



# THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

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IT is generally conceded at all times in democratic countries that war is a monstrous thing, and even the totalitarian countries must be recognizing the fact by now. War brings with it suffering and privation, and leaves in its wake famine, destruction and death. But humanity can try to salvage something worthwhile from the wreckage, so that not all the figures will be on the wrong side of the ledger.

War, an economic upheaval, sets the world back years in the ordinary ways of progress. It is destructive of culture. It interferes with the natural course of human lives. It is senseless in its outcome. The heroic dead of a nation are held in honour, but they are loved only by those who loved them living, and every man who goes to war from a democratic country knows the precise value of the laurel wreath which may for a time deck his rusty and battered helmet.

Having said that war is an evil thing, without any virtue commensurate with its cost, except in so far as men fight for the life and liberty of mankind, there is placed upon us the obligation to learn whatever it has to teach. The object of this letter is to examine the lessons Canadians have learned as individuals, as industry, as a nation, and as a part of the Empire, from the war now successfully concluded in Europe, even as they turn their attention and vigour to the continuing war in the Pacific, where Hong Kong waits to be avenged, and its gallant Canadian garrison freed.

For a starting point, it might be well to recapitulate some of the accomplishments of Canada during the five years and eight months of the war with Germany. The Dominion as a whole learned flexibility. Industry proved itself adaptable to extraordinary requirements, and the people individually rallied to meet necessities of new demands. Any broad statement of Canada's achievements should be modified by pointing out that our cities are intact and our fields unscarred and our civilians unharmed. There is cause for humility amid

our boasting when we contemplate the sufferings of the British, the Chinese, the Russians, the Greeks, and all our other allies in the battle zones.

Contributions to any cause may be measured in several ways: in money values, in terms of self-denial, in appropriateness, in effectiveness, and so on.

The money value of Canada's war effort has been made up in two ways: taxation and internal loans. For at least part of the war period, this was the most heavily taxed country in the world. There are only 11½ million people in Canada, yet in the latest fiscal year they paid \$813½ million in personal income tax, \$311¼ million in corporation income tax and \$469 million in excess profits tax, to say nothing of a multitude of sales, luxury, excise and other commodity taxes, many of them pyramided upon previous imposts. Whatever criticism there has been of this heavy taxation has not been based upon resentment, but upon doubt of the wisdom of taking from industry all the reserve it might have accumulated to assist in reconditioning war-worn equipment and reconverting plant to peace-time production. War loans, raised wholly within Canada, totalled \$10,201¼ million, and the latest loan was participated in by more than 3 million individuals.

Canadians' self-denial involved doing without butter, bacon, tinned milk, and a score of other foods so that these might be sent to Britain; clothes, textiles and other articles so that production might be diverted to goods for the armed services; gasoline, so that bombers and fighters and tanks might be pushed into the heart of Germany; and automobiles, refrigerators, stoves, bicycles and everything made of metal, so that aluminum, steel and alloys might be diverted to production of fighting vehicles, airplanes and munitions. The hardship included freezing of wages and salaries, so that persons were doing more work for less money than would have been theirs in peace time. It



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meant freezing of rents, so that owners of property were unable to raise their income in spite of increased costs and taxes. It meant restrictions on travel and pleasure; and limitations on luxuries, such as wine, spirits, beer and candy. Scores of thousands of people in Canada gave their spare time to activities which helped the Red Cross and other organizations; women sewed garments for bomb victims, packed parcels for prisoners of war, entertained in armed services' hostels, rolled bandages, knitted socks and sweaters and helmets, and did a hundred other things that could not have been achieved except by volunteers. Thousands of persons donated blood to the Red Cross Blood Banks. Few in Canada, however, care to look upon any of this as "sacrifice", because sacrifice is relative. Compared with the lives they would have preferred living, there was real self-denial, but compared with the achievements and scourging of the British people, Canadians have not sacrificed greatly.

So far as the appropriateness of our contribution is concerned, there is room for real gratification. Canada had not much to give in the way of munitions in the summer of 1940, but what she had she gladly rushed to invasion-threatened Britain. Then, with dire need driving, turning-over of factories to war production was speeded up, and by 1941 a flood of implements of war was pouring into the hands of our allies in the British Isles, Russia and Africa. Among our major items were tanks, shells, bombs and ammunition of all varieties, guns and small arms, ships of war and merchantmen, airplanes, motor transport, locomotives and railway cars, communications equipment, chemicals and explosives, and personal equipment such as clothing, shoes, and textile products of many kinds. Most important of all, probably, was Canada's supply of food. People in Britain have asked repeatedly what would have happened to them in 1940 and 1941, under constant threat of invasion and under a rain of bombs, had it not been for the steady stream of wheat and other grains, meat, dairy products, eggs, vegetables, and other produce of Canadian farms and gardens.

How effective these supplies were cannot yet be measured, because it will be years before the inside story can be told of the straits to which the United Kingdom was reduced. The London Economist, after recounting the part Canada was playing in the war, her contributions through the supply of materials and food, went on to say: "It is right that due honour should be paid to the realities of steel and muscle behind these monetary figures. If Canada is prevented by the smallness of her population from taking rank with the great powers, she has made a place for herself in a category all her own. Relative to her resources, her effort is second to none." In his VE Day message, Prime Minister Churchill sent "heartfelt congratulations on Canada's magnificent contribution to our common victory."

Canada took more than one million persons into her armed services, and on VE Day there were more than 800,000 on the rolls. Canada is the fourth naval

power and the fourth air power among the United Nations. Her army of a half million men lived up to its great traditions in Italy and the battles of Western Europe. To quote Prime Minister Churchill again: "Canada may well be proud of the glorious deeds of her sons in arms. On land, on the sea, and in the air, she has played a nation's part. Her valiant army was the sure shield of this country during its darkest days, and has now contributed powerfully to the liberation of Western Europe. At sea in the battle of the Atlantic, and in the air over Europe, the Canadians have ever been to the fore."

It may be said, then, that in men and materials Canada has contributed fully to the European war according to her means. Invidious comparisons have been made between what has been done here and in the United States of America, but if Canada's figures are multiplied by 12, roughly the differential in population, they will stand up well against those of our neighbour.

This is the base upon which to consider what Canada has learned from the war, and what she has learned will be seen in the working out of peace within her borders, and in her peace-time co-operation with other nations for the welfare of the world. Teamwork has been the secret of success in war work, and it will be the only sure foundation for peace. Some people become enchanted by the exactness of mathematical formulae and of economic equations, forgetting or brushing aside human nature. That is a mistake, because unless humans are won to a point of view they will not exert their best efforts. Canadians, united for victory, demonstrated a great capacity for doing a job. Agriculture, finance and industry worked together; labour and management quietly settled their differences and joined forces to produce goods in great quantity, quickly, and with little fanfare. Perhaps that is the outstanding lesson of the war for this and the other United Nations. Canada is 35th in population among the nations of the world, with less than 1 per cent of the people of the earth, yet co-operation among all ranks and classes enabled it to give service in many fields in second, third or fourth place from the top. At Bretton Woods, where realities ruled, Canada was placed seventh among the United Nations according to a formula reached by considering national income, foreign trade, and holdings of gold and foreign exchange.

The democratic vitality of Canada was shown nowhere more completely than in the acquiescence of Canadians in controls. Economic controls were new to this nation, and repugnant in principle. Since the days when pioneers from old countries of Europe came to these shores and blasted their way through the wilderness, Canadians have preferred to run their own show and make their own way in the world, through fair days and foul. But when the exigencies of war caused



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shortages, threatened distribution, or demanded help for other countries, rights and privileges were waived for the duration. Canadian control systems became the model for other nations. They kept down prices, prevented inflation, made goods available where they would be of most use to the war effort, and effected a fair distribution of such commodities as were left for civilian consumption. Through it all, Canadians reserved the right of criticism, asserted their intention to return to a free way of life as soon as the emergency had passed, and demonstrated that democracy can discipline itself just as effectively as autocracy can discipline a totalitarian state. This lesson, carried into peace, can be effective in meeting arguments of those who claim that the only way to reach efficient achievement is to abandon freedom of thought and expression; to hand over the government of the country to planners and bureaucrats. Canada learned to handle controls without allowing them to dominate.

Canada has learned to organize on a scale never before attempted. The air training scheme is an illustration. The British Prime Minister might be quoted again (since it would not be modest of Canadians to say these things for themselves): "The immense achievements of the British Commonwealth Air Training Plan under Canadian administration has provided the solid foundation for air supremacy without which victory could not have been won."

Canada has ventured a long way in strange waters. In research and unique production this country was far behind such totalitarian countries as Germany before the war, but her scientists outdid the dictators when the crisis came. Even yet, their achievements cannot be told, and probably it will be some time after the defeat of Japan before the secrets can be revealed, but it is known that Canadians contributed largely in radar and explosives, developed prepared paper landing strips, the armoured snowmobile, and the water-insulated flying suit that prevented black-out in steep airplane dives.

Canada has learned the need and virtue of international collaboration. The isolationist, Canada-first-and-all-the-time policy, which seemed to be making some headway in years before the war, was brushed aside in the face of emergency, and today the Dominion is taking its full share in international affairs. Canada was an initial signatory to the Atlantic Charter declaration, she participated in the conferences on food, monetary stabilization, labour, and world security. She is a member of the combined boards which co-ordinate the supplies of the United Nations. She produced her own proposals and a suggested set of rules in connection with post-war aviation. She has joined in the declaration on the punishment of war criminals, in the wheat agreement pledging mutual co-operation with other wheat-producing countries, and she is a member of the Pacific Council. This lesson that Canada is in and is part of the world will have far-reaching influences upon the economic

and social life of post-war Canada, because a nation cannot consciously be in the great stream of world affairs and retain insularity.

Out of the frustration of the early years of this war with Germany and Italy, Canada and the other democracies must have learned the futility of non-preparedness to meet aggression. After the first world war there was an understandable revulsion among peace-loving people everywhere against anything savoring of militarism. Reaction against war is admirable and desirable in so far as it brings forth practical and constructive measures to prevent future wars, but unrealistic pacifism can be only a delusion. Retiring to an ivory tower, surrounded by abstractions, will not solve any problem of maintaining peace or of making it the wholly desirable state that humanity could enjoy. Is it too much to hope that the decent people of the world have at last learned that the risk of annihilation is too high a price to pay for pacifism?

Mere avoidance of entanglement in war is not peace; still less does it bring contentment, as witness the case of Eire. Something positive is needed: eternal vigilance, knowledge of the senselessness of isolation, realization of the fruitlessness of attempts at self-sufficiency, understanding of the interrelations and interdependence of the interests of the nations, a conviction that peoples of the world must stand together in refusing to be betrayed by cynical self-seekers and demagogues, and a generous understanding of other nationals' viewpoints. Basic to all these, surely, is the knowledge that, as the Quebec deputy minister of education said recently, "our influence abroad depends on security at home, and no security is possible unless we have a good understanding and co-operation through tolerance and mutual respect."

War has taught Canadians that there may be a solid economic worthwhileness in charity. All over the world there have always been hungry people, but they were just stories in our newspapers, not our particular business. In a world where a day's flight carries our aircraft to any point east or west the starving people of China and the oppressed millions in central Europe are equally our business. As the President of this bank said in his annual address to shareholders in January 1944: "I personally believe that large outright gifts of food, raw material, finished goods and machinery to backward and devastated countries will in the long run, and even from the most selfish point of view, not only contribute most to human welfare, but both in the short and long run be in the best interests of those nations which can afford to make the gifts."

"If this is too much to expect of human beings in their present stage of development, the alternative must be loans on a very large scale on long and easy terms, or probably a combination of both loans and gifts."



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During this war Canada has realized the good sense of being helpful to other nations, and that it is to her interest to foster rising living standards everywhere. As pointed out in a preceding Letter, the greatest trade is between highly developed nations, not between such highly industrialized nations as Canada and semi-civilized countries. If Canada has learned that it is good business as well as practical Christianity to help other nations in peace as she has done in war, she will be well on the way toward solving some of her most grievous problems. Canada is emerging from this war a very different nation from the Canada of the last war. Instead of being almost solely an exporter of raw materials, she is producing goods which will have to compete in world markets with similar goods from many other industrial countries. Every aid to her foreign trade will be needed if the present standard of living is to be maintained or expanded; among the 16 leading pre-war nations only three were more greatly dependent upon foreign trade than was Canada.

Fantastic claims are made, in the field of foreign trade as well as in the domestic sphere, for the alleged virtues of dictatorship. It was considered by the Germans smart to compel other nations to accept ship- or car-loads of gimcrack pocket knives, for instance, in barter for things Germany wanted. That kind of dealing carries the seeds of its own disintegration, but it is the natural, if not inevitable, outcome of totalitarian government control. A totalitarian regime makes wide promises of employment and social security and high wages: to implement these it must establish and maintain factories out of public funds (sometimes it is driven to the length of "turning on" the money printing presses); and then it is compelled to find an outlet for the goods. Coming in contact with world competition, it cannot dictate prices outside its own boundaries, and so it is driven to subsidize exports out of tax-collected funds, or to impose its will upon weaker nations, thus falling between the Charybdis of inflation and the Scylla of war. Foreign trade, like trade on the small town market square, is likely to prosper best when there is as free trading as is practicable, with the least possible number and variety of barriers.

Given favourable conditions, with the government maintaining the necessary good relations with other countries and pursuing policies which foster initiative and encourage looking-forward, industry, commerce, agriculture, mining and the services are certain that they can provide the employment which is basic to the nation's economic health. Industry knows, as does every thinking Canadian, that the present condition of over-employment is unstable, and it realizes that the transition to a condition of normally full employment is complex. Businessmen would be among the last to claim simplicity or easiness for the change, but they are accustomed to dealing in complexities

and conditioned to hard work: they have been surveying the prospects, and they have assured Canada of their readiness to do their full share in peace as they have in war.

Some cynical people may say, of course, that not all the lessons learned from war have been positive. They may point to the black market as teaching that greed and avarice are very close to the surface in human nature; or to the crowded stores when some article went into short supply as evidence that people become stampeded quickly; or to the actions of some employees in refusing to work in war factories more than the time that would give them a wage free of income tax; or to the hundreds who were prosecuted for attempting to smuggle currency out of the country for holiday or other purposes. There have been incidents such as these. Human nature is a many-sided thing, and in every community there will be found a few persons willing to make something out of the community's distress. But on the whole, judging by the record, surely Canada has proved itself very wholesome, very efficient, and very useful.

It will be said by some that in all the history of the world there never has been a period in which it was so hard to read the face of the future, and this gives pessimists a chance to throw their dampening influence over efforts looking toward advancement. It is easier to knock down than to build; it is easier to bring forward arguments why Canada cannot succeed in building the economy her people desire than to dig in and help build it; but the bulk of the Canadian people are in no mood for pessimism. They want the same united front for peace as there was for war, and they can be mobilized in a constructive forward-looking force by leaders who use the press, radio, pulpit, platform, schools and universities as educative forces free from party political bias.

An outstanding lesson of the war for all free peoples has been that it is not sufficient to count for victory the guns, ships, tanks and airplanes. Human beings must be considered. The courage of the Londoners under bombs and rockets had a lot to do with victory, as had the ability of Winston Churchill to stir his people in the very moment of disaster, and point and lead the way to resistance, effort that seemed super-human, and finally to a triumph taken humbly, thankfully, and with full appreciation of continuing obligations.

And, finally, there is no use in trying to hand people a better life; they have to work it out for themselves. Just as in war, so in peace it will be most effective to release the powerful affirmative forces which exist in Canada. The pioneers of a century and more ago wrested this great country from the wilderness; today's citizens, too, are pioneers of a fuller life, and will succeed equally well.