. There is a good deal less danger now of finding the country in time of difficulty divided as it was during the thirties into "have" and "have not" provinces, with the inevitable disastrous effects of such cleavage upon the economic, social and political fabric. Indeed it is probably no exaggeration to say that at no time in the past have all governments in Canada, Dominion and provincial, and municipal as well, been in better financial condition on the whole and better able to meet the adverse contingencies which economic change may bring.

I come now to the fourth and final of my four tests-- our position in international affairs -- as a nation among the nations.

Here the transformation in a few years has been profound. In the sphere of world affairs, we have earned a

position, if not among the great powers, at least as a leader of the so-called middle powers, and, while a Canadian is reluctant to claim credit on behalf of his country, I believe we have been able to influence the course of events along constructive lines and enjoy a respect among the nations exceeding our political importance.

If we do enjoy that respect, it is because other nations see Canada not only as a nation of great and growing economic strength but also as one which has shown integrity and competence in its economic dealings. They recognize our bona fides and have learned to expect from us capacity in dealing with technical problems and in the art of government. This is not an accident. Canada's not inconsiderable role in two world wars has been played not out of thought of territorial or other selfish gain but because we realized, either instinctively or consciously, that freedom and the integrity of our way of life were at stake. We have been willing to do our share in shouldering the post-war responsibilities which membership in a "one-world" system entails, as we believe. We have contributed to the relief of world distress and, in proportion to our size and resources, have done at least as much as any other nation to promote by way of loans the economic restoration of the war-ravaged countries which were our good customers in the past and are expected to be so again -- we expect to continue this assistance in future to the extent that we are financially able to do so. We have striven to preserve the peace and to promote better political and economic relations. We have sent of our best to represent us in the deliberations of

international conferences and the contribution which these representatives have made to the smoothing out of difficulties, the elimination of distrust and suspicion, the better understanding of technical problems and the ingenious contrivance of co-operative solutions has won the plaudits of competent observers from every land.

This is a time, I believe, when it really does us good "to see ourselves as others see us". We need faith and confidence and courage, for we are at a critical point in the world's history and a transitional point in our own history. If my address has emphasized achievements, it is not as I have already said because I do not appraise 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 any country as history records. We have also our own special difficulties. We have an exchange problem which has demonstrated once again how vulnerable our economic position is in its exaggerated dependence upon the U. S. for materials and equipment and upon Western Europe for markets. We have reached a stage in our national development when we must reduce this dependence and begin the building of a more virile and independent economy of our own. In a world flooded with the tides of war and post-war inflation, we have been able to minimize but not to avoid altogether the effects of that poison. We must continue our endeavours to avoid the worst distortions and dislocations which unchecked it tends to produce. We have still unsolved some of our political and governmental problems.

Certainly this is no time for complacency. I am

equally sure that it is no time for crying blue ruin. We need to be told wherein we have failed -- and in this vigorous democracy there will not be lacking those only too anxious to do so. But we need also to be told occasionally that progress has been made, that we have within us the capacity for growth and even I suggest the capacity for greatness. Confidence born of achievement, courage that springs from faith in a great destiny -- these are what we need to bring from our people that maximum co-operative effort which will assure such destiny.