

CHALLENGE AND RESPONSE

By Graham F. Towers
Governor of The Bank of Canada

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It is no secret that progress often arises as the result of a response to a challenge. The individual, the community, or the nation that is forced to bestir itself to overcome difficulties usually discovers unexpected benefits in the process. Most of us know this to be true from personal experience and observation. A brilliant student of human affairs, Arnold J. Toynbee, argues that it is a major factor in the growth of civilizations.

At some future and, we hope, less turbulent time, an analyst of Canadian affairs will examine the impact of the Second World War upon our country. He will relate the more important wartime events and influences -- not only to our immediate circumstances -- but to the whole fabric of Canadian history. I feel certain that this historian will conclude that, despite an undeniably terrific cost, the Canadian nation emerged from this challenge a more mature and a more significant entity in the world.

What is perhaps more pertinent to the purposes of this article is the fact that this historian will unhesitatingly connect the perplexing problems of today with the war, and will be intensely interested in the way in which we overcome them.

It is also important for us to remember the relationship between present problems and the war. In this way only can we keep a sense of proportion, realize their true nature, and deal effectively with them.

It has taken some time to comprehend fully the extent of the economic dislocation caused by the struggle. During the war our thoughts were fixed most intently upon the cost in human lives. Although our eyes were also filled with pictures of economic destruction and waste, it was difficult to grasp their full significance at a time when the very existence of our world hung in the balance. It is only recently that people have begun to appreciate that the cost of war in terms of human lives has been matched by a destruction of the means of sustain life on an equally terrible scale.

This has been particularly difficult for us to appreciate because we have escaped this kind of destruction ourselves. Indeed, we have actually expanded our productive capacity through the efforts we have made to meet the challenge. It is thought-provoking to realize that the average annual volume of Canada's industrial production in the six years ending in 1947 has been more

than double the volume of industrial production of twelve years ago and at least 75% above the average volume of industrial production for the six years ending in 1940.

During the war years much of this production was "shot away into thin air," and thus brought no material return, but the effort involved in producing it raised employment and income to a higher level than we have ever known. This process, of course, does not recommend itself to anyone, and could not be maintained indefinitely without reversing its effect, and lowering standards of living. The war ended, however, before the economic load exceeded our capacity to carry it, and since that time accumulated domestic demand has replaced war needs as a stimulus to production. Employment and income climbed even higher.

In prosperous times, it is usual for Canadians to go shopping on a major scale, and as everyone knows, this is the situation today. Not only has buying increased within the country, but Canadians have looked with added interest at the "store windows" of the world. This world-wide shopping has been intensified by accumulating wants and needs of the war years. There has been an insistent call for consumer goods of all kinds. Capital goods and basic materials have been needed for conversion and as essential elements of peacetime products. But when we come to look for these things in the "store windows" outside of Canada we found that many "stores" where we used to obtain them were burned and gutted. Such goods as they were able to offer could meet only a fraction of our demand. In the three thousand mile shop-window to the south of us, however, goods were available in quantity. It was natural that our imports from that direction should have grown beyond all former experience.

We were, and are involved, in another way with those international "stores" which have been bombed and shattered. Among them we list some of our own best customers of former years. Since their own shelves were bare, it was obviously impossible for them to trade goods for imports from us, or indeed to trade goods in volume with any nation and so earn "international cash" which could be used in paying for imports.

Recognizing that it would be in her best interest to do so, Canada took steps to help get these former customers back on their feet and in business again. This assistance took the form of large credits, totaling nearly two billion Canadian dollars. Since the war, drawings upon Canada under these credits, plus Canada's contributions through U.N.R.R.A., have amounted to one billion,

five hundred and seventy-two millions.

It will be seen from this that on one hand, Canada has been buying more goods than ever before from certain countries, mainly the United States -- partly because they were not obtainable elsewhere -- partly because of pent-up wartime demand -- and partly as a characteristic Canadian response to prosperous times. On the other hand, Canada has been selling large amounts of her own production abroad on credit.

Up to now we have been paying for our "extra" imports from the United States from reserves of U.S. dollars accumulated during the war. We were fortunate to have these reserves for use in such circumstances. But reserves, no matter how large, must come to an end sometime, and do not of themselves correct basic difficulties.

These are the reasons we have had to cut down our buying from the United States and to search for new ways to increase our U.S. dollar income.

I might digress here for a moment to answer a question that is often asked, namely, "Why do we have to use American dollars in buying from the United States? Why can't we use Canadian dollars since they are supposed to have equal value?"

This question arises from a common misconception of the nature of international trade. We must remember that money in international trade is simply an accounting device for keeping track of the transfer of goods or services. Thus, Canadian dollars held by Americans represent claims on Canadian goods or services -- while U.S. dollars held by Canadians represent similar claims on U.S. production. It must be remembered that Canadian dollars cannot be used by Americans to buy American goods or pay American wages. Because of this, their use for Canadian dollars depends on how much they want to buy from Canada. Until their demand for our goods increases substantially, Americans cannot be expected to find much practical use for a surplus of Canadian dollars. These same circumstances affect many countries beside our own.

An observant economic writer has said that our international trade problems with the United States would be more easily understood if American money were called pesos and Canadian money were called kroners, and he was right.

I have outlined the main reasons why Canada has had to reduce purchases from the United States and why we are making new efforts to increase their purchases from us. I will not go into all the steps that have been taken in pursuit of these two objectives, but will confine my attention to one

important source of U.S. funds which is most interesting to the Junior Chamber of Commerce of Canada at this time.

During the past year, it is estimated that Canada received more than two hundred million U.S. dollars as a result of American travel in Canada, thus making this our second largest source of U.S. income. I need not emphasize, therefore, how critical is the maintenance of the tourist industry at the present time. Every means must be used to protect and, where possible, increase the return from this source. The attitude of individual Canadians, and of Canadian communities, who stand as hosts to our American guests, is thus of great importance. The means to develop and increase this trade lies largely in the hands of the Canadian people themselves.

For these reasons, I am greatly encouraged by the news that the Junior Chamber of Commerce will undertake this year to make our reception of American tourists a matter of prime concern to every Canadian citizen, and through their international affiliation, to make American citizens more aware than ever of our desire and ability to entertain them. I am particularly glad that the Junior Chamber has seen fit to link with this positive approach, a program to help ensure that U.S. currency arising from tourist expenditure finds its way as quickly as possible into our national foreign exchange reserves -- where it becomes available for the advantage of the country as a whole.

Canadians should realize that every American dollar bill passing through their hands generates from American travel in Canada. In this sense, American currency circulating in Canadian hands represents income derived, in large part, from scenic resources which belong to the nation as a whole, and which in turn creates opportunities for restaurants, hotels, taxi drivers, filling stations, tourist camps and other facilities to dispose of their services to visitors.

I hope the Junior Chamber of Commerce will be able to bring home to its members and to Canadian citizens still another viewpoint from which to regard U.S. currency circulating in Canada. Not only is this U.S. currency derived as a by-product of our national scenic heritage, but it also represents Canadian jobs. If we were unable to acquire enough American dollars to buy essentials such as steel, sugar, cotton, oil, machinery, coal and many special components of Canadian manufacturing Canadian employment would suffer. Thus the person who unthinkingly hoards American currency, or who feels that there is nothing very

reprehensible about evading regulations governing the export of U.S. currency, may be endangering the job of someone who lives near him -- perhaps even his own job.

The improper handling of U.S. currency should be frowned on by Canadians, just as in wartime Canadians considered it dishonorable to traffic in scarce commodities or to circumvent rationing procedure set up to ensure equity among individuals. People should not hesitate to make known their disapproval of the activities of the few who attempt to take advantage of the law-abiding majority. In effect, we are today "rationing" a short supply of U.S. dollars -- and distributing it as fairly as possible between those who have occasion to travel in the United States and those who need to purchase essential supplies or pay other obligations in the American market.

In the long run, however, it is the positive things we do to increase our U.S. dollar income which will be most beneficial. The study and improvement of local tourist resources through the initiative of the Junior Chambers of Commerce across Canada can make a great contribution to our economic affairs at this time. Competition for the American tourist dollar is keen today, and will be keener. Imagination and initiative can pay big dividends in this field.

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