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## WEEK'S EVENTS IN REVIEW

**MR. GORDON ON WORLD TRADE:** The Deputy Governor of the Bank of Canada, Mr. Donald Gordon, delivered an address to the Thirty-Sixth National Foreign Trade Convention in New York City, on October 31, in which he expressed the conviction that there could be no effective or permanent solution of the dollar shortage abroad unless North America, and especially the United States, assumed the role of furnishing a much larger and more reliable import market for goods which other countries have for sale.

After detailing the means taken to meet the series of crises in the field of international trade and foreign exchange which he said had been witnessed since 1939, he dealt with the crisis of 1949 and spoke of what he called "the North American export surplus." While both Canada and the United States had an export surplus with the non-North American world, he said, only the United States had an export surplus with the whole world.

The text of his address proceeded, in part, as follows:-

"....Canada imports about as much as it exports, and any reduction in its export surplus with the outside world would have to be counterbalanced by a similar reduction in its import surplus with the United States. Unless the United States by increased imports reduces its export surplus to the point where Canada's customers overseas have enough dollar income to settle for our export surplus with them, Canada will be faced with the loss of necessary

export markets when the temporary support of gifts and loans comes to an end. Canada in such circumstances would be driven to a restriction of imports from the United States and would have to find alternative sources of supply, in Europe and elsewhere, among the countries which take our exports....

"We in North America have up till now tried to make good the inadequacies of the international income of our friends abroad by capital donations, and for a time, indeed, it was necessary and desirable that we should do so. But that process cannot continue indefinitely. Knowing this, the countries of Europe, and elsewhere, have begun a process of restricting their expenditures in the dollar area to the level of their inadequate income from the dollar area....

"Now this presents a great challenge to North America. It requires, I believe, nothing less than a radical and far-reaching change in the whole tenor of North American thinking about international economic policy. I believe it requires that North America now replace Europe as the dynamic centre and chief support of the world trade structure....

"Right now is a most appropriate time to consider such matters. At the moment, there is, in respect of international economic policy and action, a period of relative calm after the latest crisis in the efforts to restore a world trading community. No doubt the calm is more apparent than real, and certainly it cannot be more than temporary. Perhaps it might

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**MR. ABBOTT ON TRADE:** In addressing the Canadian Importers and Traders Association in Toronto, on October 28, the Minister of Finance, Mr. Abbott, concluded in part as follows.

"...The ultimate solution of the Canadian problem, and for that matter the world problem, must be in expanding trade, in lowering trade barriers, and eliminating arbitrary restrictions and discriminatory practices.

"Our policy of attempting to achieve a better balance in the structure of our trade by positive methods is producing results. The gap in our merchandise trade with the United States which in 1947 was \$920 million, in 1948 was reduced to \$284 million. Although there has been some reversal in 1949, the situation remains greatly improved. To some extent this improvement was achieved by temporary import restrictions, but to a much greater extent this was achieved by a very substantial increase in our export to the United States. In 1947 the gap in our merchandise trade with the United Kingdom was \$565 million. In 1948 this was reduced to \$390 million and the first 8 months of 1949 shows a further decline in this gap. While to some extent this was achieved by some curtailment in the United Kingdom imports from Canada, to a greater extent it was achieved by an expansion of British exports to Canada.

#### "NEAT BILATERAL BALANCES"

"More will have to be done but at the same time I don't believe that neat bilateral balances with individual countries are either realistic or desirable. Attempts to strike perfect balances must inevitably limit international specialization and depress trade in general. Regardless of how successful we may be in narrowing our wide bilateral trade gaps, the Canadian economy will inevitably remain dependent not only on a high level of trade, but also on a multilateral system of trade and settlement. This basic position is unavoidably a consequence of our industrial structure, geographical position and natural resources.

"In short, then, our purpose should be to achieve a relative increase in our imports from the sterling area and other soft currency countries, and at the same time seek to expand our exports to the United States and other dollar countries. The action recently taken by the Government to adjust the par value of the Canadian dollar by 10 per cent in relation to the United States dollar is fully consistent with these objectives. Firstly, it should improve the competitive position of our exports to the United States and other dollar markets. At the same time it should ease somewhat the demand in Canada for the goods of these countries which have not modified the par values of their currencies. Then, the much greater devaluation of sterling and other soft currencies will make their goods relatively more attractive in Canada. This should help to

stimulate imports from overseas in the place of imports from dollar countries.

"Currency and exchange adjustments are important but they are not enough. It is necessary to make further progress in the international efforts to remove barriers to trade. You are familiar with the important role which Canada has played in the accomplishment of the Geneva agreements in 1947 and in the further agreements which were reached at Annecy during the past Summer. In my speech on the Budget a few days ago, I said that preparations are now in progress for a further set of tariff negotiations to be held in the Autumn of 1950. We will have an opportunity at that time to negotiate for further tariff concessions in the United States market, and also to review our customs tariff with a view to the adjustments which we can make that help to facilitate an increase in trade with our important customers overseas.

"In speaking of the work which is under way to improve our trading position, my remarks would not be complete without mention of the Third Canadian International Trade Fair which will be held in Toronto from May 29 to June 9 next year. Here is one practical way in which you, the importers, can work towards the achievement of a high and balanced trade. Exhibits at the Canadian Trade Fair have proved to be a very effective way of developing markets in Canada for overseas goods...."

**BRIG. CLARK'S APPOINTMENT:** Appointment of Brigadier S.F. Clark, CBE, as Canadian military representative on Atlantic Pact organization in the United Kingdom was announced on October 29 by the Minister of National Defence, Mr. Claxton.

Brig. Clark will head the Canadian Joint Staff in London and will represent the Canadian Chiefs of Staff on the Military Committee of the Western European group. He will be appointed in the acting rank of Major-General.

Major-General Clark, 40, was born in Winnipeg and attended the Universities of Manitoba and Saskatchewan.

He joined the Royal Canadian Corps of Signals in 1933 as a lieutenant. Just prior to 1939 he was instructing at the Royal Military College, but at the start of the Second World War was appointed Adjutant of 1st Canadian Corps Signals. Subsequently he became Lieutenant-Colonel, commanding the 5th Canadian Armoured Divisional Signals.

In August 1942 he was posted to Canadian Military Headquarters in London and from there proceeded to the Senior Staff College.

Following graduation from the Staff College, he was promoted to the rank of Colonel in May 1943 to become Chief Signals Officer, 2nd Canadian Corps. In November he was promoted to the rank of Brigadier. He served in this capacity throughout the remainder of the war, becoming Chief Signals Officer at Headquarters

Canadian Forces in the Netherlands in July 1945.

In September 1945 he returned to Canada to become Deputy Chief of the Canadian General Staff at Ottawa, and served in this capacity until his departure to the United Kingdom in December 1947 to attend the Imperial Defence College.

In September 1948 he was appointed as Canadian observer on the Military Committee of the Brussels Pact.

**NAVIGATION CLOSING:** Details and dates with respect to the closing of the 1949 navigation season for canal traffic were made known on October 28 by the Minister of Transport, Mr. Chevrier.

Weather and ice conditions permitting, the main route canals along the Montreal - Lake Superior water traffic route, will be kept open until the following dates:

Lachine, Soulanges, Cornwall, Farrans Point, Rapide Plat and Galops Canals - close midnight, December 4.

Welland Ship Canal and Sault Ste. Marie Canal - close midnight, December 15.

The Director of Canal Services, Department of Transport, has issued a directive to the effect that no vessel will be allowed to enter, leave or navigate any of these canals after these dates.

**RETAIL SALES FINANCING:** Total financing of retail instalment sales in Canada by acceptance and sales finance companies was almost one-fifth greater in 1948 than in the preceding year, the overall increase being entirely due to a rise in the financing of consumers' goods. Balances outstanding at the end of the year showed an almost parallel rise.

Reports received by the Bureau of Statistics from 94 companies engaged in the purchase or discounting of notes receivable arising from retail instalment sales show total retail financing of \$208,166,000 in 1948. This total exceeds by 19.5 per cent the figure of \$174,190,000 reported by 91 companies in 1947. Balances outstanding at the end of the year were \$130,120,000 compared with \$106,631,000 at the end of 1947, a gain of 22 per cent.

These reports give an almost complete coverage of retail sales financing in Canada in these years. In 1941 -- the only other year for which complete tabulation has been made -- purchases of retail instalment paper were valued at \$100,277,000 and balances unpaid at the end of the year were \$64,674,000.

**WHOLESALE PRICE INDEX:** A gradual downward movement of wholesale prices, in evidence since the first of the year, and interrupted only in July, continued in September. The Bureau's general index, on the base 1926=100, stood at 155.4 as compared with 155.5 a month

earlier, and 158.4 a year ago. The index number of wholesale farm product prices was 145.7 as compared with 146.0 in August and 149.7 in September last year.

**GOLD PRODUCTION UP:** Canadian production of gold in August continued the gains of previous months this year over 1948. Output was advanced in all producing provinces and territories except British Columbia both in the month and first eight months of this year.

The month's production amounted to 359,100 fine ounces as compared with 326,300 in the preceding month and 305,500 in August last year. In the cumulative period, 2,648,200 fine ounces were produced as against 2,289,200 in the similar period last year.

**CANADA BOND SALES DOUBLED:** Bank of Canada officials took a look at the figures for Canada Savings Bonds sales on October 27, and said they just didn't believe them. They ordered up a new set but the results were just the same.

Thousands of purchases of \$50 and \$100 and \$200 amounts by Mr. and Mrs. Canada in this largest financial operation of the year were still adding up to more than twice the totals achieved at the same point in the previous campaign.

Up to Tuesday night, October 25, eight days of selling have brought total purchases from 264,130 employees through the payroll savings plan to the \$59,097,350 mark as compared to 135,832 payroll sales last year of \$27,868,950 for the same approximate period.

Added to the previous figures for sales to the general public, the latest available in this field, the grand total on October 27 stood at \$83,543,850 as compared to \$39,688,800 last year. The total number of individual purchases to this date this year is 309,004. Last year only 158,475 orders had been placed.

Quebec province is leading the rest of Canada with 65.3% of the total payroll savings sales last year already in the bag. Other regions show British Columbia close behind with 65.2%; Prairie provinces 61.2%; Ontario 54.1%; Maritimes 50.2%.

Many possible reasons for the sweeping increases were mentioned by Bank officials but they were not prepared to say which was really responsible. It was pointed out that employers were more enthusiastic than ever before and this might account for better coverage in plants. Employees were becoming more familiar with the advantages of Canada Savings Bonds. It was said that many were buying extra bonds with money saved through the reduction of income tax.

Whatever the reasons, reports from top companies across the country show that more than 500 have already exceeded all previous records, with the canvass of their employees still incomplete.

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**MR. HOWE TO U.S. TOOL ENGINEERS:** The following is an excerpt from the address by the Minister of Trade and Commerce, Mr. Howe, to the American Society of Tool Engineers, in Montreal on October 29:

"...American industry has a very considerable stake in Canada in the form of branch plants. By the end of 1948, the value of United States direct investments in Canada totalled 2 billion 700 million dollars, of which one billion 600 million dollars were invested in Canadian manufacturing concerns, controlled in the United States. Total United States investments in Canada are about 5 billion dollars, and it may be of interest that this investment pays a bigger cash return to American investors than all other American investments abroad put together. Some 2,000 American companies and branches are now established in this country, of which over 1,000 are engaged in manufacturing.

"We hope that more American companies will avail themselves of the favourable conditions for investment in Canada that follow the recent exchange devaluation. Such a move would be welcomed here, if only as a means of correcting our unbalanced U.S. dollar position.

"Another exchange between our two countries which we both can welcome, is the exchange of brains, - technicians, engineers, and economists. I am not one of those who has been alarmed by rumours that Canadian brains are being drained off to other countries. True, many Canadians go to the United States to do post-graduate work, or to find employment in industry. However, only one out of ten engineers, graduated from the largest Canadian Universities, is now living outside Canada. This loss of one in ten of Canadian trained personnel is more than compensated for by the American and British talent that we have imported. Approximately two of every ten of our technical personnel has been recruited from abroad.

"No other two nations enjoy to their mutual benefit such a constant interchange and fluidity of scientific knowledge and of technical personnel. We are proud of Canadians who are making their contribution to American industry, and feel that for one reason or another, these benefits return to us in some form. Equally, we are glad to have American technicians making a contribution to our industrial expansion. A splendid example of such a contribution is found in the many Americans assisting us in the Alberta oil development..."

**ICAO MONTREAL MEETING:** The writing of specifications for a system of aerodrome approach and runway lighting designed to lead a pilot safely on to a runway during adverse conditions of weather and visibility is one of the objectives of the Fourth Session of the International Civil Aviation Organization's Aerodromes, Air Routes and Ground Aids Division, which met in Montreal on November 1.

ICAO officials point out that a reliable system of approach lighting for international airports, together with radio navigation aids, will make it possible for airliners to fly safely in weather conditions which now keep them grounded, and will therefore greatly improve the regularity of air transportation by doing away with a large percentage of trip cancellations. Much work has been done on approach and runway lighting since the end of the war, work aimed at producing lighting systems which can be seen from the air through murk and fog, and which will bring aircraft coming in for a landing to the edge of the aerodrome correctly lined up with the runway in use. Several completely different experimental systems will be considered by the technical experts of some twenty nations and international organizations at the meeting which begins today.

The Aerodromes Division will also concern itself with the preparation of international standards for the lighting of water aerodromes, so that seaplane pilots of any nation may expect to find familiar facilities wherever they land. Other items on the agenda include the setting of specifications for the colours of aerodrome lights and surface markings, and for the minimum power supply needed at aerodromes for emergency purposes.

**EXAMINE REFUGEES AT CORK:** The Minister of Mines and Resources, Mr. Gibson, announced on October 31 that, due to the kindness of the Government of Ireland, an arrangement has been made whereby the refugees on the motor vessel "Victory" now at Cork en route from Sweden to Halifax will be examined by Canadian immigration officers at Cork.

Those refugees found acceptable will be granted immigration visas, and those refused visas will not come forward, Col. Gibson said. The Irish Government will extend all possible assistance to the Canadian officers conducting the examinations.

The purpose of the arrangement is to prevent lengthy detention at Halifax and the hardship involved in returning inadmissible immigrants to Europe, the Minister stated.

Three hundred and seventy-two people, including 96 children ranging in age from four weeks to sixteen years, left Sweden on September 26 aboard the 316-ton "Victory", whose normal capacity is between 50 and 60 passengers. The vessel, which arrived in Cork on September 1, was prevented from leaving the Irish port because it was considered unseaworthy.

**FACILITATE TRADE WITH ITALY:** Trade between Canada and Italy may be carried on in future on either a United States dollar or a Canadian dollar basis, the Minister of Finance, Mr. Abbott, announced on October 31.

Heretofore exporters shipping to Italy have

been required to obtain payment in U.S. dollars. Under arrangements made with the Italian authorities, Italy is being designated as a "special arrangement" country as from November 1. Consequently Canadian dollars will also be acceptable in payment for exports to Italy.

The arrangements also will enable Canadians to obtain permits through their banks for the expenditure of any reasonable amounts of Canadian dollars for travel to Italy. Italy is thus placed on the same basis, so far as Canadian travellers are concerned, as France, Belgium, Luxembourg, the Netherlands, Norway, Sweden, Switzerland and countries in the sterling area.

Previously, travel expenditures in Italy were in practice made in U.S. dollars and were therefore limited by the travel ration of \$150 U.S.

**CBC SONG-WRITING CONTEST:** In an attempt to overcome the scarcity of distinctive Canadian songs, the Canadian Broadcasting Corporation is launching a song-writing competition. Ira Dilworth, General Supervisor of the CBC's International Service, has announced. Immediately open to all composers domiciled in Canada, the competition which is sponsored by the International Service offers prizes totalling \$2500 to composers of the best ten Canadian songs entered in this event.

"Constantly asked by broadcasting organizations in other countries for Canadian songs, International Service has been embarrassed by their rarity", declared Mr. Dilworth. He said that by encouraging the broadest possible variety of entries in this competition he hopes to be able to broadcast more typically Canadian music overseas.

"Canadian music is more highly regarded by listeners overseas than most Canadians imagine", he said. "The instrumental compositions broadcast by the Voice of Canada have been generously acclaimed in other countries".

The basic idea of the competition was described by Mr. Dilworth as an endeavour to secure vocal settings of words by Canadian poets.

**NEW GEIGER COUNTERS:** A series of Geiger counters have been developed by the National Research Council since 1943 for use in locating uranium ore. In all, some twenty different models were made of which about six have been built in quantity including portable types suitable for geologists' use. Designs for these have been released for commercial development and counters patterned on three of the models have been sold in quantity by Electronics Associates in Toronto. Some of the earlier models were sent by the National Research Council to South Africa, England, New Zealand and Australia.

In addition to the portable models referred to above, a larger model, using a detector probe at the end of a 1000-ft. cable was developed for use in examining drill holes for radioactive materials. This is known as a "Diamond drill hole Geiger-Mueller counter", and is especially useful where diamond drilling goes through strata in which the core easily crumbles and is lost. One of the problems connected with such an instrument was the construction of a suitable probe which could be lowered into narrow, water filled, drill holes. Such a probe, completely moulded in rubber, has now been developed and tested in the field with satisfactory results. A full description of the apparatus has been published.

**LT. GEN. FOULKES TO VISIT U.S.:** The Department of National Defence announced on November 1 that Lt. General Charles Foulkes, Chief of the General Staff, Canadian Army, who is also Chairman of the Canadian Joint Chiefs of Staff, has accepted an invitation extended by General Collins, Chief of Staff, U.S. Army, to visit the United States as a guest of the U.S. Army and to accompany the U.S. Joint Chiefs of Staff to the Infantry School, Fort Benning, Georgia, in connection with the Joint Civilian Orientation Conference being held on November 4 and 5, 1949.

It is expected that Gen. Foulkes will arrive at the National Airport at 4:00 p.m. on Thursday, November 3, 1949, in a Royal Canadian Air Force military aircraft. Gen. Foulkes will accompany General Bradley and the Joint Chiefs of Staff in a U.S. military aircraft to Fort Benning on the morning of Friday, November 4, and will return to Washington the evening of Saturday, November 5. It is understood that General Foulkes will return to Ottawa on Sunday, November 6.

**AID ONTARIO MENTAL HEALTH SERVICE:** Mental health services in Ontario are to be extended by enlargements of staff, purchase of new equipment and the training of additional specialists the Minister of National Health and Welfare, Mr. Martin, said on November 2. The expanded services will be financed through federal health grants.

Federal funds have been allotted to provide four additional psychiatric social workers for the Toronto Psychiatric Hospital. This hospital has about 2,500 out-patients and 600 in-patients per year. The extra social workers will extend the present social services required for the care and rehabilitation of these patients. Money has also been set aside to buy visual training equipment for the use of students taking postgraduate training in mental health at the Toronto Psychiatric Hospital.

be compared to that deceptive dead spot in the middle of a storm. But some may consider it unduly optimistic to think that the storm has yet reached the half-way point. In any case, it is clear that recent events provide the occasion and indicate the need for some re-appraisal of the objectives being pursued, and of the measures necessary to achieve them.

"While the recent tripartite conference in Washington did not itself result in the adoption of any immediate, specific measures, there was one very important development which came to realization just after the conference, namely, the world-wide revaluation of currencies that was set in motion with dramatic suddenness by the revaluation of sterling. The dust has not yet settled from the commotion caused by that action, and its specific effects cannot yet be appraised. It was essentially an overdue recognition of conditions which had been developing for some time and which had created such wide disparities between prices in North America and in Europe as virtually to amount to a two-price system. Devaluation was intended to bring prices in the dollar and non-dollar worlds much more closely in line, but devaluation cannot by itself correct the conditions which gave rise to price disparities. Currency devaluation is not a cure-all for fundamental ills:...

EXPORTS TO NORTH AMERICA

"The export and import trade of European countries with each other and with the rest of the world has continuously increased in all directions save one. The one direction in which substantial progress has not been achieved is in the development of an adequate volume of exports to North America either from European countries or from their dependencies and close associates.

"...On both sides of the Atlantic, it would seem that we have not understood, until quite recently at any rate, and certainly not faced up to, what amounts to a fundamental structural alteration in the economies of Europe and North America, and in their relations with each other. We have tried to patch up immediate difficulties in the hope that somehow an older, more comfortable economic pattern would come to life again. We have not accommodated our thinking to the idea that the old pattern is gone forever, and a new one must take its place....

"The devastation of the 1914-18 war in Europe, and the exhaustion of its peoples, must now be recognized as marking the end of an era. But old habits of thought die hard. The new world made loans and gifts to the old world to put it back on its feet - and then promptly raised tariffs as though it was the new world rather than the old which needed protection....

"At the very outset of the depression, the United States once more sought to protect itself by drastic increases in its tariff. By

this time, however, as indeed in 1920, the United States was too big, too important, to be able to pass its troubles on to others. A small country may do that, for a time, but not the most powerful and wealthy nation in the world. Other countries could not stand up under the impact. So all of them looked for methods of protecting themselves against the spread of unemployment and falling prices....

"In Great Britain, although the fundamental disequilibrium of today was already present, it was obscured by the effects of their unemployment and the abnormal cheapness of their imports arising from depression elsewhere. It is now clear that a full employment policy at that time in the United Kingdom, or in North America, by its effect on the volume of United Kingdom imports or on their prices, would quickly have shown that the balance of payments of the United Kingdom in 1939 was in an even worse condition than in 1949, and the same would be true of a number of other European countries. The fact is, at no time since 1914 has Europe been able to support a condition of full employment without external financial assistance....

DEPENDENT ON OVERSEAS COUNTRIES

"The United Kingdom and other industrial nations of western Europe have for a long time been dependent on overseas countries for supplies of foodstuffs and raw materials. It was the very essence of the kind of world economy which they built up, based on the international division of labour, that they should concentrate on industrial production, and encourage and rely on a great expansion in agricultural and other primary production in overseas countries. In addition to providing capital for overseas development, they paid for their full import requirements with exports of goods and services. Why can they not do so today, and why have they not in fact been doing so for the past thirty-five years?

"The immediate and apparent cause, no doubt, lay in the development of industry in the new countries, which began to produce for themselves some of the goods that they previously had to import, such as textiles and a number of other products throughout the range of light industry. To a large extent such a development was inevitable and right, once these new countries passed out of the early pioneer stage, but it is also true that the process was accelerated and extended into un-economic fields by excessive use of tariffs....

"But dynamic free economies ought to be able to adjust themselves to changing conditions, so we must look for more fundamental reasons for the failure of the old-world - New-world trade system to accomplish this. One of these causes may be found in the old world itself, in the rigidities which developed in their industrial structure, the decay of efficiency in certain lines of production, - above all, in the failure to replace obsolete

equipment and to adjust production and marketing technique to modern mass market conditions. But even more important, and perhaps a substantial cause of the shortcomings of European industry, was the use made of tariffs and other protective devices in the new world, to thwart and frustrate every attempt by Europe to develop markets for its products. Indeed, the rates of customs duty are often highest on precisely those goods which European and other countries are able to produce best and most efficiently. And that is no accident. It has been the case that, until recent years at least, tariffs, subsidies, import restrictions and other devices have been used not with a view to securing the most efficient use of the world's resources by a free economy, but to encourage the development of industries some of which are uneconomic or should I say inappropriate. When such action comes from North America, the home of free enterprise, that surely is an extraordinary state of affairs and suggests that economic thinking has not kept pace with economic change.

LESS PROTECTIONIST

"I think it is fair to say that Canada is on the whole less protectionist in its outlook than the United States. It is true, of course, that in many lines our industrial development is a good many years, perhaps a generation, behind yours, and that some Canadian producers require protection against the giant industries of the United States. But as regards our trade with Europe, it is becoming more evident that even little Canada can go a long way in the direction which more and more of your own observers believe the United States must go, - the removal of barriers to imports, the acceptance of foreign competition as an essential factor in a free world economy, and therefore in your own economy....

"In the meantime, ever since 1945, to say nothing of earlier years, European countries, spurred on by each successive dollar crisis, and being of too faint hope of sufficiently increasing their exports, unable, they feel, to develop freely their production for world markets along the lines best suited to them, have been trying desperately to produce for themselves goods not well suited to their productive resources, goods which North America in fact could produce more cheaply for them. (Certainly Canada could produce lumber, newsprint and most foodstuffs much more efficiently and cheaply than the European and sterling area countries which are trying to expand their production of such items.)

"This attempt to reach self-sufficiency, in Europe and indeed throughout the rest of the world, has by no means fully succeeded, and perhaps never will. To the extent that it fails, the maintenance of tolerable standards of living and political institutions in Europe will require that European countries continue to get such supplies from the dollar countries,

and get them free - unless the means of payment can be earned. In both Canada and the United States we find ourselves in the fantastic position of having to make loans and gifts to proud and industrious peoples who want to pay us in full with real goods, and would do so if we would let them. And in the meantime they are driven to prop up their own economies with more and more controls, more and more restrictions, more and more bilateral deals. I wonder if it would be going too far to say that free enterprise, the operation of truly free economies throughout the world, is incompatible with the maintenance of obsolete economic policies by the people of North America....

"Europeans are not going to follow the kind of policies we want, just because North Americans believe those policies are desirable. They are not going to do that even though they themselves believe such policies are desirable. They cannot. They cannot adopt those policies unless and until the right conditions exist for the success of those policies. It is only the United States which can see to it that those conditions do exist. It is only the United States which can take the lead, which can assume risks, which can take sufficiently sweeping and far-reaching action to do the job and convince others - after an interval - that it is possible for them to do likewise.

EUROPEAN COMMERCIAL POLICY

"To be concrete, I do not believe that European or other countries can return to free economies, can follow the kind of commercial policy to which all of us attach so much importance, so long as the dollar shortage exists, and I do not believe the dollar shortage can be effectively and permanently overcome unless North America, and especially the United States, provides a much larger, more accessible and more reliable market for the goods which other nations have for sale. Only when other nations feel secure in their incomes from exports will they be able to deal freely with their expenditures on imports....

"One factor which has seriously aggravated the present difficulties of a number of European countries is that they are maintaining a high level of overseas expenditures, far beyond their capacity, partly by way of political and military activities to maintain law and order and resist Russia's imperialistic programmes, and partly by way of capital exports for developmental purposes....

"Surely it is inherent in the altered relations between Europe and North America that the greater part of the financial and physical capital required for world development must now come from a new source, no longer from the old. We have the necessary resources to do the job, and it is vital to our own interests to see that the job is done, and well done. This would be true in a time of peace. It is even more true in the present condition of

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cold war when in every section of the world one of the most brutal and pernicious forms of imperialism ever known is seeking to attack and destroy everything we believe in. Those underdeveloped areas of the world that are still outside the iron curtain must be assisted to increase their production, raise their standard of living and build up their economic and social defences against the aggression and domination which threaten them.

"The question I leave with you for deliberation therefore is very simple. It is that we of North America stand at a cross-roads. If we take one road we accept the new role of North America. It requires that we furnish a ready import market for the goods of other nations and also that we supply development capital for less advanced regions. Following that road we may hope to see an expansion throughout the world of the good life which is our North American heritage based as it is on democratic institutions of a type which have yielded the best way of living that civilized people have ever established. If that be true, as I profoundly believe it to be, then the alternative choice need not be stated."

**BUSINESS AT HIGH LEVEL:** Indicative of the continuing high level of business activity, the volume of cheques cashed against individual accounts was 14 per cent higher in September than in the corresponding month last year, while in the first nine months of the year the advance was nine per cent. Each of the five economic areas showed gains both in the month and cumulative period. Total for the month was \$7,651,699,000 as against \$6,709,737,000, and for the nine months, \$62,286,579,000 compared with \$57,211,785,000.

**SECURITIES TRANSACTIONS:** Transactions in outstanding securities between Canada and other countries gave rise to a small purchase balance of \$600,000 in August in contrast to a sales balance of about comparable size in July. In August last year there was a purchase balance of \$3,400,000. During the first eight months of this year the purchase balance was \$1,500,000 as against \$17,300,000 in the similar period of 1948.

Sales to all countries in the month amounted to \$13,600,000 as compared with \$10,900,000 in July and \$10,900,000 in the corresponding month last year, while the purchases totalled \$14,200,000 compared with \$10,000,000 in July and \$20,400,000 a year ago. In the eight months, sales totalled \$141,600,000 against \$141,100,000, and the purchases, \$143,100,000 compared with \$158,400,000.

**STORE SALES INCREASE:** Department store sales in Canada in September -- excluding Newfoundland -- were up eight per cent over the same

month last year, while in the first nine months of this year, sales rose nine per cent. All provinces shared in the advance both in the month and cumulative period.

The month's sales were valued at \$76,172,000 as compared with \$70,707,000 in September last year. For the nine months ending September, sales increased to \$565,991,000 as against \$521,581,000 in 1948. The Prairie Provinces and the Maritimes recorded the largest gains in the nine months, a rise of 14 per cent in Alberta being the largest.

The marked upward trend in sales of household appliances continued in September, being 29.9 per cent over September last year.

**BUILDING MATERIALS:** Wholesale prices of both general building materials and residential building materials were slightly lower in September than in August, according to the price indexes compiled by the Bureau of Statistics. The month's decrease continued a gradual downward movement that has been uninterrupted for general building materials since March and for residential building materials since February this year. In each case, however, the decline from August to September was smaller than in any preceding month.

**MOTOR VEHICLES SHIPMENTS:** Reversing the downward trend of the two previous months, factory shipments of Canadian-made motor vehicles showed a sharp increase in September, rising more than 50 per cent over August and 30 per cent over September last year. During the first nine months of this year, shipments advanced 17 per cent as compared with the similar period of 1948.

Shipments in September amounted to 30,894 units as compared with 20,475 in August and 23,775 in the corresponding month last year.

**STORE SALES DOWN:** Department store sales during the week ending October 22 decreased five per cent as compared with the corresponding week last year, according to preliminary figures. All provinces shared in the decline except Alberta, British Columbia and Saskatchewan. The Maritime Provinces showed a sharp decrease of 19 per cent, followed by Ontario down 11 per cent, Quebec nine per cent, and Manitoba six per cent. Alberta registered a rise of 21 per cent, British Columbia up 10 per cent, and Saskatchewan two per cent.

**WHEAT STOCKS:** Stocks of Canadian wheat in store or in transit in North America at midnight on October 20 amounted to 179,863,600 bushels compared with 178,377,200 on October 13 and 180,374,800 on the corresponding date last year.

## REPORT CRITICIZES ROYAL CANADIAN NAVY

**FINDINGS UNANIMOUS:** The report of the Commission appointed by the Minister of National Defence, Mr. Claxton, to inquire into certain incidents of insubordination in H.M.C. Ships and other matters concerning the Royal Canadian Navy, was tabled in the House of Commons on November 1 by the Minister.

In a 27,000-word document, the Commission describes the incidents that occurred, analyses the causes, comments upon morale and discipline in the Royal Canadian Navy generally, and makes 41 specific recommendations for improvement. Of these recommendations virtually half have been or are being implemented and others are under study, the Minister told a press conference.

The Commissioners, Rear-Admiral E.R. Mainguy, R.C.N. (Chairman), Leonard W. Brockington, CMC, K.C. and L.C. Audette, were unanimous in their findings and recommendations.

W.N. Wickwire, K.C. was Chief Commission Counsel and Commander (S.B.) P.R. Hurcomb, R.C.N., Judge Advocate of the Fleet, also assisted the Commission.

At the conclusion of the Report, the Commissioners summarized some of their most significant findings in the following terms:-

- "(a) The incidents which we were asked to investigate were technically 'mutinies', although apart from the barring of mess deck doors in "Athabaskan" and "Crescent", no force was used. Nor was there any open defiance of a high officer's order.
- (b) There was no justification and could be no justification for the mutinous incidents nor for any form of mass insubordination.
- (c) There was justification for some of the complaints on which part of the dissatisfaction was founded.
- (d) Many of the complaints and the likelihood of some form of 'trouble' were known to some Petty Officers and Leading Seamen, whose clear duty it was to report such conditions promptly and fully. The reports were not made.
- (e) In addition, some divisional and other officers had a strong suspicion or should have had a strong suspicion that things were not well within their ships.
- (f) Had the various Captains and Executive Officers been fully informed, the incidents might well have been prevented.
- (g) In any event, if Welfare Committees had been properly constituted and allowed to function, it is probable that none of the incidents would have happened.

(h) The two foregoing facts contributed to what may be called the 'tragedy' of these incidents which were subsequently sincerely regretted by so many who took part in them.

(i) There was a connection between the incidents on "Ontario", "Athabaskan", "Crescent" and "Magnificent" and each succeeding incident received some pattern and some encouragement from its predecessor.

(j) In future, insubordination should be most severely punished.

(k) In the meantime, immediate and thorough consideration should be given to a reform of the procedure governing the airing of general grievances and to the strengthening and widening of the organization of Welfare Committees.

(l) We do not believe that there are any so-called 'subversive' forces at work in the Navy or that any such elements were responsible for the incidents. Like many other similar happenings they passed through the usual phases of discontent, exaggeration of grievance, folly and thoughtless action."

Particular emphasis is laid upon the subject of officer-man relationship, said the Navy's summary of the document. In the course of their investigation, the Commissioners found "a notable lack of human understanding between officers and men .... There is a prevalent opinion that there is an artificial distance between men and officers not wholly connected with the interests of maintaining the essential differences in rank".

After emphasizing that, in Canada, many officers and men come from the same kind of home, spend their boyhoods in playing baseball in the same lot, in swimming in the same swimming hole, and in playing "hookey" from the same school, the Commissioners remark that "with such a national background it is more important than ever that discipline shall be based on realities rather than on artificial distinctions".

They conclude that "the only discipline which in the final analysis is worthwhile is one that is based upon pride in a great service, a belief in essential justice, and the willing obedience that is given to superior character, skill, education and knowledge. Any other form of discipline is bound to break down under stress". The Report recommends more intensive training for officers in the essentials of leadership.

The Commissioners stressed the importance of training in the humanities. They recommended

that "some additional instruction be given in literature and in history in order that a wider experience of men may be joined to a deeper knowledge of human affairs from the recorded pages of history and literature". They found that, generally speaking, "the young Canadian Naval officer is not as well educated as his British and American contemporary".

At an early stage in the report the Commission emphasises that, "Although this report in the very nature of things is bound to be critical, it must not be assumed that there are not many reasons for great national pride in the achievements of the Canadian Navy past and present, and in the men who inherit and guard its traditions. It is certain also that wisdom, experience, and the passage of time will, by their own momentum, work many great and lasting improvements. We were asked to find out what was wrong with the Navy. If, therefore, we have stressed what is wrong, it should not be forgotten that a great deal also is overwhelmingly right. The fact that men and officers are restless, and constructively critical, is a welcome sign of national convalescence, and a bright promise of naval and national health and well-being."

#### CONDITIONS THAT FOLLOW WAR

The Commissioners also stress the influence upon the matters under investigation of conditions of universal unrest that generally follow a war. Reference is also made to the rapid growth in wartime and the swift construction in peacetime of the Royal Canadian Navy.

No evidence was found to substantiate a rumour that there was a shortage of food in H.M.C.S. "CRESCENT". On the contrary, all witnesses testified that with due allowance for the difficulties in obtaining fresh supplies in Chinese waters, the food, although dull, was completely adequate.

The Commission found among the witnesses a general desire to "Canadianize" the Royal Canadian Navy. The report puts it this way: - "We have also sought to interpret the wishes of the great majority of men by stressing the need to 'Canadianize' our navy. In so doing, we wish to record that in common with most thoughtful Canadians, we have an abiding admiration and respect for the grand traditions and institutions of the Royal Navy and for their continuing beneficent and steadying force wherever British and Canadian ships may sail. We hope that all that is good in these shared traditions will remain with us and that only what is inefficient and inconsistent with our national need, character, dignity and special conditions will disappear from the Navy of Canada."

Three main recommendations relate to this point. The practice of wearing Maple Leaves on funnels of H.M.C. Ships, which was developed during the Second World War and abandoned at

the conclusion of it, should, the Commissioners feel, be re-instituted. This is one of the points covered before the report was made. In fact orders to this effect were issued before the Inquiry was set up. "Canada" or "Royal Canadian Navy" should appear on shoulder flashes on the uniforms of all ranks. The training of young Canadian Naval officers at Canadian Services Colleges should be followed by practical experience in Canadian training ships with young men of the type they will later be called upon to lead, rather than by training in ships of the Royal Navy. If Canadian ships are not immediately available, a partial diversion to ships of the United States Navy as well as to ships of the Royal Navy should, the Commission feels, be considered.

The Commission deplored the lack of recreational facilities for Naval personnel at the two Canadian coastal bases, particularly at Esquimalt. The members visited the United States Naval Air Station at Seattle, a base accommodating approximately the same number of officers and men as are accommodated at Esquimalt. In comparing conditions at the two bases, the Commission states - "When we compared the magnificent facilities for the playing of games, for the carrying on of hobbies for sea bathing and for reading at Seattle, with the dingy surroundings, the poor quarters and the lack of equipment at Esquimalt, we could not be anything but envious for our country's sake." They recommend that institutions similar to the one at Seattle be established at both Canadian coasts.

#### SERVING OF LIQUOR

There is also a recommendation relating to the serving of liquor in ships. Proposals made by witnesses ranged from retention of the present system to the total abolition of alcoholic drinks on board Canadian ships. The Commission states that, "if any change is to take place, it should not be imposed by an outside authority but should be the result of a careful assessment of all factors by the Navy itself. We recommend, therefore, that the Naval authorities be invited to consider this question in the light of present conditions and to report thereon to the Minister."

Another recommendation calls for the organization of Welfare Committees in all ships and establishments in such a way as to permit free discussion between officers and men of conditions affecting the Service. Others deal with extended and improved methods of training and educating officers, petty officers and men, the presentation of grievances, a more realistic approach to recruiting methods, medical care for dependents, free transportation for personnel proceeding on annual leave, improved living conditions in ships, the provision of better films in ships, and other improvements in service conditions...