

"A CANADIAN SOLILOQUY"

ADDRESS BY

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OF THE

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TO

THE CANADIAN CLUB OF TORONTO

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I AM DELIGHTED TO BE INVITED TO THE CANADIAN CLUB, AS THIS GIVES ME A WELCOME OPPORTUNITY TO TALK ABOUT MY FAVOURITE SUBJECT, CANADA. I HAVE HAD THE GREAT GOOD FORTUNE TO LIVE IN NEARLY ALL PROVINCES - I HAVE CERTAINLY HAD EXPOSURE TO ALL. THE RESULT IS A LIFELONG, UNABASHEDLY ARDENT, LOVE AFFAIR WITH THIS MAGNIFICENT LAND. IF THIS LAND CAN BE CONSIDERED A LADY, THEN YOU WILL UNDERSTAND WHAT I MEAN WHEN I SAY THAT MY MIND'S EYE WANDERS OVER HER MOUNTAINS, VALLEYS AND PLAINS WITH TACTILE DELIGHT. THE ONLY BLEMISH I WILL ACKNOWLEDGE ON THIS BELOVED FETISH IS A TENDENCY TO FRIGIDITY IN CERTAIN SEASONS, A FAULT, I MUST SAY, THAT SEEMS MORE NOTICEABLE NOW THAN IN MY EARLIER, MORE ARDENT YEARS.

IT IS SAID LOVE IS BLIND, AND PERHAPS I SHOULD PLEAD GUILTY, FOR THE MORE I SEE OF THE WORLD, THE MORE UNBELIEVABLY LUCKY I FEEL THAT THIS IS MY HOMELAND. FOR SUCH FEW PEOPLE, HOW RICHLY ENDOWED WE ARE. WE HAVE HERE THE RESOURCES TO BUILD WHATEVER QUALITY OF LIFE WE WISH, GIVEN THE DESIRE, THE WILL AND THE WIT.

SO I REPEAT MY PLEASURE IN SHARING WITH YOU SOME OF MY THOUGHTS.

/I SUPPOSE YOU WOULD

I SUPPOSE YOU WOULD CONCLUDE IT TO BE INEVITABLE THAT A BANKER SOON GETS TO ECONOMIC MATTERS. I DO SO NOT BECAUSE OF OCCUPATIONAL BIAS, BUT BECAUSE IT IS EFFICIENT PRODUCTIVE ENTERPRISE THAT PROVIDES THE WHEREWITHAL FOR FOOD, CLOTHING, SHELTER, HEALTH CARE, UNIVERSITIES, SYMPHONY ORCHESTRAS, TRAVEL, RECREATION AND, OF COURSE, FOR GOVERNMENT, OR SECURITY IN OLD AGE, OR WHATEVER ELSE PEOPLE DREAM OF THESE DAYS,

IT IS INCREDIBLE THE DEGREE TO WHICH WE APPEAR TO FORGET THIS. LISTENING TO SOME OF THE MORE AIRY CRITICS, WHO DENIGRATE THE IMPORTANCE OF PRODUCTION, I OFTEN FEEL LIKE DRAGGING THEM OFF TO PARTS OF INDIA, AFRICA, OR SOUTHEAST ASIA. THERE THE LESSON IS SO OBVIOUS. IF THERE IS NOT ENOUGH FOOD, THERE IS NOT MUCH QUALITY OF ANYTHING. THE POTENTIAL TO BUILD A HIGH QUALITY OF LIFE DEPENDS ON PRODUCTIVE CAPACITY.

WE HAVE IN CANADA, IN THE NEXT DECADE, SOME EXCEPTIONAL OPPORTUNITIES. WE ALSO HAVE, HOWEVER, SOME PROBLEMS WHICH CLOUD THE LANDSCAPE,

INFLATION IS ONE! A SIGNIFICANT PORTION OF THIS, OF COURSE, IS DUE, PARTICULARLY IN THE PAST YEAR, TO

SHORTAGES CREATED BY A CONCURRENT ECONOMIC BOOM IN NEARLY EVERY PART OF THE WORLD, UNIQUE IN RECENT HISTORY, AS WELL AS THE STAGGERING INCREASE IN OIL PRICES, AND SOME SIZEABLE CROP FAILURES. BASICALLY, THIS IS THE KIND OF INFLATION MARKET FORCES CAN BRING UNDER CONTROL.

HOWEVER, THERE IS ANOTHER SIDE TO CANADA'S INFLATIONARY PROBLEM, ONE THAT IS NOT SO SUBJECT TO MARKET FORCES, AND ONE THAT SHOWS OMINOUS SIGNS OF BEING BUILT IN. I AM REFERRING TO THE EXCESSIVE DEMAND PRESSURES GENERATED BY THE INCREASING ROLE OF GOVERNMENT IN THE ECONOMY.

IN 1962, OUTLAYS OF ALL LEVELS OF GOVERNMENT, INCLUDING TRANSFER PAYMENTS TO INDIVIDUALS, TOTALLED \$13.2 BILLION, EQUIVALENT TO 30.7 PER CENT OF CANADA'S GROSS NATIONAL PRODUCT. A DECADE LATER, IN 1972, OUTLAYS BY THE PUBLIC SECTOR HAD TRIPLED TO \$39.8 BILLION, MEANING THAT SOME 38.5 PER CENT OF THE COUNTRY'S TOTAL INCOME PASSED THROUGH GOVERNMENT HANDS.

IF THIS CONTINUES, IN LITTLE MORE THAN ANOTHER DECADE FULLY HALF OF OUR INCOME STREAM WILL PASS THROUGH THE GOVERNMENT SECTOR, MUCH OF IT IN WASTEFUL AND UNPRODUCTIVE PROGRAMMES.

/PART OF THIS

PART OF THIS REPRESENTS PURE PROLIFERATION OF BUREAUCRACY. ANOTHER PART IS WELFARE, UNEMPLOYMENT INSURANCE AND SIMILAR BENEFITS. GOVERNMENT TRANSFER PAYMENTS TO PERSONS ROSE FROM 6 PER CENT OF G.N.P. IN 1967 TO NEARLY 10 PER CENT IN 1972, ONLY FIVE YEARS LATER. DURING THIS PERIOD, THE DOLLAR AMOUNT OF SUCH TRANSFERS GREW AT A RATE OF NEARLY 16 PER CENT PER ANNUM. IN THE PAST YEAR, UNEMPLOYMENT INSURANCE PAYMENTS ALONE, GROSSLY ABUSED, ROSE BY 30 PER CENT, EATING UP MORE THAN \$2 BILLION. EVEN IF, AS THE ECONOMIC COUNCIL HAS SUGGESTED, THE RATE OF GROWTH OF TRANSFER PAYMENTS IS HELD TO NO MORE THAN 11 PER CENT A YEAR OVER THE NEXT FIVE YEARS, THEIR SHARE OF G.N.P. WOULD CONTINUE TO INCREASE.

"AREN'T TRANSFER PAYMENTS JUST A REDISTRIBUTION OF INCOME FROM ONE SECTOR TO ANOTHER?" YOU MAY ASK. TRUE. BUT THEY ARE STILL AN UNDERLYING CAUSE OF INFLATION. UNLESS THE MONEY TRANSFERS ARE VALIDATED BY A TRANSFER OF REAL RESOURCES, ALL THAT IS ACCOMPLISHED IS A BIDDING UP OF PRICES. AND THIS HAS BEEN PRECISELY THE CANADIAN EXPERIENCE.

IF WE, AS SOCIALLY CONSCIOUS CANADIANS, DECIDE COLLECTIVELY, THROUGH OUR GOVERNMENT, TO INCREASE THE

/RELATIVE SHARE OF

RELATIVE SHARE OF WELFARE BENEFITS, THEN WE, AS WAGE EARNERS, MUST GIVE UP SOMETHING, OR NATIONAL OUTPUT HAS TO EXPAND SUFFICIENTLY TO VALIDATE THE TRANSFER. IT'S LIKE A PIE. IF SOMEONE IS GOING TO GET A BIGGER PIE, EITHER THE WHOLE PIE HAS TO INCREASE SUFFICIENTLY, OR SOMEONE ELSE HAS TO BE SATISFIED WITH A SMALLER PIE. IF WE REFUSE TO ACKNOWLEDGE THIS FACT AND KEEP DEMANDING MORE OURSELVES TO COMPENSATE FOR WHAT WE HAVE GIVEN UP, AND IF WE DEMAND WAGE INCREASES IN EXCESS OF PRODUCTIVITY GAINS, THE END RESULT, WITH EVERYONE BIDDING TO PRESERVE OR INCREASE THEIR SHARE, CAN ONLY BE INFLATION.

INFLATION THEN BECOMES LOOKED UPON AS THE DISEASE, NOT MERELY THE SYMPTOM IT REALLY IS. AND IT IS THE SYMPTOM THAT IS THEN TREATED, BY SUCH MEANS AS INDEXING WELFARE BENEFITS OR INSTITUTING WAGE AND PRICE CONTROLS. THIS JUST CREATES AN ENDLESS CYCLE, IN REALITY AGGRAVATING THE BASIC AILMENT, RATHER THAN HELPING TO CURE IT.

THE TRAGEDY IS THAT THOSE MOST HURT BY THIS PROCESS ARE THE VERY ONES WE INITIALLY INTENDED TO HELP: THE POOR, THE OLD AND THE INFIRM.

/EQUALLY IMPORTANT,

EQUALLY IMPORTANT, IT CAN DISLOCATE AND DIS-ORIENT THE PRODUCTIVE MECHANISM, AND EVEN, AT THE RATES WE ARE SEEING TODAY, LEAD TO SERIOUS BREAKDOWNS,

A SOFT HEART MUST BE COUNTERED WITH A HARD HEAD.

BEING AN OPTIMIST, I BELIEVE THE PEOPLE OF CANADA, IN ALL GROUPS, ARE HAVING SECOND THOUGHTS ABOUT THE MANDATE GOVERNMENT BELIEVES IT HAS TO EXTRACT SO MUCH OF THEIR REAL WEALTH. HOPEFULLY, OUR POLITICIANS WILL BEGIN TO FEEL THE NEW DRIFT OF THE WIND BEFORE LONG.

THE SECOND PROBLEM THAT PAINS ME, AND INHIBITS US AS A NATION, IS OUR PHENOMENAL CAPACITY FOR INTERNAL DISSENSION. NARROW SECTORAL INTERESTS SEEM TO PREVAIL OVER ANY SENSE OF NATIONAL PURPOSE.

RATHER THAN PULLING TOGETHER, WE SEEM TO SPLIT INTO FACTIONS EVERY TIME THE GOING GETS A BIT ROUGH OR SOME POLITICIAN SEES A CHANCE TO CASH IN ON A LOCAL HEADLINE. THE RECENT SPECTACLE OF SCHOOLYARD NAME CALLING PROMPTED BY THE ENERGY PROBLEM, FOR EXAMPLE, I AM SURE WOULD HAVE AMAZED MOST EUROPEANS. THERE, TRADITIONAL

/ENEMIES, WITH LONG

ENEMIES, WITH LONG HISTORIES OF ARMED CONFLICT, ARE STRIVING TO COME TOGETHER TO FORGE A BETTER FUTURE FOR THEMSELVES. HERE, OUR TEN PROVINCES APPEAR MORE AND MORE LIKE TEN SEPARATE SOVEREIGN STATES BENT ON WIDENING THE GULFS BETWEEN EACH OTHER AND BETWEEN THEM AND THE NATIONAL GOVERNMENT.

A THIRD MAJOR PROBLEM IS THAT WE HAVE NOT ADEQUATELY MAINTAINED OUR PRODUCTIVE CAPABILITY ON WHICH SO MUCH ELSE DEPENDS. BETWEEN 1966 AND 1972, BUSINESS CAPITAL SPENDING ON PLANT AND EQUIPMENT IN THIS COUNTRY FELL FROM 16 PER CENT OF GROSS NATIONAL PRODUCT TO 12 1/2 PER CENT. AT CURRENT LEVELS OF OUTPUT THIS WAS EQUIVALENT TO A SHORTFALL OF \$3.5 BILLION IN 1972 ALONE. IN VIEW OF THE CONTINUED EXPANSION OF DEMAND IN CANADA, THERE IS LITTLE WONDER THAT OUR ECONOMY IS BUMPING AGAINST THE TOP LIMIT OF PHYSICAL CAPACITY TO PRODUCE AND THAT THERE ARE SEVERE INFLATIONARY SHORTAGES IN MANY LINES. CAPITAL SPENDING JUST HAS NOT BEEN SUFFICIENT.

ONE REASON CANADIANS HAVE BEEN SO HESITANT TO INVEST IS THAT CORPORATE PROFITS, EVEN BEFORE TAXES, FELL FROM 11 1/2 PER CENT OF G.N.P. IN THE MID-SIXTIES TO JUST

OVER 9 PER CENT

OVER 9 PER CENT IN 1970. THIS WAS A LEVEL LOWER THAN AT ANY TIME SINCE THE THIRTIES. IN THE LAST TWO YEARS, PRE-TAX PROFITS HAVE EXPERIENCED A FIRM RECOVERY. NOW INVESTMENT IS FOLLOWING SUIT.

IN CONSIDERING PROFITS, TOO, INFLATION HAS TO BE TAKEN INTO ACCOUNT. YOU WOULD BE DOING RATHER WELL THESE DAYS IF YOU COULD REALIZE AN AFTER-TAX RETURN OF 7 PER CENT ON AN INVESTMENT. YET WITH THE OVERALL INFLATION RATE AT 7 PER CENT, ALL YOU WOULD BE DOING IS KEEPING YOUR NOSE LEVEL WITH THE RISING TIDE. IN FACT, YOU WOULD BE SINKING BECAUSE YOUR DEPRECIATION IS PROBABLY INADEQUATE TO REPLACE EXISTING EQUIPMENT AT INFLATED PRICES.

ANOTHER IMPORTANT DRAG ON INVESTMENT DECISION-MAKING HAS BEEN THE TORRENT OF PRONOUNCEMENTS AND LEGISLATION THAT HAS RAINED DOWN ON THE BUSINESS COMMUNITY IN THE LAST HALF DECADE. THE NET EFFECT OF THIS MORASS OF FRAGMENTED, OVERLAPPING, CONTRADICTORY, CONFUSED AND CONFUSING PSYCH-WORK OF MEASURES AND ANNOUNCEMENTS OF INTENTIONS, EMANATING BOTH FROM OTTAWA AND THE PROVINCES, HAS BEEN TO CREATE IMMENSE UNCERTAINTY. ABOVE ALMOST ANYTHING, UNCERTAINTY IS THE ENEMY OF PRODUCTIVE INVESTMENT. OBVIOUSLY, MUCH

OF THE LEGISLATION HAS BEEN WRITTEN BY PEOPLE WITH LITTLE KNOWLEDGE OF BUSINESS REALITY. SIMILARLY, WHEN A GOVERNMENT VOICES A POLICY, WITHOUT GIVING ANY DETAILS, AND THEN LETS THE BUSINESS COMMUNITY HANG IN SUSPENSE, IT IS EVIDENT THAT THEY HAVE LITTLE APPRECIATION OF THE WAY IN WHICH BUSINESS FUNCTIONS. TRYING TO ASSESS THE EFFECTS OF ALL THESE DIFFERENT AND OFTEN CONFLICTING MEASURES ON THE OUTCOME OF, AND RETURN ON, A MAJOR INVESTMENT PROJECT HAS BEEN LIKE TRYING TO MANOEUVRE IN A MAELSTROM OF MOLASSES.

THE TRULY AGGRAVATING ASPECT OF THESE SITUATIONS IS THAT WE ARE FRITTERING AWAY OUR TREMENDOUS INNATE NATURAL ADVANTAGES.

WE ARE NOT OVERCROWDED, AND OUR POLLUTION LEVELS ARE LOW COMPARED TO OTHER INDUSTRIAL COUNTRIES. THESE FACTORS ARE IMPORTANT IN AN ERA WHEN MORE AND MORE EMPHASIS IS BEING PLACED ON THE QUALITY OF LIFE.

WE HAVE A WELL EDUCATED LABOUR FORCE THAT IS GROWING FASTER THAN THAT OF ANY OTHER INDUSTRIALIZED COUNTRY IN THE WORLD.

THIRDLY, CANADA'S

THIRDLY, CANADA'S COMMODITY AND RESOURCE BASE IS AS STRONG AS YOU WILL FIND ANYWHERE, IN TERMS NOT ONLY OF SIZE, BUT ALSO OF DIVERSITY,

WE ALSO HAVE A SURPRISINGLY LARGE STORE OF GOODWILL AROUND THE WORLD. THIS IS PARTICULARLY TRUE IN THE CASE OF LESSER DEVELOPED COUNTRIES, WHICH HAVE BEEN REGISTERING SOME OF THE WORLD'S FASTEST GROWTH RATES. WE HAVE THE EXPERTISE THAT THEY NEED IN SUCH AREAS AS TRANSPORTATION AND THE DEVELOPMENT OF NATURAL RESOURCES. AGAIN AND AGAIN, I HAVE HEARD IN MY TRAVELS THAT THEY WOULD PREFER TO DEAL WITH CANADIANS RATHER THAN RUN THE RISK OF DOMINANCE BY THE INDUSTRIAL GIANTS.

THE SO-CALLED ENERGY CRISIS, WHICH, ASIDE FROM THE MIDDLE EAST PROBLEM, HAS BEEN VISIBLE ON THE HORIZON FOR SOME TIME, HAS ONLY REINFORCED THE ENVIABLENESS OF CANADA'S POSITION. OUR ENERGY SUPPLIES, BOTH REALIZED AND POTENTIAL, GIVE US A FREEDOM TO MANOEUVRE THAT CANNOT BE MATCHED BY ANY OTHER INDUSTRIALIZED COUNTRY.

WHAT LIES AHEAD FOR CANADA? TO EVEN OUTLINE WHAT NEEDS TO BE ACCOMPLISHED IN PHYSICAL TERMS WOULD TAKE FAR MORE TIME THAT I HAVE LEFT. IN A NUTSHELL, THOUGH, VIABLE PROJECTS ARE IN STORE REQUIRING INVESTMENTS OF THE ORDER OF \$300 BILLION BY 1980,

/Is SUCH A TASK

IS SUCH A TASK FINANCIALLY FEASIBLE?

YES, AND MOSTLY WITH OUR OWN FINANCIAL RESOURCES. IF IT IS REASONABLY SPREAD OUT, SUCH AN INVESTMENT PROGRAMME WOULD REPRESENT JUST A SLIGHTLY HIGHER PROPORTION OF G.N.P. THAN CAPITAL SPENDING AVERAGED IN THE FIFTIES. FURTHERMORE, WITH THE INCREASED SOPHISTICATION OF OUR DOMESTIC CAPITAL MARKETS, ONLY A RELATIVELY MINOR PART OF THE FINANCING WOULD NEED TO BE DONE ABROAD.

WILL WE DO IT?

HERE THE IFS ARE SOMEWHAT BIGGER.

YES, IF WE WILL REALLY DO SOMETHING ABOUT OUR BUILT-IN INFLATION.

YES, IF WE CAN DO MORE THAN WE HAVE DONE LATELY IN CONVINCING GOVERNMENT THAT IT IS INVESTMENT THAT CREATES HEALTH AND JOBS, AND TAX MONEY, AND THE POTENTIAL FOR AN IMPROVED STANDARD OF LIVING.

YES, IF WE CAN CONVINCING THE POLITICIANS AT ALL LEVELS THAT WE DO NOT WANT THIS COUNTRY QUARRELSOMELY FRAGMENTED,

ANTAGONISTIC AND DIVIDED;

ANTAGONISTIC AND DIVIDED; THAT WE BELIEVE WE CAN GO FORWARD BETTER TOGETHER THAN APART. BECAUSE WE ABSOLUTELY MUST, OF COURSE, HAVE SOME REASONABLE CONCENSUS OF WHERE WE WANT TO GO, IN ORDER TO GO ANYWHERE.

WE ARE INDEED MUNIFICENTLY ENDOWED BY NATURE, AND IT IS SO OBVIOUSLY OUR TIME TO MOVE SIGNIFICANTLY FORWARD IN ENRICHING OUR QUALITY OF LIFE. IF WE FAIL, HISTORY WILL WONDER HOW SUCH A LARGE, BOUNTIFUL AND BEAUTIFUL COUNTRY COULD PRODUCE SUCH SMALL MEN.

THOSE, GENTLEMEN, ARE A FEW OF THE SOLILOQUYS OF THIS UNABASHEDLY ARDENT CANADJAN. THANK YOU FOR EAYESDROPPING.
