

# TOTAL WAR AND CANADA'S ECONOMIC POLICY

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THE war effort that any country can make is determined by its numerical and economic strength; but the war effort that any country will make is determined by the willingness of the people to work, to fight, and to sacrifice. It has been repeatedly stated in parliament and out of parliament that Canada is in this war to the limit of her resources. If this is so, then the Canadian economic policy ought to be such as to raise economic production to the highest possible level compatible with the maintenance of health and efficiency, and to divert the largest possible percentage of that production to the purpose of prosecuting the war.

## *Maximum Production and Maximum War Effort:*

To maximize output requires that plant capacity be fully utilized, that all available labour be put to work, and that all should work as hard as is compatible with the maintenance of health and efficiency. To maximize the economic war effort requires that only the smallest part of that output compatible with the maintenance of health and morale should be consumed, leaving the balance to be diverted to war purposes. For many years the Canadian economy has been proceeding far below its peace-time maximum, and therefore very far below its war-time maximum. It ought to be possible to increase production by at least one-third of what was produced in 1939, which would give a national income, in to-day's prices, of over \$6,000 million.\* Should prices rise, as they undoubtedly will, then the figure of \$6,000 million will have to be revised accordingly.

During the first Great War, the principal belligerents, when putting forth their greatest efforts, were devoting approximately 45 per cent of their national incomes to war purposes. Since 1918, the productivity of labour has increased considerably, and much has been learned about effectively organizing an economy for war. Taking these factors into consideration, some maintain that it will be possible for a country to devote

\*The figure of \$6,000 million as a maximum for Canada's national income in to-day's prices seems conservative, and is related to conditions as they prevailed at the end of 1939 and the beginning of 1940. With each year that passes, the potentialities of the economy increase.

fully 60 per cent of its national income to war purposes. During the fiscal year 1940-1941, the United Kingdom will spend over £3,000 million on the war, or more than 50 per cent of its national income. In many respects the United Kingdom is in a less favourable position than Canada to spend a large percentage of its national income on the war: the armed forces of the United Kingdom are increasing rapidly; large numbers have been withdrawn from industry and trained to deal with the damage caused by air raids; larger numbers, regularly employed in industry, have been trained to protect the places in which they work; still larger numbers are giving part of their time to the air raid precaution system; a large civilian army has come into being to assist in repelling any attempt to invade the British Isles; and there must also be taken into account the lessened output caused by air raids. The Canadian economy, on the other hand, has certain disadvantages: substantial sums must be sent out of the country every year to pay interest and dividends on foreign investments; and it is doubtful whether an economy with a very large agricultural industry can devote as high a percentage of its national income to war purposes as can a predominantly industrial economy such as the United Kingdom's. Suppose, for these and other reasons, the figure for Canada is placed at 40 per cent, the war effort will still amount to \$2,400 million a year when once the peak of production is reached.

Were Canada's expenditures for the current fiscal year to be equal to those of the United Kingdom on a *per caput* basis, the total outlay would be considerably over \$3,000 million; and, on the basis of percentage of the national income, over \$2,500 million. But an unknown amount of British expenditure will be accounted for by the using up of credits held abroad and by the sale of foreign securities; therefore, a direct comparison between these figures and Canada's current outlay is not strictly legitimate.

In the budget of June, 1940, provision was made for a war expenditure of \$700 million in the fiscal year 1940-1941; but the latest estimate has been placed by the Minister of Finance at \$875 million.<sup>1</sup> When to this is added repatriation of securities held in the United Kingdom, Canada's war effort for the fiscal year just ended will be close to \$1,200 million.<sup>2</sup>

1. *Hansard*, February 18, 1941, p. 899.

2. Expenditures for the repatriation of securities held in the United Kingdom have been added to war expenditures of the Dominion Government because, irrespective of who ultimately pays the bill, the country's war effort is measured in terms of commodities and services made available for that purpose without compensation in the form of other goods and services.

For the fiscal year 1941-1942, Canada has appropriated \$1,300 million for war purposes, but it is expected that expenditures may reach as high as \$1,450 million.<sup>1</sup> In addition, Canada will purchase from the United Kingdom securities to the amount of probably \$400 million. In other words, Canada's war effort for the fiscal year 1941-1942 will be from \$1,700 million to \$1,850 million. Therefore, a war effort of \$2,400 million, mentioned above as Canada's probable maximum, is very definitely in sight for the fiscal year 1942-1943.

*Placing the Economy on a War Footing:*

To increase Canada's economic production by one-third over the production figures for 1939 will require strong government action. The increase in production ought to be confined to war supplies; and, in this field, the government will be practically the sole purchaser. Industrial dislocations must be kept to a minimum, and this will be possible only if the government takes measures to see that there are adequate plant facilities, that existing plant capacity is used to the maximum, that unnecessary disparities from province to province do not arise, that there is a minimum of delay caused by shortages of skilled labour to operate available plant and equipment, and no shortage of plant and equipment to employ available skilled labour. While some industries are expanding, others will be contracting. Government action will be primarily responsible for both the expansion and contraction of industries; therefore, the government must accept responsibility for seeing that new plant and equipment are adequate, and that the redundant capacity in those industries that are contracted is made to serve the state, or, when this is not possible, that the redundant labour supply is quickly absorbed into other industries.

*The Labour Problem:*

A rough calculation made by the author about a year ago indicated that there were then fully one million people who could be added to Canada's labour force. These additional workers comprised the unemployed; the no-pay workers whose contribution to the nation's income was far below what it ought

1. *Hansard*, February 18, 1941, pp. 898-9.

to be; the young men and women who were still at school simply because there were no jobs for them to go to; and a large number, especially women, who are not habitually gainfully occupied, but who would be available to industry in times of national emergency. From this total of one million would have to be deducted the number of those who have been added either to the fighting forces or to industrial payrolls during 1940; but, offsetting in part these deductions will be the number of those young people who, during the same period, have reached the age at which they can take their places in industry. Further, for the next few years the decrease in the labour force as the result of retirements is going to be less than formerly, because men and women who are still useful in the industrial world will not be retired merely because they have reached the age at which pensions normally take effect. It can safely be said, after all deductions and additions have been made, that there still remains an untapped reserve of labour amounting to fully 800,000 persons. These 800,000 or more will have to be recruited, trained, and placed. But the labour problem does not end with the recruiting, training, and placing of this army of additional workers. There is also a class of people who work on their own account, often contributing relatively little to the nation's productivity. During boom conditions, as from 1926 to 1929, many of these own-account workers move into the labour market, where they receive better remuneration than they can obtain from working on their own account. As the war progresses, many peace-time industries will have to curtail their operations, and others may cease production. When all these sources from which labour can be recruited for war industries are considered, and when it is borne in mind that many will have to receive special training for their new occupations, it will be readily appreciated that a very large task confronts the country in the recruiting, training, and placing of this labour force before Canada's maximum war effort can be realized.

The most pressing labour problem that now confronts Canada is that of securing a supply of highly skilled workers to perform and direct the more technical operations. The reasons for the acute shortage in these ranks of labour are two: the war effort up to the present has been concentrated in a relatively few branches of industry, and the depression of the 1930's so restricted demand for many commodities that recruitment of apprentices for the more highly skilled occupations was very

low. This shortage must first be met by relieving the highly skilled workers of all operations that do not call for their special skill, and turning these operations over to less skilled persons, a process that is spoken of as "dilution"; and, second, by a process of intensive training of those who already have the necessary background and aptitude to enable them to acquire the new skill quickly. To as late as the spring of 1940, it would have been possible to have attracted some skilled labour from the United States; but, with the speeding up of rearmament and the extension of aid to the Allies, that country is now faced with a shortage of skilled labour in its own market.

#### *Labour Policy:*

The policy of the government has been to use the facilities of technical schools and of the Youth Training plan to train workers for war industries, and to exhort industrialists to take on more apprentices. In war contracts, provision has been made for the cost of training more workers. In August, 1940, there was a national registration of all persons over the age of sixteen years, which gave the government information on the available labour supply, on where the present and prospective workers were domiciled, and, in a general way, on the numbers in the various classes of skilled and unskilled labour. In June, 1940, a council, equally representative of industry and labour, was set up under the chairmanship of Mr. Arthur J. Hills, for the purpose of studying certain labour problems. In November, 1940, an interdepartmental committee was formed under the chairmanship of the Deputy Minister of Labour, and armed with wide powers to cope with labour problems, which are rapidly becoming more numerous and more acute. Although many problems are being investigated and much valuable work is being done<sup>1</sup>, up to the present there has not appeared anything that can be called a labour policy. Needs are being met more or less from day to day or from contract to contract; and the Canadian people have been given no appreciation of the magnitude of the problem that confronts them in supplying and training the labour force necessary for a major war effort. The inadequate labour policy with which Canada is facing her war effort is perhaps the most serious threat to that war effort or to the stability of the economy.

<sup>1</sup> The tendency seems to be to concentrate upon peace-time manufacturing industries for additional supplies of labour, but the branch of production from which labour can be more readily spared is the service industries.

If the greatest possible number is not put to work, then, obviously, a given war effort is going to weigh more heavily upon the country. If an effort is made to increase materials for war, and the problem of recruiting labour is left to the industrialist, he will have no alternative but to bid for labour by offering higher wages, an effective means of beginning the spiral of inflation. If, up to a point, the problem is solved by raiding peace-time industries for labour before the labour force of the country is fully mobilized, the process of inflation may merely be passed back from war industries to those industries making less essential commodities or rendering less essential services. If inflation is prevented by fiscal measures—and it can be prevented—then it simply means that Canada's war effort is arbitrarily limited; yet the burden on the Canadian people will be just as great as it would be, were Canada making her maximum war effort with all her resources fully employed. This gives rise to the question of plans for the production of war supplies and war equipment in Canada, and with these plans the labour policy must go hand in hand.

*Policy with respect to Munitions and Supplies:*

Speaking in the House of Commons on November 20, 1940, the Minister of Munitions and Supply stated that, at the end of eight months, "Canada should be producing the practical maximum of war materials of which Canada is capable"<sup>1</sup>; but the Minister gave no indication of the volume of production, either in terms of money or in terms of men employed, that could be expected as the "practical maximum". Projects now under way may be making their maximum contribution to Canada's war effort by July, 1941, but, in view of the late start that Canada has made, it will be physically impossible for the production of war materials to be very near its "practical maximum" by that time, even with the best conceivable economic policy and the most efficient administration of that policy. This obvious understatement of Canada's capacity to produce war materials must be attributed to the preoccupation of the Minister with the onerous duties of administering a very important and very overburdened department, duties that have made it difficult for him to obtain a clear appreciation of the potentialities of the Canadian economy.

The Department of Munitions and Supply was organized in April, 1940, and to it has been entrusted the difficult but all-

1. *Hansard*, November 20, 1940, p. 299.

important task of converting the economy from a peace-time to a war-time footing. All plants producing war materials, all orders for military supplies from either the Canadian or British government, all commodities essential in the execution of war orders, come under the direct control and supervision of the department. To ensure an adequate supply of materials, machines, and equipment, no fewer than six controllers have been appointed. To ensure the maintenance of adequate stocks of some commodities, the production of essential commodities, and the supervision of the manufacture of vital equipment, no fewer than eight government-owned joint stock companies have been formed. A War-Time Requirements Board has been established "to plan the most productive and direct use for war purposes of available supplies of materials, power, manufacturing plant and facilities, and transportation facilities, in order to ensure that war needs, in the order of their importance, shall have priority over all other needs, and that there shall be a minimum of disturbance to Canadian export trade in particular and Canadian economy in general. . . ." and to "recommend such action as may be necessary to anticipate bottlenecks in production".<sup>1</sup>

The ramifications of the Department of Munitions and Supply, it will be seen, are many; yet, with all the work of initiating new projects and of coordinating so many undertakings, the placing and supervising of war orders is left as a direct responsibility of the Minister. No one man can handle such a job, and, at the same time, keep fully informed on the larger question of the ultimate limits of war effort and the multifarious problems that impinge upon the formation of economic policy. Already there are complaints that parliament has lost control over the war effort as carried on through this department, that the programme of production of vital equipment is falling behind, and that the Minister has not been able to keep abreast of the colossal problems that confront him. It can be anticipated that, in some form or other, the Minister of this department will have to be relieved of practically all direct administrative responsibility, so that he may devote his full time to the coordination of all the work under his control, and to the study and understanding of the broader economic problems that have a bearing upon policy making.

#### *External Trade and Trade Policy:*

Before its impracticability was demonstrated by the swift march of events, it had often been argued that it would pay a

1. *Hansard*, November 20, 1940, p. 297.

country, in time of war, to concentrate upon increasing its normal peace-time production, and, by enlarging its exports, to purchase from abroad much of, if not all, the war equipment needed, rather than to develop its own war industries. But it soon became evident that comparatively few countries were in a position to supply war equipment in large quantities, and that a major war effort led to general re-arming, which placed further limitations upon the supplies that could be purchased. For Canada, the only source of supply outside the British Empire<sup>1</sup> is the United States, and that country, though aiding the Empire as much as possible, feels constrained to devote a large part of its productive capacity to its own defence needs. So Canada, partly through choice and partly through the force of circumstances, decided to attempt the domestic production of a large variety of equipment and supplies. But, notwithstanding this, there is still much equipment that has to be purchased from the United States, and even the increase in domestic manufacture necessitates the importation of large quantities of raw materials and machinery.

Normally, Canada purchases more from the United States than she sells to that country, so a foreign exchange problem presents itself at the very outset. Canada's sales to the United Kingdom, on the other hand, are normally much greater than her purchases from the United Kingdom, and the balance in Canada's favour has been available to pay for the excess of imports from the United States. During the present war, however, it is not going to be possible for Canada to use this favourable balance of payments with the United Kingdom for the purpose of settling her account with the United States. Sales to Empire countries other than the United Kingdom are normally greater than purchases from these countries, but the surplus is small, and these Empire countries are in about the same position as Canada and the United Kingdom: they want all the United States dollars they can secure. No help is to be had from this quarter. Canada has a favourable balance in her trade with foreign countries other than the United States, but here again the balance is too small to make any appreciable difference in the solution of the present problem.

Imports of goods and services can be paid for by exports of goods and services, by borrowing from abroad, or by selling abroad securities, whether domestic or foreign, that are vendible

1. To secure equipment from other parts of the Empire, though often advantageous on the ground of division of labour, does not increase the total quantity at the disposal of the Allies.



in other countries. The only country from which Canada could hope to borrow and in which she would be able to dispose of large quantities of securities is the United States. At present, owing to the Neutrality Laws, it is not possible to borrow in the American market; and Canadians hold only a little over \$1,000 million in United States securities, not all of which are salable. A number of Canadian securities are vendible in the American market, even under present laws, but to sell Canadian securities would necessitate taking a considerable loss, and even the sale of American securities would likely be made only at a sacrifice. So it would appear that, whether or not the Neutrality Laws of the United States are eventually modified to enable Canada to borrow there, and whether or not the Canadian government decides to sell back to the United States those American securities that are held by Canadians, the most important means of paying for imports will be by increasing exports and decreasing imports of non-essential commodities. Canada will have to make every effort to increase sales to the United States or to countries that will pay for the goods and services in United States exchange, and at the same time she will have to reduce to the lowest possible level her purchases of non-essentials and non-war materials from all foreign countries. It will also be greatly to Canada's advantage to encourage wherever possible imports from other Empire countries, which will conserve United States funds and help to retain Empire markets that have been laboriously built up over many years.

The policy followed up to the present has been directed towards the achievement of these objects. Foreign exchange has been placed under strict control, which enables the government to restrict imports and to prevent the export of capital. Especially heavy taxes have been placed on a large range of imports from other than Empire sources, and the entry of some commodities in the class of luxuries has been prohibited. Dominion and provincial governments alike have greatly increased their efforts to encourage the tourist trade. A trade mission has been sent to the West Indies and South America to find new, and enlarge old, markets for Canadian exports. Legislation has been passed enabling the government, upon the advice of the Minister of Finance, "to enter into agreements with individuals or corporations in order to assist them in developing new or expanded export trade that could not otherwise be attained."<sup>1</sup>

1. *Hansard*, December 2, 1940, p. 613.

All these measures indicate that the policy has been moving in the right direction, but it has not been pushed with sufficient vigour.

As matters now stand, the development and expansion of export trade is still the responsibility of the trader, with the government prepared to give special consideration to particular problems; but what is wanted is some body, such as an export trade board, under capable chairmanship and possibly directly responsible to a Cabinet Minister, whose duty it would be to discover new ways and means of increasing export trade. After all, since exports are to be used so largely as a means of paying for the imports of war equipment and war supplies, they are, in reality, war industries, and need and demand just as careful supervision.

*Canada Needs an Agricultural Policy:*

Canada is confronted with an agricultural problem, but there has usually been an agricultural problem in this country since it was first inhabited by Europeans. To-day, the emergency caused by the war presents, simultaneously, the need and the opportunity to grapple with that problem. The rapid expansion of agriculture in Canada, as in other parts of the New World, was made possible by the rapid industrialization of Europe, which was accompanied by a rapid increase in the population. As the nineteenth century gave place to the twentieth century, the rate of growth of population in Europe began to decline, but the expansion of agriculture in the New World continued. The first Great War, with its dislocations, and, after that, the rapid spread of nationalism and higher tariffs, contributed to, but were not primary causes of, the difficulties. During the 1920's, adjustments were being made which gave rise to hope that expansion in agriculture would not be pushed farther than what was justified by the slower increase in population. In Canada, manufacturing and service industries were expanding, and people were being drawn from the farms to supply the labour needed. But on the eve of the 1930's came the Great Depression, and the movement of people from rural areas to urban centres was stopped, or at least greatly retarded, and attempts were made even to induce many people to return to the farm. The result: Canada has too many people on farms; and too many farms that are not producing more than a bare subsistence for the operator, either because they are inefficiently managed or because the soil is not suited to agriculture. The present output,

for export as well as for home consumption, can be maintained by fewer hands working in an industry that is more efficiently organized and more efficiently equipped. The extra hands are needed in the workshops and the factories; they are not needed on the farms.

As the war wears on, the increased demand for workers in war industries will automatically draw more and more people off the farm. That will happen, whether or not there is an agricultural policy. Such a haphazard recruitment of labour from the farm will have a tendency to miss those on farms that cannot possibly be operated with success; to take workers from the farms where they are most needed; and to injure the more successful and usually the more essential branches of the industry.

The problem should be tackled systematically. Encouragement should be given to farmers to quit farms that cannot, even under the most favourable conditions, yield more than a bare subsistence. Farmers who are unable to operate good farms successfully should be encouraged to leave the industry, making the holding available to others who are more capable. Along with this programme should go a programme designed to cut down operating costs by better methods of farming, and, wherever possible, by the employment of machinery. The mention of more machinery will certainly raise a protest in many quarters; but the use of machinery is the most effective way of lowering costs and conserving labour, and Canada has a fairly substantial farm-implements industry. The armament industries must not be robbed of steel, but a comparatively few machines in a well-organized farming community will work wonders, and few are satisfied that the production of steel in Canada cannot and ought not to be greatly increased.

It may be easier to let the agricultural problem take care of itself; but, if that course is followed, a splendid opportunity to further the war effort and at the same time to deal with a difficult domestic problem will have been lost; and, when the war is over, the basic agricultural problem will still remain. It is almost certain to be argued that it is not democratic to pursue such a positive policy, but the greatest threats to democracy are a war effort that falls short of the possible maximum and an unsound economy. It will be said that this is no time for such economic reforms, but the simple truth of the matter is that the present emergency is what makes this reform urgent and practical. There will be political repercussions, yes; but there are also the best imaginable political arguments: the

patriotic motive, and the rescue of a basic, primary industry. If an analogy is needed, it may be pointed out that the present British policy has as its aims, though for different reasons, these identical objects.

*Other Problems of Less Importance:*

As stated above, economic policy in total war has two principal objects: to increase economic production to the highest possible level compatible with the maintenance of health and efficiency, and to divert the largest possible percentage of that production to the purpose of prosecuting the war. All other aspects of economic policy are subsidiary or ancillary to these two aims. Consequently, labour policy and production policy hold first place, and are complementary each to the other. As part of the problem of production, there is the need for the close coordination of Canada's war effort with Britain's war effort; and this need may become very pressing, and Canada's assistance increasingly valuable, should air raids on industrial centres in the United Kingdom prove unexpectedly destructive. The problems that have to be worked out are many and complex, and are constantly changing.

Finance, contrary to a large body of opinion, is of secondary importance. The war must be paid for as it is fought, and must be paid for by increased production, diminished consumption, and deferred maintenance and capital replacements. The figures used in this article are for a national income of \$6,000 million a year, and for a war effort reaching \$2,400 million when the economy has been finally organized for war. Of that \$6,000 million, no less than \$1,500 million is represented by increased production, which will leave a balance of \$900 million to be provided by decreasing consumption and deferring maintenance and capital replacements. Put in this way, the burden does not appear so alarming, and possibly \$2,400 million is too low a figure to represent Canada's maximum war effort. The outlay for Canada's war effort, together with other governmental expenditures, will have to be collected from the people in the form of taxes and loans—unless inflation is resorted to; and a point may be reached where the Canadian people will decide that there will be greater equity and efficiency in doing most of the borrowing by forced loans rather than on a voluntary basis. If the people fail to appreciate the need for curtailing consumption, or if the government fails to take the necessary measures and to take them soon enough, inflation is almost

certain. On the other hand, if curtailment of consumption moves too rapidly, people will be thrown out of work before the war industries are able to absorb them. This gives rise to a very important point with respect to policy making: timing. Workers must be trained and ready to take their places in war industries as soon as the factories are ready for them, curtailment of peace-time industries must be synchronized with the expansion of war industries, and taxation and borrowing as instruments of curtailing consumption and transferring effort from peace needs to war needs must be carefully planned so as to avoid unnecessary dislocations. Inflation to any disturbing degree can be prevented if the people are prepared to realize the need for drastic government action, and if the government takes that action before it is too late.

Social services are of particular interest in time of war. In general, the social services will probably be considerably curtailed, but it is extremely important that the health of the citizens should be maintained. The strain of work will be heavier, the danger of epidemics greater, and the loss of time through illness more serious. It is quite conceivable that health services will have to be extended, and the point may be reached where it will be advisable to introduce some form of family allowances.

The federal system gives rise to problems in Canadian public finance that will demand careful handling throughout the war. The Dominion government has unlimited taxing authority, but some of the more important fields of taxation are shared by the Dominion and the provinces. Presumably the Dominion could crowd out the provinces from any of these fields of taxation during the war, but that policy would not be conducive to good relations between governments. In the reduction of consumption, unessential peace-time services rendered by governments are among the first to go. A large number of these services are the responsibility of provincial governments, and therefore close cooperation between Dominion and provincial governments is essential.

#### *The Making of Government Policy:*

The task of formulating policy and of having the policy efficiently executed is so much greater in times of war than in times of peace that the ordinary structure of government is inadequate. The peace-time Cabinet, under the parliamentary system, is too unwieldy a body to proceed with the speed and

resolution that the exigencies of war demand. The Canadian government endeavoured to find its way out of this difficulty by establishing a war committee of the Cabinet, made up of eight members, including the Prime Minister and the leader of the government in the Senate. Even this body appears to be too large, and it has the defect that, apart from the Prime Minister, whose duties are sufficiently onerous at any time, and the leader of the government in the Senate, all members are burdened with heavy administrative responsibilities, because they are in charge of important departments, some of which have been newly established and others greatly expanded. No man who is weighted down with the administrative responsibilities of an important department of government is in a position to devote the necessary time and study to the broad and complicated issues upon which decisions have to be taken in the process of developing appropriate government policies. Before anything that can be considered satisfactory is achieved, three, or perhaps four, of the best men in the government will have to be relieved of the numerous responsibilities of detailed administrative work, and, together with the Prime Minister, be set the task of directing Canada's war effort. Even within this small inner Cabinet, there would, of necessity, be a division of labour. To the Prime Minister would fall the traditional rôle of being responsible for external affairs. One member of the inner Cabinet could take the responsibility for all three branches of the fighting services, another could make his special field the work of all departments directly concerned with the economic aspect of Canada's war effort, and still another could become responsible for the work of all other departments dealing with the economic life of Canada. This, or some similar system, would have the merit of freeing a few key men from routine administrative duties, of placing upon them the responsibility of finding solutions to the most pressing problems, and of setting up the machinery for the closest coordination of all branches of governmental activities.

One very serious deficiency in the present governmental machinery is the absence of any centralized authority directly responsible for the coordination and planning of the economic aspects of Canada's war effort. There is a bewildering number of boards and committees, but there is the need, the imperative need, of a department of economic coordination or economic planning, call it what one will so long as it is given the responsibility of seeing that all economic problems are carefully thought

through, and that all economic efforts are closely coordinated. Possibly the work could be done by a board under a capable chairman, directly responsible to a member of the war committee of the Cabinet. Here again, the form is not so important.

Shortly after the outbreak of war there was formed an Advisory Committee on Economic Policy "to further the effective coordination of the economic and financial policy in war time, to facilitate the work of the Cabinet committees in the consideration of specific problems, and to assist in avoiding duplication of effort by departments and agencies".<sup>1</sup> This committee acts in an advisory capacity to the Cabinet. Each member of the committee, without exception, is an outstanding and capable person, but, also without exception, each member has other, and onerous, responsibilities. The committee is under the chairmanship of the Deputy Minister of Finance. Members of the committee are also members of various boards—the Foreign Exchange Control Board, the War-Time Requirements Board, and the War-Time Prices and Trade Board.

The ability of the members of the committee, their experience with administrative problems, and the interlocking of the committee with other advisory bodies, make it of exceptional importance in coordinating various aspects of Canada's war effort, and in facilitating the execution of the policy laid down by the government; but it is difficult to see how it can be of very great importance in *shaping* the policy of the government. For one thing, the channel of communication between the committee and the Cabinet is too indirect; for another thing, every member of the committee is a civil servant. No Cabinet Minister is responsible for presenting the views of the committee, or for soliciting its views on important questions; and Ministers develop attitudes towards civil servants, and civil servants develop attitudes towards Ministers, that make it difficult for a body composed of civil servants to have any appreciable influence upon the broader aspects of policy making.

Anyone acquainted with the work done by, or under the supervision of, some members of this committee will realize that the committee does not have a very great influence with the Cabinet in shaping the broader aspects of policy, or Canada would not find herself in the nineteenth month of war without a labour policy. If the committee is to render the service of which its distinguished personnel makes it capable, it ought to be placed directly under a Minister whose responsibility it

1. *Hansard*, July 8, 1940, p. 1486.

would be to see that all economic problems are thoroughly investigated, that all economic efforts are closely coordinated, and that the Cabinet is kept thoroughly and constantly informed of economic problems that must be met, and of the best way of meeting these problems. Beyond this, the committee would benefit from the addition of several members who are not civil servants.

The task of policy making must be a joint effort. The public, through the press and from the rostrum, may point the direction or determine the limits; parliament, acting as spokesman for the public, may assist in the process; but the final decision, and the final form, and the specific means to be employed, are matters that must be settled by the Cabinet. It is this final responsibility of the Cabinet that makes so important the question of the organization of the executive branch of government.

*Conclusion:*

There can be no such thing as limited liability in total war, and the sheer momentum of the struggle will drive the economic effort forward relentlessly until by one means or another Canada will be making a very substantial contribution to the allied cause. The heroism of Greece; the fate of Norway, Denmark, Holland, Belgium, and France; the increasing economic aid from the United States; and last, but certainly not least, the dogged persistence and unbeatable spirit of that island of shopkeepers: these inspirations and warnings cannot fail to spur Canada on to make a very substantial, if not the maximum, war effort. It is not the fear that Canada's contribution will be so inglorious that prompts the writing of this article; but the fear that the war effort will cost Canada far more in "blood, toil, tears, and sweat" than would be exacted by a much greater war effort that was carefully planned and efficiently executed.