CANADA AT WAR

By

J. H. AITCHISON

REPORT OF TWO ROUND TABLES, OF THE ANNUAL CONFERENCE OF THE CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS, LONDON, ONTARIO, MAY, 1940
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This report summarizes the discussions in two round tables held at the annual study conference of the Canadian Institute of International Affairs, in London, Ontario, May 25 and 26, 1940. The rapidity with which events have moved since that time has brought about some of the developments in Canada foreseen in the round tables. The lines of action that were outlined, and the conclusions reached, still stand as a valuable commentary on Canada’s war effort, particularly in military and economic fields.
THE Canadian war effort previous to May, 1940, has been the subject of considerable unfavourable comment. Many cases have been mentioned in which the red tape of the military machine and the policy of following British specifications have been responsible for the delay. Yet behind such detailed reasons for the failure of Canada's war effort to gather greater momentum there lie more general considerations. The nature and tempo of Canada's contribution were to a large extent determined by the Allied conception of strategy. Although admittedly inferior to Germany at the outbreak of war in a number of particulars, notably in the air-arm and in the gearing of the whole economy to war purposes, Britain and France, believing themselves to be safely ensconced behind the Maginot line, were confident of their ability to fight a long defensive war. The Allied offensive, when it did materialize, would come at a time when Germany had been weakened by the blockade and when the superior resources of the Allies had been utilized to remedy deficiencies in war equipment. Time appeared to be on the side of the Allies; haste was not necessary. There was no need to incur the wastes of hasty improvisation nor to interfere unduly with vested interests and property rights. Victory could be achieved with a minimum of disturbance to the economic and social system. A leisurely, careful stepping-up of war production would ensure a supply of the best possible equipment. This in turn would mean ultimate victory with a minimum loss of life.

With such Allied strategy, it was obvious that Canada's contribution would be different in nature if not in magnitude from her effort of 1914-18. Britain and France had many more men under arms than in 1914 and the Western Front appeared to be frozen between the Maginot and Siegfried lines. Consequently, it was unlikely that Canada would be called upon to mobilize large expeditionary forces. Mr. Mackenzie King clearly hinted as much in his speech of September 8, 1939, and the apparent lack of need for man-power undoubtedly made it easier for both major political parties to declare against conscription. But there were other things that Canada was in a position to do:
she could put home defences in order; she could make available large supplies of foodstuffs when called upon to do so; she could throw her industrial and mineral resources into the production of war materials; and she could provide an ample terrain, safe from the theatre of war, for the training of air force personnel.

**Home Defence**

The obvious requirements of secrecy make it impossible to reveal fully or comment upon the extent and efficiency of Canadian home defence. However, it is known that the Navy has been steadily increased and that air-patrols have been organized and coastal defences established. The collapse of France and the greater peril to Great Britain have more recently induced the Government to take further drastic steps to secure the defence of Canada.

The problem of counteracting the activity of subversive elements is one important feature of home defence. The undoubted services to the enemy of subversive elements in Norway, Holland, and Belgium led to a demand for the formation of voluntary defence associations in Canada. Such associations are clearly unsuitable for certain types of activity and probably unnecessary for others. The protection of factories and airports against sabotage requires a military guard and a careful check-up on the antecedents of the men in this guard. These are tasks for government administrators, not for voluntary societies. What has become known as "Fifth Column" activity appears to render its most signal services to an enemy at the moment of invasion, when the invaded country is thickly populated, industrial, and near enemy territory. Jubilation over an overwhelming British defeat might betray disaffected groups in Canada into open demonstration, but our defence forces, unless harassed by formidable aggression from without, would have little difficulty in suppressing them. Nor is it likely that external assistance to Fifth Column elements would take the form of new "Fenian" raids by their sympathizers in the United States. The Fenians originally proved troublesome by virtue of the inimical complacency of the United States Government. Even if the worst were to happen now, Canada would be in no immediate danger of invasion from the totalitarian powers while the American and Canadian Governments, far from being hostile to each other, are seeking the closest co-operation in both external and internal defence.
Material Aid to the Allies

At the outset of the war it was believed that Canada's chief contribution to victory would be the supply of foodstuffs and war materials. In fact the C.C.F. group in the House of Commons officially suggested that our effort be limited to this sphere. During the first eight months of war there was exasperation at the apparent inactivity even in this field. Certain sections of the agricultural economy, which might have been expected to profit, actually suffered as a result of the war, while the wheels of industry only slowly began to turn out munitions and war equipment.

Canada, however, cannot be charged with inability to produce foodstuffs, as is proved by the history of the Bacon Agreement, for example. It has been the duty of the Bacon Board to ensure an adequate and regular production of bacon. The effort was so successful that, coupled with the failure of Britain to purchase as much bacon as was anticipated, an embarrassing problem of oversupply developed. Likewise Canadian agriculture has been more than able to fill urgent British needs and is confronted with the problem of finding markets for surplus products not purchased by Britain; for although the United Kingdom undertook to buy quantities of Canadian bacon and cheese, she drastically reduced her imports of other Canadian foodstuffs.

It is not difficult to find reasons. The necessity of conserving shipping space and saving foreign exchange for the importation of war materials led Britain to reduce by about one-half her consumption even of bacon, eggs, and butter; Canada has lost a very large part of her apple market in Britain for the same reasons. Shipping difficulties also made it desirable for Britain to use the nearest source of supply, a cogent reason for using European sources, as long as they were available, in preference to Canadian. Moreover, the tremendous cost of the war has forced Britain to buy in the cheapest market whenever possible. Those in Canada who have complained of the hard bargaining of Britain have overlooked the fact that she could not afford to be generous and that her bargaining policy has not been restricted to Canada.

While during the first seven months of the war Britain was much less ready to buy in Canada than in Australia, this policy can be attributed to the difficulties of exchange. Canada is outside the sterling bloc, and hence there is diversion of British
purchases from Canada to other Empire countries. On the other hand, Canada is more favourably placed for shipping to Britain than are other areas of the Empire.

Distress in Canadian agriculture, however, is by no means entirely due to the decline in British imports. The German occupation of neutral countries destroyed markets as well as sources of supply. Canadian farmers felt the full force of the loss of markets but were not called upon immediately to make good the deficiencies resulting from the parallel loss of sources of supply.

Lack of British orders was also in large part responsible for the slow rate at which industrial production was increased. The almost fatal notion that we had plenty of time led to insistence that all material be produced according to the specifications of the British Ordnance Department. Granted the premise, this was understandable, but it put the Canadian producer, whose machinery was ill-adapted to these specifications, at a serious technical disadvantage. Moreover, there was sufficient competition between manufacturers in England to enable contracts to be let there at small margins of profit. Cost and prices were therefore lower in England than in Canada and, as remarked, the British Government had ample reason to buy cheaply. In addition there was a desire to protect the British economy as much as possible and to reach full employment at home before calling upon the resources of the oversea Empire. The close economic co-operation between England and France, established early in the war, made it easier to rely in some cases on French than on Canadian supplies. With no apparent need for haste British firms were reluctant to surrender their privately developed designs to Canadian competitors and the British Government was not anxious to coerce them. The Canadian manufacturer, offered small contracts at unattractive prices and with no guarantee of further orders to come, hesitated to make his factory obsolete for normal peace-time production by effecting the necessary costly changes in machinery. The policy of providing Canadian forces with equipment identical with that of the British—a fetish that extended down to such matters as hammers and clothing—also made it difficult to place Canadian orders. In some cases only marginal firms were capable of producing according to the British specifications. There were indications, too, that the Canadian Government had learned well the lessons of the Bren-gun inquiry and had discouraged Cana-
dian business men by becoming very meticulous in the drafting of contracts.

In addition to all these features there remained the stubborn fact that a war industry could not be built overnight. The production of raw materials could not be immediately expanded nor could machinery be easily converted to new uses. The Canadian economy during the first eight months of war was in transition, and progress, though not superficially apparent, was real. For example, the establishment of new plants for the processing of aluminum increased the ability to produce war materials but has only begun to affect the production of aeroplanes. It might have been useful during these months of waiting to inquire into the capacity and convertibility of Canadian industry. But the general leisurely pace, as already explained, and the desire to proceed slowly so as to avoid the post-war dislocation that unplanned establishment of a huge war industry might involve, forestalled any such formal inquiry.

**Military Aid to the Allies**

Thus by a process of elimination the Empire Air-Training Scheme came more and more to the forefront of Canada’s effort. An extensive plan to train gunners, pilots, bombers, navigators, wireless operators, and mechanics, it demonstrates that at least in one sphere the Dominion began promptly to make a significant contribution. Yet even here the development was of necessity slow in producing pilots during the first months of operation. Economy in the early years of depression had broken the continuity in Canada’s air-training between the two wars and it was difficult to expand rapidly from the minimum of equipment and trained men that survived. Training fields had to be surveyed and buildings constructed. The very magnitude of the plan made inevitable the lapse of considerable time before it could be put into full operation. It was expected to develop a constant staff of 40,000 capable of training 25,000 pilots a year, by 1942. In the meantime, Canada assumed that Britain and France had enough pilots to carry on. To date, however, the scheme has developed considerably ahead of schedule. In the fall of 1939 the Provincial Highway Services were called on for trained surveyors. Tenders for construction were sought in March, 1940, and many of the new training schools will be in operation in the autumn of 1940. Meanwhile, Canadian industry
has been able to supply the training craft required, assisted by supplementary purchases from the United States.

The adoption of such a definite programme was reassuring, but critics called for more. Partly because it was an easy answer to critics, and partly, perhaps, to symbolize imperial unity, the Government organized an expeditionary force. Two divisions of troops have been sent overseas and a Canadian corps will be formed in Britain. In the early stages of the war at least there has been a more rational basis of selection than in 1914-18. A higher standard of physical fitness has been required. Men with a large number of dependents were discouraged from enlisting, as presumably were men whose technical skills made them more useful at home. Recently, however, the physical requirements have been lowered. Recently also the non-permanent active militia has been enlarged and conscription for home defence introduced.

**Altered Circumstances**

In the spring and early summer the tragic delusion that the Allies had plenty of time was shattered. The full effects on Canada’s war effort are even yet difficult to assess. The situation called for an accelerated tempo. For example, it was obvious that the schedule of the Air-Training Scheme would be advanced. Yet flying has become a much more difficult art than in the last war and it now takes six months or even more to train a good pilot. Had France succeeded in establishing and holding a position, great numbers of Canadian enlisted men might have been sorely needed.¹ However, the chief deficiencies of the Allies in the Battle of France were in equipment; attention therefore has been concentrated on the problem of making Canada’s contribution of war materials a substantial one.

The abandonment of the more absurd specifications, the release of British blue-prints, and more energetic action from the British Ministry of Supply, cleared the decks for action, although difficult engineering and production problems still remain. Under ideal conditions bottlenecks in industry can be anticipated and prevented. Yet many have already appeared. In the depression years the training of skilled workers in the machine-tooling, the pattern-making, and the die-making industries, at no time very large in Canada, was not maintained.

¹The effect of the collapse of France on the need for expeditionary forces was not immediately clear. (See Mr. Hanson’s contribution to the debate in the House on June 18.)
These industries are essential in the production of new models of armoured cars, tanks, and aeroplanes, and in any enlargement of the facilities for production of old models. Attempts have been made to induce certain types of skilled workers to return from the United States, but similar shortages exist there. Canadian automobile plants can be converted with relative ease to the production of aeroplane bodies, but Canada does not at present produce any aeroplane engines, and it has been estimated that four and one half years would be required to build up an industry capable of turning them out in any numbers.

Another bottleneck in the aeroplane industry occurs in the production of instruments. The German method of overcoming a similar difficulty has been to equip only the squadron leader with a full complement of instruments. This procedure involves heavy losses, for if the squadron leader is shot down, the rest are helpless. Generally the German plan has been to emphasize quantity; whereas the Allies stressed quality. The immediate pressure of events may nevertheless force Canada to become reconciled to heavier losses and to shift the emphasis toward quantity. Yet quality cannot be neglected without affecting the morale of the aviator.

When bottlenecks exist in industries where Canadian production has always been small it would probably be wise to import the necessary goods from the United States rather than attempt to make them in Canada, even if the industries concerned in the United States (the machine-tool industry, for example) are much occupied with domestic needs. The recent conclusion of a defensive agreement between Canada and the United States will, of course, do a great deal to facilitate matters.

In spite of the difficulties of producing large quantities of machines of war, Canada is already beginning to make an effective contribution. The effort may involve some waste, particularly in the letting of Government contracts. Here the most difficult item to handle is the payment for new machinery that may become useless at the end of the war. The relation of this fixed cost to production costs obviously depends on the total number of units ultimately produced; no one can tell in advance what that number will be. It has been suggested that the Government might let contracts without worrying over costs and profits, relying on the excess profits tax to offset any contract too favourable to the industrialist. An alternative suggestion has been that the Government itself should pay the cost of instal-
lation of machinery which it would sell after the war for what it would bring, in the meantime buying at variable cost based only on production. Whatever the method used, it is false economy to sacrifice output in time of great peril by haggling about cost. This applies not only to the Government but to the producer.

**Financing Canada’s Effort**

The primary function of war finance is to give the Government command over resources for war purposes. As long as unemployed resources can be put to work there is no need to restrict consumption in order to do this. Once full employment of men and materials is reached, however, restriction becomes necessary. In setting about any restriction, financial and other administrative measures should be designed to inflict as little damage as possible on the economic system and to distribute the burden as equitably as possible. There is every hope that this will be done more satisfactorily than in the last war, since the problem of bottlenecks makes it harder, for the moment, to spend $500 million wisely than to raise it. Canada has therefore had more time to consider the appropriate financial and administrative measures for social and economic control.

There are two sources of revenue for the Government: taxation and borrowing. During the last war greater taxation, in spite of many new taxes, did little more than carry the interest charges on the increased national debt. Expenditures in this war may reach the figure of $4 million a day. (The Federal Government, it has been estimated, is already appropriating over 40 per cent of the national income.) The Contemporary Affairs book, *War Finance in Canada*, shows that even liberal estimates of the increase in revenue from the imposition of higher taxation leave little hope that the cost of the war can be met by taxation alone, which may even become regressive and should therefore not be pushed to extremes. It will, then, be necessary to resort to borrowing; the Government, in fact, has already done so. This method, however, contrary to a widespread opinion, does not postpone the burden of paying for the war until after the war.

One means of borrowing is by voluntary savings and purchase of war savings certificates. During the depression years the volume of voluntary savings probably did not exceed $300 to $400 million a year. Since the Government may have to increase expenditures by $1,000 million and since industry will
continue to absorb a portion of the total, normal savings will clearly not be enough to solve the problem. Increase in the national income through full employment and the present patriotic appeal for war savings can be counted on to increase considerably the amount of voluntary savings. A rise in the rate of interest might also help, though this is debatable. Moreover, the Government, at the price of permitting the capital equipment of the country to deteriorate, will be able to divert a larger proportion of total revenue to war needs.

Even these factors will not provide for Canada’s war expenditutes. There is, of course, the dangerous road to inflation that could be followed. In Canada, however, there is little probability that the war will be financed to any extent by crude types of inflation. A measure of inflation may be desirable, not as an alternative to taxation and borrowing, but as a process by which these are stepped up to war-time needs. It may arise as an incident to borrowing if banks expand credit in subscribing directly to Government issues or in making loans to individuals to enable them to subscribe. It may even arise on a pay-as-you-go basis through an increase in the velocity of circulation of money. Such expansionary borrowing and spending do not necessarily mean inflation if unemployed resources exist. Rather, by enabling idle resources to be put to work and by enabling those already employed to be used more intensively, they will increase production. This may take place with only a slight rise in prices. Inflation of the sort described is wholly desirable, since it enables the war to be financed by increased production rather than at the expense of consumption or a depletion of capital. Obviously, the more production can be increased in every direction, the smaller will be the retrenchment of the standard of living. It has even been argued that the attempts of the Government to encourage thrift will, if successful, restrict the acceleration of output, which if given free rein can be greatly increased, as events have shown.

Unfortunately, it is difficult to determine when full employment is reached. After that point, expansionary finance becomes definitely an inflation which restricts consumption and diverts production into channels necessary to further war effort. But it may do this in an inequitable manner, particularly if there is no control of the prices of vital commodities. Serious distortion of the economy will result. Yet we must always remember that it may be necessary to “fight a blitzkrieg war with blitzkrieg finance.”
Is there any means of preventing dangerous inflation? The more willing the public is to save and pay taxes and the more determined the Government to regulate consumption, the more will inflationary tendencies be counteracted. Because of the ease with which we can slip into inflation and because of the difficulty of changing public habits overnight, the Government’s campaign for thrift can therefore be justified. The restriction of consumption, however, needs intelligent direction. In view of the surplus stocks of fish and apples and wheat, for example, there would be little point in consuming less of those commodities in order to lend to the Government. Actually, the dislocation of our foreign trade makes it imperative to consume more of certain commodities while reducing total consumption.

Where the Government cannot persuade it will have to dictate. Canada has already erected administrative controls, of which the Foreign Exchange Control Board, and the Wartime Prices and Trade Board are the most important. The former will be discussed below. The objectives of the latter have been to prevent unjustifiable increases in the prices of necessaries of life and to ensure an adequate supply and equitable distribution of these necessaries. Its policy to date has been to stabilize prices by arranging supply, in the expectation that a regular flow of supplies will ensure reasonable prices. The Board has taken over complete control of the purchase of imported supplies of certain commodities such as sugar and wool. So far it has avoided direct price fixing, but to prevent inflation as the war effort intensifies, price fixing, rationing, and other controls may become necessary.

Another device of war finance is the now famous “compulsory saving” or “deferred payment” plan of Mr. Keynes. This has been advocated as an alternative to voluntary saving, as an alternative to additional taxation, and as a device to be used when the possibilities of these are exhausted. Whether it is practicable for Canada is difficult to judge. As an alternative to voluntary saving the scheme merely distributes the burden of war more equitably between those who are, and those who are not, willing to save. As an alternative to additional taxation it has the merit of providing compensation, albeit belatedly, to those of lower income who under a war economy are likely to suffer a disproportionate diminution in the standard of living. It also enables a delayed reward to be given to those who find that additional income, derived from extra effort, is taken away.
from them. On this point it may be objected that much additional income in war-time is not the result of additional effort. As a reserve weapon in the financial armoury, to be used after the others have worn out, the merit of the scheme is that it would accomplish a further anti-inflationary restriction of consumption. Although a compulsory levy, the prospect of repayment might make it more palatable than a tax. Repayment, financed, perhaps, by means of a capital levy, could mitigate the post-war depression by maintaining consumer's purchasing power. Unfortunately, there are many administrative difficulties in applying the scheme to Canada where much property is held in the form of land. Ample preparation would be needed to make the scheme equitable. There is no immediate need to bring it into operation nor is there any reason why the time at Canada's disposal should not be used to overcome any administrative bottlenecks that might exist in connection with it.

The financing of British purchases in Canada, whether by repatriation of securities or by direct loan, involves basically similar problems of war finance. The large repatriation of last fall ($92 million) was made possible by a credit expansion of the Bank of Canada, and it is likely that the repatriation of the present year, which may reach a total of $300 million, will be handled in the same manner. This procedure stimulates production of war materials, but will eventually require restriction of domestic consumption, as will the Canadian war effort. British war purchases merely add to the size of the burden.

As long as the American "cash and carry" policy is maintained, the burden will also be increased by Canadian war purchases in the United States, although there are certain special difficulties. The problem is to obtain adequate supplies of American dollars. During the five years preceding the war the sale of gold and the American tourist trade were important factors in providing the Dominion with enough American currency. Now with the demand for American goods enormously greater because of the war effort, Canada is in a tight situation. The mobilization of American securities and dollar balances held by Canadians provides a limited supply, but as this capital is used up further increases can be obtained only by selling more goods and services to non-Empire countries. Canada's ability to do this is restricted. Considerable reliance was placed on an increased tourist trade which, it was hoped, would result from the discount on the Canadian dollar and the curtailment of
European travel. An attempt is also being made to increase the production and sale of Canadian gold. Something, though not a great deal, can be expected from this source. Exports to non-Empire countries can be increased only with difficulty, while exports to Empire countries do not aid in the solution of the problem, since they provide sterling, the supply of which is ample, not U.S. dollars. Increase of exports within the Empire would probably make the situation worse, since many of the things Canada sells to Empire countries (for example, automobiles to Australia) cannot be manufactured without the importation of raw materials or parts from the United States. The same condition limits benefits from tourist expenditures. When a tourist in Canada buys commodities (such as gasoline) that must be imported from the United States, he is obviously doing little to add to Canadian foreign exchange. It can be confidently asserted, however, that the great bulk (perhaps 80 per cent) of tourist expenditures represent a net gain of U.S. exchange.

It is, of course, possible to reduce demand for certain American imports, thus conserving a greater proportion of the available supply of American dollars for war purchases. A Government campaign to reduce the consumption of American imports, plus appropriate measures of taxation, would contribute to this end. The recent budget contains examples of such measures. The Foreign Exchange Control Board has the machinery to give precedence to necessary imports since Canadian exporters are required to turn over their foreign exchange to the Board and importers to buy through its agents. Although it was thought that the time might soon come when the Board would have to ration exchange, this has not yet been done to any extent. The Board’s first task was to prevent the loss of American exchange by a flight of capital. This task has been performed effectively; the only loop-hole is the so-called “Black Market,” through which American tourists can buy Canadian dollars held in the United States by other Canadians before coming into Canada. This traffic is difficult to stop but it has not assumed large proportions.

One further point should be raised. The easing of the United States embargo on the export of arms and munitions has enabled Canada to buy many goods which otherwise the Dominion should have produced. It has, then, lessened the need to build a huge war industry which would become a white elephant after

*This increase has not materialized for Americans are apparently frightened by the very fact that Canada is at war.

[16]
the war. Yet extreme dislocation will be incurred anyway if, in order to pay for imports of war materials, Canada has to over-expand export industries and tourist facilities. Yet probably over-expansion of export, for which we have very definite natural advantages, is preferable to establishment of a war industry that might be completely unable to carry on after the war. As Canada sells her exports competitively even in war-time, there is reason for hoping that she can maintain permanently at least part of any increase in exports that may be achieved.

Complete reliance on exports, however, exercises a brake on expansion, for exports may not provide enough foreign exchange. Establishment of domestic war industry, then, becomes necessary to full war effort. Enough has already been said to indicate that this is already happening and a heavy war industry developing. This can be kept from going too far only if the United States agrees to lend sufficient funds for war purchases. There are many who believe that the United States will extend credits as soon as Canada needs them. If they are right, Canada might reverse present policy and use up American exchange as fast as possible. Part of Canada's war burden would then be transferred temporarily to the United States.

**The War and Canada's Internal and External Political Problems**

The most important of Canada's internal political problems is Dominion-Provincial relations. For two years prior to the outbreak of war this problem received an exhaustive examination by the Rowell-Sirois Commission. In its recently published report the Commission recommends that the Federal Government accept all responsibility, both financial and administrative, for unemployment relief; assume all provincial debts; and have the sole right to levy succession duties and corporation and income taxes. It also recommends the establishment of a system of national adjustment grants which would replace the existing system of provincial subsidies and put each province in a position to provide the national average standard of social services.

The question immediately arises as to the effect of the war on these proposals. Some persons claim that consideration should be postponed until after the war on the ground that action would cause internal disunity which would weaken the war effort; on the other hand, the unity engendered by the war gives Ottawa an opportunity that may not again occur to imple-
ment the proposals. The centralization of authority contemplated by the report may be necessary for effective prosecution of the war and may even come without reference to the report. Much of the desired concentration of power can take place in war-time without formal constitutional amendment, since war is one of the few emergencies that the Judicial Committee of the Privy Council permits Canada to have.

The probable effects of the war and its aftermath on Anglo-Canadian relations are more difficult to assess. So far no machinery for the sharing of control between Britain and the other members of the Commonwealth has been set up. It has been suggested that the Imperial War Cabinet of the last war should be revived. Yet such machinery is less important as long as Canada's major function is to supply materials; the absence of machinery need not be construed as an acquiescence in imperial centralization and Canadian subordination.

The legal question regarding the superfluity or otherwise of Canada's separate declaration of war is of little practical importance. Presumably, Canada could do just as much under the rubric of "active belligerency" as she is now doing, and neutrality being what it is in these days, a declared state of neutrality would differ little from a state of passive belligerency. But the separate declaration had a political value: it emphasized the fact that control of Canada's external affairs is entirely in Canadian hands and drew attention to the possibility that in the future the Dominion might decide to take a more active and independent part in world affairs.

A newly discovered unity may permit, and the sacrifices of war may stimulate, such a development. Canada is a small country, however, and her foreign policy must be closely linked with that of some greater power. In the event of victory, her foreign policy may be dominated by Britain's, though less completely than in the past. The revival of a collective security system might facilitate the emergence of independent and perhaps conflicting foreign policies from the different members of the Commonwealth. But even without a collective system, the policy of the junior members would be affected profoundly by that of adjacent great powers. If the United States belonged to the system there is a strong possibility that American foreign policy would guide Canada's. In the event of collapse in Europe, the closest co-operation between the United States and Canada would be the only alternative.
Political and military co-operation need not mean economic or political union. It is true that the war has already produced a greater realization in both countries of the extent of common interests. But the economic interests of American farmers and Canadian manufacturers stand in the way of economic union, and an historical divergence in outlook and attachment to different political institutions will probably prevent political union—at least for a very long time. Moreover, the future of United States-Canadian relations is bound up with the future of Anglo-Canadian relations. Canada's oversea connections may have been the condition of her survival as a separate nation; certainly the strength of those connections in the future cannot fail to affect her relations with the United States. Nor can she neglect possible changes in Anglo-American relations. The war has already strengthened and, whatever the future, it may still further strengthen the bonds that unite the whole of the English-speaking world.