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CANADIAN MANUFACTURERS ASSOCIATION

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I should think that nowadays anyone who sets out to prepare a speech must ask himself what he has to say which justifies the use of an audience's time, or, for that matter, his own time - that scarce commodity which each one of us has to ration for himself. The question is one which I put to myself before coming here to-day. I am not at all sure that I found a satisfactory answer. However, I can claim that speech making is an infrequent offence so far as I am concerned, the last occasion having been a little over three years ago to another gathering in Toronto. That was in April, 1940. I might almost say that it was in another world. I expressed the view that, as time went on, the war effort would necessarily absorb an infinitely larger proportion of our labour and production, with the result that civilians would have to do without many of the things which they desired, or to which they had become accustomed. A number of people did not agree with, or perhaps did not fully understand, that statement. Perhaps it was made too early in the war. However, it is a very dead issue to-day, and I have not introduced the subject with any desire to revive an obsolete argument. I have mentioned it simply as a reminder of how far we have gone mentally, as well as in other ways, in the comparatively brief period of three years. Did any of us realize how large a production Canada was capable of? Would we have thought it possible that the Armed Forces and war industry could grow to such tremendous proportions as they have, without involving more serious shortages than any we have experienced to date? There may be some in this room who saw all the possibilities clearly three years ago, but I imagine they constitute a very small minority, of which I for one do not form a part.

The obvious moral to be drawn from these

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happenings is that we - and, of course, other countries as well - can accomplish tremendous things if we have the courage to try, the determination to push on at all costs, and, most important of all, if we have a goal which we are unitedly agreed must be reached. These are very obvious remarks - platitudinous remarks if you like - but there are lessons involved which it will pay us to remember; lessons which are at the same time an encouragement and a warning for the future. I should like to come back to that subject a little later on, and take a few minutes now to speak of the financial and economic measures which have accompanied and supported our growing war effort.

First of all, let me emphasize one point which I believe to be important, and not too widely understood. Never from the start of the war to the present day have so-called financial considerations limited or determined the scope of our war effort. Does that imply that financial considerations are of no importance, that the dollar sign is a meaningless symbol? I think not. What it does mean is that one must go beyond the symbol to find the realities which lie back of it. What does a war budget of five billion dollars represent? It represents a vast number of man hours of work devoted entirely to war - a substantial proportion of the total man hours of work which our population is capable of performing - but it does not represent production to satisfy civilian needs. If we lived in an age of barter, people would see the picture more clearly - see that non-war production had to be divided for the support of those engaged in war work as well as those who are still working in the civilian sector of the economy. But we are not in an age of barter; so the division has to be made by the process of taxation, by asking people to save and lend their money to

the Government, and, last but not least, by rationing and controls. Spending, taxation, saving - all these are symbolized in dollars. The symbol and the figures following it have a very real meaning for all of us. They tell much of the story of our war effort and how its burden is being divided amongst our people. The taxation figures, for example, show that receipts cover about 50 per cent of Dominion Government expenditures. As individuals and companies look at their tax bills, they might easily tend to think that the payments were on a scale which would cover war costs and leave something over. In fact, however, they do not go more than half way, and even that mark is difficult to reach, as we and other countries have learned by experience. Unless it were possible to impose taxes on what amounts to a means test basis, the proportion of expenditures met by taxation cannot be greatly increased. In justice, such a tax, affecting millions of people, would have to be refundable at least in part. But it is rather idle to discuss the matter, because organizational, and I dare say psychological, difficulties make such a system completely impracticable. To bridge the gap between taxation and expenditure, we must therefore depend almost entirely on voluntary savings - hence the stress laid on this feature of the war programme.

We have had occasion to be reminded of its importance very recently during the Fourth Victory Loan drive. I would like to take this opportunity to pay tribute to the job done during that campaign. It goes without saying that the success of the loan was due to the magnificent response of millions of Canadians, but I am thinking at the moment of those who had the responsibility of making the approach. We owe a lot to the tens of thousands from all walks of life who gave their time and

energies to the tremendous task of the general canvass; to the organizations in factories and other business concerns which strove so hard and so successfully to reach a high level of bond purchases under the Payroll Plan, and last, but not least, to those who saw to it that corporate resources were mobilized in full measure. I think all those who participated in this work deserve congratulation for what they have done in the past, and for what I am sure they will manage to do in the future.

One of the most inspiring features of the campaign was the amount of over \$500 millions subscribed by individuals or small businesses. This was surely an excellent record. It is extremely important, both for the present and the future, that Government debt should be as widely distributed as possible. If we were successful in approaching a distribution of debt in which interest payments to individuals were proportionate to their taxable capacity, our debt would never represent an embarrassing burden. If a great number of people will do their utmost to buy bonds during the war, and to hold on to them, I believe that we may come not too far from that ideal. I am not, of course, suggesting that even domestic debt can be pushed up to astronomical figures without becoming a problem. There is bound to be some degree of unevenness in distribution, and, at a certain level, that would create serious difficulties - not, however, at any level which is likely to be reached as a result of the war.

In spite of what has been done in the field of taxation, in spite of the large volume of corporate and personal savings, the amount of money which people desire to spend is obviously tremendous. If goods and services were available to satisfy and absorb this purchasing power, that would be an excellent thing and living standards would rise.

But the war effort comes first, and there is not, in fact, enough productive capacity left over to satisfy all non-war demands. Hence the needs for controls and for rationing. I think it is a dangerous illusion to believe that controls and rationing can ever do the whole job. They can help to do the job, but unless they are supported by taxation, by savings, and, most of all, by public co-operation, controls will be unable to stand the pressure. I think that is true even in totalitarian countries, and must apply even more forcibly to the democracies. If the controls gave way, the result would be inflation. For years now, you have heard and read a lot on this subject. You may be a little tired of hearing about it. I think a good many people are. But I do not apologize for mentioning it, because the battle against inflation is increasing in difficulty. The most severe testing period is ahead of us, not behind us, and we shall not be out of the woods until the period of post-war scarcities is over. Nearly everyone agrees on the desirability of avoiding inflation, but more than lip service is needed. Everyone of us can do something to help or hinder the struggle. I should like to add that success is vital not only to the war effort, but also to the work of reconstruction post-war. That latter task will be rendered infinitely harder if the close of hostilities finds us in a highly disorganized condition. I believe that, in part at least, pressures against the wage and price ceilings are caused by the feeling of individuals that their post-war prospects are uncertain. As individuals, they feel that they should do their best to make hay while the sun shines. The truth of the matter is that if the hay is made at the cost of inflation, it will turn out to be a very poisonous crop for everyone.

Today the post-war situation is very much in people's minds. Heaven forbid that this should be

allowed to divert time and energy from the prosecution of the war. But if post-war plans are to be timely and effective, a way must be found to give consideration to the very serious problems involved, and to formulate policies, tentative in many cases, definite when that is practical. The public's attitude towards the future after the war is influenced in a major way by the lessons we have learned during the war. Demonstration of the fact that the unemployment problem can be solved and that Canada has the capacity to produce goods and services on a grand scale, has left an indelible impression on the public mind. The typical attitude is that what was proved possible under war conditions ought to be easy in peace-time. Underestimating the practical difficulties involved is a dangerous tendency, but there is no disputing the fact that the people of this and other countries expect practical results from post-war plans comparable to those achieved in war-time. It is up to Government and business to establish a working partnership as effective and harmonious as the submerging of more selfish interests in the fight against our enemies.

Government's most important post-war objective is that there shall be employment at reasonable living standards for everyone willing and able to work. Some of the things we shall want after the war are properly within the field of government rather than private business. It is up to Government to make plans for the provision of these desirable things, whether they be social services, public works or what not. Beyond the point of providing adequately the functions associated with the modern state, a government objective of full employment may be regarded as an underwriting programme, i.e., the Government's responsibility is largely a residual one. If private business can do the job, well and good. If not, then the

Government must accept the responsibility.

There may be a tendency on the part of business to regard the post-war period with some misgivings. This anxiety appears to stem from three main sources. First, there is the uncertainty surrounding the post-war economic situation. Second, there is the fear that Government does not recognize the need for legitimate business profits. Third, there is the feeling that war-time controls over business will be extended forward into the post-war years.

Far be it from me to underestimate the problems involved in successfully transferring our economy from war to peace. The volume of production, or other useful activities, which will be required to provide full employment for the great numbers now in the Forces and the war factories staggers the imagination. At the same time, it is a challenge to the imagination and to business. It requires positive and even daring contributions from everyone concerned - not negative or timorous policies.

Not all the factors in the post-war situation are unfavourable - far from it. By stressing the basic importance of jobs and living standards, and indicating a commendable desire to co-operate internationally to secure these objectives, Governments are pointing the way towards a world in which severe economic fluctuations might become a thing of the past. For my part, I hope and believe that these efforts will be successful. If they are, we shall have a background of economic stability without precedent. All this is on the right side of the ledger.

As for the role of private business, it seems to me that business should expect fair treatment, and should make plans for the future on the assumption that it will get it. Amongst other things, successful private business means the right to earn reasonable profits - to have the opportunity of making money as well as the risk

of losing it. Business must not expect preferential treatment from Government at the expense of other groups in the economy, but as long as private industry continues to show the initiative and enterprise which have characterized the last three years, I don't think it needs to worry about its future.

One suggestion made quite frequently in recent times is that all controls should be abolished as soon as the war ends so that business can operate without interference. Price control, foreign exchange control, control over material allocation, rationing, all of these controls relate to scarcities of one kind or another. These shortages will not disappear the moment hostilities cease. On the contrary, we will enter the post-war period with a continuing relative scarcity of consumer goods, finished manufactured goods and many foodstuffs. These shortages will remain in some degree until countries have been able to reorganize their affairs, and abnormal demands such as world relief and rehabilitation have been met. As long as they are necessary, the controls are a protection to the average business man. They enable him to go ahead knowing there will be an orderly distribution of scarce things in which he will have an equal chance of obtaining his proper share. When the shortages no longer exist, these controls become meaningless; they simply cease to function. It would be a great mistake, in my humble opinion, if business men allowed their thinking on post-war problems to be coloured or distorted by fear of controls.

The task ahead of all of us is to prove that the record of the last three years was no "flash in the pan"; that courage and ability, willingness to submerge narrow and selfish interests in favour of national well-being,

are enduring characteristics of Canadians. Our vision of the future must be one of confidence. The danger of planning on too small a scale is the greater. Neither Government nor business can afford to ignore the responsibility of doing its part.