

# Canada Delivering The Goods — After Agonizing Years

Citizens Begin to Appreciate Financial  
Need—Costs Are \$120 Million a Month  
and 'Will Go Higher,' Says Finance Minister

(By HON. J. L. ILSLEY, M.P.)  
(Minister of Finance.)

**T**HIS Christmas and New Year season finds no peace on earth. Instead there is a world at war—in which nearly every nation is engaged in one vast life-and-death struggle. In this greatest crisis of all history, most of mankind stands shoulder to shoulder now in mutual defense against three ruthless dictatorships and their satellites, conscious as never before that peace and liberty are indivisible, that no continent, no nation, can isolate itself. From this new comradeship in arms, one can derive some consolation and some hope. But this year, least of all, can we afford, even at the festive season, to relax our efforts.

#### Costs Are Realized.

Our record during the past year, in the fields of finance and economic affairs, shows, I believe, real development. Our war activity and war production have been running in high gear after agonizing years of preparation. We are now delivering the goods, and will continue to deliver more and more of them. We all realize the insatiable demands for munitions and equipment of all kinds. On the other hand, we have begun to realize the financial and real costs of meeting them—and we are prepared to pay them.

In November our war expenditures reached the figure of \$120 million for the month—a rate of nearly a billion and a half a year—and they will go higher. Moreover, we have been paying Britain's bills for war supplies here in Canada at a rate of about \$80 million a month as well—adding about another billion a year. But so much money means little to most of us.

#### Is Using Up Supplies.

What really matters is that our war production is now taking nearly all our supplies of metals. It is requiring more and more of our plants and machinery. It is making labor and certain materials scarce for civilian purposes.

It is creating civilian incomes on such a scale that consumers' demands at normal levels cannot be met. We have had to submit ourselves to a severe economic discipline. We have had to work and worry and put in long hours—and take our rewards in tax receipts. But we count it little as the price for doing our part in beating Hitler.

I have been encouraged by the way in which the Canadian people have faced the financial problems that came up during 1941. They have shouldered loads we all would have thought out of the question two or three years ago.

#### Hints At Higher Taxes.

Last April it was my privilege and duty to propose to Parliament a stiff budget of new and increased taxes. It came on top of a fairly stiff budget in June of 1940, and was even less palatable—particularly because we had reached the stage where we had to take a lot of money away from those who do not count themselves as well-to-do. It was not pleasant, but it was a fair and honest budget. Parliament and the public took a hard, critical look at it—this was no sugar-coated pill to swallow with one's eyes shut—but they approved it and supported it. I am confident that if we have to come back again when the need for funds is even greater the Canadian people will be ready to accept even higher taxes, provided they are satisfied that the need is urgent and the burden is fairly distributed.

No sooner was the budget out of the way than it was necessary to ask Canadians for more money by way of loan, and, in fact, for the biggest loan in our history. No effort was spared to bring home the importance of this loan to every potential subscriber in Canada. The results were a real achievement for the people of this country. Nearly a million separate subscriptions were received—in a country with only about three million families. Canadians put up nearly three-quarters of a billion dollars in cash subscriptions—investments in victory.

#### Cut Civilian Supplies.

We have faced more than financial issues this year, however. Mounting war production cut so deeply into our supplies of material and machines that we had to cut down civilian use of them by one series of measures after another. All North America ran into the same problems this year. We could no longer solve our "bottle-neck" problems by importing what we needed, for the United States was busy on war production too, and the shipping difficulties set strict limits on overseas supplies. Naturally, the less essential uses of the scarce supplies had to be reduced or eliminated. Priorities were imposed—first somewhat informally or by voluntary arrangement, and later more rigidly by regulations. Limited amounts of some things were allocated to civilian purposes. Construction and the installation of machinery were restricted by licensing. Production of cars and other consumers' durable goods was limited—first moderately and then more severely. Purchases were curtailed by a strict limitation upon the terms of consumers' instalment credit.

Nor was this all. With consumers' incomes constantly growing on the one hand, despite rising tax rates, and with the goods available for consumers limited in supply and beginning to be actually reduced in amount on the other, the seeds of inflation were beginning to sprout. The cost of living was rising. Labor was worried by this, and being in a position to demand higher wages it

asked for them. Employers could usually pass on all or most of the extra cost in higher prices to the consumer or the Government—and did. Nearly all farm prices had risen rapidly and were roughly back in line with other prices. Scarcities of important foods threatened, especially where Britain's needs were keenest. Our selective methods of careful price control, suited to an earlier period, were proving too slow to check the development of an upward spiral. Drastic measures were needed—and were taken.

#### No Holes in Ceiling.

A price ceiling was established—and it was a real ceiling without holes in it. It was decided to hold retail prices at their base period level despite increased costs. Manufacturers and distributors were asked to share whatever "squeeze" there was on profit margins. Labor was asked to forgo higher basic wage rates, except where these were found to be abnormally low—in return for a guarantee of a cost-of-living bonus as protection against any price rise. Farmers were asked to forgo higher prices, and where help was really needed it was given to them in other forms. The Government undertook to absorb higher costs of essential imports rather than let them give rise to higher prices to consumers.

This rigorous price and wage ceiling, taken together with the increasingly severe controls and restrictions on production and distribution, adds up to an effective impressive system of war economy. It is not yet complete, of course. Important measures will still be needed of at least two types. One type of measure includes simplification, standardization and the elimination of unnecessary models, trimmings and services, as well as wasteful marketing methods.

The price control provides a means of bringing these wartime improvements about—so that we shall get as much real value as possible for what labor and materials we can afford to devote to civilian purposes. The second type of action that will be needed is rationing. So far we have not had to ration the consumer, though we have had to ration manufacturers or dealers. But as shortages become more severe and affect more important goods we shall have to ensure that what little there is to go around is distributed fairly among those who need it. Rationing entails a lot of work and expense, but when shortages of essential goods are severe enough and important enough there is no fair and efficient alternative.

#### Full Weight to Come.

We have evolved a framework of control, but we have still to adjust ourselves to it and we have yet to feel the full weight of the economic burdens of the war. Even the higher income taxes we undertook last May to pay are only due in 1942—and I suspect that many among us have been putting off the day of retrenchment.

All of us who remain civilians have two important duties. First, we must work hard and long and efficiently. That is primary. Many among us will have to find new and more essential work than we have been doing—perhaps having to leave friends or even families in order to take on the new work. Many women must enter industry or commerce, in place of men who will be more urgently needed elsewhere.

But we must do more than work. We must save. We must spend as little as possible, consume as little as possible. We are not working to satisfy our own requirements, nor those of our families. We are working for victory. We must therefore take a large part of our wages, our salaries, our profits, in victory. We do this in part by paying our taxes. We can and must do it as well in buying war loan bonds and war savings certificates.

#### Asks Co-operation.

I would like to take this opportunity to remind business men, housewives and others that their co-operation is needed to carry out effectively the price ceiling and related economic programs which we have undertaken. These measures are far-reaching acts of economic self-discipline. They are being administered equitably and efficiently. Some mistakes may be made, of course—we can find only human beings to administer them, and time is short—but I can assure you that everything possible will be done that is humanly possible to see that the broad principles of policy are applied with fairness, understanding and common sense.

In the Army, the Navy and the Air Force far more is needed than mere obedience. Men must use their initiative and intelligence, their courage and endurance far beyond anything that can be specified in orders and regulations. The same is true of us civilians. Vic-

tory requires from all the men and women of Canada not merely obedience to the law and observance of the controls, but an intelligent, vigorous co-operation in all the tasks the war has thrust upon this nation. Let us resolve that in this new year—and the other new years to follow—we shall devote all our power, of brain and heart and sinew, to the struggle upon which so many men have staked their lives, in which so many women have lost their homes.

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