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Text of Speech Given by Mr. G. F. Towers,  
General Chairman of the National War  
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Mr. Chairman, Ladies and Gentlemen:

The last thing I want to do is to make what is often referred to as an "address". Those of us who are connected with the NWFC are here because we value and need your help. This meeting enables us to tell you something about our problems and our plans - and, more importantly, to hear what you think about them. So, I look on this meeting not as an occasion for a formal address, but rather as a round table affair - even though I am standing on my feet to make these remarks.

Since the conclusion of the Fifth Victory Loan, we have been taking a good hard look at our work. We have been looking backward as well as forward. We have been taking stock of our progress up to now and of the job that lies ahead of us. As a point of departure for this study, we reminded ourselves of the reason for the creation of the NWFC organization.

As you all know, this organization, which extends throughout the whole of Canada, was created by our Government both to promote the largest possible volume of voluntary wartime savings, and to channel these savings into Victory Bonds and War Savings Certificates. Now, we did not need a NWFC organization, with its 150,000 workers, nor did we need the intensive aid of publicity, advertising, and educational activities, to get insurance companies and large corporations to save their money and invest it in Bonds. But, we did need this organization, we did need to mould and form public opinion, for the vast and unprecedented educational and merchandising job which has been undertaken.

For the next few minutes, I am going to deal with four matters which arise out of this stock taking, matters which I believe are of interest to all of us who are connected in any way with War Finance work. I am going to set up these matters in the form of questions, and then give the answers, partly in the form of factual information, and partly as my own views. Some of my observations will not be new to you - but, I shall not apologize on that score. Instead, I will ask you to regard this as a proper time for a review of certain basic facts, and to consider my remarks as one part of the framework for our group discussions later this afternoon.

To begin with, I should like to ask this question - "what degree of success has been achieved in getting government securities into the hands of individuals during the war years, and how successful have we been in keeping them there?"

Over the four and one-third years since the start of the war, new purchases by Individuals of War Bonds, Victory Bonds, and War Savings Certificates have amounted, in total, to about \$2,750 millions. As one measure of our progress over this period, I would point out that at the time of the Fifth Victory Loan we sold just over \$300 millions of Bonds to Individuals, a sum more than  $4\frac{1}{2}$  times the volume of sales to Individuals at the time of the First War Loan in January 1940. Further, the number of applications for Fifth Victory Loan Bonds were over seventeen times the number of subscriptions to the First War Loan.

This leads us to the balance of the question. After hearing the total of new security purchases since the start of the war, the thought which comes instantly to your mind is "new purchases may equal \$2,750 millions, but what is the amount of net purchases - how much of this total has been held on to?" Well, we know some of the facts on this subject. But, to arrive at a final answer, we have to make some estimates and some guesses. Without wearying you with the methods used to arrive at the answer, I will make a guess that Individuals still hold between \$2,400 and \$2,500 millions of War and Victory

Bonds and War Savings Certificates. In short, Individuals have turned into cash only about 12% of the securities they have bought since September 1939.

Relying again on estimates, I think it is reasonable to say that War and Victory Bonds are held by something over 2½ millions of Individuals, and that War Savings Certificates are, perhaps, held by over 3½ million people.

This is a pretty impressive story - particularly when you consider that retained holdings of securities in the hands of Individuals represent nearly one-third of the total increase in our Domestic Debt since the start of the war. To digress for a moment, it might interest you to know we estimate that the total increase in Domestic Debt over the war period has been absorbed about one-third by Individuals; one-third by non-individual investors such as life insurance companies, and business firms and corporation; and, one-third by the banking system.

In dealing with the subject of security liquidations by Individuals, the overall estimate of 12% conceals the experience we have had with small denomination Bonds. The important phase of this experience is the number rather than the value of sales by original purchasers. It has been our experience on each of the Victory Loans which have been outstanding for a year or longer that around one out of every three of the \$50 Bonds has been sold back by the public to the banks, and that about one out of every seven of the \$100 Bonds has come into the hands of the banking system. Now, I do not know whether this is a bad record or not. We recognize that some selling of bonds is inevitable. We also recognize there are no yardsticks to measure where necessary selling stops and unnecessary selling begins. But we do know that we are most anxious that Individuals, particularly persons in the lower income levels, hold on to their securities to a greater extent than they have in the past.

By way of summary on this first question, I think we can all agree a great job - perhaps one of the best jobs of its kind in the world - has been done in selling securities to the Canadian public; that this record of past achievement, imperfect though it may be, gives us a real basis for confidence in planning future operations; but, that we must try to do a better job in getting small investors to hang on to the securities they buy.

The second question I should like to raise gets us right down to first principles. I should like to ask - "has it been worthwhile to put so much time and so much effort into the wartime savings program?"

I do not think anyone in this room needs much real convincing on this point. But, I will state my own deeply-held conviction that, apart from the achievements of our Armed Forces - which should not be mentioned in the same breath - this wartime savings operation has been the most worthwhile job which Canadians have done during the war. You may think it rather extraordinary that I do not give war production pride of place, and put the savings program third on the list. But, this order of importance is based on sound reasons.

To assess the importance of a thing of this kind, I think one has to make extreme comparisons. For example, I have no clear views as to what the situation might have been if public response to the savings appeal had been, say, 10% below our actual experience. But, I have very definite views on what would have happened if no effort - or if a very inadequate and half-hearted effort - had been made to develop voluntary savings and investment in Victory Bonds and War Savings Certificates.

For one thing, individuals would have had some \$2,500 millions more cash burning holes in their pockets or their bank accounts - dangerous inflammable dollars, forever irritating the itch to spend - in short, the very fuel of inflation. For another, they would have had no proper explanation or understanding of the patriotic as well as the personal reasons why

spending should be postponed as much as possible until after the war, and why wartime saving has been so vital to the strength of our war effort. One should not be dogmatic on questions of this kind, but if such a set of conditions would not have blown the roof off any price ceiling, then I don't know what would. If price ceilings could not have been maintained, then I have no hesitation in saying the resultant disorganization would very seriously have reduced war production - and, incidentally, immeasurably complicated - probably destroyed - our chance of orderly reconstruction post-war. That's the reason I put the savings campaign, and all the education that goes with it, in the place of first importance on the home front. It is success in this field which has made possible the degree of success attained in war production. I could add one more thing. If the dependents of our men in the Armed Forces had been struggling - necessarily unsuccessfully - against inflation at home, then the cruel hardships they would have experienced, and the bitter attitude they would have developed, would certainly have produced some adverse effect on the morale of our men overseas.

A moment ago, I suggested that if no effort had been made to "sell" the wartime savings program, the general public could hardly have been expected either to understand the situation, or to give their co-operation. The task of explanation on matters of this kind is certainly not easy. And, it would be an optimistic man who believed that the majority of our people clearly understood the economic issues involved. Yet, I think that by now a large number of our fellow-Canadians must have more than a glimmering of what all the fuss is about. Surely, the steady increase in number and amount of Victory Bond sales to individuals offers convincing evidence on this score.

I do not like to stray from the particular subject I am here to discuss, but I cannot help expressing the rather obvious view that educational work of this kind is essential to the preservation of democracy, particularly in time of peace. Certainly, the pre-war record in this field left much room for improvement. Unless the people of the democracies can gain a better understanding of the economic problems of modern life within countries and between countries, we are not likely to have governments who will be in a position to choose the right solutions.

The part which publishers, such as yourselves, can play in this unsettled period of world history, in my opinion, is more important than ever before, precisely because the need for better public comprehension of the basic issues of our day is greater than ever before.

Please do not misunderstand me on this subject. I realize the press of a country cannot operate solely as educational institutions. They must maintain reader interest or they perish. But, I do feel they occupy a position of great influence - a position which offers great opportunities as well as great responsibilities. A good start has been made during these war years, and I believe, it is a happy portent for the future. Your presence here today - your co-operation up to now - are clear indications of your deep interest in public education - and I am sure it is a clear indication that you propose to continue to perform this vital form of public service.

Returning now to my main theme, I should like to ask a third question. "What are the main post-war implications of our wartime savings effort?" In dealing with this question, I will try not to labour my points - because so many of them, I am sure, are already obvious to you.

My first point in this regard is the great importance which must be attached to the wide - and ever widening - distribution of government securities. The wider the distribution, then the greater the number of people who will emerge from the war with a nestegg of savings, and a greater stake in their country. The man or woman who knows he or she has something to fall back on in an emergency is likely to be a very much better citizen than those who operate in the red or on the thin edge of nothing. These are stirring times, and I think they will continue to be stirring times - times calling for the best our people can give in the way of reasoned and reasonable decisions. Obviously, we want to avoid the type of decisions which spring from fear or desperation - and one

factor which will help to free us from this possibility is a backlog of savings in the hands of the mass of our people. From the figures I quoted earlier in my remarks, I think you will agree that we have made great strides during these war years in getting securities into the hands of people in all income groups - in getting people to become more self-reliant, more able to cope with emergencies, more able to take care of their own future needs and wants.

Reference is often made to the backlog of wartime savings when discussions take place on the post-war demand for goods, and on the ability of people to meet emergencies which may arise in the switch-over from war production to peace production. Actually, it is completely impossible, at this time, to do more than offer a personal opinion - and even then, only a very general view - on the volume of wartime savings which will be converted into active purchasing power after the end of the war.

No matter what happens, I have no doubt some bonds and some Certificates will be turned into cash to finance the purchase of new automobiles, new washing machines, or what not - and that some people, out of choice or necessity, will use some of their savings to finance part of their living expenses. But, I certainly do not expect a great flood of savings to be used for these purposes in the immediate post-war years. I readily admit this conclusion is based on my personal opinion that, with the exercise of a reasonable degree of intelligence, we can avoid mass unemployment in the post-war years, and that, for the most part, under those circumstances people would earn enough current income to pay for the great bulk of the things they buy.

Actually, the amount of savings which people will use to finance outlays, in the post-war years, will depend on a number of factors, mainly the state of business and employment. For instance, if our incomes continue at relatively high levels, the main significance of our wartime savings will probably be their influence on our decisions, as consumers, in regard to the use of our current income. If we have a good backlog of savings, <sup>AND</sup> we are confident about our continuing earning ability, then we are likely to spend a higher proportion of our current income than we would if we had little or no savings. This spending will take care of our wants, we won't need to use our savings - or at worst not very much of them.

On the other hand, I must admit that if our incomes decline sharply when the war is over, it is possible many of us will find it necessary not only to reduce our current outlay, but also we will need to draw down some of our wartime savings to keep up with essential living expenses. As another possibility, our incomes might decline, but might then level out at a point where we are well able to finance our essential living expenses entirely out of current income. Under this latter set of conditions, we may or may not use some of our wartime savings to buy things like cars, homes, washing machines, and radios, which were not available during the war years. In this case, our decision on the use of our savings will probably be determined largely by our views on the stability of our future income.

I must confess I have mixed feelings, when I approach this whole question of the post-war use of wartime savings. On the one hand, we may want to see the demand for goods stimulated, and employment provided by the expenditure of amounts saved during the war. On the other hand, I know it is highly desirable, in war or in peace, that every individual should have some liquid reserves for an emergency, and that these reserves should be kept intact if at all possible. About all we can say at this stage of events is that we cannot make definite predictions on what we will want people to do with their savings; nor can we make definite predictions on what they, on their own initiative, will do with their savings. We can each have our own private views on these subjects. And, as I said earlier, I adhere to the view that we will not be faced with any great flood of bond sales and certificate redemptions in the period following the end of hostilities.

But, even supposing I am wrong - which is often the case - the prospect does not disturb me. Suppose people do want to get cash for their securities. We have the machinery - and I hope we have the wit - to deal with any situation of this kind which may develop, and deal with it in a way which will avoid serious upsets or disturbances - in a way which will keep faith with the millions of small investors who are supporting the savings program during the war years.

I should, perhaps, add a further word of explanation on this subject as some people regard these wartime savings as potential gunpowder to our economy. It is undoubtedly true that we shall have to guard against inflationary tendencies in the immediate post-war period while shortages continue to exist. But, after these shortages have been overcome, inflation - in my opinion - will not be a matter for serious concern. The productive capacity of this country, and the facilities which I hope we will have for buying things from other countries, are such that I cannot visualize a volume of purchasing power which would overtax our capacity to supply goods, and result in dangerous upward pressure on our price levels. I think this statement applies with equal force to the United States. In fact, after war shortages become a thing of the past, I am more inclined to fear a decline in their price level rather than an increase.

There is one further phase of this debt question I should like to mention, before leaving this subject. Some people fear that we are going to enter the post-war years with such a huge government debt that it is going to lead us straight into national bankruptcy. Without going into all the reasons for my opinion on this matter, I disagree completely with these gloomy views. I do not wish to suggest we could go on forever increasing our debt on the terrific scale which has taken place during the war years without giving us cause for alarm. But, I do believe - and I am quite confident - we are capable of carrying any debt we are likely to incur as a result of this war.

Up to now, I have dealt with three main questions. First, I offered some comments on the question as to what degree of success we had achieved in getting people to buy and hold government securities. Second, I examined, briefly, the question as to whether or not all the toil and sweat we have put into our wartime savings program has been worthwhile. And third, we took a quick look at some of the post-war implications of wartime savings. Now I should like to deal with the fourth and final question. That is, "do we need to continue our efforts to increase savings by individuals?" The answer is a loud and positive "yes". It is vital that we continue our basic policy of trying to develop the largest possible volume of voluntary savings by Canadians in all income levels. Let's see why this is necessary.

I know some of you had an immediate question in your mind, when I made this declaration of policy. Looking at the Budget for the current year, which ends in March, you know the estimated deficit was set at around \$2,800 millions. Next, by adding up cash sales of bonds at the time of the Fourth and Fifth Victory Loans, and adding in something for War Savings Certificates, you calculate our public borrowing operations are producing an amount of money which is about sufficient to cover this year's deficit. This conclusion overlooks a very important, but a very simple fact. The situation is just this. Over the last year, many investors have found it necessary to sell some of the bonds they bought in the current or in previous years and, in the process of redistribution, some of these bonds have been bought by the banking system. In effect, this means some of the public buying of this year's Victory Loans has been made possible by the use of money obtained from the banks. As a consequence, the total amount of net security purchases by the public over the current year is actually something well below the amount of total borrowing needs. In short, we are not doing a perfect job, even though we may appear to be. We still have a good amount of slack to take up if we are really to cover borrowing needs entirely from public savings. In this regard, it is well to bear in mind that governmental expenditure in 1944 will continue at a tremendously high level, and the deficit to be financed by borrowing will also continue to be extremely large.

There are, of course, other considerations which dictate the need to continue the effort to increase individual savings. Most important is the fact that spending power in the hands of the public will continue greatly to

exceed the volume of things to buy, even though some increase in available supplies may take place here and there.

From all this, you can see why we must continue to appeal to individuals to hold down their spending, to increase their savings, and to buy the largest possible amount of Victory Bonds and War Savings Certificates. There is certainly no case for a relaxation of the savings effort during 1944.

This brings to an end my discussion of the four questions I referred to in my opening remarks - questions which I suggested might have a bearing on our talks with you today. I have tried to convey to you something of our feeling on the urgency of Canada's wartime savings program. I have tried - and I hope I have succeeded - to show this is a time for renewed effort - not for relaxation. Mr. Henderson and Mr. Mansur, who are to speak to you before we break up into discussion groups, will deal in greater detail with our plans for 1944, and with some of the specific problems on which we solicit your opinion and help.

As you know, I have been directly connected with the NWFC only since last August - and only since then have I had an opportunity to see a great many members of our organization across the country, as well as members of groups such as yourselves, who work for the same cause, hand in hand with the Committee. I would give a lot to be able to find the right words to say how inspiring I find the spirit in which this job is being tackled. Naturally, we have not been without arguments in respect to the way in which things should be done, but they are good, stimulating arguments of the right kind. I find none of the quarrelsome kind, no hanging back, no thought of "letting George do it". Instead, I find an enthusiastic, whole-hearted effort to get the best possible results. This is true over the whole country.

I hope, and I believe it is true, there is more and more realization that everyone connected with Canada's wartime savings program is participating in an extraordinarily important and worthwhile patriotic effort which calls for - and will continue to call for - the best that everyone can do. This unanimous and generous support would not be forthcoming unless there existed a feeling that an honest approach was being made. That remark, I think, applies particularly to press, whose duty it would be to criticize if they thought the policies which were being followed were not in the best interests of our country.

I know very well it is not for me to urge those of you who are here today to continue to give the maximum possible help and support. That would be quite inappropriate and, indeed, unnecessary. But, in closing, I do wish to emphasize one point. We know our efforts to increase sales of Victory Bonds to individuals at the time of the Sixth Victory Loan this Spring, and, in fact, our efforts throughout the entire year to expand the volume of savings are going to run into real difficulties. Most of these difficulties will be psychological. None will arise out of the fact that people are unable to make the savings. To do the job successfully - to overcome these difficulties - every person and every agency in a position to influence or to mould public opinion must put their shoulder to the wheel. The magazines and periodicals of Canada have made an important contribution to the success of the savings program in the war up to the present time. The problems facing this program in 1944 present a renewed challenge to each and everyone of us - a challenge to our experience, to our imagination and to our devotion to the welfare of our country.