

WASHINGTON • THROUGH CANADIAN EYES

Vol. 2, No. 3

April 14, 1959

Circulated privately to leading Canadians • Copyright 1959 by Nash Associates

Dear Sir:

The cherry blossoms have come and gone....the mercury has nudged 80° once or twice and the Daughters of the American Revolution are soon due in town. So, we know Spring has come to Washington!

* * Congress also is back in town after the Easter recess. And some of the Congressmen have come back in a complaining mood. The mining state Congressmen are unhappier than ever about imports. The farm state legislators want more surpluses dumped onto world markets. The fish state Congressmen are worried about imports. But on the happy side of this complaining mood of Congress is the sourness being expressed about the President's mandatory oil import program. The New England, Upper Midwest and Pacific Northwest Congressmen are madder than ever about the controls. Nothing is going to change, of course, but the complaining on oil quotas may at least help inhibit the advocates of protectionism who have been making some headway in Washington recently.

* * Sumner Slichter, the Harvard economist, has a dandy way to hold down the price-wage spiral....and it would be grand for Canada if Washington would only listen to him. Slichter says remove all U.S. import quotas and tariffs. This will provide American industry with intensified competition, he says, and nothing could be better.

More imports, runs the Slichter reasoning, would have two primary benefits in holding down wages and prices. First, it would stiffen industry's back in union wage negotiations and also would discourage unions from asking for too much; and second, facing tougher import competition, U.S. industry could not raise prices without losing customers.

Many an economist in Washington thinks this Slichter "no quotas, no tariffs" argument is a good one. But labor unions, management and the government are not particularly enthusiastic. In fact, labor and management may well be heading in the exact opposite direction and partly because of what Slichter says.

Labor, naturally enough, wants more money. And industry, naturally enough, wants more profit. They fear more imports would mean less money and less profit. Hence there are some indications that big labor and big industry in United States may be moving into protectionist thinking. This is especially dangerous for Canada and all those trade eggs we have in the American basket.

* * New thinking on trade, the price-wage spiral and their relationship is generated in Washington by the way the government seems to be edging toward

some kind of price and wage controls. This is important for Canada, because what happens below the 49th parallel may not be long in happening above.

Four bills for some form of controls now are being considered by Congress and another one calls for stand-by price controls. None of these will pass, but the debate and hearings may pave the way for something by 1960. Labor and management are shying away from these proposals, but in the long run, might prefer them to anything like the Slichter suggestions.

The Administration flirted with price controls in the new oil import control program by promising a federal investigation into price rises during the program's existence. But most of the concern over the price-wage spiral concerns the expected pay boost and price rise for steel in the wage negotiations this June.

What may well result out of this oratory is a toothless kind of control on prices and wages. There may well be a decision to spotlight any increases by holding public investigations into the why's and wherefore's of them. The hope would be that the glare of the public spotlight would discourage unions from asking too high pay boosts and companies from increasing prices by very much.

* * Have you seen that the Washington trust busters are chasing Garfield Weston? He controls the National Tea Company, the fifth largest food chain in United States, and the Federal Trade Commission says the company has violated anti-trust laws by gobbling up too many smaller food chains.

The FTC complaint says the three Canadian companies which control National Tea (two Loblaw's corporations and George Weston Ltd.) also control or own outright many concerns engaged in making, processing, selling and distributing merchandise in the U.S. and a substantial amount of this is sold through the National Tea stores.

Last year, National Tea had net sales of \$681 million.

* * And speaking of anti-trust matters, the Dutch Government has had a formal rejection of its complaint against a U.S. trust busting action against radio and tv manufacturers. A Dutch company, N.V. Philips, is one of three companies facing anti-trust charges for operating through Canadian subsidiaries to close the Canadian radio and tv receiver market to American manufacturers. Like Canadian complaints about the invasion of sovereignty, Washington brushed off the Dutch protest.

Officials now figure this case, in which eight Canadian companies are named as co-conspirators, will last for more than a year. Originally, the Justice Department had hoped to clean it up in six months.

* * Some progress was made in Washington this past week on Columbia River power negotiations between the U.S. and Canada. A meeting of the International Joint Commission spent half a day drafting principles to be used in reaching a deal for sharing of the power developed. They didn't decide on how much of the downstream benefits Canada should get....that won't come for a month or two.

It's expected the drafting of the principles will be done by May. Then, all the facts, figures and so on will be run through a giant mechanical brain in Portland, Oregon owned by the Bonneville Power Administration. The principles will be tested out and if everything looks like it will work, General McNaughton

and U.S. I.J.C. Chairman Douglas McKay will start doing some hard bargaining on the percentage of power to be returned to Canada. So far, we've been looking for a 50% return. No official proposal has been made yet, though, and certainly no counter proposal. But Washington is thinking in much more modest terms than 50%.

The I.J.C. officials are hopeful that they'll come up with a final figure by next fall. They want to have it by the time of the next meeting in Ottawa, October 6-9.

* * The Canada-U.S. squabble over pilots on the Great Lakes still is far from settled. Washington wants to make it mandatory for ships to have the pilots throughout all the Seaway area. Ottawa wants pilots only in four key regions. For a while it looked like a compromise was being worked out. But the U.S. Coast Guard dug in its heels and refused to go along with the Canadian ideas. The State Department is on our side in this issue.

Mandatory use of pilots throughout all the Seaway may add an extra cost of \$3,000 to \$5,000 per return trip. And that hits your pocketbook because higher shipping costs means higher prices for anything brought in or taken out via the Seaway.

There is a bill in Congress now to give the Coast Guard what it wants. But the State Department may be able to have the legislation amended to part way meet Canadian wishes. At least, they'll try.

* * Watch for another international lead and zinc meeting in New York April 28-30. Washington will make another try at this session to convince Canada to join in an international lead and zinc agreement. It now is hoped the April meeting will be followed by one on May 4 and 5 also in New York to organize a lead and zinc study group.

Chances are the group will be established, but little progress will be made toward an agreement. Washington wants one that will restrict lead and zinc exports, but even with such an agreement, the U.S. intends to keep its own lead and zinc import quotas.

* * Mineral matters brings to mind this past week's visit to Washington by the head men of the Canadian Metal Mining Association. They had a cocktail party or two, knocked on Congressional doors, shook hands and chatted with Administration officials.

It was a low-pressure approach to acquaint Americans with the situation in the Canadian minerals industry and the importance of the U.S. market to Canada and vice versa.

The group had a highly successful Washington visit and left a lot of knowledge and good will on Capitol Hill. If more Canadian businessmen would just come down and knock on Washington doors it would help dispel some of the clouds of ignorance and indifference on the Hill and add a few drops in the bucket in the battle against rising American protectionism.

* * You've been hearing a lot out of Washington in the last couple of weeks on Bomarc, defence-sharing, etc. The number one man in the U.S. Army, Chief of Staff General Maxwell Taylor, added a little fuel to the political fires in Canada when he said the Bomarc-Sage defence system, which we adopted instead of the Avro Arrow, has not been proven feasible. He thinks Bomarc-Sage is neither economically nor technically feasible at present.

Needless to say, his view differs sharply from that of the U.S. Air Force. General Taylor, of course, is grinding a few of his own axes in his Bomarc-Sage criticism. He wants some of the money going into Bomarc-Sage to be put into the Army's Nike-Hercules and Nike-Zeus programs.

Gen. Taylor is joined by the Navy boss, Admiral Arleigh Burke, in complaining about too much money being spent on North American air defence. They favor the point defence system instead of the area defence in depth concept which now dominates North American defence planning. The Air Force, however, has been able to sell its defence in depth concept to the Secretary of Defense and for the time being at least, the Bomarc-Sage system will be the top dog in the NORAD defence set-up.

* * And just to add a little more confusion to this whole defence picture, some contradictory comments have been coming out of Washington on the U.S.-Canada defence industry marriage. The key is whether Canada will be getting orders from Washington for items to be used anywhere in the defence of North America or only for items to be used exclusively in Canada. This is a multi-million dollar question because if we are restricted to the Canadian deployment only theory, we'll miss out on an awful lot of business.

Defense Secretary McElroy told a House Subcommittee on Defense Department Appropriations recently that the only business going to Canada will be for items for "Canadian deployment." When he heard this on a recent visit to Washington, Canadian Defence Minister Pearkes said that's not true and the Ottawa view is that Canadian industry will get orders for items to be used anywhere in the defence of North America.

The hassle, however, boils down to a question of tactics in selling this defence marriage to the U.S. Congress. You can expect to hear U.S. officials very greatly playing down the marriage, suggesting Canada won't get many orders and that there won't be any loss to the U.S. industry. They'll even stretch the truth pretty vigorously but Canadian officials have been told not to pay too much attention to what's being said. It's the old rule of Washington--"Don't pay attention to what we say, but only what we do."

We can only hope this official truth-stretching in Washington applies only to Congress and not to us.

Sincerely,

The Editors

P.S. False teeth wearers take heart! You too can have that "come-hither look." A scientific session of the District of Columbia Dental Society heard here recently that false teeth can be sexy. Women patients particularly, can be given a "sensuous look" simply by prescribing unnaturally large and slightly protrusive upper front two teeth--instead of the too even artificial teeth of today.

na