

ECONOMIC EXPANSION AND SOCIAL PROGRESS

An address by the Minister of National Health and Welfare, Mr. Paul Martin, delivered at the annual Canadian Bankers Night, sponsored by the Detroit Chapter of the American Institute of Banking, at Windsor, Ont., January 21, 1953.

... Events such as this help to strengthen still further the very cordial relations already existing between our two cities and our two countries. We are much the same kind of people. For many years now, we have enjoyed neighbourly relations over our 4,000 miles of back fence. Every day we see some new instance of the understanding, friendship and respect our people have for one another. This Canadian Bankers Night is just one more evidence of our mutual co-operation and good-will.

During the past year or so, such publications as Fortune Magazine, the Wall Street Journal, Time Magazine and others have acknowledged the tremendous industrial and economic development now taking place in Canada and the importance of this progress to the United States. Because banking has been so intimately associated with business and industrial development in both our countries, your Chairman suggested that I speak to you for a few minutes on some of the features of the robust expansion programme now underway in Canada.

THE EYES OF THE WORLD ARE ON CANADA

Today the eyes of the world are on Canada. Over the past dozen years this nation has undergone a rate of business and industrial development never before in history achieved by a nation of 14,000,000 people. In the words of one of Wall Street's most conservative investment firms, Canadians today are writing "the biggest business story of this decade."

Here, in this multi-billion dollar piece of real estate -- with our oil and iron ore and uranium, with our forests and mines, with our farms and factories -- an energetic and determined people are proving what they can do when they have the will and the leadership and the resources. After 85 years of vigorous national growth, the Canadian dollar has become the diploma of our graduation to national maturity.

Fortune magazine recently commented on Canada's amazing development in the following terms:

"Canada's progress during the past dozen years is one of the economic marvels of the age. Thanks to the extraordinarily high and well-distributed volume of investment, public and private, she has undergone an all-round development not matched even by that of the United States."

Let me give you a few facts and figures to indicate the extent of our recent expansion. Since 1939 Canada has

- increased its national production four times over -- from \$6 billions in 1939 to an estimated \$23 billions for 1952;
- in terms of constant prices, this represents a real increase in physical output of better than 100 per cent;
- kept its finances in a state of solvency when deficit budgetting has been the order of the day in most other parts of the world;
- increased its foreign trade to become the world's leading trader on a per capita basis;
- witnessed the greatest investment activity in its history -- \$25 billions in the past seven years alone!
- inaugurated all its major social measures on a sound pay-as-you-go basis;
- decided to tackle a vast Seaway project that daunted two nations for more than half a century;
- invested abroad more than a dollar for every foreign dollar invested in Canada.

#### CANADA'S CHANGING STATUS AMONG THE NATIONS

At the same time, Canada has emerged, for the first time, as a decisive force on the world scene. Two world wars -- and the present ideological struggle -- have shifted the balance of power to the North American continent, and thus Canada and the Canadian people, as backfence neighbours of the United States, have attained an influence in world affairs beyond our numbers and our wealth.

In recognition of our changing status in the world scene, Canada has accepted its responsibilities of nationhood fully and maturely. Our voice is heard with increasing respect in the councils of the nations. Our Prime Minister was one of the first to suggest the North Atlantic Pact. Our boys are fighting beside their gallant American friends with the United Nations forces in Korea. Our people are paying the costs of a defence programme unprecedented in peacetime history.

We are also doing our part in providing aid to less-favoured nations. Inspired by such measures as the Marshall Plan, President Truman's Point Four Programme, and our own Commonwealth Colombo Plan, Canada made available a total of \$2,700,000,000 in economic assistance to other nations between 1945 and 1950. Related to national income, this contribution was not exceeded by that of any country. Canada has provided \$65,000,000 to the World Bank, thus becoming the second among the bank's 51 member nations to release its full quota of capital for bank loans.

THE PATTERN OF CANADIAN PROGRESS

After this thoroughly immodest recital of Canada's achievements in recent years, it might be appropriate to attempt an analysis of some of the basic factors that account for this progress. While there can be no question that we do enjoy an almost unseemly wealth of natural resources, it is not enough simply to say that we are fortune's favourites or even that our people are some kind of special breed who can accomplish things not attainable in other parts of the world. No, there must be some conscious policy behind our recent expansion.

I have given this question a good deal of thought and out of all the complex factors and subtle forces that shape the destiny of a nation, I have selected four features of national policy which I consider to be essential conditions to progress and prosperity. Canada stands four square on these foundations:

-- vigorous trade

-- judicious investment

-- sound fiscal management

-- enlightened social measures.

Let me say a few words about each.

TRADE AND INVESTMENT AND NATIONAL PROSPERITY

That a high level of trade is one of the cornerstones of Canadian prosperity has been an accepted part of Canadian business and political thinking ever since Confederation.

This lesson was driven home to us whenever our country went through a serious depression, as in the 1870's, the 1890's and the 1930's. We had surpluses of many materials and goods, but we could not exchange them for the products we wanted from other countries. We were faced with the ironic paradox that other countries also had surpluses which they would have been willing to exchange for ours. Because we could not get together, Canada and the world were the poorer.

It is, therefore, no coincidence that we have been most prosperous when our volume of trade has been large and well-diversified. For only in this way were all parts of Canada able to benefit from our expanding trade, and the country as a whole in a position to make the best possible use of our bountiful resources to the benefit of business and consumer alike.

Today, Canada's import and export trade are at an all-time high. Between Canada and the United States, our total trade now amounts to five billions a year -- the largest ever achieved between two countries in all history. At the same time, during the first nine months of 1952, Canada's exports to countries other than the United States showed an increase of 34 per cent over the same period in 1951.

I need not remind bankers of the importance to prosperity of a high level of investment, which includes all capital expenditures by business, individuals, institutions and governments. It is indicative of the resources and industrial development the country is undertaking. Agricultural development, in the first decade of this century, was of great importance to prosperity. In more recent years, the development of Canadian minerals and of waterpower, in addition to the development of all our other natural resources, has done much to stimulate economic activity.

Beyond this, Canadian industrial capacity in the processing, refining and fabricating stages has been expanded tremendously in the post-war period. Our total investment programme in 1952, including outlays for defence installations, the development of strategic resources and all other purposes combined, is expected to reach \$5.2 billion. Allowing for higher costs, this represents an increase of 8 per cent over the record volume of 1951.

Increased industrial capacity in Canada has meant not only the turning out of more goods in absolute terms, but also the production of more goods with less labour per unit of output. And as the productivity of this nation has increased, its real standard of living has risen. Further, our rising productivity has enabled us to expand our defence efforts without significantly affecting civilian standards of living.

A high level of investment also reflects the capacity of the economy to absorb the savings of citizens and to translate them into useful and productive assets. Investment enables businessmen to expand their capital facilities by using not only their own savings but also those of others. Right here in Windsor, we have a striking example of the confidence businessmen place in the future of Canada and this community in the vigorous expansion now taking place in the operations of the automotive industry's "Big Three" -- Chrysler, Ford and General Motors.

For instance, Ford of Canada is embarked on an expansion programme involving \$65,000,000 -- half of which will be spent in the Windsor area to provide the largest automotive engine plant in the country, as well as valuable additions to the company's powerhouse, foundry and machine shop.

As with trade, there are ample and telling reasons why Canada's prosperity has always been closely linked with high levels of investment. And here let me say that, in Canada's development, the engineers, the railway builders, the businessmen and the industrial and agricultural workers have not been our only pioneers. Mention should be made also of the bankers who have had the vision to see the value in great and ambitious schemes for the development of the nation.

#### THE IMPORTANCE OF SOUND FISCAL POLICIES

All the benefits of a bumper trade and a high level of investment can be cancelled out if the government of a nation pursues unwise fiscal policies that restrict enterprise, curb initiative or undermine the stability of the economy. Since this is not a political speech I have

no intention of defending the monetary policies of the present Canadian Government. I shall simply bring to your attention the principle that has been our guide and let the results of these policies speak for themselves.

In Canada, we have worked on the principle of the balanced budget. If a nation cannot pay its way in good times, it certainly cannot weather the leaner years. To keep the budget balanced at a time when defence expenditures account for almost every second dollar spent by the Federal Government, there is only one method -- taxes. And yet, when account is taken of Family Allowances payments, the net amount payable in Canada today by the average taxpayer is measurably less than in the United States -- except for those in the very high income brackets.

The Wall Street Journal recently discussed Canada's record expansion and referred to this country as a nation

"where a soundly developing economy and sound fiscal and monetary policies are coincident."

I would venture to suggest that the present healthy state of our currency is directly traceable to our allergy to red ink.

#### SOCIAL SECURITY AND PROSPERITY

I have referred to trade, investment and fiscal policy as significant factors in Canada's prosperity and development. It is less commonly realized that there is an important linkage between prosperity and responsible measures for social security.

It has required many years of patient work on the part of present and previous administrations to build up a comprehensive system of social security that has not only broad welfare implications but also important economic objectives. In this connection, it should be remembered that programmes like Family Allowances are just as much an instrument of fiscal policy as they are an expression of social justice.

On the economic side, social security payments have an important stabilizing influence by putting a floor under consumer expenditures. A large proportion of the social security payments made by the Canadian Government, in part on its own account and in part in conjunction with the provinces, serves to increase the incomes of individuals or families who without such aid either have no income at all or too little to meet all their essential needs.

Now what do people who have little or no income do with the social security payments they receive, such as old age pensions, family allowances or unemployment insurance?

Most of it goes to pay for the necessities of life -- food, shelter, clothing, medical and hospital bills. With a minimum of consumer spending assured by these continuing social payments, consumer expenditures in Canada should never again drop to the very low levels prevailing in the '30's. This does not mean that Government social security transfer payments are large enough to prevent any decline in consumer spending. They do, however, have a stabilizing influence and help to keep the bottom from dropping out. They stop recessions from growing into

depressions and by levelling out purchasing power they help to keep the economy on an even keel.

Social security payments, by their very purpose, are designed to strengthen the weak links in our economy. The objective of government policy is to create a climate in which private initiative thrives and fair opportunities are accorded to all who want to take advantage of them, while at the same time protecting our people against those unavoidable hazards of life over which willingness to work alone cannot prevail.

On the welfare side, social security provides assistance to those who, because they are living in this country, have a right to expect to share in its wealth and productivity -- our veteran servicemen, our very young or aged citizens, our sick and handicapped, and those who cannot find work. But in lightening the load of the needy, we must bear in mind the capacity of our economy to carry the extra burden.

In a country like Canada, where our greatest achievements are made possible by individual initiative and ingenuity, assisted and encouraged where possible by Government, it would be unwise to over-burden the individual and thus defeat the prime objective of economic activity -- to increase individual wealth and thus to increase national wealth.

#### RESPONSIBLE LEVEL OF CANADIAN SOCIAL MEASURES

While there is still room for improvement, Canada's present social security programme is one of the most advanced and comprehensive in the world. The money to be spent on social security this year by all governments in Canada will total \$1,300,000,000. By itself this seems an impressive figure, but the reasonable level of social expenditures in Canada is indicated by the fact that they have never exceeded five to six per cent of our gross national product.

While Canada's greatest period of social progress has been over the past dozen years, it has been a story of steady, unspectacular development of measures responsibly conceived and unhurriedly brought into effect. From 1939 to 1951 the percentage of our gross national product devoted to voluntary and governmental health and welfare expenditure has increased by only a fraction of one per cent.

Social security payments cannot, of themselves, guarantee prosperity. There are always reasonable and sensible limits to what governments or other agencies can do to help meet welfare needs. We must never lose sight of the fact that for every dollar that is paid out in social security a dollar in taxes must be paid in. The assistance that social measures give represents work that has been contributed for this purpose.

The extent to which governments can provide for the welfare needs of their people is a delicate decision to make. It must be considered within the stringent framework of national security with the competing demands the defence effort makes on the capacity of the nation.

Each new act must be judged in the light of its relative priority in our total welfare pattern and against the overall record of national productivity. There can always be too much social security; there can, just as truly, be too little.

Canadians have good reason to be proud of the way that, over the past 15 years, as this country has become more and more productive, we have steadily maintained the proportion of our national income that is devoted to measures for the health and well-being of our citizens.

In our time we have seen the humane way in which, through our concern for social need, the increased productivity of our system has been matched by a more equitable distribution of its benefits for our people. As our prosperity has increased, we have found better ways to provide against ill-health and insecurity. We have adjusted to the shoulders of an entire generation part of the burden of bringing up the young, of assisting those who are sick and in need, and of caring for the old.

The development of social measures which protect the health and welfare of the individual citizen, protect the very prosperity dependent on his well-being. This development of social security on the government level is not some new form of regimentation but, purely and simply, an effort to make the old-fashioned virtues of charity and neighbourliness the inspiration of a new and orderly arrangement which is necessary if we are to meet the complex needs of modern industrial society.

If we should fail in our future planning to recognize that social justice is good business, then we would be closing our eyes to one of the most significant lessons of modern times. We must remember, however, that social security is not an end in itself. To have a prosperous economy, governments must consistently follow sound economic and fiscal policies and full scope must be given to private initiative and enterprise. No amount of social security, no matter how well conceived or well intended, can compensate for foolhardy economic policies.

In my remarks this evening, I have attempted to analyze the ingredients of Canadian prosperity -- a high level of trade, courageous investment, sound fiscal policies and responsible social measures. To these must be added that intangible pioneer spirit that can infect a nation and inspire its people to undertake and achieve the impossible. Anyone who moves across Canada today is struck by the spirit of our times -- the instinct to build and to develop and go forward. In the years ahead there is still much to be done, but as long as Canadians honour freedom, exalt hard work and respect human personality, we can face the future unafraid.

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