

ADVISORY COMMITTEE  
ON  
RECONSTRUCTION

REPORT



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Ottawa, September 24, 1943

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1944

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## COMMITTEE ON RECONSTRUCTION

OTTAWA,

September 24th, 1943.

The Right Honourable W. L. MACKENZIE KING, C.M.G.,  
President of the Privy Council.

DEAR SIR,

I have the honour to transmit to you herewith the Report of the Advisory Committee on Reconstruction, to which are appended reports on the work of the several sub-committees and a comprehensive list of the supporting documents that have been prepared under the direction of the Committee.

This Report does not constitute a definitive blue-print for the post-war policy of the Dominion, since it is our unanimous opinion, clearly expressed in the Report, that further study of each of the specific problems discussed herein must be undertaken by the appropriate departments of government, Dominion and Provincial, as well as by interested private groups. Canada has not yet arrived, and we hope will never arrive, at a point where further study of reconstruction and rehabilitation is regarded as unnecessary, since the processes of economic improvement and social amelioration are continuous. The achievements of one generation provide the spring-board from which the next departs.

The recommendations presented in the main Report, and in the reports of the sub-committees, represent the conclusions of the Committee in regard to the framework and general direction of a post-war policy appropriate to the situation that will exist in Canada when hostilities come to an end. These recommendations cover international, as well as domestic, problems and, in consonance with the Committee's terms of reference, suggestions are offered regarding changes in governmental machinery.

Although each member, as an individual, is eager to serve this Dominion in any task that he should be asked to undertake, the Committee is unanimously of the opinion that the time has now arrived when detailed responsibility for reconstruction planning must be undertaken by full-time members of the government staff who are in continuous touch with events and responsible for the execution of the policies which they formulate. Detailed recommendations are offered regarding the continuance of those sub-committees that have not finished their labours, the completion of some outstanding research investigations and the merger of the Committee's secretariat with that of the Advisory Committee on Economic Policy.

In Accordance with the unanimous recommendations set forth in Section X of this Report, your Committee, therefore, asks that it be now discharged, asking me to express to you its deep appreciation of the privilege conferred upon us by the invitation to undertake a task to which each member has gladly devoted much of his time during the past two and a half years.

Sincerely yours,

(Sgd.) F. CYRIL JAMES,  
*Chairman.*

MEMBERSHIP OF THE COMMITTEE

F. CYRIL JAMES—Chairman

P. R. BENGOUGH

D. G. MCKENZIE

J. S. McLEAN

ARTHUR SURVEYER

R. C. WALLACE

\* *Ex Officio Members:*

K. M. CAMERON

W. A. MACKINTOSH

H. F. McDONALD (deceased)

W. S. WOODS

Research Adviser, L. C. MARSH

Secretary, J. E. MACKAY

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\* NOTE.—The ex-officio members did not participate in the final stages of this Report and have not been asked to sign it.

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## 1. *History and Functions of the Committee.*

In December 1939 a special committee of the Cabinet was constituted under Order in Council P.C. 4068-1/2 "to procure information respecting and give full consideration to and report regarding the problems which will arise from the demobilization and discharge from time to time of members of the Forces during and after the conclusion of the present war, and the rehabilitation of such members into civil life". Under this Cabinet Committee, a General Advisory Committee composed of civil servants was immediately constituted, and several members of the general public were invited to serve on various sub-committees appointed to study special phases of the general problem of demobilization and rehabilitation. Many of those who later participated in the work of the Committee on Reconstruction were active members of these sub-committees.

In the autumn of 1941, the plans that had been developed under the aegis of the Cabinet Committee were embodied in a general Order in Council, P.C. 7633, which set forth the specific arrangements applicable to those who were demobilized from the armed forces. The details of that program do not concern us here, but it can be pointed out, in summary, that the proposals for demobilization and rehabilitation include all those provisions that are considered necessary to qualify the demobilized individual for gainful employment in some appropriate peace-time occupation. By means of medical and physical care, as well as by vocational training and re-education, the man or woman is to be equipped for a job, but the plan does nothing to ensure that there will be jobs awaiting him upon his discharge from the armed forces.

Growing recognition of this fact led to the passage of Order in Council P.C. 1218 on February 17, 1941, by which the terms of reference of the Cabinet Committee were broadened to include all phases of reconstruction, and, a few days later, the Honourable Ian Mackenzie (Chairman of that Committee) asked a small group of individuals to meet with him for the purpose of discussing the methods by which this wider field should be explored. Dr. F. Cyril James, Mr. J. S. McLean, Mr. Tom Moore, Dr. Edouard Montpetit and Dr. R. C. Wallace were present at that meeting, as well as the late General McDonald, Chairman of the General Advisory Committee on Demobilization, and Mr. Walter Woods, Associate Deputy Minister of Pensions and National Health.

After an extensive discussion of the problem, this group agreed to serve as a Committee on Reconstruction under the Chairmanship of Dr. James. The terms of reference agreed upon were very broad, since it was expected that the Committee would give further consideration to a precise definition at its early meetings, but there was general agreement that the Committee should explore the whole field of Canada's post-war reconstruction policy, with particular emphasis upon the adequacy of employment opportunities during the immediate post-war years, and report its findings to the Cabinet Committee. All of the members, except General McDonald and Mr. Woods, agreed to serve without compensation from the government, but the Department of Pensions and National Health agreed to assume responsibility for secretarial assistance and incidental expenses.

The early meetings of the Committee on Reconstruction were devoted to the task of carefully exploring the field in which it was expected to work, and various memoranda on this subject were submitted to the Chairman of the Cabinet Committee. As a result of these discussions, Order in Council 6874 was passed on September 2, 1941, under the terms of which the "Committee on Reconstruction, consisting of not less than five members and not more than

six members who shall serve . . . without remuneration" was officially constituted. It was instructed to "collect, receive and arrange information with regard to reconstruction policies in Canada and abroad", to receive information from all government departments on this subject, to create sub-committees and to undertake special studies where this procedure seemed desirable. All reports of the Committee on Reconstruction were to be submitted directly to the Cabinet Committee, and "used solely by the Cabinet Committee in determining the policy or policies to be adopted".

Operating under these broad terms of reference, the Committee on Reconstruction built up a small secretariat under the immediate direction of Dr. Leonard Marsh, its Research Adviser, to facilitate its activities. A list of the special studies that were undertaken or commissioned is set forth in Appendix B, and, simultaneously, a group of sub-committees was created to explore particular segments of the field. Details regarding the terms of reference of each of these sub-committees, their membership and the extent of their activities, are set forth in the reports of these sub-committees, so that it is not necessary at this point to present more than the attached chart\* which sets forth the present structure of the Committee on Reconstruction and its relation to other organs of the Dominion Government.

A further word may, however, be necessary in regard to the other organs of governmental planning shown on the chart, since their operations have been responsible for a gradual change in the work of the Committee on Reconstruction and contributed materially to the recommendations in the last section of this Report. When the Committee on Reconstruction began its work, very few public agencies in Canada concerned themselves actively with post-war problems. Victory appeared to be a distant dream and the energies of the nation were concentrated upon the immediate war effort, so that the Committee found it necessary to instigate preliminary inquiries over a very wide field. In many cases it was also necessary to spend considerable energy and time in the task of stimulating others to give some practical consideration to post-war problems.

Today the climate of opinion has changed. In every province of this Dominion, reconstruction commissions appointed by the several governments are actively studying the problems that will confront them when hostilities have been brought to an end. In Ottawa itself, Committees of the Senate and the House of Commons have been listening to many witnesses, with a view to formulating specific recommendations to Parliament, and many of the cities in Canada have established special committees to study local problems. Canadians realize that the success which has attended the arms of the United Nations in recent campaigns brings the end of the war appreciably nearer, and they realize too that reconstruction is a gradual and continuous process, in which the immediate decisions made by government in some areas of public policy may have a profound post-war significance.

In view of these changing circumstances, the Committee on Reconstruction submitted to the Cabinet Committee, in the autumn of 1942, an interim report dealing primarily with recommendations regarding the changes in governmental machinery which seemed to it essential for effective reconstruction planning. The report was not adopted in its entirety, but after careful consideration of the matters which it raised, the Government passed two Orders in Council, in January, 1943, for the purpose of meeting the existing situation more appropriately. Under P.C. 608, the Advisory Committee on Economic Policy was reconstituted and charged, among other duties, with the task of planning and organizing the "investigation and study of post-war problems by departments and agencies of government". Under P.C. 609, the Committee on Reconstruction (with the word "Advisory" prefaced to its title) was made responsible to the President of the Privy Council, rather than to the Cabinet Committee on

\* Appendix E.



Demobilization and Rehabilitation. In view of the new responsibilities of the Advisory Committee on Economic Policy, P.C. 609 also provided that further studies should be decided upon cooperatively, after consultation between the two committees, although the Advisory Committee on Reconstruction might still "on their own initiative, make such recommendations and draw attention to such considerations in the field of post-war problems as they may deem desirable". It is in response to that injunction that the Committee now presents this Report.

During the period of its activity the Committee on Reconstruction has been fortunate in the fact that there have been few changes of personnel. In November, 1941, Mr. Donald G. McKenzie was added to the Committee, in order that Canadian agriculture might be more adequately represented in its discussion; and in February, 1942, Major J. E. Mackay was appointed as Secretary in succession to Mr. Robert England, whose services were needed for other duties in the Department of Pensions and National Health. Early in 1943, Mr. Tom Moore and Dr. Edouard Montpetit, who had both played an active part in the work of the Committee since its inception, were compelled to resign on the grounds of ill health. Mr. Percy R. Bengough and Dr. Arthur Surveyer were appointed to succeed them.

The Committee wishes to take this opportunity of expressing its appreciation of the work of each of those who were compelled to resign their connection with it, and also wishes to express its deep sense of the loss occasioned by the death of Brigadier-General McDonald during the weeks when this report was in the final stages of its revision. He had played an active part in all discussions of demobilization and reconstruction problems during the past three years, and contributed much to the formulation of policies that have already been adopted, as well as to those herein proposed.

## II. *The Impact of the War on the Canadian Economy.*

If we are to formulate realistic policies for execution during the years immediately after the war comes to an end, we must be continuously aware of the changes in the Canadian economy that war has provoked. The precise situation that will exist in this Dominion on the morrow of victory will differ greatly from the pattern of life which had become familiar before 1939. It will be influenced by the policies that Canada has adopted during the war, policies of price control as well as programs of munition production, manpower policies as well as methods of war finance, consumer rationing as well as priorities in the use of raw materials. All of these developments must be studied closely and continuously during the remainder of the war if we are to forecast with any accuracy the detailed nature of the problems that will confront us.

A good deal of preliminary work in this field has already been done by the Committee on Reconstruction and by the various agencies of government that are responsible for particular segments of Canada's wartime policy, so that the general nature of the impact of war upon the Dominion can be sketched in broad outline. It should be emphasized, however, that this is no more than a broad outline which requires to be filled in and kept up to date by further investigations. It should also be pointed out that in certain cases where detailed studies are now in existence, as in the case of the industrial activities under the control of the Department of Munitions and Supply, the Committee has not thought it necessary or desirable to include in this Report all of the available information.

*Increased industrial capacity.* The most striking result of the war in Canada is to be found in the rapid expansion of Canada's productive capacity. During the years from 1914 to 1918 the production of munitions within the Dominion was largely confined to shells and small-arms ammunition, articles that could be produced in tremendous quantities without presenting any serious

technical problems to Canada's infant industries. Since 1939, and more particularly since the evacuation of Dunkerque in 1940, Canada has been called upon to undertake a program of greater size and increased complexity. Many types of guns and small-arms are now produced in quantity and Canadian factories have turned out more than half-a-million military motor vehicles. Ships and tanks and aeroplanes are being manufactured within Canada at the present time, while tremendous quantities of food and clothing are being exported to one or other of the United Nations.

Because these exports of food follow the traditional pattern of Canada's overseas trade, they do not always attract the attention they deserve, but it must be remembered that, with very little increase in acreage and an actual reduction in manpower, Canadian agriculture is today producing unprecedented quantities of many important foodstuffs and raw materials. From the viewpoint of the domestic economy this increase in the efficiency of agricultural production has important consequences that are discussed in Section VI. of this Report, while the aggregate volume of agricultural exports at the present time raises problems of vital significance in regard to the post-war pattern of Canada's international trade; but it is abundantly clear that the balance of agriculture and industry within the Dominion is undergoing a profound change. As a result of the munitions program, the industrial capacity of Canada at the end of the war will be vastly greater than it was in 1939. A larger proportion of our people will be employed in factories, and in the trades dependent on them, than at any time in the past, while these factories will be in a position to produce within Canada many of the things that were previously imported from other countries. It should be emphasized, moreover, that much of this industrial expansion has occurred in primary industries which will serve to facilitate the rapid development of secondary industries producing consumer goods. The development of a Canadian tool-making industry is a case in point, while the growth of the chemical industry and the rapid expansion of aluminum production also constitute admirable examples. In many cases, moreover, the war has produced important changes in technology which will strengthen the hand of Canadian industrialists in competition with the factories of other countries, or remove differentials that may have existed before the war.

Even though it is likely that some munition factories, because of their geographic position or the peculiar nature of the existing facilities, may be of no use to Canada in times of peace, the remaining increase in industrial productive capacity will have a profound effect upon the distribution of goods in Canada and upon the international trade of the Dominion. In both the agricultural and the industrial fields, therefore, Canada will be equipped to produce more goods than at any previous period in its history.

Only in one segment of the national economy is it necessary to qualify this generalization. In regard to minerals, the demands of war have imposed a heavy burden on the base metal mines of Canada. They are operating under conditions where the need for maximum output has led, in many cases, to mining practices which would normally be considered to be contrary to the soundest engineering tradition. The most serious repercussion of the war on mining is, however, the virtual cessation of search for minerals except those that are in the category of strategic materials—tungsten, molybdenum, magnesium, chromium, and tin. In particular, gold properties are not being looked for, and are not being found. An analysis of the mining industry as it is today reveals the fact that the great bulk of the production comes from mines found more than thirty years ago, and, unless steps be taken immediately to encourage search for mineral deposits, mining in the post-war period will employ fewer, not more, men than before the war began. This is a serious situation that demands the most careful consideration.

*Increased number of skilled workers.* Paralleling the increase in productive facilities, there has occurred a sharp increase in the number of persons gainfully employed within the Dominion of Canada. In spite of the fact that close to 700,000 persons were enrolled in the armed forces at that time, it is estimated that there were 4,462,000 persons gainfully employed on January 30, 1943. The comparable figure for August 31, 1939, was 4,100,000. These aggregate figures do not, however, present a complete picture of the change that has taken place between these two dates. The number of men employed in agriculture has declined from 1,450,000 to 1,020,000, while the number employed in industry has increased from 2,650,000 to 3,442,000. The number of women on the farm has decreased from 925,000 to 830,000, while the number of women in factories has almost doubled.

A larger proportion of Canada's people are now earning wages or salaries than at any time since 1918, and many of these individuals have received special training which enables them to look forward to a higher level of earnings in the future than that for which they qualified before 1939. Although precise statistics are not available on this point, it is known that large numbers of munition workers have received special training to fit them for their present work, while tens of thousands of those now in the armed forces have also received technical instruction of a kind that should serve them well when the war is over. It must also be remembered that the rehabilitation program set forth in Order in Council 7633, of 1941, provides generously for the vocational training of men and women demobilized from the armed forces, so that the aggregate number of skilled workers will probably show a measure of increase proportionate to that of the productive facilities discussed in preceding paragraphs.

In this particular field, the precise effect of these developments upon post-war Canada cannot be measured accurately until we have found the answers to several important questions, some of which are touched on in subsequent sections of this Report. One important problem that arises in regard to those who have acquired new skills during the war concerns the attitude of trade unions in the matter of qualifications for membership. Will the man who has received his training as an electrician in the air force be regarded as a qualified electrician by his mates when he seeks employment after demobilization? Another group of problems concern the attitude of the community toward women workers in factory and office. Will the number of women seeking gainful employment be larger than it was before the war, or will a substantial number of women be encouraged to leave gainful employment for married life when their husbands are able to obtain regular civilian employment at reasonable wages? Will employers who have taken on women during the war wish to retain them when peace returns, or will they wish to revert to men? In a supplementary sense, one might also ask whether the importance of technical skills during the war has weakened the ancient, and foolish, prejudice that tended to regard white collar employment as superior to the skilled manual trades.

The answers to each of these questions will directly affect the total number of those seeking employment during the post-war years, but in the light of such information as is now available it would seem that this total will certainly be larger than it was in 1939, even if we exclude entirely the possibility of any substantial immigration from other countries.

*The backlog of demand for goods.* A third section of this general picture of the impact of the war upon Canada, and one that is particularly relevant to the short period immediately following the conclusion of hostilities, concerns the steadily growing backlog of demand for goods which are unobtainable at the present time. Once again, it is impossible to present detailed statistics

regarding the probable size of any particular market after the war. The exact extent of the unsatisfied demand for any product on the morrow of victory will depend upon the extent to which its production was curtailed during the period of the war, and, in this regard, careful attention must be given to the possibility that the output of certain types of civilian goods may actually be increased before the war is over as a result of the fact that, in some areas, the expansion of industrial facilities and an augmented supply of critical materials may surpass the current demand for munitions. In a similar sense, it must be remembered that even in those areas where a substantial backlog of demand is found to exist at the moment when hostilities are concluded, the unfilled orders may be satisfied in a comparatively short period if industrial reconversion is prompt and effective. Both the extent and the duration of this post-war sellers' market are, at the moment, unpredictable, but the available evidence testifies to a substantial unfilled demand for many different types of commodities.

In the case of producers' goods, under which term we include the machines, equipment and raw material inventories used to produce consumer goods or services, there is likely to be a substantial demand resulting from the fact that many firms have not been able to make good the effects of obsolescence and depreciation since the war began, nor have they been able to replenish inventories satisfactorily. In the case of plants that do not contribute to the war effort, the reason for this enforced neglect is obvious, but even in the case of equipment of the most vital kind the strain has often been such that a large deferred maintenance account has been built up.

This is particularly true in the case of railroad equipment and agricultural machinery, but other examples of equal importance could be cited. If other circumstances should be favourable to such action, several industrial enterprises are even now contemplating the complete reconstruction of existing plants shortly after the conclusion of hostilities.

Detailed information on this phase of the post-war situation will soon be available from the Committee on Industrial Reconversion, which has been working in close association with the Committee on Reconstruction, as well as from the special committees that have been set up in the Pulp and Paper industry, the Textile industry and other areas, but meanwhile it may be suggested that the precise magnitude of the demand for producers' goods during the transition period immediately following the war will depend upon two interacting sets of forces. To the extent to which existing facilities can be converted from war to peace-time production, without the use of new equipment other than available raw materials, the aggregate demand will be reduced. This problem of reconversion therefore demands very careful study by each industry, and indeed each enterprise, so that the facts may be clear long before the conclusion of hostilities. On the other hand, it is apparent that technological changes, by rendering existing equipment obsolete, may greatly augment the demand for new producers' goods—a factor of importance in such industries as radio-communications, automobiles and aeroplanes.

Turning to the field of consumers' durable goods, the growth in potential demand is even more obvious. Although the wage-earning groups have received during this war a greatly increased money-income, consumers have not been able to purchase many of the things on which that income would have been spent in normal times. New homes, new automobiles, new radios, new washing machines, new electrical appliances—these are but a few of the things that used to be produced by factories now engaged in the production of war supplies, and, although we must follow carefully the extent to which an increased output of such articles is permitted during the remainder of the war (in the United States and Great Britain, as well as within the Dominion of Canada) present indications suggest that the demands of many families will still be unsatisfied

when the war comes to an end. Even in the case of such semi-durable goods as clothing, the aggregate demand during the immediate post-war period is apt to be substantial, since many civilians have voluntarily reduced their purchases during the last four years, while, in Great Britain, a strict system of rationing has been imposed. All of those persons now in uniform, throughout the United Nations, will also wish to obtain civilian clothing as speedily as possible.

It should also be pointed out, under this head, that a substantial foreign demand for Canadian goods is likely to develop during the post-war transition period if satisfactory international plans are carried into effect for the rehabilitation of distressed areas in Europe and elsewhere. This problem is discussed in another section of the present Report, but the subject is mentioned here because this international demand would probably comprise a large variety of perishable agricultural products and so influence a sector of the Canadian economy which would not be directly affected by the domestic demands already mentioned.

*The supply of spending-power.* Given an expanded capacity for production, an increased number of skilled workers, and a strong desire on the part of many individuals for additional commodities, it would seem that economic activity should expand rapidly on a peace-time basis during the immediate post-war years, provided that there is available in the hands of potential purchasers a current income (or accumulations from past income) adequate to enable them to make their desires effective on the market.

Unless we are to assume sweeping changes in the economic and political philosophy of Canadians, the aggregate supply of spending-power and its distribution among the people of this country are matters of critical importance to the Canadian economy during the immediate post-war period. All of the evidence available at the present time suggests a tremendous spending spree, and a serious danger of post-war inflation if rapid adjustments are not made to changing circumstances by governments and private enterprise. With an increase of \$1.25 billions in the aggregate supply of currency and bank deposits between the beginning of the war and May 31, 1943, with more than \$1.5 billions of victory bonds in the hands of non-financial corporations, and another \$2.0 billions in the hands of individuals after the fourth victory loan was floated, there obviously exists even at the present time a tremendous reserve of spending power that can make itself felt in the market for goods as soon as hostilities have been concluded.

These general figures, although they indicate the magnitude of the problem that confronts us, do not tell the whole story. So far as the net profits of business are concerned, the greatest increase has occurred in the iron and steel industry, the pulp and paper industry, the textile industry and general merchandising areas of the Canadian economy that were seriously depressed during the period prior to 1939—but in almost all lines of activity, although the financial position of the strongest companies shows little or no improvement, the increased earnings of weaker companies have raised the average. In general, therefore, it would seem that industrial and commercial corporations will be in a better position than they were in 1939 to obtain from the capital funds market the money needed for conversion and improvement projects which they wish to undertake (especially if rates of interest continue at the present low level, while the accumulation of reserve funds, which indicates a stronger working capital position) also tends to provide money for expenditures of this kind in certain cases. Even though detailed statistics of these reserve funds are not available, it is apparent that the greater part of the increase in demand deposits (from \$742 million in 1939 to \$1452 million in May of 1943) is represented by accounts with balances in excess of \$100,000, most of which presumably represent business reserves. It should also be remembered that something like a

quarter of a billion dollars is refundable by the Dominion Government to business enterprises after the war, on account of excess profits tax, and could, if the Government adopted an appropriate policy, be made immediately available for reconversion expenditures. On the whole, therefore, it would seem that, although business enterprise has not been able to retain earnings on a scale comparable to that which was reached during the years from 1914 to 1918, its ability to finance the purchase of materials and equipment during the period immediately following the present war will be above the level reached in 1939.

In the case of Canadian agriculture, where the statistics are even less adequate than those regarding commercial and industrial corporations, the story is very much the same. Agricultural earnings have increased since 1939 and the portion of these earnings that has been taken by the tax-collector may perhaps have been proportionately smaller than the amounts that have been paid by industry and commerce. Agricultural indebtedness has been substantially reduced in many parts of the country and, in some cases, liquid balances have been accumulated by the farmer during the period of the war, so that if Canada is able to avoid an acute agriculture depression during the years of transition, the farmers can be expected to exercise a greatly increased demand for the goods and services that they desire.

Much the same conclusion results from a study of provincial and municipal finances, and the financial position is even more apparent in the case of the municipalities than in that of the Provinces. Aggregate revenues have increased in all cases, in spite of the declining receipts from gasoline, tourist traffic and related sources, while the growth in employment and earnings throughout the population has permitted a reduction of expenditures on relief and welfare. There has also been a virtual cessation of expenditure on capital projects and a heavy curtailment of maintenance operations, so that many governmental bodies now enjoy an annual surplus which can be used to reduce indebtedness or set aside for expenditures during the post-war period. In spite of the instances where municipalities are still in financial difficulties; the average burden of debt has been diminished and the possibility of post-war public expenditure along the lines of the discussion in Section VII of this Report is substantial in the aggregate.

In the case of the consuming public generally, the present trends are more complex. In the case of those who had annual incomes of, let us say, \$3,000 or more, before 1939, the increase in taxation has been such that (excluding the cases where income has increased sharply) there can be little, if any, additional saving, but in the case of many of the four million persons gainfully employed in 1939 who reported incomes of less than \$3,000 and of all those who have since that time entered gainful employment, there has been a sharp increase in money income. This increase in consumer-incomes has already resulted in a sharp rise in consumer buying, so that aggregate expenditures in this field have risen nearly as fast as the index of industrial production. Up to the present time, no serious scarcities of consumer goods have become apparent, except in the case of certain types of durable goods already mentioned, while the controls exercised by the Wartime Prices and Trade Board have prevented any dangerous increase in the indexes of price level.

The inter-relationship of consumer-income, consumer expenditure and price levels cannot, however, be over-emphasized in its significance to those responsible for the development of reconstruction programs. Although the price indexes have moved slowly, there has been a wide dispersion of individual prices, and the payment of subsidies in certain cases tends to conceal an economic strain that would result in even wider dispersion if economic forces were not checked in this manner. Such a dispersion tends to augment the difficulties of price control, which would be further increased if acute shortages

should develop in the supply of any important groups of commodities during the remainder of the war.

That the breakdown of price control, under such inflationary pressure, would seriously interfere with Canada's war effort is amply apparent, but the effect of such a breakdown upon the post-war situation is not as clearly recognized. If the average Canadian has to pay higher prices for the goods that he purchases during the war, the portion of his income that he can set aside for future expenditure is automatically reduced and the aggregate spending power available to him during the post-war years must diminish. The effective maintenance of the price ceiling during the period of hostilities is therefore a vital part of any realistic plan for post-war reconstruction.

Granted that the price ceiling is maintained, with the wage ceiling as an integral part of it, there is evidence to suggest that Canadian consumers will at the end of the war be in a position to purchase substantial quantities of the goods and services that they desire. Attention has already been called to the individual holdings of victory bonds and the aggregate figure of \$190,000,000 for war savings certificates outstanding (as of May 31st last), although of much smaller magnitude, suggests a modest accumulation of savings in the hands of those who are too poor to purchase bonds. Something like one hundred million dollars will also be available under the compulsory savings feature of the income tax laws for the two fiscal years 1942-44, and it is likely that this figure will grow during the remaining years of the war, while other savings take the form of increased bank balances in the form of both demand deposits and savings deposits. Nor must we lose sight of the fact that the aggregate volume of consumer indebtedness for instalment purchases has declined considerably, partly owing to the scarcity of commodities on the market and partly to the regulations imposed by the Wartime Prices and Trade Board. In the United States the aggregate amount of such consumer debt fell from almost \$10,000 millions in 1941 to \$5,000 millions in 1943, and it is highly probable that the proportionate decline has been even greater in Canada.

On the whole, therefore, the ability of consumers to purchase goods, for cash or on the instalment system, is likely to be greater during the immediate post-war period than it was in 1939, and this conclusion is strengthened if we bring into focus the sums that will be received by demobilized soldiers and discharged munition workers. Although no substantial cash bonuses are contemplated in either case, the provisions of P.C. 7633 offer to the men and women who are demobilized from the armed forces a weekly living allowance for as much as fifteen months after demobilization, while the provisions of the Unemployment Insurance Act will provide many munition workers with a similar allowance on a varying scale during the period while they are seeking peace-time employment. At the present moment, however, participation in the Unemployment Insurance Scheme is restricted to those in certain occupations whose annual earnings, exclusive of cost of living bonus, do not exceed \$2,400, so that some of the more highly paid workers in munition factories are excluded. While neither of these groups of payments is large enough to encourage extravagance on the part of the recipient, they should be adequate to prevent any substantial reduction in the level of family expenditures during a short period of transition, and the Committee on Reconstruction is of the opinion that the present restrictions on participation in the Unemployment Insurance Scheme should immediately be modified in a fashion that will make it applicable to all those employed on a weekly wage in factories directly dependent on war production.

Throughout this discussion of probable consumer expenditure during the immediate post-war period, it must be remembered that the enlarged savings and augmented borrowing capacity may both be exhausted during the first one

or two years so that long-range programs for the maintenance of a high level of consumer income and the provision of adequate employment opportunities must be adopted if the volume of business is to be maintained. It must also be reiterated that any failure to maintain the price ceiling, on the part of the Government, would result in dangerous inflation sufficient to exhaust consumer-buying power uselessly and undermine the soundness of business activity. Failure to recognize these facts, and to execute policies based on that recognition, would seriously prolong the period of transition from a war economy to a peace economy and jeopardize the whole reconstruction program, but if these dangers are avoided it would seem that the spending-power in the hands of consumers, like that in the hands of other groups in the community, will be adequate to provide an effective demand for substantial quantities of goods during the period immediately following the conclusion of hostilities. In that event, business optimism, and a tendency toward mild inflation, would be forces that could be counted upon by government to aid it in the execution of its general program for the reconstruction of Canadian economic life on a peace-time basis, and private enterprise would spontaneously assume a large share of responsibility for the transition.

### III. *The Problems of the Transition Period.*

If the analysis in the preceding section is substantially accurate, the transition period immediately after the war will be one in which idle men and idle machines are ready to produce goods that are desired by purchasers who can afford to pay for them—but the scope of the reconversion problem is so large that chaos would undoubtedly develop if no conscious efforts were made to provide for a gradual transfer of manpower and resources as well as for an equally gradual expansion in the scope of effective demand for goods. Although the decisions made at that time will undoubtedly have long range implications that deserve careful study, the immediate post-war period must not be regarded as a time for comprehensive social and political revolution. The task of converting the Canadian economy from war to peace is itself even more complicated than the problem of mobilizing our economy for war, during 1940 and 1941. If serious depression and economic disorganization is to be avoided, the post-war transition must be recognized for what it is, and all our attention must be concentrated on the accomplishment of a task that will lay the foundation for the future development of this Dominion.

In order to focus attention on the primary ideals toward which Canadian policy should be continuously directed throughout this period of transition, the Committee desires to offer the following brief statement of the aims that it regards as paramount:—

1. The reconstruction policies of government and private enterprise during the period of transition must provide peace-time employment as speedily as possible for all of those men and women who are able and anxious to work.
2. These policies must be designed to produce, with as little delay as possible, adequate supplies of the many varieties of goods and services that are demanded by potential purchasers at home and abroad, due consideration being given to the fact that, where shortages are inevitable, essential goods should be made available in substantial quantities before materials and labour are devoted to the production of luxuries.
3. The reconstruction policies of the government must adequately protect from want those individuals who are unable to obtain gainful employment through no fault of their own and, as an integral measure of social security in the broadest sense, the children of Canada should be protected from malnutrition and inadequate educational opportunities.



4. Governmental policy should provide with a minimum of delay for the free functioning of markets, domestic and foreign, in order that the economic frictions inherent in the period of transition may be reduced to a minimum, and equilibrium among the various economic groups in Canada established, as speedily as possible.
5. Monetary policy, price control and commodity rationing policies should be consciously modified from time to time during the transition period in a fashion designed to prevent the development in particular segment of the Canadian economy of an inflationary condition that would jeopardize the whole reconstruction program.

These five aims underly all the recommendations set forth in the following paragraphs and, in the opinion of the Committee on Reconstruction, they constitute the essential elements of any sound reconstruction program. To strive for more would unduly complicate the problem: to content ourselves with less would belie the professions of faith embodied in the Atlantic Charter and all the pronouncements that have followed it.

#### IV. *The Role of Private Enterprise within Canada.*

Theoretically speaking, the existence of a large demand for goods, together with greatly increased productive capacity and large numbers of workers becoming available from the armed services and war industry, should encourage private enterprise to provide employment and produce goods—thereby satisfying the two first ideals of reconstruction policy. To the extent to which private enterprise responds to this challenge the responsibilities of government will be diminished, and in view of the multitudinous complexity of the problems that will arise in different industries and different geographical regions of this Dominion during the transition period it is of the utmost importance that the initiative of many individuals should be encouraged in order that Canada may find satisfactory solutions to the greatest possible number of particular problems.

It is apparent, however, that private enterprise in commerce, in industry and in agriculture cannot play a prompt and effective part during the period of reconstruction unless careful preparations have been made in advance of the conclusion of hostilities. The Dominion Government itself must, at an early date, announce its policies in regard to the future operation of plants owned by Crown companies, but from the viewpoint of private enterprise, the speedy reconversion of a factory depends on detailed plans developed by experts long before the moment arrives at which these plans can be put into execution; the production of a new article cannot begin until all the problems of equipment, tools and raw materials have been satisfactorily settled.

It is essential, therefore, that each economic group (and indeed each individual enterprise) should during the period of war prepare detailed plans and specifications for the production of the commodities that it expects to market when hostilities have been concluded. The Committee on Industrial Reconstruction and various private committees set up by particular industries are at present collecting basic information in this field (and incidentally assisting individual enterprises to prepare plans for the solution of their own peculiar problems) while the Department of Munitions and Supply is responsible for a similar study of the problems of Crown companies. These studies must obviously include much more than the specifications of post-war products and the analysis of post-war markets, although nobody would underestimate the importance of these aspects of the problem. Detailed information is necessary regarding the technical aspects of plant reconversion. How long a period will elapse before civilian goods can be produced in substantial quantity? What types and quantities of machinery and equipment will be needed? What is the precise extent of the anticipated demand for raw materials and, in the event that shortages of particular raw materials should be encountered, to what

extent would it be possible to make use of substitutes? At what prices are the new products to be offered on the market? To what extent will each enterprise require funds from the sale of bonds or stocks in order to finance the reconversion of its plant; on what terms and conditions is it willing to seek funds for investment in new plant and equipment? What employment opportunities, for skilled labour and unskilled labour, will be provided by each enterprise during the period of reconversion and after reconversion has been completed?

The planning carried out by private enterprises along these lines must also take cognizance of the important time-factor during the immediate post-war period. In view of the fact that the demand for most commodities will, for a brief period, greatly outrun the available supply, it is important that immediate efforts should be primarily directed towards augmenting the supply of consumer goods. This suggests that in the case of those enterprises where extensive reconstruction of industrial plants is contemplated, on a scale greater than is needed to meet immediate demands for the product, the reconversion operations might be planned in two stages. The immediate post-war operations would involve the minimum rehabilitation of the existing plant for the purpose of producing marketable goods, leaving the longer-range reconstruction to be carried out at a later date.

Until detailed plans have been prepared along these lines, within each industry, we lack information that is of vital importance to reconstruction planning and, if a system of free enterprise is to be preserved in Canada after the present war, it is clear that these answers must be provided by business itself rather than by government. In view of the critical nature of the problem it is, however, apparent that Canada cannot afford to let each enterprise develop its own plans in such a way that their eventual execution would jeopardize unnecessarily the soundness of other enterprises. Canada, like other countries, is in process of working out a new equilibrium between private interest and public welfare and, although it would be rash to attempt to define at this moment of time the precise boundary between the two forces during the years of transition, it is apparent that some effort must be made (cooperatively by industry itself or under government auspices) to co-ordinate the post-war plans of various enterprises operating in the same field.

The government must do all that it can to encourage every business enterprise to develop post-war plans, and it must also take steps to see that these plans are coordinated with one another in harmonious fashion. Something more than exhortation is required if these aims are to be accomplished and, in regard to the encouragement of planning, the interest of the government might be demonstrated by a reasonable revision of existing statutory provisions covering the deduction from income, before taxation, of expenses incurred in connection with the planning of post-war expansion or reconversion. Other fiscal devices which would also be of assistance are discussed in Section VII of this Report. In regard to the coordination of plans, the government might take steps to encourage the creation of industrial committees (comparable to those that exist in the textile industry and the pulp and paper industry) in order that machinery might exist which could be used for technical consultation before decisions of public policy are made.

In view of your Committee's feeling that private enterprise should in the future continue to play an important part in the economic life of the Dominion, it seems appropriate to discuss at this place in the Report our opinion as to the significance of capital formation\* in the maintenance of economic stability

\*The term *capital formation* is so widely used nowadays, with a variety of meanings, that it seems desirable to state precisely the sense in which it is used throughout this Report. The *process of capital formation* is the familiar one by which individuals, corporations or public bodies purchase machinery, equipment and raw materials with a view to using such goods in the production of other goods or services. Investment in such capital goods obviously decreases the supply of goods and services available for immediate consumption, and the *aggregate capital formation* in any year represents the total amount of goods and services withdrawn from current income for the purpose of expanding either the production equipment or the material fabric of the community.

and full employment. Although it is not necessary to enter into a detailed exposition of the development of monetary theory during the past two decades, a brief statement of the general problem as it is seen by the great majority of modern economists may not be out of place.

Speaking in general terms only, the aggregate money income of all members of the community (including corporations and governmental bodies) must be expended in the purchase of the current output of goods and services if our national economy is to be maintained in a state of active prosperity. So far as the income of the consuming public is concerned, the recognition of this fact does not constitute any serious problem. If reasonable certainty of continuous employment exists, the vast majority of the population will spend all (or almost all) of its money income in the purchase of goods and services that contribute directly to the family standard of living. Some portion of the family income is, of course, saved by those who are living above the subsistence level, and the volume of saving tends to increase more than proportionately to the size of the family income—but the exact proportion in each case changes very slowly during periods of stable income and economic prosperity. In the case of corporate savings (the amounts retained out of current income after all current obligations have been met and dividends distributed) and government savings (the net excess of current revenue over current expenditure) there is a somewhat greater variation from year to year—but the aggregate volume of saving for all three groups seems to change very slowly during periods of stable national income and widespread employment.

This tendency toward regular saving habits in normal times needs to be emphasized, because examination of the records covering the period from 1919 to 1939 suggests on first glance a wide fluctuation. Substantial annual savings were made during the prosperous 'twenties, while, during the 'thirties, (when unemployment was widespread) there occurred years in which the aggregate expenditure, by the nation as a whole, of funds previously saved was actually greater than the total amount saved out of current income. This situation was obviously related to conditions of unemployment and diminished earnings, and we do not anticipate the development in Canada after the present war of conditions of economic depression comparable to those that existed from 1932 to 1935. If such conditions should develop, they would indicate the complete break-down of all reconstruction programs, so that we are much more interested in the comparative stability of the proportion of savings to national income during periods of substantial business activity and steady, or slowly rising, national income. On the basis of available data, it would seem that the aggregate savings of all Canadian individuals, corporations and governmental bodies during a good year, when there is reasonable certainty of continuing employment and output, amounts to something like 20 per cent of the aggregate national income. Although more detailed statistical analysis may lead to some slight modification of this percentage, it is unlikely to change the broad conclusion that saving habits change but little during periods of normal activity. When Canada is prosperous, our people spend about four dollars out of every five on the necessities and comforts of life but, if all the money income needs to be spent on goods and services in order to ensure continuous prosperity and an adequacy of employment opportunities, it is necessary for us to see what happens to the other fifth of the national income.

Theoretically speaking, the savings of the community are invested in capital equipment. The individual may purchase new stocks and bonds on his own account, thus providing the corporation with the funds that it wishes to spend on raw materials, new factories and new equipment.\* Alternately, he may

\* We can obviously ignore, the purchase of old securities from a previous owner, since the latter must either spend the money on consumption (in which case no net saving has occurred) or invest it in new securities. He might, as a third possibility, hoard the funds in an idle bank balance or a safety deposit box—but both of these practices are sufficiently rare in normal times for us to ignore the complexities to which they lead.

deposit his money in a savings account or pay premiums to a life insurance company, but these institutions will normally endeavour to invest the funds in securities with a minimum delay since their aggregate earnings are dependent on the income from such investment securities.

In theory, therefore, that portion of the national income which is not spent on consumption automatically becomes available for expenditure on capital goods of one kind or another. Unfortunately, however, all of these savings are not automatically spent for this purpose, since the decision to purchase new capital equipment is made by the business enterprise or government on the basis of a careful survey of many factors. The availability of funds from savings is only one factor in that consideration, and not the most important, so that the aggregate expenditure on capital goods may differ greatly in any single year from the aggregate amount of savings made available out of income. In the United States, between 1920 and 1934, gross capital formation fluctuated widely, rising as high as 24.3% of national income in 1920 and falling to 9.0% in 1933,\* and it is highly probable that the fluctuations in Canada were of proportionate magnitude. These fluctuations are among the most important causes of business cycles, and careful investigation tends to emphasize the fact that the maintenance of full employment, in Canada or in any other country, demands greater stability in the level of capital formation from year to year.

Every business enterprise must therefore be encouraged to develop a long-range program of capital expenditure, and if it does not do so it will be failing to undertake one important segment of its responsibility for reconstruction. Such a program, moreover, must include more than the planning of immediate post-war reconversion of its plant for the production of civilian goods (a problem that has already been discussed) and envisage the careful planning of all capital expenditure during a longer period of years. The program should also be as flexible as possible, so that projects can be carried into execution promptly in periods when the aggregate capital formation shows a tendency to decline, since perfect flexibility of well-planned business programs would tend to reduce considerably the size of the collateral public investment program which is discussed in Section VII of this Report.

One special problem, in this field of industrial reconversion and long-range capital formation, arises in the case of the thousands of small business enterprises that existed in Canada at the outbreak of the war—a group which, in the aggregate, contributed a substantial proportion of the national income. Some of these enterprises, especially those engaged in fields that contribute directly to the war effort, have greatly strengthened their financial position and will emerge from the war in very liquid condition, but there are thousands that have not been so fortunate. Many such enterprises have been compelled to restrict their operations as a result of priority regulations in regard to raw materials and the withdrawal of labour-supply by the National Selective Service, and some of the smallest have suspended operations entirely when the proprietor enlisted for active service with the armed forces.

The plans that are developed by large-scale industries will, of course, be of direct benefit to these small enterprises during the post-war years, but they will not solve all the problems that confront the latter. Two further developments, therefore, seem desirable to your Committee. In the first place, the small business enterprises in each city (particularly those engaged in retail merchandising) should be encouraged to undertake co-operatively a study of their own post-war problems, this study being regarded as an integral part of the local reconstruction planning which is mentioned later in this report and assisted by such local committees as are set up under the auspices of municipal authority. Since most of the small business enterprises are local in character the advantages of this arrangement are obvious. In the second place, it would seem

\* S. Kuznets: *National Income and Capital Formation*, New York, 1937, p. 45 et seriatim.

desirable to institute a careful study of the extent to which the existing financial machinery of Canada adequately meets the needs of small enterprises for capital funds in regard both to the extent of the accommodation provided and the rates of interest charged. There is no assumption, in this suggestion, that the public Treasury should be drawn upon to assist one class of entrepreneurs by subsidies or financial concessions. What is needed is a careful survey of existing machinery, and the introduction of any changes that may be necessary to ensure that small enterprises will be able to obtain the funds necessary for such equipment and plant as they are demonstrably able to use with efficiency and profit. If this financial problem is solved, and adequate plans are developed co-operatively in each locality, small business enterprises may in the aggregate, contribute a substantial amount to the process of capital formation during the post-war period.

Entirely apart from the problems that all business enterprises, large and small alike, must confront in regard to post-war reconversion, your Committee is impressed with the responsibility of business management, for the development of a better understanding with their employees. Private business enterprises must, to a greater extent than heretofore, recognize the fact that labour has a tremendous and important stake in the national economy of this Dominion.

In view of the wide diversity of policy among business enterprises at the present time, in this matter, the suggestions which are put forward here may be regarded as an effort to raise the policy of all enterprises to a level that has already been attained by the best of them, rather than an effort to break new ground, but that simple fact tends to emphasize rather than to diminish their importance. Lip service has long been paid to the fundamental fact that labour and management are partners in a common enterprise, the success of which is essential to the welfare of both parties, but every student of the subject realizes that Canada has not yet attained this ideal in everyday economic life.

Security of employment is basic to any effective reconstruction policy, and every business enterprise must accept the clear responsibility for planning its operations in a manner that will provide continuous employment at steady wages for an appropriate number of workers. A record of high turnover of labour in normal times must be universally recognized as a sign of business inefficiency. As a further step in the same direction, management must assume the responsibility for the maintenance of a level of earnings for all its workers that is as high as possible in the light of prospective market prices, current costs of materials and a reasonable return on the capital invested in the business. In approaching this ideal the annual income of the worker, rather than the hourly rate or the weekly wage, should be the figure on which attention is concentrated, and it must be remembered that comprehensive plans involving profit sharing, regular holidays with pay, or company pension plans to provide retirement allowances for all employees may constitute an important part of this total annual income.

Such provisions regarding security of employment and an equitable distribution of the income from economic activity are essential elements in any effective partnership between management and labour, but the ideal of partnership implies more than an attitude of justice, even of generosity, on the part of one partner. Partnership implies co-operation and frank discussion of common problems. To attain this ideal it would appear desirable that joint committees composed of representatives of labour and management should be set up, formally or informally, within each enterprise for the purpose of facilitating discussion. The scope of such committees might vary widely from one plant to another, since their activities would depend to a large extent on the calibre of the individuals appointed in each case, but it is the opinion of your Committee that the usefulness of such machinery would tend to increase steadily with the passage of time.

This proposal for the creation of labour-management committees is not intended to interfere with the development of organized trade unions, which are specifically discussed in the following section of this Report. Indeed, your Committee is unanimously of the opinion that government policy and business policy must both recognize the right of a majority of the workers in any plant or industry to decide upon the formal type of organization that it wishes to adopt and upon the form of collective bargaining that it finds most appropriate to its special problems.

#### *V. The Responsibility of Organized Labour*

As a corollary to the factors set forth in the preceding section, organized labour must consciously undertake its share of the responsibility for the attainment of full employment at reasonable wage levels.

The phrase "full employment", which is used in this Report and throughout contemporary discussions of post-war reconstruction, does not mean that every individual in Canada must be continuously employed. Such an idea would be fantastic. Except on those occasions, which we hope will be rare or even non-existent, when national emergency demands the mobilization of every individual, there will be many who do not desire gainful employment. Many married women will be included in this group, many older people will wish to retire from work in order to enjoy the leisure that a pension affords and increasing numbers of young persons may wish to postpone the search for employment in order that they may attain a better education. It is highly desirable that all of these individuals should be encouraged to follow their inclinations. In a completely different sense, there are large numbers of people who seek gainful employment during a part of the year but do not wish to remain continuously at such jobs. College students seek temporary employment during the summer vacation; farmers accept winter jobs in the woods or in the cities, and other seasonal workers follow a succession of employments (often widely different from one another) during the course of a normal year. No useful purpose would be served if we should try to provide for these people continuous work at a single job, and the same conclusion holds true in the case of that smaller number of Canadians who, for one reason or another, accept part-time employment but are unable to remain at work continuously. Although the policies advocated in the preceding section might be expected to reduce the seasonal turnover which now exists, and to diminish the amount of part-time employment by eliminating the gaunt spectre of want which has often encouraged it in the past, these two groups of workers will not be eliminated under a system of full employment.

The advocacy of policies designed to maintain full employment implies no more than a determined effort to eliminate that mass unemployment which has, in the past, been a distressing corollary of the cyclical fluctuations in business activity, and the existence of a small amount of temporary unemployment is perfectly consonant with the attainment of such an ideal. Individual business enterprises may fail through inefficiency of management, or from other causes, even when conditions within the industry in which they are engaged continue prosperous. Particular trades and particular industries may decline for reasons associated with public taste and scientific technology even though the aggregate figure of national income is well maintained, and the extent of these changes may be very large over long periods of time. In Great Britain, for instance, during the years from 1881 to 1931 the number of persons (per 10,000 gainfully occupied) who were employed in the manufacture of silk declined from 50 to 34, in the manufacture of woollens and worsted from 198 to 118, and in the manufacture of cotton textiles from 935 to 626. On the other hand, the numbers employed in the manufacture of chemicals, explosives, paints, oils and rubber increased from 41 to 144, and in the manufacture of metals, machines, implements and conveyances from 728 to 1,145.

These changes are highly desirable. The health of the national economy depends upon the prompt elimination of unsound firms and obsolete industries, since the effort to preserve them could only result in economic ossification and ultimate collapse. In a sense it may be contended that the automatic elimination of such units by the operation of the profit motive constitutes the greatest merit of the competitive system of private enterprise.

The policies of organized labour, like those of government and of business, must recognize this basic fact and consider each individual problem in the light of the broad interests of Canada as a whole. Two groups of problems, which will inevitably confront us at the end of the war will serve to illustrate the point.

In view of the rapid expansion of war industries, and the contraction in the number of persons employed in industries producing civilian goods not directly useful in Canada's war effort, it is apparent that a large number of workers must at the end of hostilities seek new employment. In each individual case, the transfer from one job to another will involve weeks or months of unemployment and may require, in some instances, the retraining of the worker in a manner that will qualify him for new employment opportunities that are opening up. Government admittedly has a large share of the responsibility for adopting policies that will reduce the period of unemployment for each individual and minimize the total number seeking employment at any one time. This aspect of the problem is discussed later in connection with the employment offices, social security proposals and policies of public investment. But even when government has done all that might be expected of it, the trade unions bear a considerable responsibility for the successful achievement of this tremendous transfer of labour. They must face the fact that, since transfer of jobs and some incidental unemployment are inevitable, no useful result can be secured by policies that attempt to prevent the discharge of workers from munition factories. Although labour and management can both cooperate with government in the effort to provide for such a gradual transfer of labour as will reduce the danger of mass unemployment, it must always be remembered that the final transfer should be carried out as speedily as possible. Any unnecessary delay can only serve to prolong the period of transition and postpone the time at which the Canadian economy will be functioning smoothly on a peace-time basis.

A further responsibility rests upon organized labour in regard to the rules and regulations which it imposes upon the admission of individuals to certain trades. Such regulations are highly desirable and it would be an irreparable loss to Canada if the spirit of craftsmanship which they enshrine should ever disappear, but many of the existing regulations might be regarded as more appropriate to a condition of limited production (and to a strictly limited number of employment opportunities) than to the aims of full employment which underlie this Report. It is essential, then, that each union should carefully study the existing provisions of its constitution regarding recruitment and qualification in order to ensure that its practices do not constitute an unnecessary barrier to the employment of individuals who are fully competent to undertake the work but have acquired their skills by methods not covered by union regulations. It has already been pointed out that many thousands of men and women have acquired new skills in the armed forces, or in the factories that are producing war supplies. Some of these will presumably be fully qualified to engage in skilled trades, others will require a supplementary period of apprenticeship or formal training much briefer than that required of immature youngsters under the conditions that prevailed before the war, so that each union can make an important contribution to the attainment of full employment in Canada (with no sacrifice of its own traditions) if it will undertake before the conclusion of hostilities to give careful study to this matter

and cooperate with the appropriate governmental authorities in the development of a scheme that will facilitate the rapid transference of labour.

A different type of problem will confront organized labour in regard to the consideration of wage and salary rates during the post-war period of transition. Even if we ignore the possibility of substantial changes in the general level of prices and wages, it is apparent that the attainment of economic equilibrium after the war will require changes in the wage scales of specific industries. In some cases, notably in those industries that have languished during the war years, an increase in wage-scales may be appropriate, but there will also be cases (notably in some of the munition plants which will presumably close down at the end of the war) where current wage-scales and overtime payments have reached a level that might prove unduly high for private industry in the immediate post-war period. Within a single industry, moreover, it is highly probable that the wage ceiling, the cost of living bonus, and the divergent overtime rates for different groups have changed the pattern of aggregate earnings of different classes of workers in such a way that the attainment of long-range efficiency will demand a careful readjustment of individual wage rates.

No detailed forecast of the magnitude of these problems can be attempted at the present time, nor do we know the precise areas of the national economy in which they will prove most troublesome, but the ideal of partnership which was emphasized in the preceding section places upon the shoulders of organized labour the responsibility to consider each case not as an isolated controversy but as part of a comprehensive problem that involves all workers and indeed all Canadians. It has been the tradition of trade unions to strive for the attainment of higher wage rates at all times, and this tradition was warranted in its inception by the fact that unions were deliberately created for the just purpose of strengthening the hands of the individual worker in his effort to sell his services at the highest possible price. That tradition will undoubtedly continue to flourish but if labour organizations are to succeed, in the long run, in their effort to enhance the welfare of their members, it is essential that they should during the years of transition maintain a sense of perspective which embraces the whole Canadian economy and combines the present with the future. Any attempt to fight a rear-guard action by attempting to maintain for all workers rates of earnings comparable to the highest rates received by some favoured individuals during the war will diminish the prestige of organized labour and create an atmosphere of friction and uncertainty which is detrimental to effective reconstruction.

#### VI. *The Special Problems of Agriculture*

The problems of agricultural reconstruction are of special importance to the Dominion of Canada, but because the solution of these problems is so directly dependent upon the international factors discussed in Section IX of this Report it is exceedingly difficult for any single country to formulate on its own initiative a comprehensive policy for the solution of the problems that it will confront in this field. In the concluding section of the present Report, it is suggested that a special committee on the development of Canadian agriculture after the war should continue its deliberations with a view to assisting the government in its international negotiations on these matters, so that the statements in the following paragraphs constitute no more than a preliminary statement of the factors that must be considered.

Up to the present time, the fundamental problem of Canadian agriculture has been found in the fact that the Dominion produces a surplus of foodstuffs and raw materials over and above the total demands of its own population. This surplus had to be sold abroad, during the years before the war, at satisfactory prices if agriculture was to be prosperous, since the prices received by



the producer tended to be fixed by international prices in the world market for all basic crops.

It is apparent that the future prosperity of Canadian agriculture is largely dependent upon the continued existence of such foreign markets but, during the immediate post-war years, the primary problem will be that of producing enough to supply the domestic demands and the needs of the distressed areas of Europe and Asia. The precise extent of that foreign demand for Canadian products cannot, however, be determined with accuracy at the present time. If the rest of the world is called upon to provide all the food and clothing required by the populations of these areas, the aggregate demand will be so large that Canada (and other supplying nations) will be compelled to maintain rigid rationing of domestic consumption and strict price controls for the purpose of preventing a dangerous increase in the cost of living, but it may be that the demands will be smaller than this comprehensive maximum. In recent months various calculations have been attempted to measure the quantity of food that must be imported into Europe to feed the population of the area now occupied by Germany, but none of these calculations can make definitive allowance for European agricultural production. Only if the conquest of Europe is rapid, and the enemy is successful in its effort to destroy all standing crops and agricultural equipment, would the entire food supply of Europe need to be imported from other parts of the world, but there is no certainty that this hypothesis will fit the facts. It may be that several years will be required for the reduction of Festung Europa, in which case the governments of the United Nations will presumably attempt to reorganize agriculture on a productive basis in the area behind the fighting line, both for the purpose of stabilizing the life of the community and as a ready means of augmenting the supplies available for the fighting forces. In this case, the demands for Canadian foodstuffs will be spread out over a longer period and might conceivably be smaller in the aggregate.

All that can be said about the physical magnitude of the demand for foodstuffs and agricultural raw material during the rest of the war and the immediate post-war transition period is that it will depend upon the policies followed by the administrators of occupied areas. These policies should be studied carefully and continuously, with a view to estimating the magnitude of potential future needs as accurately as possible, but the invasion of Europe is so recent an event that no useful figures can be presented at this time. It may, however, be suggested that the potential demand for livestock and meat products, for agricultural implements and for fruit—none of which are easily produced in adequate quantity during a short period—is likely to be substantial even though the demand for products that can be grown in a single season might be smaller than some of the present estimates.

Entirely apart from the total magnitude of the demand for agricultural products in connection with the rehabilitation of distressed areas (which may be in Asia or Africa as well as in Europe) there is considerable uncertainty regarding the portion of that total which Canada will be called upon to supply. In the case of some of the occupied countries, notably Norway, Belgium and the Netherlands, the governments-in-exile enjoy substantial revenues and are already making plans for the financing of post-war importations into the countries that they represent, but in the case of many parts of Europe (and also of China) the effective demand for agricultural products will be determined by the generosity of the nations whose territory has not been invaded rather than by the hunger of people in the distressed area. The government of Canada, using the resources of the taxpayer, will have to pay for most, if not all, of the food that is exported to such areas on rehabilitation account—so that the attitude of Canadians toward expenditures for this purpose is likely to be among

the factors that will influence the size of Canada's export of agricultural products during the transition period. It is, moreover, likely in the case of such relief of impoverished areas that extensive international discussions will precede the fixing of proportionate contributions from each of the supplying countries, and many factors not now apparent will be likely to influence the final decision. All of these considerations emphasize the fact that international agreement on these points should, if possible, be reached long before the conclusion of hostilities, in order that domestic plans for the future development of Canadian agriculture can be developed in the light of factual information. The recent Food Conference constitutes an excellent beginning for such discussions and your Committee is informed that the Governments of Great Britain and the United States have already discussed with one another detailed plans regarding the organization of relief measures and the allocation of costs. It is to be hoped, therefore, that definitive and concrete plans may be formulated as soon as possible, so that Canadian agricultural programs may be adjusted to them in a satisfactory fashion.

Prompt definition of Canada's responsibility during the short transition period (which cannot exceed three years and may be less in the field of agriculture) is of especial importance in view of the fact that this Dominion has sharply increased its exports of many agricultural products during the present war. If we are to save ourselves from a serious agricultural depression when the transition period comes to an end, plans must be made for wider international markets, a substantial increase in domestic consumption or a quick scaling-down of Canadian production coupled with increased diversification of farming operations. No definitive recommendations in regard to these alternative policies can be offered at the present time by your Committee, since much depends upon the solution of international problems discussed in a later section of this Report, but attention can be called at this point to some of the factors which will influence the domestic situation.

Much discussion has been heard during recent years of the necessity for improved standards of nutrition in Canada, Great Britain, the United States and indeed throughout the world. It would seem (in general terms) that the attainment of a satisfactory nutritional level in Canada would mean substantial increases over pre-war levels in the aggregate consumption of milk, eggs, fruit, vegetables and meat. Any effort to meet this demand would clearly necessitate great changes in the present pattern of our agricultural economy, and the precise extent of these changes is not yet clear, but the evidence suggests that it would also expand the total market for the products of the farm and increase the cash income of the farmers.

The attainment of a high nutritional standard throughout the Dominion may, however, require certain special assistance from government and, since the health of the population and the prosperity of agriculture are both vital to the welfare of Canada, your Committee recommends careful study of the methods by which the nutritional level of the population can be raised as speedily as possible. Much is already being done in the field of research and propaganda, but this of itself may not be enough. In some countries the problem has been tackled by means of a plan for providing free milk and free mid-day meals to school children, while factory canteens at which adequate meals can be obtained cheaply constitute a useful supplement. In other countries food-stamp plans, or other devices that supplement the usual market machinery, have been used to encourage the consumption of protective foods. These devices are not mutually exclusive, nor do they preclude the development of entirely new schemes to accomplish the same end, but they are worthy of careful study in connection with any plan to be developed for Canada.

In the development of any such Canadian plan, it must also be remembered that the nutritional problem is world-wide and that Canada is vitally interested

in foreign trade. Scientific processes of refrigeration, dehydration and canning have facilitated the movement of foodstuffs over long distances, so that the raising of standards of living in countries that are now backward might be expected, in the long run, to augment the international demand for the products of Canadian farms. An effort to raise standards of living throughout the world, in fulfilment of the ideals that have been so plainly stated by the leading statesmen of the United Nations, will require many years (perhaps generations) for its attainment, but the development of wise policies designed to raise the nutritional standards within this Dominion and the active participation of Canada in international plans designed to achieve the same ideal in other parts of the world would have important long-range results.

The ultimate significance of chemurgic developments is less easy to foresee. Your Committee has received excellent reports on this subject, and it is apparent that new inventions have influenced technology in such a way that industry will in future demand an increasing quantity of agricultural raw materials. Some of these raw materials will constitute new cash-crops while others are derivable as by-products of normal farming operations, but in both cases chemurgy should tend to augment the cash income of the farmer. Many problems of comparative costs must be studied in detail before we can appraise the probable economic effects on agriculture of recent scientific developments. Private and public laboratories are at present working in this field, and the Chemurgic Committee of the Canadian Chamber of Commerce is also carrying on important work in the area of economic appraisal. These efforts should be encouraged by government and, as a further contribution to the ultimate solution of the problem, governmental research in this field should be extended to the point where regional laboratories could carry experiments to the pilot plant stage.

Another area in which the relationship of agriculture and industry has been strongly emphasized to your Committee concerns the development of local industrial plants in predominantly agricultural areas. In some cases the suggestion provides for such seasonal activities as would enable farmers to work in the factory during the winter months, in others emphasis is placed on the fact that lower costs might be attained in the local markets through the resultant reduction of transportation costs on raw materials and finished products. Your Committee is of the opinion that such plans for rural industrialization do not offer a solution of Canada's greatest agricultural problems, but they may prove helpful in the maintenance of a more balanced and prosperous economy if other problems are also solved. In modern times it is hard to justify the recognized fact that rural families cannot enjoy many of the comforts that are readily available in urban centres, and it seems highly probable that the attraction of young men and women into agriculture will in the future depend, in part at least, upon the extent to which the living conditions on the average farm are improved. Something has already been done by the development of cheap automobiles and the improvement of roads. Comprehensive programs of rural electrification and the extension of telephone circuits will go a long way to bridge the gap that now separates rural from urban standards, while effective regional planning and improved housing along the lines of the discussion in Section VII of this Report will provide attractive communities throughout the agricultural areas. The development of rural industries must be considered against the background of such collateral developments as these and, if the other schemes are carried out, it seems probable that the growth of local industries will occur spontaneously. The quickened pulse of farming communities will call for the extension of industries that supply consumer services and the availability of cheap power will facilitate the creation of local plants—but it seems improbable that any policy of rural development could succeed without such parallel changes in the social structure of our agricultural regions.

In a word, it may be suggested that Canadian agriculture is a mirror that reflects the state of affairs in Canadian industry and indeed throughout the western world. Something can undoubtedly be done through purely agricultural policies to improve the condition of the Canadian farmer, but his prosperity and security for some years to come will be dependent upon the success of other segments of reconstruction policy both at home and abroad.

#### VII. *The Area of Governmental Responsibility*

Even if we assume that private enterprise and organized labour carry out all that is demanded of them during the remaining years of the war and the period of transition, there remains a substantial area of reconstruction policy in which appropriate governmental action is of critical importance. No attempt will be made in this Report to solve the controversy between those who espouse the gospel of complete laissez-faire and those who advocate an extensive policy of socialization. In a sense that controversy reflects the process of change which has characterized the economic life of the western world during the past half century, and experience has not yet demonstrated the superiority, in all cases and at all times, of any particular pattern of private-public relationships. Public initiative and private enterprise are both at work in our national economy. We hope that both will continue to operate in a fashion that will be to the greatest interest of the nation as a whole, and the suggestions contained in the following paragraphs are offered as contributions toward the attainment of that ideal.

*Machinery for re-employment.* In view of the fact that the prompt re-employment after the war of those now in the armed forces or in munition factories is recognized as a primary aim of policy during the transition period, it is imperative that the efficiency of the Employment Offices (and of the National Selective Service machinery if this is maintained after the cessation of hostilities) should be developed as rapidly as possible to that point where they can assume responsibility for a complete coverage of the employment opportunities that are available at any given moment of time. This situation has not yet been attained and since it is just as desirable in times of war as it will be during the transition period that the right man should be promptly brought into contact with a job that is waiting to be done, it is of paramount importance to reconstruction policy that determined efforts should be made to improve the efficiency of this machinery.

This problem of speedy re-employment is of greater importance than all the questions of relief and social security, since the success of Canada's reconstruction policy will be realistically measured in terms of the number of useful jobs that it offers to the men and women who are seeking them. It seems appropriate, therefore, to call attention at this point to the work that has already been done so well by the General Advisory Committee on Demobilization and Re-establishment, and to express our strong endorsement of the proposals which that Committee has already put forward regarding an orderly process of demobilization. It must be remembered, however, that the experience of history amply proves that demobilization cannot be indefinitely delayed without provoking the resentment of the troops themselves. Every effort must be made, through the prompt demobilization of key men to facilitate the necessary expansion of educational institutions and to accelerate the reconversion of industry (with all the employment opportunities that it offers). If national policy calls for the maintenance of large armed forces after the war, either in Canada or abroad, these forces should be specially recruited on a voluntary basis and no veterans retained in the services who would prefer to resume civilian employment.

Over and above these general aims of policy, it must be recognized that re-employment of ex-service men presents problems different from those

encountered in the case of munitions workers. Members of the forces returning from overseas will be specially handicapped by unfamiliarity with industrial and commercial developments at home, and delayed repatriation would postpone their entry into industry beyond the period of the immediate post-war boom. Furthermore, civilians who during the war entered employment in industries operating under wage agreements with seniority clauses will have acquired rights that necessitate careful adjustment of their position vis-à-vis the demobilized men who return to their pre-war employment. It may also be found that some employers may tend to retain, or to offer employment to, civilian employees who because of their wartime employment have acquired skill and diligence in particular tasks, while trade-union membership may also be an operative factor. In still other cases, the qualifications of a service man for civil employment may not be sufficiently appreciated by employers.

In the numerous cases of those who were unemployed before enlistment, or do not wish to return to their pre-war employment, conditions of this kind will tend to restrict the opportunities for employment of those who have served and suffered most during the war. Lack of promptness in the absorption of demobilized men would undoubtedly have the effect of still further accentuating the handicaps under which these men will already be operating on return from long periods of service, and it is important that the handicaps suffered by such individuals on the cessation of hostilities—such as absence from home, unfamiliarity with employment opportunities, lack of trade-union affiliation, insufficient appreciation of service training, delayed return to the employment market—should be met by counselling, vocational training carefully geared to industrial and trade union requirements and any other reasonable methods that offer a preference (wherever possible) in employment. Leadership by the Dominion and other governmental authorities in assuring preference in the public service and in employment originating through government work is of some importance in this regard and priority in referring to employers by the Employment Service of Canada those ex-service men qualified for the vacancies offered might be appropriate if the decision were based upon a careful and fair assessment of qualifications before such priority were invoked.

*Fiscal policy.* Another large element of governmental responsibility concerns fiscal policy which should (even during the remaining years of war, if that is possible) be reorganized upon lines that will encourage initiative and stimulate private investment. In view of the fact that this matter has been under careful consideration by the Department of Finance and the Bank of Canada, your Committee has not conducted detailed studies within the field of fiscal policy, but certain general principles may be suggested as fundamental to any comprehensive policy of reconstruction.

The tremendous industrial expansion in Canada during the present war has been due to the fact that the government has provided much of the capital and borne the risk of loss, while the war itself has created an insatiable demand for many types of goods. Evidence has accumulated, however, to indicate that the present taxes on corporate profits, and particularly the excess profits tax, tend to dampen initiative and discourage investment, effects of considerable importance when it is remembered that Canada must rely on private initiative for the solution of many of the detailed problems that will arise during the years of transition. Although it is universally admitted that a very heavy burden of taxation must be imposed upon all Canadians during the war, and that post-war levies are likely to be substantially heavier than those provided under the fiscal program to which we were accustomed prior to 1939, consideration must be given to some modification of the present pattern of taxation. In a minor sense, it has already been suggested that expenditures incurred at present in connection with plans for post-war developments should, in the case of all business enterprises, be deducted from earnings within generously defined

limits, but there are also major segments of the fiscal plan in which some modification seems desirable.

On general principles, it is the opinion of your Committee that the corporation profits tax should be reduced, and that the excess profits tax should be eliminated, at the earliest possible moment. The one hundred per cent excess profits tax is, by definition, a device for preventing all business enterprises from making additional profits out of Canada's war effort, and nobody has denied the ethical quality of that ideal. It is apparent, however, that it removes a large part of the incentive to production so that the normal price and profit equilibrium of the national economy is replaced by a war-time balance that depends upon the vital force of patriotism and the planned curbs of governmental regulation. Both of these factors will, your Committee hopes, be operative during the post-war years, but the operation of the profit-motive as an additional force would certainly accelerate the reconversion of industry and trade.

In the case of the corporation profits tax, the situation is different. This tax at its present level does not strangle initiative, but it does tend to distribute the burden of taxation in an inequitable fashion. The corporation is not a recipient of income, but a channel along which that income passes to the shareholders, and there seems to be no valid reason (except facility of collection) to justify the double taxation of the income received by the holders of corporate securities. In the opinion of your Committee, the personal income tax is a flexible and equitable weapon which is capable of bringing into the Treasury an adequate revenue, especially in view of the current arrangements for deduction at the source of a substantial portion of the tax due on current income. Moreover, in view of the efficiency with which this tax now reaches out to low incomes, your Committee feels that consumer sales taxes are of doubtful merit and should be carefully reconsidered.

As a corollary to the heavy taxation of individual incomes, the Treasury would presumably apply some definite limits to the proportion of its earnings which a corporation might withhold from distribution—but such regulations should be developed with a view to influencing the pattern of private capital formation as well as for revenue purposes. From the viewpoint of fiscal policy, such regulations must ensure that no group of individuals, at any time, can escape their just burden of taxation by the device of withholding corporate earnings from distribution (and therefore from personal income tax). This is a familiar problem that has been studied in many countries, so that a good deal of information and experience is available as to methods of procedure—but the impact of such fiscal legislation upon economic incentive has been less carefully studied. Tentative proposals along these lines were made by the Honourable Charles Dunning, as Minister of Finance some years ago, and a similar idea underlay the derating policies adopted in Great Britain. The "carry-back" provisions of the Revenue Acts now in force in the United States also deserve study.

In a nutshell, the proposition can be stated simply. Corporate policies of capital formation are motivated by the expectation of net earnings, and the amount of taxes that must be paid in the predictable future obviously diminishes the net earnings available for distribution to shareholders. If the government wishes to stimulate private investment, it can do so by reducing the rate of taxation on corporate profits and increasing the amounts that may be deducted from corporate earnings to cover obsolescence and depreciation of plant and equipment. If the circumstances of a given period demand that private investment be curbed, governmental policy should provide for an increase of tax rates and a reduction of depreciation allowances.

In view of the fact that cyclical fluctuations have for more than a century characterized the economic activity of North America, and of the extent to which these cycles are related to fluctuations in the aggregate volume of capital formation, an elastic policy of taxation that takes account of both economic

and fiscal factors is vitally important to the post-war prosperity of Canada. In round figures, Canada must maintain a post-war national income of some \$7.5 billions a year (at present price levels) if the ideals set forth in this Report are to be attained and, from what has been said earlier, it is apparent that this demands an aggregate capital formation in the neighbourhood of \$1.5 billions a year. Substantial excess or deficiency would be equally harmful and, although public investment along the lines discussed below may be necessary to maintain prosperity in periods when there is a strong tendency to depression, an effective and elastic fiscal policy of the kind suggested provides an effective equilibrating device in normal times.

*Reorientation of commodity controls.* Before proceeding to the discussion of public investment, it may, however, be appropriate to introduce another group of problems that vitally affect the ability of private enterprise to solve the problems of the transition period.

As a necessary part of the national mobilization for war, Canada has gladly submitted to a variety of commodity controls that range from raw material priorities to consumer rationing. The purpose of these controls has been two-fold. On the one hand, they have been designed to reduce the demand of consumers for goods that they would normally purchase in order that materials and labour could be made available for urgent war needs. On the other, they have been designed (in conjunction with fiscal policies) to prevent the increase of commodity prices that would otherwise have resulted from the scarcity of goods during a period of rising money incomes.

During the post-war period, when it is desired that consumption should be expanded as rapidly as possible in order to provide larger employment opportunities and raise the average standard of living within the Dominion, it would obviously be inappropriate to continue any of the controls that are designed to restrict consumption and provision should be made for their abandonment as soon as possible. Much the same conclusion has been reached by your Committee in regard to price controls, but it is apparent that many of these will need to be retained during a sufficient portion of the transition period to enable a substantial increase in the supply of consumers goods to take place. If such controls were abandoned while the supply of goods was patently inadequate to meet the current demand, inflationary forces of dangerous magnitude would be released.

Clearly, then, the ultimate attainment of an active and balanced economy throughout the Dominion is only possible if all wartime commodity controls are reorientated as soon as possible after the conclusion of hostilities and many of them entirely as soon as the time is ripe. Procedure in this field should not, however, be precipitate, since any attempt by the Canadian government to abandon all controls on the morrow of victory would undoubtedly cause chaos in many segments of our domestic economy, while it would seriously disrupt international economic relations in those fields where Canadian controls are closely geared to those of other countries with which we are associated in this war. It is, therefore, imperative (since most of these controls have their legal foundation in the War Measures Act) that the Department of Justice should immediately be asked to study the legal basis of these controls during the post-war period and, if necessary, to prepare legislation by means of which Parliament can ensure their validity during the critical years of transition. It is equally important, moreover, that the Dominion Government should discuss with the governments of other interested nations the procedure for the modification and ultimate abandonment of those controls which have direct international significance.

As to the exact pattern of modification and abandonment, it is not possible at this time to make definitive suggestions. Much that is now unforeseen may happen before victory is attained but, in the light of present conditions, your

Committee puts forward the following ideas as a basis for further study and discussion. In the case of most basic raw materials, the aggregate supply available during the years of transition should be large enough to meet all the demands of industry, provided that transportation facilities are adequate to move them to the point at which they are desired. As soon as this fact becomes apparent in the case of any group of commodities, all restrictive governmental controls should be abandoned by appropriate national or international action. In some cases, indeed, it may be necessary for governments to enter the market as purchasers of certain raw materials, accumulating substantial temporary stocks, in order to prevent a sudden slump in prices and the resultant adverse effects on the whole economy, but such policies should be studied carefully and resorted to only in those cases where no other alternative is practicable. Any attempt to maintain the prices of all commodities by means of governmental subsidy would inevitably retard the attainment of a freely-functioning price system, and jeopardize the whole reconstruction policy.

In the case of foodstuffs, and of some types of semi-durable consumer goods, such as clothing, rationing and price control may need to be retained for a longer period than is necessary in the case of industrial raw materials. If aggregate demands for these products, in connection with the rehabilitation of Europe and Asia, reach anything like the maximum figures mentioned by some students of the problem, Canadians will have to pull in their belts in order that sufficient relief exports can be made available. Such a situation obviously calls for delicate handling, since nothing could be more damaging to Canadian morale than the information that certain ex-allies (or even ex-enemies) were receiving more generous treatment per capita than the domestic population. Careful coordination of these controls among all the interested nations is of great importance and, although it is obvious that rapid relaxation of all consumer controls is desirable, such relaxation must be carried out on the basis of a carefully designed international understanding so that the various countries march in step with one another. Indeed, if this degree of cooperation is achieved, there are some who hope that international discussions may continue into the years when consumer controls are no longer needed, with a view to increasing the aggregate consumption of foodstuffs by the attainment of higher standards of nutrition in all parts of the world.

*The role of public investment.* The various matters already discussed in this section of the Report are alike in that they deal with governmental policies that tend to encourage private effort in the solution of post-war problems. Public investment must also, in the long run, be directed to the same goal but the extent of past history and present discussions make it desirable to treat this subject somewhat differently.

Public investment, like private investment, represents a part of the aggregate capital formation of the Dominion in a given period of time. In this Report, the phrase "public investment" is used to cover all those expenditures of Dominion, Provincial and Municipal Governments (whether out of funds derived from current revenue or out of the proceeds of borrowing) which are designed to increase the physical equipment of the community and augment its future productivity. Many different types of projects are included and the nature of their contribution to the nation's future differs widely. Power dams and railway construction may earn a direct revenue from the facilities created; the building of roads and bridges tends to augment the income of the community from taxes, and to increase its efficiency; the erection of schools—hospitals and museums preserves the health and increases the skills of the people. Careful consideration must be given in each case to the precise nature of the benefits that will result from the investment, in order to determine the wisdom or unwisdom of the particular project, but the full measure of these benefits must be recognized to include more than the direct cash revenue.



In the autumn of 1942 your Committee submitted a special report on this subject to the Privy Council, and a great deal of supplemental information regarding various phases of it is contained in the statements included in the reports of the Sub-committee on Publicly Financed Construction Projects, the Sub-committee on Housing and the Sub-committee on the Conservation of Natural Resources. It is therefore unnecessary to review all the details of those documents at this time, and the following sentences must be regarded as no more than a brief re-statement of principles.

Although, as has already been suggested, public investment projects may differ widely among themselves in regard to type, earning capacity (if any) and geographic location, they can be divided into two broad groups when regarded from the angle of national prosperity and reconstruction planning. The first group comprises those projects that are of urgent importance for the welfare of the community so that they must be carried out immediately; the second consists of projects desirable in themselves but not of urgent importance so that their execution can be postponed until such time as circumstances make it desirable.

This distinction is of great importance in regard to the formulation of public policy during the years of transition. Careful survey of the Canadian scene reveals the fact that government must during the early post-war years sponsor certain public investment projects, even though its action in so doing reduces the supply of labour and raw materials below the amount that industry and commerce could profitably use. Certain expenditures on the maintenance and improvement of our transportation system (road, rail, water and air) will definitely fall into this category, and so will the urgent projects in regard to the conservation and utilization of natural resources, which are discussed in the report of that Sub-committee. It is also probable in view of the marked inadequacy of low-priced residential accommodation throughout the Dominion that the report of the Sub-committee on Housing and Community Planning will recommend immediate governmental action to expand the supply of low-cost housing. The number of such urgent public investment projects is, however, small when compared to the total of postponable projects and, in connection with the comprehensive survey discussed below, every effort should be made to exclude from the urgent list all projects that can without serious loss to the community be postponed for a few years. Since the desirable total of aggregate capital formation is in the neighbourhood of one-fifth of the national income, the reasons for this attitude are obvious. If business activity should expand rapidly during the period immediately following the conclusion of the war, it might be necessary for the government to impose curbs on private investment to prevent the development of a dangerous inflationary situation. In such circumstances, the carrying out of any public investment projects would necessarily reduce the aggregate of private capital formation, through the diversion of labour and resources, so that any public investment projects that were not urgent and essential would tend to retard the process of reconstruction and reduce the national income below the figure that it might otherwise have reached.

In regard to postponable public investment projects, the situation is entirely different, and it is this group that has been considered in most recent discussions. If the aggregate level of capital formation resulting from private investment should fall below the appropriate proportion of national income (a condition that has developed on many occasions in the history of Canada and of other countries), the resultant unemployment and wastage of materials would inevitably produce an economic depression. In such circumstances, a well-planned policy of public investment, by providing employment opportunities and utilizing available resources, tends to augment the national income and contributes to the stability of economic activity throughout the Dominion.

In order to attain these goals, public investment policy must be prompt and flexible. If particular projects are to be carried out promptly when the economic situation indicates that they are desirable, they must have been carefully planned in minute detail long before that time. Canada cannot afford to waste its resources and undermine the morale of its people by the expedient of "make-work projects", hurriedly conceived and inefficiently administered—projects that irritate the taxpayer because they are wasteful and kill the enterprise of the men employed on them by their obvious inefficiency.

It is imperative that at this time, long before the end of the war, Municipal, Provincial and Dominion Governments should establish the necessary machinery for a careful preliminary survey of all public-investment projects that are regarded as desirable. Such preliminary survey should include architectural blue-prints and detailed engineering specifications, together with accurate land surveys in the case of large-scale proposals. The information should, in fact, be assembled in such comprehensive form that, when the appropriate time arrives, each project can be put into execution in a few days so that the ultimate ends of public investment policy may not be jeopardized by delays in its inception. For these reasons, your Committee has already recommended that master plans should be prepared by the appropriate authorities for every town and rural community throughout the Dominion of Canada, and that regional planning boards should be established to handle those problems (particularly in the field of natural resources) that extend beyond the borders of any one political unit. In view of the fact that public investment policy must be effectively co-ordinated throughout the whole of Canada, your Committee has also recommended the creation of a National Development Board by the Dominion Government, and the appropriation of sufficient funds to enable that Board to make preliminary surveys on its own account or in co-operation with provincial and local authorities. Such a National Development Board would not necessarily be the executive body responsible for the ultimate carrying out of the projects that it studied, nor should its investigations be taken to indicate that federal funds would necessarily be available for every project that it surveyed. (Both of these matters depend in large measure on the solution of problems discussed in Section VIII of this Report.) The operations of the Board would, however, ensure a careful and continuous study of the problems long before the moment of actual construction arrived; they would guarantee that all projects were studied in sufficient detail and analyzed by the same criteria; the Board would be in a position to make definite and authoritative recommendations to governmental bodies during the period of transition.

In the opinion of your Committee, this aspect of reconstruction policy demands urgent attention since thousands of man-hours of preparation are necessary for comparatively small projects and, unless planning is started immediately, no adequate reserve of public investment projects will be available when the moment arrives at which they should be put into execution. The survey of the Ganaraska watershed, which was instituted as a type-study by the Committee on Reconstruction in co-operation with the Ontario Government, required almost two years for its completion and many of the projects which have come to the attention of the Committee would require even longer periods and greatly expanded groups of technical experts for their preliminary planning.

As a corollary to the preliminary surveys conducted under the aegis of a National Development Board, such as that proposed above, your Committee also recommends careful study of the machinery of cyclical budgeting by all governmental bodies in the Dominion of Canada. From what has already been said, it is apparent that public investment policy differs from the normal fiscal operations of government in times of peace. It demands not a regular annual appropriation, but substantial expenditures (conceivably in excess of the total

normal revenues) during some years when depression threatens, and these expenditures may have to be financed by governmental borrowing. During years of considerable business activity, on the other hand, the level of public investment should be substantially reduced, and there should be obtained from tax revenues a budgetary surplus that could be used to retire the securities previously issued or to build up a fund for public investment in the future.

Such a fiscal policy obviously demands that budgetary plans should cover a period much longer than the calendar year, and might perhaps extend over a whole decade. The public investment budget should, therefore, be separated from the annual operating budget (which would still be expected to maintain a balance within each fiscal year) and each would demand separate consideration from a different angle by the legislative body.

*The conservation of natural resources.* Although projects connected with the conservation and wise utilization of the natural resources of this Dominion would, in each individual case, be studied as an integral part of a general public investment policy along the lines discussed in previous paragraphs, your Committee wishes to call attention to the fact discussed at greater length in the report of the Sub-committee, that the development of wise long-range policies is particularly important in this field. The forests, the mines, the fisheries, the water resources and the wild life of Canada are valuable assets which already produce an important part of the national income and contribute significantly to the Canadian standard of living, in the sense that they are an important part of the environment in which life goes on in this Dominion.

The period of reconstruction at the end of the present war will offer an appropriate opportunity to undertake effective measures to conserve and augment these natural resources. Appropriate conservation programs will provide immediate employment opportunities. If soundly conceived and executed, they will also enlarge the national income of the Dominion, and will maintain in continuous productivity some phases of our national wealth which would otherwise become progressively wasting assets.

It has become increasingly clear that these resources should not be treated separately, and comprehensive aerial surveys of the whole Dominion conducted preferably by the R.C.A.F., are urgently needed. All resources are interrelated. A mining community may provide the opportunities for the development of agriculture and forest industry in neighbouring territory, and thus create a settlement that has elements of permanency, though the ore bodies which gave rise to the original settlement will gradually be worked out. Too little attention has been given to this consideration in the past. The "ghost" towns which are to be found across Canada are silent reminders of what we have failed to do. It has also become clear that there is a great advantage in giving consideration to the integration of resources in clearly defined regional areas. These may be, and would normally be watershed areas; but exceptionally, other regions should be considered as unitary areas for the purpose of the co-ordinated development of all the resources of the region. The Tennessee Valley has been developed by the United States as a watershed area from this point of view and mention has already been made of the study of your Committee of the Ganaraska watershed in Ontario, in order that the techniques may be determined by which regional integration of natural wealth may be most effectively pursued in Canada.

In this special field of mining, as has already been pointed out, the war has had a serious impact on the industry. The base metals are in great demand, and unusual pressure has been put on the base metal mines to produce with an acceleration greater than sound mining practice would dictate. On the other hand, the gold mining industry has been seriously handicapped, and labour has been transferred from the gold camps to the base metals camps, with considerable

dislocation of the communities that have been affected. There has been great stimulus to the search for minerals which will add to the supply of certain strategic metals—tungsten, molybdenum, chromium, aluminum, magnesium and others in lesser degree. New industrial processes have been perfected for the extraction of some of these metals.

The urgency of the demands for war has necessitated that pressure be put on the properties already developed, or near the stage of production. Neither resources nor man-power have been available, except in the case of some base metals and some strategic minerals, for the finding of new properties. The war will end with many properties nearly exhausted, and with very little new mineral wealth coming into production. There will be a serious time-lag in mineral output, which can only be shortened by systematic prospecting, in large measure under government auspices, a fact that should be considered in connection with the retraining plans for returned men. It will also be necessary to make mining sufficiently attractive for private capital, and to this end your Committee recommends that study be given to the taxation regulations at present in effect, with a view to maximizing the ore production of our mines.

There are also particular phases in the mining industry of Canada which call for special attention in the post-war period, and which can be referred to here only in outline. Some of these are the fuller development of our coal resources, with a view to stimulating industrial development; the exploration of a steel industry based on power and available iron ores; the more intensive exploration of the northern hinterland, and the necessary aerial survey program preparatory to that end. Basic to sound progress in the mining industry is the work of the Geological Survey of Canada and of the Provincial geological services. It is essential that these departments of government be supported in fullest measure by the people of Canada.

The production of minerals has now reached the figure of \$567,000,000 over a twelve-months period. It has been estimated that the purchases that have to be made and the transportation charges that are collected, in the maintaining of the industry amount to a further \$160,000,000. This gives some indication of the significance of the industry.

The importance of our forests is apparent from the fact that 58 per cent of the total land area of the nine Provinces, and one-third of the total land area of Canada, is in forests. Wood products gave, in 1941, a favourable balance of trade of over \$350,000,000, so that the industry is of great importance, not only in the internal life of Canada but in the external position of our country. Unlike minerals, forests are renewable. There should be no lessening of our forest wealth but there has in fact been serious diminution in the forests that are under logging operations. Already great areas which should have remained in forest have become waste land. Light soils, no longer protected by forest cover, have been cut with ravines and given place to moving sand dunes, or have otherwise become useless.

Protective measures must be established. A large corps of returned men and others must be trained to act as forest workers. At least 15,000 men can be used at the early stages. The areas in each Province where afforestation is to be carried on must be delimited. This is now being done. Aerial photographic surveys must be completed for all areas which are now, or may be within the next few years, merchantable. Roads must be extended far back into the limits in order that orderly cutting may be carried on, and the wealth of the forest be protected and maintained. Training must be given to the working personnel in the forest industry. Continued and vigorous research must be carried on in the uses of wood and on what are at present the waste products of the lumbering and pulp industries. The close relationship between forestry and agriculture has already been put to effective use by the Quebec Government in the community forest plan in Gaspé, and this idea can be usefully extended to

other areas in Canada. Wherever the income of the farmer or the fisherman can be supplemented by the cutting of wood under the supervision of a trained forester, a sense of stability will be developed in the pioneer communities which constitute a large part of our national life.

As to water resources, the rivers of Canada have already provided a water development of over 9,000,000 h.p., and this represents substantially less than one-half of the readily accessible power. Hydro power has made possible the mining and the pulp and paper industries of Canada, since power is available in practically all areas where minerals and forests are found. The rivers have supplied the water for extensive irrigation projects in Western Canada and the Saskatchewan River is drawn on for large scale muskrat farming which shows promise of wider extension. The control of several of our rivers which cause serious spring floods has become a matter of urgency, for the protection of life and property, and for the preservation of the soil, while the work under the Prairie Farm Rehabilitation Act in Western Canada has already demonstrated the value of a well thought out plan for the conservation of available water in a country of limited rainfall.

The needs of war industry have put heavy pressure on water power, and have given rise to a rapid expansion of power facilities. Probably one-third of the hydro power produced in Canada is now used for war purposes and almost all of this power will be available for other purposes when the war is over. It must be turned into industrial or domestic use. This available cheap power will aid greatly in the transformation of war industry to peace needs. It will also facilitate an extensive program of rural electrification throughout most parts of Canada. Rural electrification is more than an industrial development. It is a social need. It will do more than any other single factor, except equitable prices for farm products, to stabilize farm life in Canada. As a social service, it may require public funds for its extension, in order that rural customers may enjoy low rates. The extension of electricity to the farm provides at once a demand for electrical equipment and machinery which will mean much for many industries in the transformation from war to peace, if appropriate rural marketing arrangements can be developed.

There are also major projects which might be developed as an integral part of a satisfactory public investment program. The St. Lawrence River development would be not only a large scale navigation and power construction project, but an extensive community re-building undertaking. The project for the control of the Saskatchewan river for purposes of power, irrigation, navigation and muskrat farming, like the St. Mary's and Milk River irrigation plan, is of considerable size. All of these should be carefully studied as component parts of the public investment program already discussed.

In regard to wild life generally, the fish resources in Canadian waters, both marine and inland, maintain an industry which has been remarkably stable in recent years. Research in the life habits of fish and in the processing of fish products has resulted in establishing regulations for the conservation of the fish population on the one hand and in a more secure market for the annual catch on the other. The important work to be done is in the encouragement by increased financial aid of the research work now being carried on, in order that the most effective policies may be adopted for the conserving of fish life. More adequate equipment is needed by our coastal fishermen, and encouragement should be given to cooperative enterprise in the fishing industry. The fish of our smaller inland lakes and of our rivers are also of great value in attracting tourists to Canada, and in providing recreational attractions for our own people. It is important that this special value be not permitted to disappear.

The same can be said of other forms of wild life. Only as far as furbearing animals are concerned does our wild life in Canada form the basis of an industry, but this industry has the distinction of being, except for codfishing on the

Atlantic Coast, the oldest of Canadian industries. The system of trapping licences which gives the trapper the exclusive rights to his territory is doing much to conserve furbearing animals. Muskrat farming on a large scale has proved successful and the principle is capable of great extension. The Migratory Birds Act and the voluntary efforts of Ducks Unlimited and other sportsmen's organizations have done much to protect our bird life. There is a growing appreciation of the fact that wild life in Canada is an asset of unique value, and an increased scientific personnel is needed to deal adequately with this important phase of our national life.

As an incidental aspect of this problem, it is highly desirable, as a post-war measure, to give special emphasis to programs which will develop a large tourist trade in Canada. This implies the creation of additional parks, as well as better roads and housing facilities in vacation-land, whether in the north country, in the mountains, or by the sea. It will include as well the provision of simple hostel accommodation in our public parks, in order that the parks may be available to those of low income, as they now are to those who can afford to pay higher prices. Canada has a magnificent asset in her scenery and her wild life. Few constructive efforts will bring more immediate and more lasting economic returns, or provide greater inner satisfaction, than the supplying of the amenities, as the people of the United States have done in their holiday land, to make this great asset readily and easily available to those who wish to enjoy the beauty of our northland, our mountains, our rivers, our lakes and our seas.

In the report of the Sub-committee on Natural Resources, and in the report which your Committee has already presented on this subject, the need for an appropriate regional organization and for the development of careful plans has already been emphasized. Canada has reached the stage where some of its greatest assets will soon disappear if adequate provision, on a long-range basis, is not at once made for their preservation and use, so that your Committee is strongly of the opinion that appropriate steps in this direction should be taken as an integral part of reconstruction policy.

*Social security and welfare.* On the general subject of social security, which is an essential part of any post-war policy designed to attain for Canada the ideals set forth in the Atlantic Charter, the opinions of your Committee have already been published in *The Report on Social Security for Canada* which was prepared by Dr. L. C. Marsh after full discussion by the whole Committee. Attention should also be drawn to the material on public health submitted to the House of Commons Committee on Social Security by the Department of Pensions and National Health, and to the *Report of the Survey Committee* which was appointed by the Canada and Newfoundland Education Association to study the educational needs of the Dominion of Canada. Because of the constitutional and technical difficulties involved, your Committee has not attempted to present independent proposals of its own in regard to public health or education, but it desires to emphasize the fact that both of these matters must be incorporated in any comprehensive public policy that is developed to provide for the welfare of Canadian citizens.

As to the need for a comprehensive program of social security, it should be pointed out that, over and above the compelling motive of implementing the ideals of the Atlantic Charter, the consideration of social security measures during the war itself is necessary if we are to approach the re-employment problems of the transition period in a realistic fashion. No matter how short this period may be, there are risks and difficulties attached to the process, against which all appropriate facilities must be mobilized. It should not be forgotten, moreover, that the re-employment problems of the postwar period include the reassembling of many thousands of families. Finally, unless basic

social insurance provision for the ordinary citizen is provided in fairly comprehensive fashion, and at a reasonable minimum level, differences between the protection accorded the dependents of members of the armed forces in time of war, and the families of these men after demobilization, will be in marked contrast. Some differences are entirely justifiable, more particularly the special benefits applicable to disabled men, but social security planning for the ordinary population is in the minds of members of the armed forces as well as of civilians because most of the soldiers, sailors and airmen will themselves become civilians once the war is over.

As has been emphasized throughout this Report, social insurance benefits even on the most comprehensive basis do not constitute a sufficient program in themselves. Post-war planning in this particular sector of individual and family hazards, in all countries, assumes a co-ordinated program of training, placement and occupational transference facilities as a parallel system. Furthermore, modern social security organization is not considered complete without the most careful attention to all the constructive services which can be built on to the framework of the income maintenance benefits themselves. It would be partial and inadequate planning to envisage health insurance without better facilities for public hygiene, infant and maternal care, school medical service, hospital and sanatorium facilities and so forth; to institute children's allowances without consideration of such existing provision for children as medical care, educational facilities and nutritional services. The more these implementations are developed, the clearer it will be that social security legislation is not something sufficient to itself but part of a broad program for the improvement of the human resources of the nation, in which such things as housing, nutritional policy and education have important places. It will obviously be necessary to decide the proper balance between all these elements in a rounded welfare program. But there can be little doubt that they are proper subjects of expenditure in the post-war years, whether from the point of view of programs assisting the maintenance of employment and purchasing power, or of buttressing a better standard of living which the United Nations are determined will be one of the fruits of democratic victory.

Social security measures, it must be pointed out, involve more than matters of welfare. They constitute an important group of fiscal instruments that governments can use in their general economic strategy of recovery and stabilization. Unemployment insurance benefits and pensions help to maintain the level of spending power during periods of adjustment when it might otherwise decline and intensify the problems of economic stabilization, while the contributions received from the insured population tend to reduce aggregate expenditure during periods of full employment, and thus reduce the tendency to inflation. It is essential, therefore, that the whole problem of social security should be studied, not in isolation but as an integral part of a governmental program in which fiscal policy is designed to stabilize the process of capital formation, and public investment is intended to supplement private investment with a view to the maintenance of full employment. The development of mass unemployment, indicating the failure of the various policies already discussed, would make any system of social security unworkable.

If a comprehensive plan of social security could be agreed upon in all its details, it is conceivable that different units of the system could be brought into operation at times when they were most advantageous from the point of view of the general business situation. It is true that the impact, in terms of purchasing power, of a new unit only lasts for a short period, after which expenditure continues at a fairly steady rate; but the initial stimulus is important, and might be enlarged at moments when markets were sagging or unemployment getting larger.

Whatever may be possible, and whatever may be the actual course of economic events determining the capacity to finance social security, or the desir-

ability of extending it, the path of wisdom is to envisage as clearly as possible the broad outlines of a comprehensive program. This is necessary if we are to be ready for action when the time comes. But it is also necessary in order to appreciate the relation of one unit in the scheme to another; and also (a matter of considerable importance in a federal country covering huge territory) to fashion an efficient administrative basis. This necessity is also reinforced by experience from many quarters, which has proved that one unit in a social security system cannot stand alone without being threatened with the burdens of other types of need or destitution. Health insurance and unemployment insurance, for example, can buttress each other by ensuring that cases of sickness are dealt with as such; that sick men do not try to get unemployment benefit to cover the loss of earnings while they are away from work. But this example also points to the need for a cash benefit scheme, providing income (as distinct from medical care) for the worker whose earning capacity is temporarily interrupted. It is necessary to round off the provisions made for periods of unemployment due to actual lack of work; it is equally necessary if the worker is to get the full benefit of medical care, which he would otherwise neglect if he were unable to stay away from work. The practical value of a comprehensive system is that in the long run it yields economies, as a result of its administrative efficiency in catering for specific needs—provided only that the total system is developed logically and not in piecemeal and uncoordinated fashion.

The financing of social insurance depends, like all other post-war measures, on the successful maintenance of the national income at high levels. The actual costs which will be incurred in Canada would depend, however, on the rapidity with which the various types of social insurance are initiated. Two units, for example—old age pensions and children's allowances—are particularly costly items; others call for comparatively moderate additions to the Dominion government budget. Experience in other countries indicates that from ten to twelve-and-a-half per cent of the total national income may be involved in the collections and disbursements for complete social coverage, but not all of this, possibly not even half, would be new taxation in Canada. Two units of provision, unemployment insurance and workmen's compensation, we already have. Some expenditure, notably that on medical needs of various kinds, already goes on year by year and would simply be handled in a more effective manner through the health insurance mechanism. In any case, contributory methods spread the costs over a wide area, whether considered geographically or in terms of citizen groups. It is to be assumed that the greater part of such government funds as is contributed will come from personal income tax sources, which are the most efficient and most equitable methods of securing revenue. This does not dismiss altogether the question of how much the country can afford; but it must always be remembered that a social security system is little more than a systematic form of saving for contingencies which at one point or another are bound to arise, and to call for expenditure to meet them, so that the important problem is concerned with the manner in which the cost is distributed rather than with its aggregate total.

### VIII. *Dominion-Provincial Relations.*

Although the word "government" has been used in a very broad sense throughout the preceding sections of this Report, it is apparent from the constitutional structure of the Dominion of Canada that there are several governmental bodies concerned with the problems of post-war reconstruction, and that the powers and duties of these bodies vary widely. At the present time the federal government is spending amounts greatly in excess of its income, in order to prosecute the war vigorously, while a large number of provincial and municipal governments are in the pleasant enjoyment of annual surpluses. That such a condition would be likely to develop was clearly recognized at the out-



break of war, and the Dominion-Provincial agreement providing for a temporary redistribution of tax revenues was designed to meet it, but subsequent events clearly prove that this agreement has not fully solved the problem even for the period of the war.

When the problem of governmental responsibility for post-war policies is studied on a functional basis, its complexity becomes even more apparent. The Dominion Government is responsible for all the expenditures connected with the demobilization plans already referred to and for the existing system of unemployment insurance, to cite but two examples, while its fiscal policy will be of paramount importance to Canada during the post-war years. The governments of the several Provinces, in their turn, control the natural resources of Canada and have exclusive jurisdiction within the realm of education, while most of the social services have traditionally been shared between the Provinces and the municipalities. Both Dominion and Provincial Governments are active in the field of public construction projects, but local government authorities often bear the full responsibility for community planning.

From what has already been said in the preceding sections of the Report, it is apparent that your Committee is strongly impressed with the need for co-ordination of policy and procedure among the several governmental authorities in those fields where uniformity of policy is necessary. In such fields as public investment, the utilization of natural resources, the use of fiscal policy to regulate private capital formation, and many others, it is essential that there should be a single policy if Canada is to carry out its reconstruction plans with an optimum measure of success, and your Committee is of the opinion that the Dominion Government should at once take steps to establish the machinery necessary for such co-ordination. The creation of a National Development Board, of Regional Committees to deal with problems of natural resources, and of Consultative Committees in the field of Social Security, would all contribute to this end, and your Committee also recommends that in those cases where immediate expenditure is necessary for the planning of projects that may ultimately be carried out on a joint basis the Dominion Government should take the lead in making reasonable appropriations for such purposes.

Your Committee is, however, aware of the fact that such measures of co-ordination solve only a part of the problem. Complete cooperation of governmental authorities must, in the long run, depend upon a satisfactory definition of the responsibilities of each of the cooperating parties. Such a delimitation, within the Dominion of Canada, is intimately related to the distribution of financial revenues on the one hand and to the legal framework of the British North America Act on the other, and it is imperative that steps should be taken in the very near future to solve both of these problems. Failure to take this step, or even its postponement until after the conclusion of hostilities, may jeopardize the whole program of reconstruction policies during the years of transition.

In spite of its realization that this problem is of fundamental importance, your Committee has not attempted any independent study of it. The voluminous *Report of the Royal Commission on Dominion-Provincial Relations*, together with its Appendices, contains a careful study of all relevant information and opinions at the outbreak of the present war. Some of the conclusions which the Commission reached may indeed require modification in the light of subsequent events, but your Committee is of the opinion that a Dominion-Provincial Conference, with these documents as its agenda, should be called in the very near future for the purpose of arriving at a satisfactory solution of the problem. If this is not done, serious disputes may arise after the war in regard to the distribution of revenues, the taxation of publicly-owned corporations, and many other pressing problems, while any comprehensive policy of public investment would need to be financed by the unsatisfactory methods of grants-in-aid.

### IX. *Canada's Place in the World Economy.*

Although your Committee has been able to discuss some aspects of reconstruction policy with members of the governments of Great Britain and the United States, these discussions have covered an exchange of views regarding domestic policy rather than any analysis of international problems. We have not, moreover, conducted investigations on our own account in the field of international relationships, since we have been informed that these problems were under consideration by the Canadian-American Joint Economic Committees, the Bank of Canada and appropriate departments of the Federal Government.

In spite of the fact that no original documents can be offered by your Committee in this field, we should like to set on record certain general conclusions regarding matters involving international collaboration, since these problems have necessarily come within the orbit of our discussions and appropriate solutions to them are a necessary part of any comprehensive reconstruction policy. All students of Canadian history are familiar with the fact that this Dominion has at all times been an active participant in the world economy. Canadians in the past have been most prosperous during those periods when a strong international demand for foodstuffs and raw materials has provided profitable export markets for the products of our farms, our forests and our mines. In the future the pattern of international trade, as it affects Canada, may be altered by the impact of forces mentioned in Section II of this Report, but your Committee is strongly of the opinion that Canada's ability to reorganize its economy from war-production to peace time activity during the years of transition will depend in large measure upon the restoration of a world economy that facilitates the foreign trade of this Dominion.

This is particularly true of Canadian agriculture. Canada had on July 31, 1943, a wheat carry-over of some 900 million bushels for most of which international markets must be found—and this fact must be appreciated in relation to the total carry-over of the four wheat producing nations (Australia, Argentina, Canada and the United States) which is nearly twice as large. From an historical viewpoint, the aggregate carry-over of these four countries at the end of 1942 was twice as high as the comparable figure for 1939 and seven times as high as the 1937 figure. Equal dependence upon foreign markets during the years of transition is likely to characterize those sections of Canadian agriculture which during the war have enormously increased the production of such things as bacon, cheese and poultry products, in order to meet the demands of Great Britain.

Recognition of these facts tends to enforce the humanitarian motives which would, in any case, lead Canada to participate in the post-war schemes developed for the rehabilitation of the peoples of Europe and Asia, and the economic evidence suggests that Canada should indeed play an important part in shaping the details of those schemes. This demands more than a vague sense of international charity, and careful preliminary study by appropriate government departments is necessary if the rehabilitation schemes are to be a success.

As has already been pointed out in the Sections of this Report that deal with agriculture and domestic controls of consumption, the expansion of agricultural production has not proceeded at a uniform pace in all lines. Within North America there is likely to be a great surplus of wheat available for export, substantial amounts of such things as bacon, cheese and eggs, but little or no beef, mutton or fresh vegetables. Is the rehabilitation plan to operate on the basis of exporting those things that we do not want in Canada, or is it to provide a comprehensive and balanced diet, on an agreed scale, for the people we wish to aid? In the first case, we may save Europe from actual starvation, but do little to lay the foundation of future health and happiness for its people; in the second, we may have to face a continuance of consumer controls in Canada during the transition period. It is apparent, moreover, that, if the second alterna-

tive were adopted, policy should be worked out on an international basis long before the end of hostilities, so that the people of Canada might be educated to a full sense of their international responsibilities.

Such public education, based on careful study of the problem by governments and an equally careful formulation of policy, is also necessary in regard to the financial aspects of international rehabilitation. During the immediate post-war years, Canadian assistance to some of the distressed countries that have suffered Nazi tyranny must necessarily take the form of a gift. The populations that are in greatest need will have least with which to pay for our aid, and your Committee is unanimous in feeling that post-war rehabilitation loans would be a sorry sequel to the more realistic war-time policies of lease-lend which have opened a new chapter in international relations. The assistance that Canada renders to Europe and Asia must, in a broad sense, and subject to international agreement as to the precise distribution of the burden, be financed by the Canadian taxpayer, so that its amount should be definite and the period of years during which the policy is to operate should be clearly understood in advance. History indicates that the splendid resolutions born of mutual comradeship in time of war tend to evaporate rapidly during the chill years of reconstruction, so that the rehabilitation problem is more apt to be solved in satisfactory fashion if it is carefully explored in advance on the basis of definite contributions for a clearly-stated period of time.

Over and above the question of immediate relief on an international scale, it is apparent that the attainment of the ideals expressed in the Atlantic Charter will require a steady improvement in the economic productivity of many parts of the world. Agricultural equipment, industrial machinery and transportation facilities will be needed to restore the economy of Europe to its pre-war efficiency, and these same things will be equally necessary to facilitate the economic progress of Asia, Africa and South America. International capital movements on a substantial scale will be necessary for many years after the present war has finished, and your Committee is of the opinion that Canada must face the fact that its future role will be that of creditor rather than of debtor.

This change of status, in addition to its long-range implications, may create serious problems during the years of transition. In an economic sense, the provision of capital to backward countries requires the creditor nations to export goods and services for which no immediate payment in kind is received, so that it tends to reduce the supply of goods available in the creditor country below the level at which it would otherwise have stood. It must be remembered also that this simple conclusion applies to food and other consumer goods, as well as to machinery and equipment of all kinds, since the debtor nation often needs to borrow from its creditor the wherewithal to feed and clothe the men who are engaged on the construction of factories and other investment projects.

If the analysis presented in previous sections of this Report is correct, Canada may confront an inflationary situation during the transition years as a result of the fact that available spending power is in excess of the supply of consumer goods. Whether or not this situation actually develops will depend upon the rate at which industrial conversion can be carried out, but your Committee wishes to call attention to the fact that at critical periods during the reconstruction years the operation of international rehabilitation plans and the desire to export capital may seriously complicate the domestic problems that confront this Dominion.

In view of this fact it is desirable that special attention should at once be given to the problem of governmental control of international capital movements during the years of transition, and, as a corollary, the efficiency of the existing financial machinery of Canada in regard to the handling of international loans should be studied. The two problems are related, but independent, so that the first study might be conducted by appropriate public agencies, while private

financial institutions might co-operatively assume the responsibility for the second. But, no matter how the investigation may be conducted, it is essential that public policy should prevent excessive capital exports and that the available financial machinery should be such as to ensure the optimum usefulness of the amount that is exported. In this latter regard, your Committee also wishes to call attention to the fact that international development corporations have, in some quarters been discussed as appropriate machinery for the financing of economic developments in particular areas of the world. None of the evidence that we have seen convinces us that such machinery is essential, but the matter should be studied in greater detail as a part of the broad survey of the adequacy of existing financial machinery in Canada. It should also be borne in mind that, even though Canada did not participate formally in such international development corporations, their creation by other nations would directly affect Canadian exports to the areas with which they were concerned, so that we cannot afford to ignore the policy of other countries in this matter.

The problem of capital exports, and indeed the whole problem of Canada's international trade, is intimately bound up with the development of a satisfactory world monetary organization. No country is more vitally interested than Canada in the discussions that are now proceeding on the basis of the Keynes Plan and the White Plan, so that your Committee notes with approval the recent presentation of a Canadian Plan that attempts to reconcile the two. Although it is our understanding that no one of these plans can be said to carry the official endorsement of the government under whose auspices it was prepared, it is our hope that the Dominion of Canada will continue to play an active part in the present discussions, with a view to assisting in the attainment of agreement among the various nations at the earliest possible moment.

Turning to the broad field of commodity trade, your Committee has already expressed its opinion that wartime developments within the Dominion may exercise a great influence upon the pattern of Canadian trade during the years immediately following the war, and it is aware of the fact that any substantial volume of capital exports will change that pattern still further. Even though final decisions in many matters cannot be reached until the war is over, it seems highly desirable at the present time to institute a careful survey of the probable foreign demand for Canadian commodities during the years of transition, and an equally careful survey of the domestic demand for foreign products during that period. The two facets of the problem are inseparable, and it may well be that a careful survey of import needs is the best guide to the probable extent of export outlets, since the evidence of the decade which preceded 1939 clearly demonstrates the dangers that result from any attempt to approach the problem of international trade on the basis of a search for export markets alone. Much of the work involved in such studies can be undertaken by the personnel of the Department of Trade and Commerce, and the Department of External Affairs, but your Committee is strongly of the opinion that exporters and importers should be closely associated with the investigation in a consultative capacity, since the changing needs of the Canadian market and the development of new Canadian products are factors of vital importance in the development of public and private policies.

Collaterally to the above-mentioned investigations, there should be a comprehensive study of the Canadian tariff structure. It is the unanimous opinion of your Committee that the aims of the Atlantic Charter can best be attained not by an immediate effort to establish free trade throughout the world, but by a carefully considered reduction of tariff barriers and other obstacles to trade. Any other method of approach would seriously complicate the problem that will, in any case, confront all nations during the years of transition, and it is obvious that the matter must be approached in a spirit of realism, rather than ideology. These conclusions apply to matters of tariff preference, as well

as to actual schedules, and the recognition of this fact (already implicit in the Lease-Lend Consideration Agreements) suggests the necessity for international discussion of tariff problems as an integral part of the consultations that will occur regarding post-war rehabilitation projects and the development of a world monetary system.

On the subject of immigration, your Committee has not reached general conclusions relevant to the period of transition. It is our opinion that, in the long run, the attainment of the ideals set forth in Section III of this Report will tend to encourage a growth of population in this Dominion, and that the development of Canada will proceed more rapidly if the adult population is augmented by substantial immigration. During the years of transition, however, Canada will face a major problem in connection with the re-employment in profitable activity of its own people, and the influx of any large number of persons from other countries would seriously complicate that problem. This conclusion is in line with the historic facts demonstrated in the demographic study prepared for the Committee by Professor Hurd, since it is apparent that Canada has throughout the past century received a much larger number of immigrants than it was able to retain within its borders, and your Committee is of the opinion that immigration policy should be studied not in isolation but against the changing background of the Canadian economy. Although we realize that freedom of movement is as desirable in the case of men and women as it is in the case of goods and services, we are convinced that the success of immigration policy after this war will depend directly upon the extent to which Canada is able to solve the other problems that have been discussed and to maintain, in reality, full employment throughout the Dominion.

#### X. *Recommendations Regarding Governmental Machinery.*

The opinions, and recommendations, that are set forth in the preceding paragraphs indicate that your Committee realizes clearly the extent of the work that must still be done if the Dominion of Canada is to formulate before the end of the present war a series of policies that will enable the country to grapple effectively with the problems that will confront it during the years of transition. The work that has been done during the past two years must be regarded as a preliminary exploration of the whole field, for the purpose of suggesting broad outlines of policy, although it has also had the result of stimulating interest on the part of many public and private bodies throughout Canada. In addition to the special studies made for your Committee, a substantial amount of information has now been collected by Provincial committees and private groups.

All of this material, and the more careful delimitation of problems that has resulted from widespread discussion of reconstruction, should aid in the formulation of policy but, in the opinion of your Committee, matters have now reached a stage where the responsibility for detailed planning must be assumed by the executive departments of government. In the field of agriculture, governmental decision is necessary regarding the extent of Canada's participation in the international relief program and a clear decision as to the government's policy in regard to nutrition is equally needed. The planning of public investment requires the creation of special governmental machinery, as well as a clear statement regarding the precise division of financial costs, while arrangements for the modification or continuance of commodity controls must be considered by the Department of Munitions and Supply and the Wartime Prices and Trade Board in the light of daily changes in the conditions that surround the supply of each commodity.

All of these decisions are matters of public policy rather than of economic theory and political principle. They must be taken by Cabinet Ministers and concurred in by the government as a whole, but each Minister will necessarily require an expert staff within his own Department to consider the matters that are of special concern to the field of his responsibility. It is, moreover, apparent

that the governmental machinery available for the execution of reconstruction policies after hostilities have ceased will necessarily be the machinery that has been developed for wartime administration. The pattern of Canadian life will not change suddenly on the day of victory, and the officials who have been responsible for the details of public administration before that day must continue their work into the post-war period if the transition is to be made smoothly. Each government department, Dominion and Provincial, must consider as soon as possible a detailed program for the readjustment of its work from a wartime basis to peacetime operation, and, since the decisions taken during the remainder of the war will directly influence post-war conditions, a long-range program must be developed to incorporate both types of activity.

In view of these facts, your Committee is unanimously of the opinion that a general advisory committee on reconstruction, composed of individuals who can give only a portion of their time to its work, has reached the end of its usefulness. We, therefore, recommend that the functions and responsibilities of the Advisory Committee on Reconstruction be merged with those of the present Advisory Committee on Economic Policy and that this latter committee be charged with the duty of general planning in addition to its present work in coordinating the reconstruction planning of the several government departments. We also recommend strongly that a full-time Chairman, completely free of other public responsibilities, be appointed to preside over the work of this Committee. As a corollary of this merger of functions, we recommend strongly that the staff of the Advisory Committee on Reconstruction should be amalgamated with that of the Advisory Committee on Economic Policy, thus placing at the service of the latter body the accumulated experience of the past two years of work.

Your Committee, by its recommendation that the further study of reconstruction should be placed in the hands of a committee composed of full-time public servants, must not be understood to depreciate the principle of consultation and full utilization of men outside the public service in those special fields where they are competent to advise. The broader problems of reconstruction policy have, in our opinion, reached a point where they can no longer be handled in this fashion, but there are still several areas of planning in which advisory committees could with benefit be retained. From among the sub-committees that your Committee has created, we would recommend the continuance of four, and feel that other committees, constituted in similar fashion, may need to be created. The Sub-committee on the Special Post-war Problems of Women, which started its work a few months ago, is concerned with an aspect of post-war policy that has great significance for the welfare of Canada and one that is not directly within the province of any particular government department. The Sub-committee on Employment Opportunities, comprising as it does a group of employer and worker representatives, should be continued in existence, and it is the opinion of your Committee that the Sub-committee on Agriculture might usefully be maintained. The Sub-committee on Housing and Community Planning should also be continued in existence until it has presented its final report, and might well be useful after that time in an advisory capacity to whatever Housing Authority the Dominion Government may create. These four Committees, should continue in existence as sub-committees of the Advisory Committee on Economic Policy until they have finished their work and presented their reports to that body. The Sub-committee on Publicly Financed Construction and the Sub-committee on the Conservation of Natural Resources have already carried their work to a point where further progress depends upon the creation of more appropriate governmental machinery, so that your Committee does not recommend the continuance of these two groups.

In regard to all of the recommendations contained in the preceding paragraphs excepting that which deals with the secretarial and research staff of the Committee, we should like to emphasize the fact that the reference is to

organization rather than to personnel. Each member of the Committee on Reconstruction, and each member of the various sub-committees, is ready to undertake such work as the government may invite him to do but, if our recommendations are adopted, it is the unanimous feeling of your Committee that the government should review the existing personnel of each group and make such changes as seem to it desirable.

Your Committee also recommends that the research investigations at present being carried on under the direction of the Research Adviser, should be continued to completion and that the fees agreed upon should be paid out of the residue of this Committee's appropriation.

In conclusion, your Committee would like to recall the fact that, in October 1942, it presented a report regarding the desirability of a Minister of Reconstruction Planning. We are still of the opinion that such a step is necessary for the proper coordination at Cabinet level of all the work that must be done in this field during the remaining years of the war. Although the Prime Minister of Canada, during the years of transition, will necessarily assume personal responsibility for the broad formulation of reconstruction policies, since reconstruction will then be the paramount task of government, your Committee holds the opinion (expressed at length in the earlier report above-mentioned) that his task at that time would be facilitated if a Minister were appointed to assume responsibility for the further planning that must be carried on during the months that lie immediately ahead of us.

## APPENDIX A

### SUB-COMMITTEES

#### I. AGRICULTURAL POLICY

*Chairman:* Mr. Donald G. McKenzie.

*Terms of Reference:*

To study the problems of Canadian agriculture, with particular reference to (a) the desirability of raising the standard of living of all Canadians to a desirable nutritional level; and (b) the probable developments in the international movement of Canadian agricultural products.

To recommend to the Committee on Reconstruction a comprehensive program for the rehabilitation of Canadian agriculture at the end of the present war.

#### II. CONSERVATION AND DEVELOPMENT OF NATURAL RESOURCES

*Chairman:* Dr. R. C. Wallace.

*Terms of Reference:*

To consider and recommend to the Committee on Reconstruction, the policy and program appropriate to the most effective conservation and maximum future development of the natural resources of the Dominion of Canada, having regard to the importance of these resources as national assets and emphasizing the part which the proposed policies may play in promoting employment opportunities at the end of the present war.

#### III. PUBLICLY-FINANCED CONSTRUCTION PROJECTS

*Chairman:* Mr. K. M. Cameron.

*Terms of Reference:*

To study the extent to which a carefully formulated program of construction projects may contribute to the national welfare of the Dominion of Canada, as well as provide employment opportunities during the post-war period.

To report to the Committee on Reconstruction regarding the way in which such a program may be most effectively organized in advance of the termination of hostilities.

#### IV. HOUSING AND COMMUNITY PLANNING

*Chairman:* Dr. C. A. Curtis.

*Terms of Reference:*

To review the existing legislation and administrative organization relating to housing and community planning, both urban and rural, through the Dominion of Canada, and to report to the Committee on Reconstruction regarding such changes in legislation or modifications of organization and procedure as may be necessary to ensure the most effective implementation of what the Sub-committee considers to be an adequate housing program for Canada during the years immediately following the present war.



**V. POST-WAR EMPLOYMENT OPPORTUNITIES**

*Chairman:* Mr. Percy Bengough (succeeding Mr. Tom Moore).

*Terms of Reference:*

To consider the most effective organization of employment opportunities in the post-war period, with special reference to (a) the proper use of available labour, (b) legislation or practices affecting the length of the working period, and (c) other relevant implications of the subject of reference.

To recommend to the Committee on Reconstruction specific plans regarding legislation or practices in this field.

**VI. POST-WAR PROBLEMS OF WOMEN**

*Chairman:* Mrs. R. F. McWilliams.

*Terms of Reference:*

To examine the problems relating to the re-establishment of women after the war and to make recommendations to the Committee on Reconstruction as to the procedure to deal with these problems and other matters relating to the welfare of women in the period of reconstruction.

## APPENDIX B

## STUDIES AND FACTUAL REPORTS

(Completed reports are indicated by an asterisk; others are in progress. Completed reports are separately available in mimeographed form.)

## I. ECONOMIC FACTORS AND CONTROLS

## 1. Sequence and Timing of Economic Events in the Last War and Postwar Period, 1914-1923.

*Contents.* All available economic series, together with many new ones secured for the first time, have been charted in standard form to show the course of economic evolution under wartime pressures in Canada, during the last war and the last postwar period, 1918-1923. The series measure (a) agricultural and industrial production, (b) external and internal trade, (c) employment, (d) government finance and monetary policy, (e) prices (including wages). In the analysis, special attention is focussed on the situation immediately following the Armistice, and the development and the break of the postwar boom of 1919-20, and, as far as can be ascertained, the regional and industrial area of the dislocation and transition. In addition to the recording of the historical data, an appendix has been compiled of the principal data indicating the nature of the Canadian economy at the time of the last war, in view of the very considerable differences between its structure at that time and the much more comprehensive and mature developments of the present time.

\* (a) A descriptive report (by Dr. Alice W. Turner) traces the principal economic effects of the last war in Canada, particularly productive output, exports, financing of the war and inflation. The postwar story is described in terms of three periods. (i) From the Armistice to mid-1919, the characteristic of which was that the recession was extremely mild, partly due to the limited nature of the wartime expansion viewed in comparison with that of the present, partly to the continuation of governmental disbursement. (ii) The boom period, mid-1919 to mid-1920. This familiar period shows itself to have been, in Canada as in many other countries, the product particularly of credit expansion and of a surging demand for goods not yet in sufficient supply, (iii), (iv) The break in the boom in mid-1920, and the irregular recovery up to 1923, are not analyzed as to cause but examined in considerable detail as to industrial and regional incidence.

*Principal recommendations* relate to the need for price control; public education on the need for avoiding postwar inflation; the need for careful consideration and co-ordination of all factors (e.g. rationing, taxation policy, public and private investment, etc.) affecting consumer buying and capital expenditure; better appreciation and implementation of arrangements for international currency stabilization.

\* (b) Analytical report (by Dr. B. H. Higgins) estimates the effect of industrial, financial and external trade policies during and after the last war; appraises the causative influence in wartime and peacetime inflation and subsequent depression; compares Canadian experience with that of the United States and Great Britain.

*Principal recommendations.* Paramount importance of fiscal policy, applied to anti-deflationary purposes in the postwar transition and of public and business understanding of them; counsels attention to the longer-period aspect of war-induced, economic expansion and possibilities of secular stagnation. Implications for coordinated capital investment policy.

**\*2. Governmental Machinery of Wartime Controls and its Relation to Postwar Problems.**

*Contents.* Descriptive review (by Maxwell Cohen) of (a) the objectives and purposes of wartime economic controls instituted in Canada from September, 1939 on; detail of the Dominion government departments and agencies evolved during the two years of the war (more particularly in the fields of finance and national revenue, foreign exchange, munitions and supply and industrial mobilization, Wartime Prices and Trade Board, agricultural supplies), and the measures concerned with labour organization prior to the establishment of National Selective Service. A broad appraisal of the co-ordination and consistency of these controls, for the purpose of effective economic mobilization at this date.

*Principal recommendations.* Need for more effective secretariat for the co-ordinated control of overall economic policy. Need for closer integration on requirements for industrial, agricultural and military resources. Specific consideration of all existing control agencies adaptable to the vast problems of immediate European and Eastern relief and economic rehabilitation. Modification of the domestic machinery for the tasks of maintaining production, easing the transition to the period of normal supply of industrial materials, preventing inflation and deflation. The necessity of a decision on the status of the War Measures Act: preference expressed for its replacement by suitable amendments to the B. N. A. Act providing such powers as are required for necessary postwar administration.

## II. INDUSTRY.

**\*3. The Impact of Wartime Controls on the Construction Industry, and the Implications for Postwar Policy.**

*Contents.* The first of a detailed study of selected industries, of all wartime orders and regulations in force and their effect on production, employment, market situation, techniques and finance, and their relevance or otherwise to the postwar situation. The report on the construction industry (by Professor J. A. Coote) stresses the special nature of the industry, its compact organization in some respects and its extreme diffusion in others; the critical importance of materials and supplies and of skilled labour; the dangers of over-competition, and the extreme susceptibility to boom expansion and depression contraction; and the dominant influence of wartime control requirements on the present level of activity.

*Principal recommendations.* A selective retention of a number of the orders and arrangements instituted in control fields; more particularly those which lend themselves to co-operative administration with organized agencies of the industry such as the Canadian Construction Association, the National Labour Supply Council, and the trade unions. The establishment of controls specifically adapted to the postwar welfare of the industry, particularly to prevent injurious competition, and the possibility of a construction boom supported by a series of immediate postwar demands, which is, however, liable to leave the industry over-expanded and over-manned once the immediate reconversion programs are completed. Price control for building materials,

and an adoption of a licensing procedure are included in this proposal. While there is a great deal of scattered interest in technical developments in construction, the situation within the industry as a whole is very unsatisfactory and there is need for a research and experimental agency on a national basis. It is emphasized that there is considerable divergence of opinion within the industry on whether controls should be continued or abolished; but at least some of this is due to lack of organized discussion of objectives desired in the postwar period, and uncertainties as to public and private building programs in that field.

\*4. The Impact of War Controls on the Meat Packing Industry, and the Implications for Postwar Policy.

*Contents.* A comparable study of the meat packing industry (by W. M. Drummond) of the same factors indicated above. The mobilization of food supplies for the Allies, particularly of bacon, cheese and related products, is so great that this account reflects the effect of the war on agricultural production as well as its principal processing industry. The voluminous series of regulations have been classified according to their economic effect (output, standardization, prices, labour supply, etc.). In the examination of the structure of the industry, the role of the largest firms and of the smaller firms is distinguished. The intensive specialization of the industry and its minute adaptation to seasonal and regional supplies makes the task of control and mobilization highly intricate. The success of such an organization as the Bacon Board, composed largely of personnel thoroughly familiar with the industry, is, therefore, of much significance. The record clearly indicates that continuous skilful administration rather than any doctrinaire policy is the key to the effective meeting of the needs of the war and that this would be equally true for comparable needs of orderly transition in the postwar years.

*Principal recommendations.* Recognition of distinction between specifically war conditions, international food relief requirements, and the transition period of European agricultural recovery. Necessity of continued organization for the second, and of development of orderly agreements for the third stage.

5. Location and Effects of Wartime Industrial Expansion in Canada.

*Contents.* This is a survey designed essentially for the purpose of giving national and regional perspective to the problems of wartime industrial development. Number of workers employed is used as the index: changes in these numbers since the base date (September, 1939) are prepared on a uniform basis for manufacturing groups, other industrial groups; and for the Dominion divided into 87 regions. This provides a guide to the relevant importance of the re-employment problems as they must be met when war production eases or tapers off.

The above compilation undertaken by the Committee's staff is intended as a complement to other studies now in progress or contemplated by the Dominion Bureau of Statistics, the Department of Munitions and Supply and others. These include detailed surveys of selected industries, e.g., aircraft, sample industrial areas (e.g., Hamilton), special production units (e.g., the Crown Companies).

A comprehensive survey on the details of reconversion requirements of the principal manufacturing industries is being undertaken by a voluntary and unofficial Committee on Industrial Reconversion set up recently, under the sponsorship of a group of leading industrialists, with a survey director. This Committee maintained liaison with the Committee on Reconstruction during the period of the latter's existence.

### III. POPULATION, SETTLEMENT AND IMMIGRATION

#### \*6. Contemporary Demographic Movements Underlying Canadian Agricultural Development.

*Contents.* A comprehensive analysis of the size, components and trends of the Canadian population (by Professor W. Burton Hurd), collating all available information relating to the period since Confederation. It is directed particularly to elucidating the influences which have determined the proportion of the population engaged in agriculture; and the relation of this to the future settlement and population growth. The trend of urbanization, and factors conducive to the stationariness of the farm and rural population are analysed regionally. Rural-urban migration is assessed in relation to agricultural mechanization, efficiency of the farm work force, size and type of farms, rural population surpluses and other factors. The requisites for increased settlement in the future are examined in terms of subsistence vs. commercial farming, the extent and expansion of foreign markets, amount of suitable available farm lands.

*Conclusions and Recommendations.* The basic trend is that the combined requirements of agricultural products for domestic consumption and export have been supplied by a progressively smaller proportion of the total population. A policy of absorbing more people on the land which placed primary reliance on subsistence farming would be in direct opposition to prevailing trends, all of which endorse the necessity of social and commercial efficiency in future agriculture. Future agricultural settlement as well as future agricultural prosperity cannot be divorced from the development of Canadian industry, export markets, natural resources development programs and rural social facilities. A co-ordinated survey should be made of all remaining settlement areas of Canada, having regard to their economic as well as their physical capacity. The domestic markets should be enlarged through measures for decentralizing industry, new techniques for utilizing the products of the farm, nutritional and other programs which serve to increase domestic consumption. (Detailed summary of conclusions and recommendations of this important study is separately available.)

#### 7. Agricultural Settlement Areas in Canada.

*Contents.* A co-ordinated survey and re-examination of all the areas still available for potential settlement in Canada. This survey is being pursued (under the direction of Professor W. B. Hurd) with the collaboration of departments of agriculture of the nine provincial governments, and with the Dominion Department of Agriculture. The survey will cover the actual location and extent of arable lands of various grades; types of farming most appropriate; the extent or deficiency of transportation, communication, social and welfare facilities; capital investment requirements and other costs of establishment; relation of the area to local and export markets and potential industrial development.

(Under the terms of the Veterans' Land Settlement Act of 1942, a survey is under way of the farms specifically appropriate to this legislation. The above study has no connection with this, but the relations between the special situation of returned men's settlement and the broader situation of future agricultural development are being kept in view.)

(Work still under way. Interim report will be available March, 1944.)

## IV. AGRICULTURAL PRODUCTION AND CONSUMPTION

## 8. The relation of Nutritional Standards to Canadian Agriculture.

*Contents.* This report will attempt to bring together the main implications of (a) desirable nutritional standards for the Canadian population, (b) the technical and economic capacity of Canadian agriculture, and (c) developments in productions, markets and related policies during the war period; assessing these factors in the future postwar context. (J. R. Bowring; in collaboration with Dr. W. C. Hopper, Dr. L. B. Pett and others). Accepted nutritional standards are translated into food consumption quantities, and related to growing experience, through rationing, nutritional policies, etc., of consumption requirements. By detailed examination of the main groups of agricultural production and foodstuffs, assessment is made of the conditions under which adequate nutritional standards can be met in the postwar period, the developments in agricultural and in consumption programs required under varied hypotheses of postwar conditions, short-run and long-run.

(Final report projected for March, 1944.)

## \*9. Food Distribution Programs.

*Contents.* A descriptive account (by Dr. W. C. Hopper) of programs which are or have been in operation in the United States and Great Britain to improve or enlarge the consumption of foodstuffs and certain other agricultural products. Distribution for relief purposes. The Food Stamp Plan in the United States. School lunch programs in the United States and Great Britain. School milk and other low-cost milk distribution schemes.

*Conclusions.* Most of these programs are applicable in Canada or with some modifications appropriate to the differing range of Canadian production. They are desirable not only on nutritional grounds but for their effects in enlarging and helping to stabilize farmers' markets. Costs of a Food Stamp Plan in Canada, in particular, are estimated.

## \*10. The Industrial Utilization of Agricultural Products.

*Contents.* A report (by Dr. W. D. McFarlane) of researches now being undertaken in the United States on the utilization of farm products as industrial raw materials, (e.g., lactic acid products, apple by-products, butylene-glycol and alcohol products, oil-producing crops, pectins, agricultural plastics, dehydrated vegetables). The scope of the work reviewed in detail of commodities and regions of three of the four regional laboratories. The relevance of these developments to Canadian staples, and their possible application to rural industry.

*Recommendations.* Expansion of fundamental research and pilot-plant facilities through a specific branch of the National Research Council, preferably located in Winnipeg. Co-ordination of comparable research for Eastern agriculture, through a specific co-ordination effected between the divisions of biology and agriculture of the National Research Council (Ottawa), the Ontario Research Foundation (Toronto), and the Dominion Department of Agriculture. Establishment of an agency for liaison with industry, composed of representatives of the National Chemurgic Committee, Chambers of Commerce, Canadian Society of Technical Agriculturists, etc. The promotion of rural industries, particularly in the fields of building materials, the cellulose processing of fibres, vegetable oil extraction, grain-alcohol plants, lactic acid development, cheese factories, and dehydrated vegetables, and other commodities.

## V. WORKS AND EMPLOYMENT PROGRAMS

### 11. Administrative Techniques for a Publicly Financed Works Program.

The memoranda and reports dealing with the various aspects of this subject have been developed through the Sub-committee on Post-war Construction Projects. The principal memoranda are enumerated in the list included with the recommendations and other documents of the Sub-committee.

### \*12. The Construction Industry as a Field of Employment.

*Contents.* This study (by Dr. O. J. Firestone) divides into parts. (i) The proportionate importance of construction activity in the Canadian economy. In view of the great variety of definitions of the construction industry, and the confusion which attaches to many statements made on the subject, a detailed analysis and description is made of this field of employment measured according to all possible definitions. On this basis the influence of the construction industry as a stabilizer or field for stimulus of expenditure can be properly evaluated. (ii) The structure and composition of the construction industry. This analysis clarifies the relevant importance of particular types or fields of construction and their geographical distribution; the relevant importance of public and private construction; and the make-up of the construction labour force, including contractors and working proprietors, skilled and unskilled workers, organized and unorganized parts of the labour force. (iii) The supply of building and construction labour. Two separate sections deal with (a) the past and present labour supply in the industry, including increase through apprenticeship and other methods of entry, proportion of old workers and rate of retirement, etc.; (b) Construction workers of various kinds now in the armed forces, who may be available for construction programs after the war, whether with assistance through training programs or not. The implication of these facts for postwar training programs are examined in detail. (iv) Summary of the role of construction in a post-war "full employment" program. This includes detailed examination of the cyclical fluctuations characteristic of construction activity in Canada, the relation of building and construction expenditure to the national income; the labour and material contents of specific types of construction, including housing.

(a) Joint responsibility of industry, workers, and government. Training programs for construction and building craftsmen. Relation to social security legislation; and to measures to extend the working year.

(b) Joint responsibility of industry and government. Licensing of contractors. Research in building material, and methods.

(c) Responsibility of the industry, methods of improved organization, protection of standards, etc.

(d) Responsibility of the government postwar construction reserve, and its subsidiary requirements. Types of statistical research. Standardization and economies. Experimental building.

### 13. A Type Study of Conservation: Ganaraska Watershed Survey.

*Contents.* A comprehensive report on a watershed area in need of rehabilitation measures, selected as a sample or model; and carried out as a joint Dominion-provincial project (under the direction of A. H. Richardson, chairman of the Ontario Inter-Departmental Committee on Conservation and Rehabilitation) with the co-operation of various groups and specialists interested in agricultural, forest and water conservation. (a) Detailed description of the watershed, including soils, topography, land use, erosion areas and types. (b) Economic history of the region including the rise and decline of lumbering

activity. (c) Water supply, vegetation and wild life. (d) Farm survey of the area including types and productivity of farming, cash returns and standard of living.

Sections which together provide a complete manual for the implementation of a conservation program include the following: (e) the techniques of land use and conservation survey (including staff instruction, field work, maps, recording methods); (f) remedial measures including reforestation, road and trail building, plantation improvement, river protection, woodlot management, flood control projects, timber pest control, recreational and other developments; (g) requirements for establishment and administration of actual work projects including training, costs, land acquisition, supervision by appropriate regional authority. All intensive data for this area treated as a unit, may be applied to the computation of costs for other areas, and for a national program.

(Detailed consideration and recommendations on a natural resources program are embodied in the report of the Sub-committee on Conservation and Natural Resources. These include recommendations on the broad principles of national organization; and on each main field—forestry, mining, water-power, wild life, tourist and recreational facilities.)

#### 14. A Type Study of Regional Replanning: The St. Lawrence Waterways International Section.

*Contents.* A technical report (by Norman Wilson) on the problems involved in the re-organization of communities in the regions due to be flooded in the Cornwall-Iroquois section. Effect on old and potential new industries; availability of sites; methods of relocation. Transport facilities by water, rail, etc., including relocation. Movements of population necessitated, civic improvements involved, rezoning of urban and farm land, parks and open spaces, social and recreational amenities. Financial factors, problems of compensation, property assessment, etc. Report assesses all the local details on these matters, and includes necessary maps.

(Report recently completed and submitted. Not yet mimeographed.)

### VI. HOUSING AND TOWN PLANNING

#### \*15. The Housing Situation among Low-Rent and Low-Income Urban Groups.

*Contents.* Analysis of all relevant material from Housing Census 1941, and other sources, bearing on the probable requirements for low-rental housing in the postwar period. Information relates particularly to the middle and lower third of wage-earning families in the twelve major metropolitan areas in Canada.

(Arrangements made to incorporate the above study with others in a comprehensive report on housing, after setting up of the Sub-committee on Housing and Community Planning.)

#### 16. Rent Control in Relation to Post-war Housing.

*Contents.* The effect of wartime controls on rents, new building, distribution of houses, etc. The experience of the Rentals Administration and its relevance to post-war exigencies. The relevant history of rent fixing in other countries, the implications for public and private housing programs in the future. This study (by Dr. C. A. Curtis, chairman of the Sub-committee on Housing and Community Planning) to be added as an appendix or incorporated in the report of the Sub-committee referred to above.



## VII. SOCIAL SERVICES

## 17. Social Security Legislation: a Survey of the Prerequisites for Postwar Planning.

*Contents.* This report (by Dr. L. C. Marsh) includes four main sections. (a) The principles of social insurance, their application to existing problems of dependency, needs and family risks; their relation to postwar exigencies; (b) employment, training, placement and related programs. (c) Social insurance legislation. A review of existing social welfare legislation, and the measures needed to transform this to an insurance basis. Specific reference to health insurance; sickness cash benefits; disability pensions; workmen's compensation; old age and retirement pensions; widowhood and orphans' protection; children's allowances; funeral benefits. (d) The administrative, financial and constitutional implications of a comprehensive system of social security legislation.

## 18. Provincial and other Social Welfare Provisions in Relation to National Social Insurance.

*Contents.* This report (by Dr. G. F. Davidson, Dr. Stuart Jaffary, Dr. L. C. Marsh) will examine the effects on the distribution of welfare and assistance services as between the Dominion and the provincial governments, of extension or completion of national social insurance. The review distinguishes income maintenance provisions, and services and supplementary provisions. Three main fields are selected as specific cases: pensions and other services for the aged; allowances and services for widows; existing provincial provisions for children as a whole and in special dependency categories. Problems of administration and finance will be examined in general as well as in relation to these three areas of responsibility.

(Still in progress.)

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Training, re-training and postwar placement and occupational transference measures are reviewed in detail in a consolidated report of the Sub-committee on Employment Opportunities, in addition to the aspects of the subject particularly relevant to social insurance administration, referred to in the Social Security Report.

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Measures necessary for demobilization and rehabilitation of ex-members of the armed services, come only incidentally within the sphere of reference of the Committee on Reconstruction, and have, of course, been dealt with comprehensively through the relevant agencies of the Department of Pensions and National Health and the Department of National Defence.

## APPENDIX C

### OTHER ACTIVITIES OF THE COMMITTEE

1. A selected library and reference file of documents on post-war reconstruction topics has been maintained. These include reports and memoranda from official and unofficial agencies (particularly in Canada, Great Britain and the United States) as well as books and principal periodicals. A limited file of press clippings has been maintained on the events and developments of principal importance, international and domestic. Some bibliographies are being compiled as time permits.

2. An up-to-date record is maintained of governmental reconstruction agencies and committees in (a) the provincial governments, (b) other Dominion governments. (Among these is a special report on governmental agencies and policies in Great Britain made by the Chairman following a visit early in 1942.)

No attempt has been made to compile any comprehensive record of a great number of unofficial and voluntary agencies, committees and groups which are either studying or actually planning some phase of post-war activity.

3. References, reading lists, and study suggestions of a limited nature have been prepared for the use of groups, individuals, industries, trade associations, etc. This has been little more, however, than a spare time activity. The Committee has neither the time nor the staff to act as an informational centre. More recently steps have been taken to develop some liaison with the Wartime Information Board, the educational branches of the Armed Services, etc. There is now evidence of greatly increased interest in the whole field, and much work of an educational nature could be developed if it were considered desirable.

4. Conferences of various types have been arranged with provincial government representatives, university groups, professional, industrial and workers' associations, etc. These and other bodies have been addressed on many occasions by the Chairman, members of the Committee and of sub-committees, and the Research Adviser.

5. Extensive correspondence has been conducted with a wide range of individuals and groups, meeting requests for information, or in acknowledgement and comment on suggested projects and policies.

## APPENDIX D

ORDERS IN COUNCIL RELEVANT TO THE WORK OF THE  
COMMITTEE ON RECONSTRUCTION

1. *P.C. 4068½*. (December 8th, 1939). Setting up a Committee of the Cabinet, on Demobilization and Re-establishment, with power to appoint advisory committees.

2. *P.C. 1218*. (February 7th, 1941). Extension of functions of Cabinet Committee to include consideration of general postwar reconstruction.

3. *P.C. 6874*. (September 2nd, 1941). Constitution of Advisory Committee on Reconstruction, pursuant to above.

4. *P.C. 608*. (January 23rd, 1943). (a) Extension of functions of Advisory Committee on Economic Policy to include postwar reconstruction, in addition to existing sphere of economic and financial policy arising out of the war. (b) Revoking *P.C. 2698* and *P.C. 787*.

5. *P.C. 609*. (January 23rd, 1943). (a) Reconstitution of Advisory Committee on Reconstruction. (b) Revoking *P.C. 1218* and *P.C. 6874* (above).

6. *P.C. 951*. (February 5th, 1943); *P.C. 3643*. (May 4th, 1943). Appointment of new members.

7. *P.C. 9946*. (December 31st, 1943). Transfer of the functions of the Advisory Committee on Reconstruction to the Advisory Committee on Economic Policy.

## P.C. 4068½

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 8th December, 1939.

The Committee of the Privy Council have had before them a report, dated December 7th, 1939, from the Right Honourable W. L. Mackenzie King, the Prime Minister, representing with the concurrence of the Ministers of Pensions and National Health and National Defence, that it is expedient that early and thorough consideration be given to questions which will arise from the demobilization and the discharge from time to time during and after the conclusion of the present war of members of the Forces.

The Committee, therefore, on the recommendation of the Prime Minister, advise that there be hereby constituted a special Committee of the Cabinet composed of the following members, namely:

The Minister of Pensions and National Health (convener),  
The Minister of Public Works,  
The Minister of National Defence,  
The Minister of Agriculture,  
The Minister of Labour,  
The Honourable J. A. MacKinnon,

and that the duties of such Committee shall be to procure information respecting and give full consideration to and report regarding the problems which will arise from the demobilization and the discharge from time to time of members

of the Forces during and after the conclusion of the present war, and the rehabilitation of such members into civil life, and in that connection, but without in any way restricting the generality of the foregoing.

- (a) to consider the adequacy, adaptability and full utilization of the existing governmental machinery which is available to deal with such problems either separately or in conjunction with other activities, and particularly the Department of Pensions and National Health, the Department of Labour, the Canadian Pension Commission, the War Veterans' Allowance Board, and the Civil Service Commission;
- (b) to consider the necessity or advisability of any expansions or additions or readjustments which may seem to be advisable in connection with any of the activities of such Departments or agencies;
- (c) to appoint Advisory Committees selected from the personnel of Government Departments or agencies;
- (d) to consult from time to time Provincial and Municipal Governments and public service organizations and Canadian citizens interested in such problems;
- (e) to make recommendations as to the organization and composition of representative national and local Committees to co-operate with the Government in meeting the problems of rehabilitation and re-establishment;
- (f) generally to procure information respecting and give full consideration to the problems above mentioned and the formulation of preparatory plans in connection therewith; and
- (g) to submit from time to time to the Governor in Council such reports respecting the information received and consideration given and the plans formulated as may seem to the Committee advisable to keep the Governor in Council informed in respect thereto.

The Committee further advise that, for the aforementioned purposes, the said Committee of the Cabinet shall, subject to the approval of the Governor General in Council, have power to engage and remunerate such officers, clerks and employees as may in their view be necessary, and that all expenditures incurred by the Committee be charged to funds provided under the War Appropriation Act.

H. W. LOTHROP,  
*Asst. Clerk of the Privy Council.*

P.C. 1218

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 17th February, 1941.

The Committee of the Privy Council have had before them a report, dated 12th February, 1941, from the Right Honourable W. L. Mackenzie King, the Prime Minister, representing that by Order in Council of the 8th December, 1939 (P.C. 4068½) a special Committee of the Cabinet was constituted to procure information respecting and give full consideration to and report regarding the problems which will arise from the demobilization and the discharge from time to time of members of the Forces during and after the conclusion of the present war, and the rehabilitation of such members into civil life;

That certain of the special Committee's duties were more specifically defined by the said Order in Council and include,

"(d) to consult from time to time Provincial and Municipal Governments and public service organizations and Canadian citizens interested in such problems;

"(e) to make recommendations as to the organization and composition of representative national and local Committees to co-operate with the Government in meeting the problems of rehabilitation and re-establishment;"

That the said Committee has reported that the problem of the rehabilitation of ex-service men is a part of the general question of post-war reconstruction; and that it is the opinion of the Committee that the scope of its duties should be enlarged to include an examination and discussion of the general question of post-war reconstruction, and to make recommendation as to what Government facilities should be established to deal with this question.

The Committee, therefore, on the recommendation of the Prime Minister, advise that the terms of reference of Order in Council of the 8th December, 1939 (P. C. 4068½) be amended by the addition after paragraph (g) of the following paragraph:—

(h) having regard to sections (d) and (e) herein, to examine and discuss the general question of postwar reconstruction, and to make recommendation as to what Government facilities should be established to deal with this question.

(Sgd.) A. D. P. HEENEY,  
*Clerk of the Privy Council.*

P.C. 6874

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by The Deputy of His Excellency the Governor General on the 2nd September, 1941.

The Committee of the Privy Council have had before them a report, dated 29th August, 1941, from the Minister of Pensions and National Health, representing:—

That under the provisions of Order in Council P.C. 4068½, dated the 8th of December, 1939, there was constituted a special Committee of the Cabinet to procure information respecting and give full consideration to and report regarding the problems which will arise from the demobilization and the discharge from time to time of members of the forces during and after the conclusion of the present war, and the rehabilitation of such members into civil life;

That under the provisions of Order in Council P.C. 1218, dated the 17th of February, 1941, the special Cabinet Committee, referred to above, reported that the problem of the rehabilitation of ex-service men is a part of the general question of post-war reconstruction, and the following paragraph was therefore added to Order in Council P.C. 4068½, dated the 8th of December, 1939:—

"(h) having regard to sections (d) and (e) herein, to examine and discuss the general question of post-war reconstruction, and to make recommendation as to what Government facilities should be established to deal with this question."

That the Cabinet Committee having given careful consideration to the additional term of reference outlined in Order in Council P.C. 1218, dated the 17th of February, 1941, find that investigation of the matter of post-war reconstruction will involve expert and detailed attention, and the securing and collation of information from many Government Departments and from organizations devoted to economic and social research, and that it is desirable that the Cabinet Committee secure the assistance in this work of certain persons qualified by their specialized knowledge and experience to advise the Cabinet Committee with regard to the general question of post-war reconstruction.

The Committee, therefore, on the recommendation of the Minister of Pensions and National Health, advise, under and by virtue of the War Measures Act (Chapter 206, Revised Statutes of Canada 1927), and notwithstanding anything contained in any other Act or regulation,—

1. That there be hereby constituted a special committee to be known as the Committee on Reconstruction, consisting of not less than five members and not more than six members who shall serve as members of such Committee without remuneration;

2. That the said Committee on Reconstruction will, through its Chairman, furnish reports to the Chairman of the Cabinet Committee on any matters referred to it by the Cabinet Committee but such reports will be for the guidance of the Cabinet Committee in their consideration of the matters concerned, and used solely by the Cabinet Committee in determining the policy of policies to be adopted;

3. That the duties of this special Committee shall be to take into consideration the additional term of reference cited in Order in Council P.C. 1218, dated the 17th of February, 1941, referred to above, and from time to time to submit to the special Committee of the Cabinet such reports and recommendations respecting information received and consideration given to keep the special Committee of the Cabinet informed in respect thereto, and the said Committee on Reconstruction shall collect, receive, and arrange information with regard to reconstruction policies and activities in Canada and abroad;

4. That the Chairman and the Vice-Chairman of the Interdepartmental Committee on Demobilization and Rehabilitation, appointed under Order in Council P.C. 5421, dated the 8th of October, 1940, and that the Chairman of the Canadian Committee of the Joint Economic Committees appointed under P.C. 4500 dated the 20th of June, 1941, and the Chairman of any other Committee which may be appointed by the Government to consider any question of post-war economic reconstruction shall attend meetings of the Committee on Reconstruction, and offer the fullest co-operation to the Committee on Reconstruction, but shall not be considered to be members thereof;

5. That the Committee on Reconstruction shall be empowered to appoint such Sub-Committees and to consult such recognized experts as it may deem advisable, and shall be further empowered to invite to appear before the Sub-Committees persons specially qualified to deal with any matter coming within the terms of reference; all such persons called in consultation to be entitled to receive the actual and necessary out-of-pocket expenses incurred by them while they are absent from their places of residence for the purpose of such consultation;

6. That all Departments or agencies of the Government and all officers and employees thereof shall afford to the Committee on Reconstruction all available information in regard to any of the matters falling within the scope and power of the Committee on Reconstruction and shall co-operate with the

Committee on Reconstruction in the performance of such duties and the exercise of such powers whenever required by the Committee on Reconstruction to do so, and shall make available to the Committee on Reconstruction all such relevant records, documents and papers as existing regulations permit;

7. That the said Committee on Reconstruction shall assemble and arrange the necessary books, documents, pamphlets, and such printed and other material as may be needed for the Committee on Reconstruction in connection with their work;

8. That the members of the said Committee on Reconstruction shall, subject to the consent of the Governor in Council, be authorized to make such visits as may be necessary to secure information which will be of service to the Committee on Reconstruction and they shall be entitled to receive such travelling expenses as may be incurred in connection with such visits or in respect of attendance at meetings of the said Committee on Reconstruction.

(Sgd.) H. W. LOTHROP,  
*Asst. Clerk of the Privy Council.*

ORDER IN COUNCIL RECONSTITUTING AND FURTHER DEFINING THE FUNCTIONS OF AN ADVISORY COMMITTEE ON ECONOMIC POLICY; P.C. 2698, SEPTEMBER 14, 1939 AND P.C. 767, FEBRUARY 23, 1940 REVOKED.

P.C. 608

AT THE GOVERNMENT HOUSE AT OTTAWA

SATURDAY, the 23rd day of January, 1943.

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL:

Whereas by Order in Council P.C. 2698 of September 14, 1939 (amended by P.C. 767 of February 23, 1940), an Advisory Committee on Economic Policy, consisting of senior officials of various departments and agencies of government, was established to investigate, report and advise upon questions of economic and financial policy and organization arising out of Canadian participation in the war;

And whereas, in view of the increased attention which now requires to be given to postwar planning by departments and agencies of government, the Cabinet War Committee and the Chairman of the Cabinet Committee on Demobilization and Re-establishment have agreed that responsibility for advising the government in respect of such postwar planning by departments and agencies of government should now be assumed by the Advisory Committee on Economic Policy, and that the said Committee should, therefore, be charged with the additional functions of planning and organizing the activities of departments and agencies of government in this field, as well as conducting investigation and study of postwar problems in co-operation with the Committee on Reconstruction, and the preparation and submission of appropriate reports and recommendations;

And whereas certain members named to the Advisory Committee on Economic Policy are no longer able to serve thereon (because of retirement from the government service or absence from Canada);

And whereas it is, therefore, expedient to reconstitute and further define the functions of the said Committee.

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Prime Minister and President of the Privy Council, is pleased to revoke and doth hereby revoke Order in Council P.C. 2698 of September 14, 1939, and Order in Council P.C. 767 of February 23, 1940.

His Excellency in Council, on the same recommendation, and under and by virtue of the War Measures Act, Chapter 206 of the Revised Statutes of Canada, 1927, is pleased to make the following Order and it is hereby made and established in substitution for the Orders hereby revoked:

#### ORDER

1. There shall be an Advisory Committee on Economic Policy consisting of the following members:—

W. C. Clark, Deputy Minister of Finance, Chairman.

W. A. Mackintosh, Special Assistant to the Deputy Minister, Vice-Chairman.  
Chairman.

G. S. H. Barton, Deputy Minister of Agriculture.

Chas. Camsell, Deputy Minister of Mines and Resources.

Donald Gordon, Chairman of the Wartime Prices and Trade Board.

R. A. C. Henry, Department of Munitions and Supply.

A. D. P. Heeney, Clerk of the Privy Council and Secretary to the Cabinet War Committee.

Arthur MacNamara, Associate Deputy Minister of Labour.

Hector McKinnon, Chairman of the Tariff Board and President of the Commodity Prices Stabilization Corporation.

Oliver Master, Acting Deputy Minister of Trade and Commerce.

Norman Robertson, Under-Secretary of State for External Affairs.

Henri DesRosiers, Deputy Minister of National Defence (Army).

Hugh D. Scully, Commissioner of Customs.

Graham F. Towers, Governor, Bank of Canada.

2. R. B. Bryce shall be Secretary of the Committee.

3. Any member of the Committee may designate an alternate to serve in his place when he is unable to be present at meetings of the Committee.

4. The powers and duties of the Committee shall be as follows:—

(a) to investigate, report and advise on questions of economic and financial policy and organization arising out of Canadian participation in the war, with a view to avoiding duplication of effort by departments and agencies of government and ensuring effective co-ordination;

(b) to plan and organize investigations and study of post-war problems by departments and agencies of government;

(c) to conduct investigations and studies necessary to the formulation of measures required to meet post-war problems, in co-operation with departments and agencies of government, the Committee on Reconstruction, the Advisory Committee on Demobilization and Rehabilitation, and such others as may be deemed desirable; and

(d) to prepare reports and recommendations with regard to measures to deal with post-war problems.

5. The Committee may appoint subcommittees, consisting of such of its own members or other persons, to investigate and report upon any matter within the functions of the Committee.

6. The Committee shall have authority to obtain information regarding post-war planning and the preparation of post-war measures by any depart-



ment or agency of government, and to assign to any department or agency or government responsibility for making investigations and preparing reports on post-war problems relating to the work of such department or agency.

7. Departments and agencies of government shall, at the request of the Committee, designate officials to assist the Committee, its subcommittees and staff in the performance of its functions.

8. The Committee shall be responsible to the President of the Privy Council and shall report to him or otherwise as he may direct.

Certified to be a true copy.

A. D. P. HEENEY,  
*Clerk of the Privy Council.*

ORDER IN COUNCIL ESTABLISHING AN ADVISORY COMMITTEE ON RECONSTRUCTION;  
C.P. 1218, FEBRUARY 17, 1941, AND P.C. 6874, SEPTEMBER 2, 1941 REVOKED.

P.C. 609

AT THE GOVERNMENT HOUSE AT OTTAWA

SATURDAY, the 23rd day of January, 1943

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL:

Whereas by Order in Council P.C. 4068½, of December 8th, 1939, a special Committee of the Cabinet (the Committee on Demobilization and Re-establishment), was established to report regarding the problems which will arise from the demobilization and discharge of members of the forces during and after the conclusion of the present war and their rehabilitation into civil life;

And whereas by Order in Council P.C. 1218, of February 17th, 1941, this special Cabinet Committee was given the duty, having regard to sections (d) and (e) of P.C. 4068½ of December 8th, 1939, of examining the general question of postwar reconstruction and recommending what government facilities should be established to deal with the question;

And whereas by Order in Council P.C. 6874, of September 2nd, 1941, a Committee on Reconstruction was established, to take into consideration the additional term of reference cited in P.C. 1218 of February 17th, 1941, and to advise the Cabinet Committee on Demobilization and Re-establishment with respect thereto;

And whereas, in the performance of their duties, the Committee on Reconstruction have considered certain phases of postwar reconstruction and submitted reports thereon for consideration of the government;

And whereas, in view of the increased attention which now requires to be given to postwar planning by departments and agencies of government, the Cabinet War Committee and the Chairman of the Cabinet Committee on Demobilization and Re-establishment have agreed that responsibility for advising the government in respect of such post-war planning by departments and agencies of government, should now be assumed by a body consisting of officials of the departments and agencies of government principally concerned;

And whereas for this reason, by Order in Council P.C. 608 of January 23, 1943, the Advisory Committee on Economic Policy have been charged with the additional functions of planning and organizing the activities of departments

and agencies of government in this field, as well as conducting investigation and study of post-war problems in co-operation with the Committee on Reconstruction, and the preparation and submission of appropriate reports and recommendations;

And whereas it is, therefore deemed expedient to revise accordingly the Orders in Council constituting the Cabinet Committee on Demobilization and Re-establishment and the Committee on Reconstruction;

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Prime Minister and President of the Privy Council, is pleased to revoke and doth hereby revoke Orders in Council P.C. 1218 of February 17, 1941, and P.C. 6874 of September 2, 1941.

His Excellency the Governor General in Council, on the same recommendation and under and by virtue of the War Measures Act, Chapter 206 of the Revised Statutes of Canada, 1927, is pleased to make the following Order and it is hereby made and established in substitution for the said Order in Council P.C. 6874.

#### ORDER

1. There shall be an Advisory Committee on Reconstruction consisting of the following members:—

Dr. F. Cyril James, *Chairman*,  
 Dr. R. C. Wallace,  
 Mr. Tom Moore,  
 Dr. Edouard Montpetit,  
 Mr. J. S. McLean,  
 Hon. D. G. McKenzie.

2. The following shall be entitled ex-officio to attend the meetings of the Committee and receive copies of the minutes:—

The Chairman of the Interdepartmental Advisory Committee on Demobilization and Rehabilitation (established by P.C. 5421 of October 8, 1940),

The Vice-Chairman of the Interdepartmental Advisory Committee on Demobilization and Rehabilitation,

The Chairman of the Canada-United States Joint Economic Committees, Canadian Committee (established by P.C. 4500 of June 20, 1941),

A representative of the Advisory Committee on Economic Policy.

3. The Committee shall, on their own initiative, make such recommendations and draw attention to such considerations in the field of postwar problems as they may deem desirable.

4. The Committee shall undertake such investigations and studies of post-war problems as may from time to time be determined in co-operation with the Advisory Committee on Economic Policy or as the President of the Privy Council may direct.

5. The Committee shall be responsible to the President of the Privy Council and shall report to him or otherwise as he may direct.

6. Officers and personnel employed by the Committee on Reconstruction, prior to the passing of this Order, shall, in all respects, continue under the supervision of the Committee established by this Order, at the rates of compensation and under the conditions presently approved.

7. The Committee may appoint such sub-committees and consult such recognized experts as it may deem advisable, and, further, may invite to appear before the sub-committees persons specially qualified to deal with any matter coming within the terms of reference of the Committee; all such persons called in consultation to be entitled to receive the actual and necessary out-of-pocket expenses incurred by them while absent from their places of residence for the purpose of such consultation.

8. The Committee may, with the approval of the Governor in Council, employ such qualified persons and incur such expenses as may, in their opinion, be necessary to the performance of their duties.

9. All departments and agencies of government and officers and employees thereof shall accord the Committee such co-operation as may be required for the proper performance of their duties.

Certified to be a true copy.

A. D. P. HEENEY,  
*Clerk of the Privy Council.*

ORDER IN COUNCIL APPOINTING P. R. BENGOUGH A MEMBER OF THE ADVISORY COMMITTEE ON RECONSTRUCTION.,

P.C. 951

AT THE GOVERNMENT HOUSE AT OTTAWA

FRIDAY, the 5th day of February, 1943.

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL:

His Excellency the Governor General in Council, on the recommendation of the Right Honourable W. L. Mackenzie King, Prime Minister and President of the Privy Council, is pleased to appoint and doth hereby appoint P. R. Bengough, Esquire, a Vice-President of the Trades and Labour Congress of Canada, and Acting President of the said Congress, to be a member of the Advisory Committee on Re-construction, established by Order in Council of January 23, 1943.—P.C. 609, vice Tom Moore, resigned.

Certified to be a true copy.

A. D. P. HEENEY,  
*Clerk of the Privy Council.*

ORDER IN COUNCIL APPOINTING ARTHUR SURVEYER, A MEMBER OF THE ADVISORY COMMITTEE ON RECONSTRUCTION.

P.C. 3643

AT THE GOVERNMENT HOUSE AT OTTAWA

TUESDAY, the 4th day of May, 1943.

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL:

His Excellency the Governor General in Council, on the recommendation of the President of the Privy Council, is pleased to appoint and doth hereby appoint Arthur Surveyer, Esquire, of the City of Montreal, Civil Engineer,

to be a member of the Advisory Committee on Reconstruction, constituted by Order in Council of the 23rd January, 1943 (P.C. 609), vice Dr. Edouard Montpetit, resigned.

Certified to be a true copy.

A. D. P. HEENEY,  
*Clerk of the Privy Council.*

ORDER IN COUNCIL TRANSFERRING FUNCTIONS OF ADVISORY COMMITTEE ON  
RECONSTRUCTION TO ADVISORY COMMITTEE ON ECONOMIC POLICY.

P.C. 9946

AT THE GOVERNMENT HOUSE AT OTTAWA

FRIDAY, the 31st day of December, 1943.

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL:

Whereas by Order in Council P.C. 6874 of September 2, 1941, the Committee on Reconstruction was established to examine the general question of postwar reconstruction and recommend what government facilities should be established to deal with the question;

And whereas the President of the Privy Council reports that the Committee on Reconstruction, in the performance of their duties have considered certain phases of postwar reconstruction and have, from time to time, submitted reports thereon for consideration by the government;

That by Order in Council P.C. 608 of January 23, 1943, the Advisory Committee on Economic Policy were charged, in addition to their other functions, with planning and organizing the activities of departments and agencies of government in the field of reconstruction, as well as conducting investigation and study of postwar problems in co-operation with the Committee on Reconstruction, and the preparation and submission of appropriate reports and recommendations to the government;

That by Order in Council P.C. 609 of January 23, 1943, Order in Council P.C. 6874 of September 2, 1941, was revoked and the Committee on Reconstruction was reconstituted with similar functions, as the Advisory Committee on Reconstruction, and made responsible to the President of the Privy Council;

That on September 24, 1943 the final report of the Advisory Committee on Reconstruction was submitted to the government;

That the government have also received the final reports of the various sub-committees established by the Advisory Committee on Reconstruction;

That the unanimous advice and recommendation of the Advisory Committee on Reconstruction, as contained in their said final report, was that the time had arrived when detailed responsibility for the reconstruction planning should be undertaken by full time members of the government staff, and that the functions of the Advisory Committee on Reconstruction be merged with those of the Advisory Committee on Economic Policy; and

That the said advice and recommendation has been accepted by the government.

Therefore, His Excellency the Governor General in Council, on the recommendation of the President of the Privy Council, is pleased to revoke Order in Council P.C. 609 dated January 23, 1943, and it is hereby revoked as of January 1, 1944.

His Excellency in Council, on the same recommendation and under the authority of the War Measures Act, Chapter 206 Revised Statutes of Canada, 1927, is pleased to order and doth hereby order that effective January 1, 1944, the functions of the Advisory Committee on Reconstruction be transferred to the Advisory Committee on Economic Policy as reconstituted by Order in Council P.C. 608 of January 23, 1943 .

Certified to be a true copy.

H. W. LOTHROP,  
*Associate Clerk of the Privy Council.*