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ADDRESS BY MR. G. F. TOWERS, GOVERNOR OF THE BANK OF CANADA,  
AT A MEETING ARRANGED BY THE NATIONAL COUNCIL OF WOMEN IN  
TORONTO ON WEDNESDAY, APRIL 16th, 1947.

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I was particularly glad to receive the invitation to come here today to make some remarks in regard to Canada's economic position. May I pay tribute to the initiative displayed by the National Council of Women in arranging the meeting and extending invitations to attend to all groups, whether they happen to be affiliated with the Council or not.

The attendance at this meeting reflects a high level of interest among women's groups in national economic matters. I am not surprised that this should be the case, because the subject is a matter of vital self-interest to all of us as individuals as well as a nation. This interest is particularly understandable at a time when the nations of the world are facing serious economic problems. Although these problems arise as a consequence of war, it is also realized that peace-time economic difficulties are among the fundamental causes of war. To the extent that the solution for these difficulties can be found, the possibility of future and immensely more terrible struggles is reduced. But the attention directed upon economic problems on a world scale must not obscure the fact that economic forces arise from our activities as individuals and as communities within a nation. What we do with our resources, with the money in our pocketbooks, the contribution we are able to make with our work - these are the raw materials of economics. Intelligent management of these affairs is a sphere of action close at hand.

I have referred to the interest displayed by women in economic matters and reflected in your presence here to-day. This interest is the more encouraging because it is backed up by a record of practical performance. The work done by Canadian women in all fields during the war years has been a

brilliant achievement. Their work in the economic sphere has undoubtedly been an outstanding feature of this achievement. Their participation in the work of the Wartime Prices and Trade Board was an essential and important factor in its success. Under the inspiration and leadership of many present in this room, the women of Canada did a job which many regarded as impossible at the time. This job contributed greatly to our war potential and to our present favourable position. In carrying out their task, women contributed to the economic understanding of Canadian individuals and to the fibre of Canadian character. I have special appreciation of the results achieved, not only because of my own interest in economic affairs, but because I have first-hand information on the performance from Mr. Gordon.

I also have reason to appreciate the work done by women in support of the activities of the National War Finance Committee. On many occasions and in a variety of ways, they helped immeasurably in the accomplishment of this effective organization.

This successful performance during the past few years has its implications and opportunities in the future. This meeting itself is proof that you sense these implications and opportunities. The challenge in the economic field no longer arises from a struggle against physical violence and destruction, or even from the first difficulties of the immediate post-war period, but from more satisfying, constructive and long-range needs. The opportunities relate to the building of a better country in which to live.

Let me define one of those challenges and opportunities as it appears to me. It is simply to keep Canadians aware of and interested in the economic basis of our affairs, to increase that knowledge, and to make clear its relation to pay envelopes, jobs, family budgets .... to what is called our "standard of living".

This, in reality, is a job you have been doing in the course of your wartime work in support of stabilization. This is a job which you may wish to continue through means which, in your judgment, are suitable and effective in the peacetime atmosphere.

As a basis for your consideration of this opportunity, I should like to describe our position as it appears to-day. Canada, at this moment, enjoys the highest standard of living in its history - a standard of living which is not as high for everyone as we would like to see it - but which we must not forget is a good deal higher than the standards prevailing in many important countries on whom we rely to buy our products.

Our high standard of living has come about through the increase of employment to the highest peacetime level we have ever known. During the war years, this employment was built up through a demand for an increase of war production of all kinds. Heavy calls were made upon our primary resources such as agricultural, forest and mineral products .... but also upon our manufacturing capacity. Existing industry was strained to the limit, and great new industries were conceived and built in the struggle to keep allied forces equipped to win the war.

Despite the fact that a tremendous volume of production was exported for war purposes, there still remained sufficient to raise the average Canadian standard of living somewhat above the pre-war level. It is true that rationing was necessary in some cases, but its main purpose was to ensure relatively equitable distribution of commodities which were particularly scarce in relation to demand. Even for the rationed commodities, however, total consumption was in certain cases greater than pre-war.

When it comes to comparing the situation which exists during a war and that which prevails in time of peace, we need to remember that during a war the need for war goods and services is by common consent given preference over every other

thing. In war-time, the public is willing to do whatever is necessary to obtain the maximum output for military purposes. In these circumstances, individuals have worked, have shouldered tax burdens and have put up with limitations upon their freedom as producers and consumers to a degree which would have been regarded as unthinkable before the war. The Government's willingness to spend the large amounts of money involved in the war programme was a necessary and important feature of the whole war-time picture, but even more important was the unity of national purpose which produced such remarkable results in the six years between 1939 and 1945. While our approach to peacetime problems should be supported by the memory of what it was possible to accomplish during the war years, we can not assume that the expedients and emergency measures adopted at that time could be continued indefinitely without serious consequences, or that in peacetime they would command general public support.

The transition from war to peace has taken place in Canada with remarkable smoothness. The changes in the distribution of employment during this transition have been made rapidly and with a minimum of disturbance. The volume of employment has been maintained at a higher level than might have been expected.

But the high level of employment is still being supported by rather unusual means. It is true that whereas once it depended upon the production of a vast amount of goods for the destructive ends of war, it is now being carried along by a tremendous volume of more natural and desirable exports. But a very substantial portion consists of supplies needed for reconstruction by our overseas customers. Until this reconstruction is accomplished, and these customers are once more back on their feet, and able to produce and export goods on their own account to solvent customers, they are not in a position to compensate us in full. The Canadian government,

therefore, has arranged to make a large volume of supplies available on credit. This action has sometimes been mistakenly regarded as springing from humanitarian motives. Without denying our great sympathy with the predicament of the countries concerned, this is not the case at all. It is a matter of compelling self-interest.

I think we all realize this method of safeguarding high exports, and high employment, is an emergency procedure. It cannot go on forever. In the longer run, maintenance of a satisfactory level of exports, with all that implies for the level of employment, depends on the ability of these former customers, in particular the United Kingdom, to re-establish themselves.

Canada is not alone, of course, in recognizing this problem and in taking steps to deal with it. Our neighbours to the south have made and are making efforts to deal with it in many different ways, through substantial contributions to UNRRA, through international loans, some of them made even before the war had ended, by active leadership and participation in the formation of the International Bank for Reconstruction and Development .... which seeks the long-term cure of international economic problems .... and in the International Monetary Fund .... which is designed to relieve short-term stress and strain in balancing international payments. Lastly, eighteen countries, among them Canada, the U. S. and the U. K., are now negotiating at Geneva with a view to reducing tariffs and setting up an International Trade Organization to diminish or remove barriers to the free flow of commerce between the countries of the world. All these things, we expect, will play their part in resolving the present emergency and in creating a sounder basis for future world well-being.

It may well be asked whether the steps which have already been taken, or those which are now in prospect, are adequate for the purposes for which they were intended, namely

the reconstruction of countries seriously affected by the war to a point where they could afford to join with like-minded nations to promote a high level of international trade on a non-discriminatory basis. The steps which were taken to assist a number of countries through the transition period seemed to be boldly constructive at the time of their adoption. By any past standards, they certainly merited that description. However, one was always entitled to doubt whether they were sufficiently bold in relation to the size and character of the problems arising from total war; and that doubt may well have been strengthened by the events of the last six months. Canada played her appropriate part in the discussion and formulation of plans for dealing with international problems in the immediate post-war period. Our own interests were very much at stake, because we have so much to gain from living in the type of world in which international trade is maintained at a high level. Our capacity to produce agricultural products, forest products, minerals and many other things greatly surpasses our own capacity to consume them; and our standard of living will vary with the need of the world for these products, and with the ability of the world to buy them from us.

I should by no means limit my remarks to the importance of exports from a Canadian point of view. It is necessary for us in the long run to balance our exports with an equivalent amount of imports, for international trade is not a one-way street. We must concern ourselves with the ability of a number of our customers to sell to us, or to other countries from whom we buy, a sufficient amount of goods to enable these customers of ours to pay their way. The United States is an outstanding example of a country which enjoys a high standard of living and experiences no difficulty on the score of paying its way in the international sense. But there is no other country in the world which is in that category.

Canada is in rather a peculiar position in the field

of international trade. It has been traditional for us to sell in volume to the United Kingdom, but to buy in volume from the United States. It is this three-cornered trade which has provided employment in an important and vulnerable section of our economy. This triangular trade was made possible before the war largely because the United Kingdom earned enough from its exports to all countries, and from earnings on its world-wide investments, to enable it to pay Canada U. S. dollars which we could use to settle our bills with the United States. Obviously, the ability of the United Kingdom to operate in this way depended upon the economic health of its customers, of whom the Western European countries were amongst the most important. As things stand to-day, war has left Britain in such straits that it is a big job .... a long drawn out job .... to pick up the threads of productive life again. This job is complicated and hampered at every turn by the almost unbelievable confusion and distress among those countries to whom she ordinarily looks for trade. It is possible, perhaps understandable, that we have imagined that these troubles should right themselves almost automatically once hostilities ceased, instead of realizing that the consequences of a struggle which almost destroyed the civilized world were bound to be shockingly deep and prolonged. When, therefore, you read of coal shortages in Britain, or of difficulties in transport in France, or of difficulties in production in Holland, or Czechoslovakia, it is well to remember that it is not just a matter to awaken our charitable sensitivities but is something that could hit us in the pocketbook, that could do damage to every household budget and pay-cheque in Canada.

Perhaps you will think that I have dwelt too much on international matters, and wonder what women's organizations can do in this field. I do not hesitate to admit that the problems are broad and complicated. I do not expect that this will dismay you, and I only mention it to contrast it with the somewhat more precise targets of the war-time years. The impact

of war always seems to produce a deceptive simplification of goals and methods. But the apparent untidiness of peace-time affairs, and the more delicate adjustments necessary for their improvement, are more than compensated by the solid substance of the final accomplishment.

As one suggestion towards your deliberation on the subject, I suggest that you consider ways and means to bring home these facts on international trade, and about our peculiar dependence on it, to Canadian men and women. Regardless of whether you eventually discover methods of direct action upon one or other phase of the problem, this would be a major contribution. A clear realization of the position by Canadians everywhere would be a firm foundation on which to build.

One of the results of this realization would be to focus attention upon the efficiency of our production and to connect it with the success of our international trade. In a competitive market, our success depends on being able to offer our customers goods at the going world price without penalty or loss to ourselves. Efficiency of production .... including all factors that go into it .... equipment, organization, production methods and productivity of labour, provides a means of meeting the world price without squeezing anyone in the process. When the "sellers" market disappears, as it will do in due course, this will be very important. This is true not only of production directly intended for export, but for production for domestic use as well.

This implies, I think, some continuing awareness of the difference between dollar returns (no matter who receives them) and real return as represented by purchasing power and standard of living. I know there is always an argument with regard to the appropriate division of dollar income between the various interests of the community, and I do not intend to get into it. But I do suggest that a constant preoccupation with a high level of wages as resulting from high production, and



with a better return from savings and investment through more efficient management of equipment and facilities, would increase the size of the cake which we have to share.

Your work with the Wartime Prices and Trade Board has brought home to thousands of Canadians such things as the meaning of inflation and deflation. It would seem no more difficult, and equally helpful, to make clear the relationships between efficient production and the success of our international trade .... the type of thing which puts us in the best position to maintain employment and to maintain and improve our standard of living.

Not only is such an understanding desirable and helpful as it relates to the everyday affairs of men and women, but it seems to me to be such an essential element of our economic life that it should also have a larger place in our educational system. Perhaps it is time that the majority of young Canadians who do not attend university should have an understanding of the simple economic facts on which our prosperity is based. This knowledge would seem to be important in their approach to various fields of employment, and in making the most of their employment as individuals and as citizens of the community. It is my impression that more could be done to-day to provide children, who will eventually take their place in the fields and forest, in the mines and factories of Canada, with a knowledge of the things on which their economic welfare depends.

Leaving now for the moment the consideration of international trade in our economy, I would like briefly to review another field in which the knowledge and understanding of Canadians is most important. As you know, government expenditure has increased substantially from the pre-war level. It has, of course, been greatly reduced since the end of the war, but it is unlikely to return to anything like its pre-war scale. Government expenditure and taxation have always been an important factor in the economic welfare of the country. Their increased scale

emphasizes this importance. For this reason, a better public understanding of the nature of government income and expenditure seems essential for continued progress.

For instance, there has in the past been all too great a tendency to regard taxes solely as a drain upon the community, without realizing clearly what these taxes provide .... to regard government as something of a net burden upon the community .... rather than as an enterprise of the community designed to provide services which could not otherwise be efficiently obtained. Public study of the elements of government income and outgo would go a long way towards making this relationship clear. It would also indicate how far government operations can help to maintain high and stable employment.

There are many other factors of our economic life which deserve mention, but I have already taken up too much of your time. I have tried, by using a few but important examples, to illustrate my belief in the importance of general public understanding of the broad outlines of Canada's major economic problems. People are necessarily very busy living their own lives, and they are not readily inclined to devote time and thought to matters which seem remote, even though in fact they are matters which affect each individual's standard of living and the future of his family. Someone has to take the initiative in stimulating interest. If your organizations can make some contribution towards such a stimulation of interest and understanding, they will have made a great contribution towards the successful working of a democracy. I am a natural optimist, and far from being a prophet of unhappy things. But it is foolish to close one's eyes to the fact that a world emerging from total war can only be remodelled with the greatest difficulty. As yet, no one can tell what the new model will look like. It is presently in process of design. Here in North America, high on the wave of material prosperity, we seem far away from the revolutionary events in other countries. But we all need to

concern ourselves with what is taking place, and to play our part to the limit of our capacity and intelligence, because we shall most certainly and inescapably be affected by the results of the reconstruction of less favoured countries now slowly and painfully under way.