

# FINANCE AT LARGE

(By WELLINGTON JEFFERS, Financial Editor.)

## 'Quick Footwork' Asked of Canadian Farmers To Switch Production and Acreage to War Needs Without Creating Vulnerable Farm Economy

"To expand and distort our economy for an uncertain and ephemeral war demand for wheat might be very unwise, both in the interests of ourselves and of the cause we have taken up," says R. McQueen, professor of political economy at the University of Manitoba, in the course of a short, trenchant article in the November number of the Chartered Accountant. This article by Professor McQueen and another on a cognate subject by Dr. H. G. Grant, once a commissioner of the Canadian Wheat Board and an associate professor with Professor McQueen at the University of Manitoba, both strong friends of Western agriculturists and keen students of their problems, express views which should be iterated and reiterated by those who advise Western agriculturists so that the latter will bring their wheat output into some approximate relation with Canadian and world demand, a situation which must exist before they get a real reward for their efforts.

### Flexibility Is Great Canadian Need.

The article of Professor McQueen contains an implicit warning, the validity of which seems to me to be as clear as distilled water, when he says:

"What the war will require of us is very quick 'footwork' in shifting our productive power in agriculture from one group of products to another, and that our 'footwork' may be effective means that our minds must be alert.

"Acreage which is shiftable from one use to another must be prepared to shift quickly. Each part of the country must bear some of the burdens of the other parts, and there is no room now for the peanut politics of provincial sectionalism. For example, if our markets for apples abroad have failed, it is both helpful and wise that Canadians should eat more apples. . . . Flexibility in the Canadian economy is a strength both in war and in peace, and quick 'footwork,' which is to be more than mere movement, requires intelligence. A Canada that buys in during the war Canadian debt held abroad, for example, will have to be very nimble to adjust herself to the far-reaching consequences of such a change, for it will affect our international position very greatly."

That last point should be and will be elaborated in a later issue. An American economist last June at an international conference of Canadians and Americans at Canton, N.Y., told Canadians that they should go slow about repatriating their own securities. It was a good thing to do, but they should not do it too quickly, he said. However, he also told them that they would inevitably take back their foreign debt if there was war. His words are coming true, and it is hard to see how the Government can prevent its debt held abroad coming back quickly. There should be ways of counteracting whatever bad-effects there may be by fiscal policy and trade agreements.

## How This War's Wheat Demand Differs From Last

Judging by Great War No. 1, it was natural for Canadians to expect that this war would bring higher prices and greater demand for Canadian wheat. The last war demonstrated the great economic saving to Britain in getting all its wheat from Canada, the nearest large source of supply, because one boat could make three trips in the time it would take for one to Argentina or Australia and so relieve shipping for other vital war needs. Early in September many felt that sooner or later Western wheat would all be needed by the Allies and a price be forthcoming which would permit Western farmers a normal standard of living and that without guarantees or subsidies. A long war of varying fortunes might bring that about but no one knows how long any war will last. Some wars last a few months and one war was even called the Hundred Years' War (1338-1453).

Various differences between the last war and this war are making themselves apparent. So far the physical war is mainly on, above or

under the sea. As Dr. Grant points out:

First, price control and centralized purchasing came at once in this war instead of after two years, as in the last war;

Second, huge stocks of basic commodities were accumulated against an expected war;

Third, European nations expanded acreage as a preparation for war, and exporting nations have not diminished yet the acreage they expanded in the last war;

Fourth, mechanization has geared North American production to wartime output, and plant breeders have beaten out rust, the old enemy to output;

Fifth, the convoy system has worked effectively from the start and so there will be less wheat delivered at the bottom of the ocean;

Sixth, as this is an economic war, Britain finds it wise to buy Rumanian wheat and Argentine wheat in order to deprive Germany of such supplies and to edge it out of markets gained during the depression.

## War Has Not Changed Wheat Economics Much

A long war might see a rise in wheat prices, but, the main thing to remember, as Dr. Grant sees it, is:

"What we should remember is that a price rise in wheat can be sustained only as the result of a reduction in supply or by an increase in the desire or ability to buy. It seems then that the 'wheat supply' situation will for some time far outweigh any strengthening of the 'demand factors.'"

The Western wheat problem has for years been easy to define. Dr. Grant still defines it as "one of dwindling foreign demand, increasing surpluses and falling prices."

"As long as markets are re-

stricted and supplies more than ample (twice as much wheat available as is needed for the normal demands of international trade, a total demand which war has not changed) prices will be low. The ordinary consequences of economic forces persist, despite political unrest. . . . It is easy to believe that wheat prices should be higher because a 70-cent price is too low to maintain our Western economy at a reasonably prosperous level. But this is after all only a matter of opinion, no matter how strong a case its supporters may put forth. Any higher fixed price would be based on a disregard of the forces which are making the open-market price."

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