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CONVOCATION ADDRESS - MCGILL UNIVERSITY

THURSDAY, MAY 25th, 1944

G. F. TOWERS

Mr. Chancellor,

Ladies and Gentlemen:

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I have been exploring the recesses of my mind to see whether I can recapture my feelings on that spring day about a generation ago when McGill University conferred on me the degree of Bachelor of Arts.. It would, I thought, be interesting to compare one's emotions on receiving a degree for which one has had to work with those experienced on receiving an effortless honorary degree. But time cures all things, and I find my memory of that day almost entirely obliterated -- though I have the most vivid recollection of the days immediately before and immediately after. It is safe to assume, however, that gratitude and humility are more prominent in my thoughts today than they were twenty-five years ago.

I would guess that at that time my principal feelings could be summed up in the words, "In spite of all the posers the professors were able to think of, they could not plough me." Today I feel a deep sense of gratitude that the Senate of the University has seen fit to confer on me the distinction of an honorary doctorate of laws.

Mr. Chancellor, I am only a workaday banker, and as such I am somewhat overwhelmed at receiving a high academic award from this great university. However deficient bankers may be in other respects -- and I would be the last to say anything of a deprecatory nature about

bankers, especially in your presence, sir -- it cannot be maintained that they do not have a keen sense of awareness of each other's shortcomings, and occasionally even of their own. Academic achievements and scholarship are not among the leading attributes of the profession; too often, perhaps, in common with other "practical" men, bankers tend to regard the term academic as one of reproach rather than one of distinction. I am well aware that in conferring an academic award, albeit honorary, on me today, the Senate of the University was thinking neither of me nor of my profession; they sought rather to register their recognition of those many hundreds of men from all professions and all walks of life who have devoted their efforts to the public service.

The world has witnessed many miracles during the past few years -- the miracle of Dunkirk, the miracle of Stalingrad, the miracle of El Alamein. It is not, however, of these localized miracles that I wish to speak but of two more general miracles which I think of as the miracle of thought and the miracle of will.

Dr. James, in presenting me, indicated that the performance of my duties has necessarily involved some participation in the organization of the Canadian economy for total war. Though this organization has been eclectic and experimental, in the sense that the experience gained from earlier measures has been used as a guide in framing later policies, it has throughout been based upon a broad theoretical postulate -- in other words, it has been based on thought. This theoretical postulate can be summed up in a single sentence: "Goods are scarce and have alternative uses." Those who are today receiving their degrees in economics will recognize in this phrase the main assumption of the great

classics of the economic literature of the nineteenth century -- an assumption which was belied by the facts of most years during the two decades that separated the last war from this. It required a world conflagration to create conditions where national economies did in fact press upon their resources, where all goods did become scarce, where unemployment was in fact eliminated. The major tasks of wartime economic organization in all belligerent countries have been, first, to ensure the maximum possible output of goods and services for war purposes and second, to secure an equitable distribution of the resulting scarcities of non-war goods and services. These are the standards by which the success of our economic policies of the past five years should be measured.

It would not be appropriate for me on this occasion to attempt an appraisal of the extent of Canada's success; that can be left to later times. It may not be out of place, however, to raise the question, "What lessons, if any, can be drawn for the future from the attainment of a high level of economic activity, a high level of national income, a high degree of employment in the course of the war?"

He would be a rash man indeed who ventured to take a position in historical futures; but to my mind one thing at least is certain. After the demonstration the war is providing of what a determined state and a determined people with a single objective can do to provide employment and raise the national output, it is impossible to contemplate a situation in which mass unemployment exists because the state and the people fail to adopt with equal determination a peacetime objective -- of maximizing the national output for use -- or because

they lack in imagination of the means necessary to accomplish this objective.

At the risk of being accused of speaking in generalities I shall not dwell in detail on the means by which the objective, once adopted, can be accomplished. The precise means chosen will necessarily depend to a considerable extent on the political will of the electorate and their attitude towards the role of the state in economic life. It would be out of place for me to suggest that only one form of economic organization can produce good results or that certain specific policies will have to be followed by some future government if it is to accomplish the objective I have mentioned.

In any case, I do believe that much more important than techniques is the matter of the objective itself and the will to achieve it. If we know what we want and if we want it badly enough we shall find ways and means of getting it. We have all heard comparisons of the success of wartime economic policies in different countries and statements that country A has done better than country B. Canada is often mentioned -- abroad perhaps more frequently than at home -- as a country where wartime economic policy has been peculiarly successful. To the extent that such statements are true, the explanation certainly does not lie in any superior knowledge or superior cleverness in one country as compared with another. There is free trade in ideas; and no country has any secret weapons in the armoury of economic policies. What marks the real difference between countries is the varying extent to which in one or the other an overwhelming sense of national purpose creates a spirit of unity, a sense of community; for without such a

spirit no policy can succeed.

I am far from suggesting that it will be easy to solve our peacetime problems. Certainly, it will not be possible to solve them merely by continuing wartime methods. Economic activity is dominated during war by conditions which none of us would wish to see duplicated in peace -- you have virtually a single buyer, the State, with unlimited credit, who is buying goods not for use but for destruction. But I repeat again that if we fail this time to build a better country and a better world once peace is ours, it will not be because of lack of knowledge but because of lack of purpose. I have sufficient faith in human intelligence to believe that we will not readily forget the lessons of the past generation. We have learnt a good deal about our own affairs and a great deal too about the affairs of other countries. We have learnt a great deal about the role of money nationally and about the role of money internationally. The hard realities of the situation have shown us the extent to which the peace and prosperity of one country are tied up with the peace and prosperity of foreign countries. We would be fools, indeed, if ever again, eschewing the possibilities of cooperative action, we embarked on a course of sauve qui peut in the field of domestic or international economic policies.

An educated and informed public opinion will be needed if governments are to carry out in peacetime social and economic policies which make the best use of the world's resources. Constructive policies must be based on long-run considerations; they must be policies of principle and not of mere expediency. The people will have to understand where their own long-run interests do in fact lie if

policies to attain them are to be adopted and persisted in. There will frequently be occasions when immediate short-run considerations appear to suggest a course of action which is in conflict with long-run objectives; and unless there is a proper understanding of what these long-run objectives are and what is necessary to attain them, then it is all but inevitable that the policies of expediency will prevail.

An example of the conflict between short-run and long-run considerations is provided by the history of international economic relations during the 1930's. There is no need for me to describe here the process by which, through excessive tariff protection, quantitative import restrictions, competitive exchange depreciation and rigid control of exchange transactions the unity of the world economic system was destroyed and that system broken down into fractional parts. The beggar-my-neighbour game, the attempt to save some part of one's own skin at the expense of one's fellows, ultimately resulted in all-round impoverishment. But in each particular country it could be plausibly argued that these policies were in the national interest and in default of a broad general understanding of the true issues involved and in the consequent lack of a genuine public will to seek long-run solutions by cooperative action among the different nations, the policies of expediency prevailed, to our great cost.

There is another reason too why I think that public education in the issues of social and economic policy is one of the most urgent requirements of our society. The economic machine grows more and more complicated; and at the same time the tendency has been for government to exercise an increasing measure of control. In the nature of

things, it is necessary that the day-to-day administration of control should be delegated by government to administrative agencies. The line between the process of policy-making and that of administration may tend to become blurred on occasion; and herein lies a great danger. Government by experts is no substitute for government by the people's representatives. I do not think that we can turn the clock back or that government activity can or will be confined to spheres where expert advice and administration are not needed. But it has been well said that eternal vigilance is the price of liberty; the community needs, as a safeguard, to have a group of disinterested persons who are capable of criticizing the work of the official experts -- and it is largely to the universities that we must look to produce and provide this group. As one who has had something to do with monetary policy in recent years, I can assure you that more criticism would be welcome; not criticism from "a bitter heart which bides its time and bites" but criticism in the sense of which Matthew Arnold wrote, "a disinterested endeavour to learn and propagate the best that is known and thought in the world."

I have said that we have learnt many lessons from the grim experience of the pre-war decade and from the hard realities of the war years. These lessons will avail us nothing in the post-war years unless accompanied by vision and high resolve. The spirit of community and the sense of national purpose which have prevailed among us recently have given us a glimpse of the promised land. Shall we be strong enough to hold on to this? to substitute for the will to victory some other driving force, some other inner compulsion? This, if I may address myself for a moment directly to the graduating class,

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this is the task of your generation. Without such a spirit our problems will be found insoluble: sectional interests will jockey for position and national policies will be forgotten.

When I say that the task of your generation is to find a positive common purpose that can continue to bind us together into a real community, I have in mind not only your age but also your background. For the university is something more than an institution of higher learning. Above and beyond its function in aiding in the discovery of the truths that are hidden -- because it is part of the essential fineness of man that he would know the truth for its own sake -- the university is one of the great keeping places of the things of the spirit. It can perform this second function only if it is not detached from the rest of the community but is an integral part of it. By your background and your training you are equipped not only to bring knowledge to bear on the problems of our society, but also to set its tone, to determine its ethos.

Mr. Chancellor and members of the University, I thank you very sincerely for the distinction you have conferred upon me.