

HISTORY, HOSPITALITY AND ECONOMIC HEALTH

Address by Mr. Graham Towers, Governor
of the Bank of Canada, in Montreal, March 6th, 1949,
at a convention of
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de Quebec

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When I received your invitation to speak to you tonight, it struck me that this gathering of young men from all parts of Quebec represented a rather special audience. Not only are you representative of the great French speaking section of our population, whose culture and traditions form a bold and vivid pattern in the fabric of Canadian character, but you also represent a geographical area which has become the Mecca for visitors from every part of the United States. I know of no section of Canada and we have many internationally famous attractions which carries quite the same allure for visitors as the historic and beautiful playgrounds of Quebec.

Under these circumstances then, I hardly need to say how appropriate is your expression of interest in the related problems of tourist promotion and dollar conservation. I know that you have already given much thought to the first half of this programme and in past years have carried out a most energetic campaign, calling attention to the tremendous holiday and travel possibilities inherent in your province. I have read some of your publications, outlining the theme of your promotional effort and I must say that to my mind you have captured the right atmosphere in your slogan 'Vers Quebec, Foyer Francais.' I am not too sure that I have captured all the nuances of that phrase, but I have interpreted it as expressing the thought that in Quebec, visitors will find the quiet, warm hospitality of the French fireside. As a native of Quebec and a man whose family associations with this province extend back to the eighteenth century, I think I can speak with some authority when I say that you are not overstating the fact. There is a charm and sincerity in French Canadian hospitality that measures up to all the traditions of the old world and adds to them the freshness and vigor of the new.

I feel sure that you are on the right track in your present programme and,

after having seen and felt the enthusiasm which fairly radiates from your gathering, I am sure you will have no difficulty in maintaining a full head of steam throughout the journey.

You know, without being told, how important the tourist business is to the Canadian economy. The 270 million dollars that Americans spent in Canada last year was translated into jobs for many thousands of Canadians. There are large numbers of us who owe a considerable fraction of our livelihood to the tourist business, even though we ourselves appear to be completely remote from it. An obvious example, of course, is the worker who makes such a mundane product as, shall we say, store fixtures.

Somewhere in Canada a merchant does business with tourists so successfully that he is able to invest some capital in re-equipping his shop. The dollars that find their way back to the manufacturer of the equipment and to the worker and even further to the producer of the primary material is a tourist dollar, even though, when it reaches the end of the line it is perhaps unrecognizable as such.

And that brings me to the second phase of your programme. The dollars spent by our American visitors do not begin to serve Canadians to the fullest extent until they have reached a bank. Every such dollar that comes into Canada and does not find its way into a bank represents a loss to you and to me which is as real in the long run as though it had been taken out of our pay envelopes. In this post war world, we have a greater need to be concerned about our supply of United States dollars than at any time in our history. Rather than labor the point, perhaps I should digress for a moment to tell you why.

We have always had what might be called a shortage of United States dollars in Canada a shortage that is of dollars coming into Canada directly from the United States. Putting it another way, we have almost always bought more goods from

ne United States than the United States has bought from us. By reason of the character of Canadian production, it is normal for us to have a surplus in our trade with the United Kingdom and Western Europe, and a deficit in our trade with the United States. We used to be able freely to convert our surplus earnings of pounds sterling and continental currencies into United States dollars, and thus pay our bills in the United States. When our overseas customers are no longer able to settle their accounts with us in that way, because they have run out of foreign exchange reserves and have inadequate United States dollar earnings from exports, trouble comes to Canada in the form of a shortage of United States dollars or loss of markets, or both.

For obvious reasons, we ran into difficulties of this kind early in the war. At that time, however, we were able to make an arrangement in terms of which the United States Government undertook to buy from Canada substantial amounts of war supplies which would not have flowed to the United States through the ordinary commercial channels of trade.

It was only in this way that Canada could earn enough United States dollars to purchase war supplies and other necessities from the United States.

Here let me emphasize an important point. Canada is not lacking in productive capacity. Provided we could obtain say twenty cents worth of essential materials or parts from the United States (and I use this figure only as an illustration) we could turn out a dollar's worth of finished goods. But without those materials or parts, much of our machinery would cease to work, and to that extent our productive capacity would go to waste. It may be added that peace does not change the situation in this respect.

But to continue the war-time arrangement with the United States was an essential factor in enabling us to maintain a high level of production. With the end of the war, and of the special arrangement then in effect, the problem returned to plague us, and became acute in 1947. Again it did not arise from any lack of productivity in Canada. Our current account transactions with the rest of the world in 1947 produced

a small surplus for Canada in spite of the fact that our imports from the United States that year reached a hitherto unprecedented volume. We would have been able to pay our way if our overseas customers had been in a position to pay cash for all their imports from Canada. Actually, Canada extended \$600 millions of credit to help reestablish her former customers in that year. For that much of our exports we received no immediate payment. But we had to pay cash for all our imports. The result was that our reserves of gold and United States dollars were very seriously depleted, and import and other restrictions designed to reduce the demand for United States dollars were introduced in November, 1947.

From that time on, Canada's exchange position improved. Indeed, from most points of view 1948 turned out to be a most successful and fortunate year for this country. A whole array of figures could be brought forward to support this statement, but I shall mention only a few. The export figures are amongst the most significant. Our sales to the United States increased in value by 44 per cent as compared with 1947, and our trade deficit with our neighbours to the south was reduced from about \$900 millions to a little less than \$300 millions. The surplus in our current account transactions with all countries increased from \$85 millions in 1947 to \$472 millions last year; and as our direct extension of credit to other countries was limited - to \$145 millions (net) our reserves of gold and U.S. dollars increased by \$346 millions, plus \$150 millions borrowed in the United States during the year. At the end of the year, holdings of gold and United States dollars amounted to nearly one billion dollars.

There are some who have interpreted our remarkable progress in 1948 to mean that we now have no further need for concern. On the face of it their argument may seem valid. But it must not be forgotten that a good many millions of the United States dollars we received in trade last year came from ERP purchases. This source

of revenue will not last indefinitely. Our dollar problem will remain in some degree until Europe is able to earn a great many more dollars than she is earning to-day. One method of reducing Europe's dollar deficit is of course the reduction of purchases in the dollar area. This has been taking place during the last year. Moreover restriction on dollar purchases - as we in Canada know to our cost - is not a policy which is confined to European countries. All the countries of the Sterling area and many Latin American States are short of dollars too; and sales of Canadian goods to these countries are being reduced. Hence Canadian trade with the United States is even more important now than it ever was and the need to keep attention focused on our U.S. dollar problem is similarly intensified.

With these facts before us it is easy to understand why the activities of your group as well as others are very much to the point today. One hears a great deal of discussion these days about various financial strategies which may be available in our exchange difficulty. Nevertheless it is clear that whatever strategy may be in effect the United States dollars that reach our hands will always represent our ability to buy many essentials for healthy economic living steel, coal, cotton, oil and so on. For this compelling reason alone these United States dollars deserve and demand the most careful handling in the hands of Canadians. U.S. dollar conservation today and under any circumstances is just common sense.

I do not need to tell you that you are not alone in this important endeavour. Many other large organizations, headed by businessmen of proven ability are working toward the same objective.

For instance, the motion picture industry is co-operating whole-heartedly to foster a better understanding of our problems among the citizens of the United States and to increase American visits to Canada. Every major Hollywood producer has already made some contribution to this effort, approaching the problem from a

number of directions.

One of these is the production of feature pictures based on Canadian themes and filmed 'on location' in Canada as far as possible; another is the production of short features to explain our dollar situation. These are intended to create a sympathetic and intelligent understanding of Canada and Canada's problems by Americans. A third approach is by the production of shorts portraying Canadian holiday attractions; a fourth element of the programme is producing impressive results through the inclusion of more Canadian shots in United States Newsreels.

Two feature pictures have already been made and seven more are in the planning or script stage. Neighbour to the North, an explanatory short of exceptional merit, has been booked in 10,000 U.S. theatres and will be seen by 24 million people. Three Fitzpatrick travelogues and more than another dozen shorts on Canadian subjects have been filmed and released. More than 108 Canadian news shots were included in U.S. newsreels last year. In 1947 there were only 60.

The Association of Canadian Advertisers has prepared special material for use in American Company Publications, stressing the same themes as those you are about to develop. This material is reaching and has reached many millions of readers having a special interest in Canada.

The Canadian Travel Bureau, Provincial Departments, Transportation Companies and others interested in the tourist business spent \$3,000,000 in direct tourist advertising in 1948 and will spend at least as much in 1949.

I mention these examples to indicate the concerted effort being made to develop our tourist business and ease our dollar problem. Your own group, I know, can contribute effectively to this programme.

I will not try to present in detail the list of material and other equipment

which will be made available to you to support your activities. The Secretary of your Federation will provide you with specific details.

However, I would like to refer to one outstanding contribution which has been made possible by the sense of public responsibility of several people. Early in May, as an outcome of our joint efforts, a series of ten recorded fifteen minute radio programmes entitled 'Food for Thought', will be available for your use. It will enable each local group to offer an attractive specialty to the Manager of your local radio station for broadcast at some convenient time for a ten week period. I am very happy to inform you that Madame Jeanne Patenaude-Benoit, who is properly regarded as French Canada's leading authority in the field of food preparation and dietetics, will discuss, in her broadcasts, French Canadian dishes which not only make appetizing, tasty meals, but have a history behind them a history, which in many instances matches the colour and glamour of Quebec's famous historical sites. In addition to this feature of her programmes which might be regarded as a contribution to the hospitality extended to American visitors, the broadcasts afford an opportunity of explaining why these visits are important from an economic point-of-view.

In English Canada, a similar job with a slightly different approach has been undertaken by Mrs. Kate Aitken, who is also an outstanding authority in her field. These two women, known and respected by radio listeners from coast to coast, have given their services without charge, have placed their staffs at your disposal and are preparing and recording these programmes because they believe it is an important public service. The Canadian National Railways have placed their food research staff in the service of these ladies for the same reason. The result, I am sure, will be two series of radio programmes unique in Canada, which should be

received with open arms by station managers everywhere.

With these and other tools available, I am confident that your work in the coming months will be effective and that, both in respect to new tourist dollars earned, and in respect to the care of these dollars when earned, you will be making a significant contribution to the solution of problems I have outlined.