



# THE ROYAL BANK OF CANADA

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**W**HAT is this Canada? Is it merely the biggest country in the Americas, the third largest in the world, with an area of 3,700,000 square miles stretching from the United States to the North Pole, and extending over 48° of latitude and 84° of longitude? Is it merely a land of rocks which form the lid on a treasure house of nickel, gold, silver, asbestos, radium, and scores of other minerals; of wide prairies that produce the world's fourth greatest crop of wheat, of inexhaustible forests, and of the earth's largest area of fresh water lakes?

Canada is all these, and more. Nature bestowed gifts upon her with a lavish hand, but the treasures lay unused for the benefit of man throughout millenniums until only yesterday. Canada's pride today is that so great development of nature's bounty has been accomplished by a mere 1/188th of the world's population.

So industriously have Canada's 11½ million people explored the wilderness, probed the rocks, tilled the plains, and built dams to operate their factory wheels, that their country is among the world's leaders in supplying the world's needs.

Canada is first in production of nickel, newsprint, asbestos, platinum and radium, and in supplying food for the United Nations. She is the world's second largest producer of aluminum, wood pulp, and hydroelectric power, and second in the building of cargo ships. Canada is third in producing copper, lead and zinc, third among the United Nations' sea powers, and the third trading nation in the world. She is fourth among the world's air powers, and fourth in production of United Nations' war supplies.

Canada's scanty population has been achieving mightily through inventive genius and enterprise. These have developed the benefits inherent in the Dominion's strategic geographical position, her abundant and varied natural resources, her wealth of cheap water power, her thousands of miles of transportation facilities by rail, highway, waterway and air. Her people have kept her credit and exchange sound in the markets of the world.

Today, Canada is on the threshold of further advancement. It isn't what we did yesterday, but what we are ready to do tomorrow, that makes for great-

ness. This Dominion occupies a central position between four of the world's great powers, and her territories actually adjoin two of them: the United States of America and the Soviet Union. With the other two, Great Britain and France, she has strong bonds of tradition and affection.

Canada is no land of the midnight sun, half British and half American, populated chiefly by Indians, Eskimos, the Mounted Police, and trappers on snowshoes. It is a land of opportunity for individuals and organizations who have a forward look and are not afraid to work. This Letter will attempt to tell wherein some of the opportunities lie, as well as to give an idea of how Canada has reached its present eminence under the stimulus of the northern climate, the initiative fostered by life in a new, vast and rugged country, and the courage and self-reliance bred of great open spaces and freedom of enterprise, movement, speech, religion and politics.

Canadians do not form a compact group like the English or the French, but are a collection of diverse races molding themselves into a nation that takes its pattern from the land of their adoption. They are held together by love of country, common interests, and loyalty to the Crown. At the time of Confederation the largest individual British racial group was Irish, and the Irish and Scottish together outnumbered the English by almost two to one. After 1881 the English predominated, and the Scottish moved into second place after 1911. By the time of the 1941 census the numerical strength of the principal racial stocks was in the following order: French, English, Scottish, Irish, German, Ukrainian, Scandinavian, Netherlands, Jewish, and Polish. Taking the best traits and abilities of all these races, the Canadian nation is ready to march forward in peace as it has done in war.

When Canada's first census was taken in 1666 to measure the advancement made by this French colony since the founding of Quebec by Champlain 58 years earlier, it was found that there were 3,215 inhabitants. The growth from this figure to 11½ million in 1941 places Canada among the leading countries of the Empire in rate of population growth.

The first Canadians were natives found on the Atlantic coast by early European explorers, and one tribe — the Kanatas of the St. Lawrence villages —

gave its name to the whole country. First recorded European to set foot on the North American mainland and meet its inhabitants was Leif Erickson, a thousand years ago. John Cabot planted the flag of Henry VII on the Atlantic shore around Cape Breton in 1497, but it was not until after Jacques Cartier had been accounted a failure in 1535 when he did not succeed in blazing a trail through to the China Sea that the European nations came to view Canada as something in itself, and not just an obstacle to the North West Passage. Two hundred years later the English and French were fighting for possession, and in 1763 Canada was finally ceded to Britain. Even as late as 1815, the year when Wellington broke Napoleon's power at Waterloo, the thinly populated coastal river and lake regions and the fur-trading stations of the Hudson's Bay Company were the only outposts of the British Empire in Canada. Development which started slowly then may be said to have led logically and steadily to confederation in 1867. By that time had come the railroad, making possible the westward expansion of adventurous people, and the shipping eastward of their produce from the prolific prairies.

Canada has overcome many natural barriers to unity, and has performed prodigies of exploration and development, but she has not yet quite succeeded in bringing a solution to her great human problem, the amalgamation in one ideal and philosophy of the two races that form the bulk of her population. A French-Canadian journalist, Jean-Charles Harvey, has said: "If we can some day unite in our land the descendants of the two greatest civilizations of modern times, without destroying the essential qualities of either the French or the British blood, we shall have accomplished probably one of the finest feats in human history." Canada is officially bilingual, and the census of 1941 revealed 1½ million persons speaking both official languages, while 7¾ million spoke English only, and 2,200,000 spoke French only. The original occupants of the country, the American Indians, now number 118,000, and there are 7,200 Eskimos.

Several conditions, most of them geographical, have hindered the speedier growth of Canada. Eastern and Western Canada are linked by a neck of rock north of Lake Superior, narrow and rough, through whose inhospitable barrenness the transcontinental railways had to be driven to link the 4,000-mile-apart coasts. There is rough, rocky ground lying between the Maritimes and Quebec, and the Rocky Mountains separate British Columbia from the Prairies. On the other hand, Canada is blessed with what is probably the world's most remarkable system of waterways, providing natural thoroughfares which lead in every direction. Starting from Lake Winnipeg, just west of the middle of the country, one can travel by canoe east to the Atlantic, west to the Pacific, north to the Arctic, north-east to Hudson Bay, or south to the Gulf of Mexico.

Canada is a beautiful country. The Canadian landscape artist is born to a rich heritage of the most varied motifs. From the peach-covered hillsides of the

Niagara Peninsula to the tundra of the Arctic, from the great Atlantic breakers on the coast of Nova Scotia, across the pastoral and industrial central provinces to the dry clean air of the Prairies, and over the Rockies to the moist Pacific slope, the various atmospheric conditions are associated with a landscape equally varied in its physical characteristics. Add to these the dramatic differences in seasonal environment, and the painter has inexhaustible resources of material. These qualities make Canada irresistible to the tourist. In pre-war years caring for tourists was one of the country's great service industries, catering to love of natural beauty set in an invigorating climate, with opportunities for summer and winter sports of all kinds. Before the gasoline shortage there was a steady stream of cars north and south across the United States border. Due to the war emergency, it was necessary for the government to restrict Canadian pleasure travelling involving the expenditure of United States dollars, every last cent of exchange being needed to purchase implements of war for ourselves and for Britain. It is thought by many that one of the first foreign exchange regulations to be relaxed at the end of war with Germany will be this limit upon Canadian travel in the United States. It was a remarkable fact of the friendship between these two countries that not only was there a greater volume of trade across their borders than between any other two countries in the world, but their nationals crossed in hundreds of thousands annually, without formality and in the greatest freedom.

Like the United States, Canada has had its political ups-and-downs, but has achieved stable responsible government. Casual readers of newspapers in these two democracies around election time might be pardoned for thinking that they had reached their present stature by doing everything wrong. There is, however, a certain logic to be traced through their history, and their development was made inevitable by the composition of their people. The very freedom with which they criticize their institutions is indicative of the wideness of their democracy.

The British North America Act, passed in 1867, is the basic document of the constitution of Canada, designed to knit together two great races, geographically distant territories with opposing economic interests, and many widely divergent viewpoints. This federal union was a plan whereby, through mutual concession, cultural and local loyalties could be preserved. That union was possible, and that it evolved into what Canada is today, illustrate the genius of the British in developing colonies into nations. The whole evolution of the Empire, except in mere fortresses or trading stations, is in the direction of responsible government. Self-government is extended in proportion to the growing capacities of the people, brought to maturity by education and the example of just administration.

Through the years up to 1931 Canada developed toward full nationhood. First there was undeniable gaining of equal status within the Empire, and then followed in the Statute of Westminster, the legal step

which capped the arch. This Act declared the dominions to be equal in status, in no way subordinate . . . in any aspect of their domestic or external affairs.

The Canadian Parliament is composed of the King (represented by the Governor-General), the Senate and the House of Commons. As in Britain, the part played by the King's representative and the upper chamber has been steadily decreasing, with chief responsibilities involved in legislation being assumed by the House of Commons, members of which are elected directly by the people.

The political party in power selects a cabinet, or ministry, which is responsible to parliament and holds office while it enjoys the confidence of the people's representatives; a ministry resigns when it becomes apparent that it is not supported by a majority in the House of Commons. All British subjects, men and women, who have attained the age of 21 years and have been ordinarily resident in Canada for 12 months, and in the electoral district when the election is called, have the franchise. Canadians on active service, irrespective of age, are entitled to vote. Each of the nine provinces has a legislature; each province has a Lieutenant-Governor.

Modern Canada is a child of the last century, of free trade, liberal institutions, and the Pax Britannica. It seeks peace above everything, and would suffer intensely in a nationalistic world. It shapes its international course autonomously, but it must at all times integrate it with the world policies of the United Kingdom and the United States. Before the war broke out, Canada and the United States were already committed to joint action for defence of this northern hemisphere and the co-operation of national economies in time of war. The question had arisen whether Canada should go a step farther and join the Pan-American Union, but this at once raised questions affecting its position as a member of the British Commonwealth and its status as an American nation. A speaker at the Study Conference of the Canadian Institute of International Affairs put it this way: "To go in might commit Canada to the affairs of this hemisphere more deeply than its traditions and interest require. To remain out may render it suspect as a responsible American nation, and forfeit opportunities for goodwill and trade with other American states. . . . Ideal from the Canadian point of view would be the inclusion of the Pan-American Union as a regional association in a global organization of nations. In such an organization, Canada could at once be a good American and serve its extra-hemispheric interests."

Economically, Canada has made steady progress. The long-term trend of the national income had been slightly upward throughout the twenty years leading up to this world war, in spite of the unprecedented setback of the thirties, and if the period of observation were extended back to before the first world war the upward trend would be much more pronounced. The national income reached a high level of \$4,600 million in 1920, and fell off 24 per cent in the following

year. Recovery was continuous until 1929, when a maximum of \$5,273 million was reached. The depression low point was 1933, when the national income was only 52 per cent of the 1929 total. There was a temporary setback to recovery in 1938, and the subsequent advance has been greatly accelerated during the war years, with a total reached in the twelve months ended September of practically \$9 billion.

The vast increase in the national income carries with it capacity to bear a much enlarged debt. Canada's net debt today is nearly three times the pre-war figure. In 1913 the net debt per capita was \$41; in 1919, \$189; in 1939, \$279; and in March this year \$774. Annual interest charge on the funded debt at the end of the last fiscal year was \$274 million, or an average rate of 2.57 per cent, compared with 3.52 per cent in 1939 and 5 per cent in 1919.

Prior to the first world war the Canadian government was able to finance its expenditures through the imposition of such indirect taxes as customs and excise duties. During that war only 10 to 15 per cent of Canada's economic resources was used for war ends. In the present struggle Canada is using about 50 per cent of its entire resources solely for military purposes, and all war costs have been, and are being, met inside Canada. This, and the new policy of endeavouring to finance current expenditures as far as possible out of current revenue, have led to significant increases in taxation systems and amounts. Direct taxation collected by the Dominion Government now accounts for about 64 per cent of the total. Payment of the high income taxes was made easier by adoption of the "pay-as-you-go" plan, a break with the traditional method of tax collection that Canada was the first country to make. Nevertheless, the enormous outlays of government funds necessitated by the war have been a heavy drain on the income of the ordinary tax-paying citizen, and have curtailed the resources of corporations. Under the excess profits tax act, corporations which have profits exceeding 116 $\frac{2}{3}$  per cent of their standard profits (average 1936/39) pay a tax at the rate of 100 per cent on the excess, and no corporation is permitted to retain, after tax, profits equal to more than 70 per cent of its standard. Provision was made, however, for a 20 per cent refund after the war for corporations to which the 100 per cent rate of tax applies.

In addition to paying extremely heavy income taxes, Canadians have invested more than \$8 billion in war loans. The latest loan was supported by more than 3 $\frac{1}{4}$  million individual subscriptions, and purchases of bonds totalled over \$1 $\frac{1}{2}$  billion.

Despite the impact of two great depressions (1873 and 1930) the standard of living in Canada has improved steadily, and government expenditures for the general good of the country have increased proportionately. Between 1874 and 1937 total per capita government expenditures increased by eleven times, and the portion of the national income spent by governments rose from less than one-tenth to more than one-fourth of the total. Collective efforts to pro-

mote economic development, and collective assumption of responsibility for alleviation of individual distress and for the provision of rising standards of public welfare and education have come to play an important part in the economic affairs of the country. Just this summer parliament made Canada the most recent of 38 countries to adopt a family allowance bill. This is expected to cost \$200 million a year, and will provide from \$5 to \$8 a month for each child under 16 up to a family of four, with decreasing benefits to succeeding children. In addition, Canada has made provision for the blind and the aged, and has unemployment insurance and workmen's compensation for injuries. Many other schemes of a social security nature are under discussion.

Indicative of the general living standard are the latest available figures of motor vehicles (7.6 persons per vehicle); and telephones per 100 population (14), ranking Canada third among the nations. The index of wage rates rose 85 points between 1913 and 1944, while the cost of living increase was only 39 points.

Education is assigned by the constitution to provincial governments, and a system of public elementary and secondary education, financed mainly by local school authorities but assisted by provincial allowances, has developed in every province. For thirty years the Dominion Government has provided grants for agricultural instruction, technical education and for the training of youth for employment, activities which are likely to be greatly enlarged on demobilization of the armed forces. In the realm of higher education, six provinces have each a university receiving government financial support, and the remaining three provinces have each one or more colleges helped by provincial funds.

The judiciary in Canada is not elected, but appointed, and judges hold office for life or until retirement age. The Royal Canadian Mounted Police is a constabulary maintained by the Dominion Government. Organized as the North West Mounted Police in 1873 to keep order in the Northwest Territories, it has grown from a force of 300 to a strength of about 5,000, and is one of the most highly regarded law forces in the world.

Broadcasting in Canada is under jurisdiction of the Canadian Broadcasting Corporation, which, in addition to supervising the 100 private stations in the country, operates powerful stations of its own which provide two national networks. Latest expansion is into shortwave transmission, with two 50,000-watt transmitters operating from Sackville, N.B. to reach all parts of the world. Canada has more than 100 daily newspapers and 900 weekly newspapers, of which there is no censorship except of war news for security reasons in wartime. The post office serves a territory more extensive than any other country except the United States and the U.S.S.R., with a relatively small population. Its railway mail service is one of the largest in the world, and it has a very rapidly developing air mail system.

Canada is noted the world over for the strength of its commercial banking system. No Canadian bank failed throughout the depression; in fact, only one bank has failed since 1914, and that was a small bank of no great significance in the economic life of the country. Even then, every noteholder was paid in full. There are ten chartered banks, with 3,200 branches, and they have the complete confidence of the public. Security of deposits in the difficult years begot a corresponding security of mind and sense of trust, and today the banks have in deposits by the public in Canada \$4,264 million. Because they operate on a nation-wide scale, the banks have been in position to provide great support to Canada's war effort. Their experience, resources and organization have been placed unreservedly at disposal of the government, and they have been of great assistance in carrying out much of the administrative work connected with controls, rationing, and the sale of war securities. The banks administer the regulations dealing with foreign exchange.

The Bank of Canada, a central bank, commenced operations in 1935. It acts as a stabilizing influence upon the economy of the country; it is the fiscal agent of the Dominion Government, and it does not accept deposits from the public or compete with the chartered banks. Just recently, there was established the Industrial Development Bank, under management of the Board of Directors of the Bank of Canada, to lend or guarantee loans to industrial enterprises. Main purpose of this bank is to afford credit to businesses which could not obtain it from established institutions, because of long-term requirements.

Insurance is an important factor in Canadian life. The amount of life insurance per capita has increased from \$10 in 1869 to about \$710 today, a spread of 71 times in the amount of insurance held compared with less than a fourfold increase in population. The growth in property is indicated by the expansion of fire insurance from \$412 million in 1880 to \$14 billion at the end of 1942.

The average Canadian farmer owns more property, is in better cash position, and owes less in debts than ever before in our history. This is of paramount importance in an industry which is the most important in the country. It employs, according to the 1941 census, 25 per cent of the total gainfully occupied population, and 30 per cent of the gainfully occupied males. Agriculture provides raw material for many factories, and its products in raw or manufactured form constitute a very large percentage of exports. The total cash income to farmers from the sale of farm products during the twelve months which ended in June was more than \$1½ billion, while gross agricultural production in 1943 amounted to \$2,223 million.

*(This article will be concluded next month.)*