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# **THE DEFINITE NATIONAL PURPOSE**

**BY  
WILLIAM HENRY MOORE**

**TORONTO: THE MACMILLAN COMPANY OF  
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**DEDICATED TO MY WIFE**



# FOREWORD

Several months ago I received a letter from an anonymous correspondent asking me to stop running round the country making speeches: and settle down to work. You may wonder that a man with so sensible a suggestion should have chosen to conceal his identity. Wait a moment. The work, my correspondent had in mind for me was nothing less than lifting the great depression. Now you will at once conclude my correspondent was either indulging in humour or that the letter was post marked Port Whitby. But there was a touch of pathos about the letter. My correspondent had been out of work and out of buying power for more than two years, and expressed the faith that I could think of something that would put him back to work and all the other unemployed as well.

Probably I should have put the letter in the waste-paper basket and thought little more about it, but I confess I was both flattered and touched by the man's simple faith. Besides the impossible is always intriguing. So it came about that I tried; and, if nothing else was accomplished, I stopped making speeches.

Who is responsible for the lifting of the great depression? If you are a staid member of Society, I expect you will immediately disclaim all personal responsibility, and rest content to criticise those who try. Criticism is valuable. It may well be you will say the responsibility belongs to the League of Nations, a Conference of Nations, the President of the United States or the Prime Minister of Canada. But you will recall that they have all tried, they have all done their best, and if they have not entirely failed, they have not wholly succeeded.

Of course it is too much to expect that I have succeeded. You will judge for yourself the value of the views I present. Personally I believe I have fallen upon the safe way out of our difficulties but it may well be I am a bit prejudiced. When a man has lived with an idea for awhile, he naturally loses the perspective of its value. I once knew a man who gave so many lectures about white mice and their service to laboratories that he fell into thinking that without white mice Society would fall into decay and perish. Most people thought he ought to be locked up.

I shall say this for what I have tried to do, it is an attempt to introduce the doctrine of realism into the realm of politics; and that is an unusual proceeding, in fact almost a novel one. The matters of our common concern are usually decided in an atmosphere of political passion. The politicians will have it that we are not ready to pass an intelligent opinion upon the issues of the day until we have been heated up for the occasion. When the thermometer registers the given point, we are naturally prepared to accept one of two or three sets of tenets that have been recommended. As a matter of fact there is nothing else to do. My thought is to see things as they really are and the consequences. It may be I have not quite succeeded and at times have allowed my judgment to be affected by personal prejudice. Possibly you will not be altogether free from prejudices.

The Great Depression of 1930—is not an isolated crisis. At least, I have treated it as one of a series of crises which we have had from time to time, but quite unusual in that it is affected by special forces which, in process of development over a period of years, have come into maturity since the Great War. Formerly we went down together and came up together; but now we are down and have tried and tried and have not managed to

get up. I do believe there is a “better feeling” and visible signs of recovery, but I also believe that there is need for over-hauling our whole economic system. You will find that for some years I have been of the opinion that we were headed for disaster. Thus it is, I sought to give double service to my unknown correspondent. I have tried not merely to get him out of trouble, but to keep him out by suggesting a re-formation of the social and economic structures that will work for those that are willing to work for themselves. It will even stand the technocratic strain.

Needless to say I have not written for the technicians of Political Science. You may be quite sure my correspondent was not a political scientist and I have had him directly in mind, as well as all others who have been left on the road-side by the overloaded, creaking, industrial omnibus. I have tried to brush the technicalities out of whatever I know about Political Science and still preserve exactness. Those who know most about the subject will have most sympathy with the undertaking.

When you come to what I have proposed for the reconstruction of our national life I shall not be at all surprised if you think of a number of obstacles in the way of its realisation and here I shall enter a plea for patience. Of course, there are real difficulties but a great national objective is not to be attained without courageous effort. Several of the apparent difficulties will yield to reflection. It was impossible to enter into details and still present a picture fairly representative of the whole situation within reading range. After all that is one of the main difficulties of the life we live together. We will not devote to our common matters the thought they deserve. If you doubt my statement, become a research bureau and conduct a survey for yourself, by asking your friends: “have you read Moore’s new

book: The Definite National Purpose?" The answer may be: "no, I have already read one or two of Moore's books and am not inclined to read another." But the chances are the answer will be: "what with stocks going up one day and down the next, I have not time to read anything." It may even be: "I don't give a hang about politics, I just mind my own affairs." A man once told me he had never taken an interest in politics because he couldn't shoot straight enough. But he was a Mexican.

Now all that is very wrong. People should take much more interest in public matters now than ever before, because more and more of the things of life are being transferred from the individual field to the collective. That interest should be taken and decisions made, under the doctrine of realism. You apply it to your daily life; you try to see the things that are, while you buy and sell and do all those other things that make up the day's routine. That interest should be immediate. I am not an alarmist and have little disposition to find fault with the Governments of the day; they carry a heavy burden and they are not composed of supermen, they need your studied opinion.

Frankly, this little book is intended to be provocative of thought. Great changes in national economy are in store for us; even if we were to emerge immediately into prosperity through any one of the several plans that are proposed we should be living in the shadow of another calamity and a greater one would prove fatal. If you come to the conclusion that what I propose will accomplish a substantial something, then let us put it into effect and go on to greater successes. Great changes in the political and social organisations do not come about over-night, save by revolution, and the changes I have proposed are with the deliberate intention of "relaying the rails while the traffic is kept open."

It remains but to mention those with whom I have been in consultation and that is a difficult duty as I have talked about this subject with everyone I have met for the past six months. My colleague W. A. Fraser, M.P. has been a spur. A. E. Padbury has been always at my right hand while Frank Chapman and E. M. Henry have also contributed valuable suggestions. I am grateful to Dr. J. Roy Van Wyck for assistance with proofs. I have drawn liberally upon the work of my old friend Dr. Coats of the Bureau of Statistics, and upon the figures of Sanford Evans and Horace Brittain, prepared respectively for the Canadian Chamber of Commerce and the Citizens Research Bureau. Nor should I pass on without expressing my thanks to the members of the Oshawa Forum, The Montreal Reform Club, and the several Canadian Clubs, Chambers of Commerce and Social Service Clubs that have with heroic patience listened while I plodded my way to a definite objective for the Nation.

And so to business.

WILLIAM H. MOORE.

Moorlands  
Pickering  
August, 1933

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# CHAPTER I

When the world was yet young a group of savages lived before the mouth of a deep cave. They had the curious idea that the cave was occupied by monsters that exercised an influence for good or evil over their lives. They may have gorged themselves one day but blamed the evil spirits if, on the morrow, they starved. Nor were they all of one mind as to which were the good spirits and which the bad; and sometimes they broke each other's heads over their differences.

In the midst of a long spell of hard times, certain of the bolder savages expressed the desire to enter the cave and see for themselves what the spirits were really like. The cave was dark, they did not know how to create fire, and the project would have come to naught, had not someone suggested consulting a man who lived alone at the foot of a nearby mountain. "No trouble at all" he assured them, when the project had been explained: "Fetch me several bamboo sticks, some dry grass and a little fish oil." When they were furnished, with the aid of flint and stone, he produced several flaming torches. "With these," said he, "you may go into the cave, search its crevices and have a good square look at the spirits. Pull them out by the ears, if you want to."

I have forgotten the rest of the fable, but suspect the savages found only such birds and reptiles as live in dark caves. Looking back one can see that the savages had bad times because the fish swam out to sea, or the animals wandered into the woods. The savages had not progressed far in the arts; they had not learned to work with Nature; but modern man has discovered such marvellous ways of creating wealth that he

sometimes wonders if there is anything left to discover.

We are not all alike. Providence, or whoever arranges the distribution of natural resources, has not been equally generous. In Thibet, a sparse population struggles for existence on vast barren lands; in Siam a dense population has a bare existence from a small rich country. Canadians are neither Thibetans nor Siamese, and consider themselves vastly more intelligent. Self-appreciation used to be much above par on both sides of the Great Lakes. Once Canadians on the 1st of July, and Americans on the 4th, talked grandly of the happy coincidence of rich natural resources in the possession of people with indomitable courage. Now we shake our fists at monsters in the cave.

We have made astounding headway in the arts. We carry brown earth from British Guiana into the forests of Northern Quebec and smelt it with the aid of water power, and actually spin it into all sorts of useful things. They used to say you couldn't make a silk purse out of a sow's ear, but the textile man has done it; at least he has processed pigs' ears into purses that look and feel like silk and are called artificial silk.

The social sciences have not kept pace with the practical sciences. Men have lagged behind their own creations. Collectively we have not learned how to care for ourselves, and have dropped into all sorts of trouble because we have not recognized the fact. I feel quite sure the textile men are in agreement as to the principles of chemistry by which pigs' ears are converted into silk purses. But when it comes to human action we are at sixes and sevens. We have not agreed upon general principles of human conduct. With a common desire for human happiness we are ready to break each others heads over the best means of securing it.

For some years I have been deeply concerned over this matter and eight years ago wrote a little book in which I said: "It may be our civilization is not worth preserving, but let us at least know it is going and why it is going." My comment was based on Dr. Albert Schweitzer's contention that what we call civilization had come about by individual men thinking out ideals which were fitted into the realities of life. Once that contention is accepted you can see for yourself that our Great Misadventure was inevitable. Within recent years we have had much talk upon the subject of social life but little solid reflection. The course of Society remains uncharted.

I cannot recall that anyone was much disturbed over the prediction that our civilization was slipping. Some may have welcomed the thought, because our civilization is far from being wholly good; most people were probably too busy to bother; and besides, they had heard before of man being at the "cross-roads," entering "new eras" and all that sort of thing. In the four years that followed, prosperity flowered in the America north of the Rio Grande as never before. North Americans, at least, were satisfied to let things take their course.

Then came the depression.

Significantly enough Schweitzer wrote "The Decay of Civilization" from a lonely African mission field. With clear perspective he saw that our dependence and mine upon the tenets of social and political parties had become so serious that we had almost ceased to claim an existence of our own. He saw us as rubber balls that had lost elasticity, preserving indefinitely every impression that was made upon us. We were drawing from organized groups the opinions on which we lived, asserting them as our own, and were rather proud of the

achievement. While, at sixes and sevens in our contentions as to how best the social good is to be attained, our differences are basically two: whether we should proceed mainly by individual, or by collective action.

Now I propose that you and I should have a good square look at these two contentions, not for the purpose of shaking fists at each other's monsters, but with the express object of finding out what is best to be done. The depression has served one good purpose, it has given us an x-ray of society with enlarged plates of its germs and fractures. To get the best results we should think away from the tenets of our respective political groups. Just now Liberalism is blaming Conservatism and Socialism is blaming them both. Where lies the truth? Do you recall that when a great Mohammedan Emperor asked a Kazi whether truth was to be found in the East, West, North or South, the Kazi sent for a lighted candle and when it was brought the light did not face East, West, North or South.

As you may have suspected I have held very strong views as to the direction we should follow as we search for the social good. You are quite right in thinking I shall stress my views upon you but my mission is essentially not one of party politics. The politicians seek power for the social good; we shall seek truth for the social good. There is a wider difference between our objects than at first sight appears. Truth is not always palatable. Sometimes whole masses of people are ready to sacrifice what they know to be right for what they believe to be expedient. Then the politicians must follow the masses. I am not insinuating that you and I are going to be more righteous than the common run, but I do contend that we should, at least, know the truth and then assume whatever responsibility it imposes.

We have an advantage when we think things out at home. When men get into stuffy halls they do not think clearly. Better ventilation would do something to improve public health, but even in the open spaces man subjected to the influence of the crowd becomes credulous.

I know a hard-headed farmer who, only a few years ago, attended all the political meetings within 10 miles of his home and was carried away with the promise of a miracle on butter to be performed by protection. When the protection had been applied and there was no miracle he became disillusioned; and vowed never again would he be caught in a mesh of political promise, no matter its eloquence, no matter its assurance. And yet that man is to-day accepting the tenets of another set of politicians, even more extravagant in promise, and never once has he seriously asked himself: have those theories ever worked?

Mind you, he is not credulous in the working of his farm. An implement salesman could not persuade him to smash his old binder and take on an untried harvesting contrivance, not even if he waved his arms and shouted from the top of a stump. If the farmer did not laugh at him, he would stubbornly say: show me where your machine has worked well under field conditions such as mine. We should not be less cautious in public matters.

When in crowds, we are extraordinarily credulous. It was not new, that doctrine of protection, which was preached so vehemently three years ago. By now we ought to know exactly what the customs tariff can do to a country; yet if you will take the trouble to listen to the budget debate at the next session of Parliament, you will probably hear precisely what your father heard forty years ago. That is the way we conduct our collective

affairs.

The doctrines that are being preached from Socialists' hustings are not new. Their identical planks have been tried out in Australia by a people akin to us in national and social aspirations; we may for ourselves have the promise upon which they were accepted and the consequences. Most European countries, at one time or another have been governed by Socialist parties; and the results are a matter of public record. We have in our own social order a mixture of capitalism and socialism, with a touch of communism, and may have many a valuable lesson by simply opening our eyes.

I am not preaching the doctrine of defeatism. After a while, with the others, I shall undertake to show you where we have failed, and how we can retrieve ourselves, and go on to better and still better conditions. But I shall not say anything which you may not for yourself immediately check. Personally I can see several reasons why there should be distress in England, for after all, the Englishman is a bit redundant in that tight little island; but it is different here. Personally, I believe that Canadian poverty is largely caused by our collective stupidities. That is my monster. I believe it has taken the conduct of life out of our hands.

Of course you and I may have been riding around in La Salle cars when a Chevrolet would have better fitted our incomes. Perhaps we spent money for a hundred and one things that we could have done without, and should have laid by for a rainy day. "It was a bit of luck we didn't" you say. Well, I have not forgotten the man who would not let his wife have a new dress, or go to the movies, because he was saving to buy shares of Amalgamated Cats and Dogs, common, that dropped from 100

to 3 almost over-night. But that is hardly my point.

I started out to say that our individual extravagances do not account for our present plight. If you are an unplaced man, you are conscious that you gave capable service and are still ready to give it. Then, with all those raw materials about, why should you not have a buying power? For instance, you are a smart weaver, why then should our clothes be thread-bare while I am getting 5 to 10 cents a pound for wool, especially as your old loom is standing idle? Naturally you put the blame on one of the monsters in the cave, and I suspect it is capitalism. Let us see what it is. You may say you have no desire for closer acquaintance; capitalism paid you scanty wages when it was making huge profits and threw you on the street the moment profits began to fall away; it pilfered from your coal bin; it dodges its taxes, and in short it is a bad egg. Confident that capitalism is incorrigible you are impatient with suggestion of its reform. There is much truth in what you say, but that is all the more reason for a second look under the candle's light.

Capital itself is good; in fact, quite essential, if we are to have the comforts of modern civilization, especially if we are to have more of them. Capital is simply goods and services saved for further production. The most hardened State Socialist deriding capitalism covets capital for the State, although, it seems to me, frequently quite confused as to its nature. Just now Mr. Stalin is endeavouring to induce people to lend capital to the Socialist Soviet Union, so capital is obviously not to be produced by the printing press. The Socialist Soviet has a printing press of its own and recently has been running it overtime.

The issue then is plainly; who is to own the goods and

services that are saved for further production? The State Socialist holds out for State ownership narrowing the list or widening it, according to his degree of socialism, and sometimes, according to his desire to avoid giving offence to those from whom it is hoped to draw support. Even Socialists are politicians.

The word “capitalism” is clearly a misnomer. Sometimes we use in its place the word “individualism” but that word does not precisely convey the idea. Away from the farm, production is carried on by groups of individuals organised in joint-stock companies, and sometimes co-operatively. In fact the words and phrases surrounding this matter are most misleading, especially when one relies so largely upon headlines for information.

We are approaching a welter of the “isms” and before going further ought to sort them out. With the men who make the headlines we can do it but roughly.

Socialism bent upon the destruction of capitalism is itself divided sharply into State socialism and corporatism, each seeking to destroy the other. State socialism may be illustrated by what they have in Russia; corporatism (or fascism) by what they have in Italy and apparently are going to have in Germany.

Communism is at once a political party and a theory as to division of the proceeds of production. As a political party, its caucus runs the Socialist Soviets; it dropped some of its platform when it tried to apply its theory as to the equality of the rewards of labour. The Communists used to contend that when a big man and a little man together were called upon to lift a load, both should have the same rewards. That was the theory. When the two were actually set to work on that theory it was found that the big man suddenly became weak. Of course he was

lashed. They are stern people, those Socialists.

But just at present we must not be drawn aside by details. Exact classification is impossible by reason of overlapping. My old friend Peter Kropotkin used to hold out for both communism and anarchy.

In a general way economic liberalism is the antithesis of socialism and to it we shall almost immediately turn.

Meantime may I just say that the spring of my thought is that in this New World, where we have not yet been welded into bodies, ready to die and have people die for social creeds, instead of killing each other or even shaking fists, we should calmly review the “isms” and take from each what in its proper place will contribute most to the social good. Again I shall not blame you for smiling incredulously. You feel that I am going to oppose socialism and support economic liberalism. Should I fail to follow the light of the candle, or reject truth when it appears, I shall have deserved your condemnation. I shall try to be fair, but I want you to recall that I could not publish what I have to say in Russia and possibly not in Italy or Germany.



## CHAPTER II

It is quite common to say that the depression came about for the lack of a plan. The Socialists put the blame on economic liberalism and derisively called it the anarchy of industry. Each one for himself and the devil for us all. That is the idea. Then the Socialists suggest that we substitute order for chaos, and quietly pass into an era in which everything will be in its place and nobody will be out of a place. It is an enticing suggestion with a sweetly reasonable slogan: "It is better to plan than not to plan."

But has it been so? At the peril of being called a Conservative I shall have to turn over the pages of history to show why I am a Liberal, for I cannot forget that economic liberalism came about because planned industry failed. From Joseph to Colbert industry was planned. True, industry was then not so complicated; it was simpler, and ought to have been the easier to plan. People were then not so numerous, and ought to have been the more easily brought into regimentation. There were then no Socialist bureaucrats, but possibly the modern bureaucrats are no more capable than the intendants who mismanaged affairs in the old days.

The differences what they are, it should be helpful to have the light of history thrown upon the social and economic consequences of planning.

It will be recalled that Joseph was the first economist to tackle the persistent problem of economic crisis. Although he was not in the government service when he devised his scheme, he entered it shortly afterwards and worked his scheme out through the agencies of the State. For years he had taken corn

from the people, and when, in the day of famine, the people appealed to the State for food, Pharoah directed them to Joseph. Joseph opened his warehouses and sold corn. After a while, he gathered in all the money there was in Egypt, and the people still cried:

“Give us bread for why should we die in thy presence; for the money faileth.”

“Give me your cattle,” said Joseph, “and I will give you bread.”

When Joseph had taken all the peoples’ cattle, their horses, asses and flocks, the people were still hungry and pleaded:

“There is not ought left in the sight of my lord, but our bodies and our lands.”

And Joseph took them both. Their lands and their bodies. Perhaps I may interject: Joseph is generally regarded as having been a good man; not infrequently his virtues are extolled, that we should imitate them, particularly his kindness. Pharoah, I take it, was simply the State. The peoples’ disaster came about not through the hardness of the men who planned, but, as an inescapable consequence of State planning. The land became Pharoah’s. As for the people, whose labour and lands and animals had produced the corn, they were removed to the cities, from one end of the borders of Egypt even to the other end.

The story of planned industry begins with unfreedom. Follow it on down the ages; through feudalism, when lords planned for villeins, and both ate sour food from dirt floors, into the period of the craft guilds, when industry was meticulously planned by guildsmen, and books were crowded with statutes, one repealing the other, in a frantic effort to fit people into

industry, and industry into the wants of people. European wars tell us that foreign trade was planned and conducted by States down into the 17th century.

Whatever it may mean now, in the past industry planned by the few brought with it unfreedom, stagnation and poverty. And all the while, our forefathers were squirming and struggling for freedom of the market place. Say it should not be; it is the way of human nature.

The climax came in the days of Colbert. Under Louis XIV, planned industry reached its peak, and within two years after Colbert's death, one of his old administrators, who had toiled in the service of State intervention, fell upon the great truth: "*le plus grand secret est de laisser toute liberte dans le commerce.*"

Later on, in the 18th century, a school of French philosophers developed that thought into the doctrine of *laissez faire*. Adam Smith took up the strange doctrine, which was really not, as some would have it, that industry should be left unplanned, but rather that industry is better planned by the millions than by the few.

By natural development of thought we came into economic liberalism. Canadians came inherently into that school, since their French forefathers were first to think it out, and their English forefathers were first to work it out. Until late in the 18th century, the British of the Isles had lagged industrially behind Europe, but with a courageous application of economic liberalism, they forged ahead and stayed ahead, until they turned back; or, should I say, until the British of the Isles had reached their maximum industrial allowance in the world's development.

Of course, the State never really withdrew from the economic field. The policy of economic liberalism, at best, was a relaxation of the State's grip. The State released its hold largely over prices, and prices behaved surprisingly well. It largely ceased to pass regulations as to the quality of goods, and curiously enough, quality did not generally suffer; although, in course of time, goods were made for all pockets. The State did not quite stop intervening as to wages, but it reduced the number of "shalls" and "shall nots" and more men went to work. The rise of real wages was a feature of the new period.

Men became free to invent under the new regime, and were given property over their inventions. Under the old regime, men were forbidden to dye with indigo, and a man who invented a weaving machine at Danzig was quietly smothered by the magistrates. Usually the guardians of public welfare did the thing midst hue and cry. Once the State removed its heel, iron became plentiful and cheap, and iron implements sank deeply into soil, which, until then, had been merely scratched by stones sharpened from the fields. Under the old regime whole parishes famished for want of food. The commons were enclosed and the size of the fleece was enlarged. The fence became an emblem. Under economic liberalism, new worlds were opened up with new pasture lands, new fruits, new textiles, new minerals, new vegetable oils—a thousand things unknown in the stagnant days when the few planned for the many.

It is usual to say that the profit motive came in with capitalism. It probably is better said that both profit and capital became conspicuous by their presence under economic liberalism. It may be that is why we fell into the way of speaking of the capitalistic order. The individual's possession of capital with profit incentive to production is the target of the

Socialists' attack. "Production for service" they say; "Service for profit" is the reply. No good purpose would be served by reviewing the details of the controversy; it will never be settled, so long as individualists think of men as they are, and Socialists think of them as something they call "humanity;" but which is extremely difficult to locate in either field or factory or anywhere else.

"But profit leads to greed" you insist. It may lead to greed; but the individual's disposition to greed can be changed into one for charity; that is one of the very reasons why the existence of the Church is essential to Society. The world is not filled with greed. After all there is charity. Sometimes I wonder where you live, you who so persistently cry greed against capitalism. Do you actually feel that everybody who takes your money, the butcher, grocer, doctor and all the rest of those who serve you, or those with whom you come in daily contact, are all impregnated with greed; if you feel that way my advice is to move out of the neighbourhood.

Economic liberalism has in competition an effective check upon greed. Profit the motive power; competition the safety valve. That is the scheme of economic liberalism.

Now that I have mentioned competition, you are surely not going to interject: "dog eat dog." Very well, if you insist, we shall pause. Phrases of that sort are catching. I know men and women who rarely get beyond them. Frankly, if the dogs are not satisfied with biscuits, I prefer that they eat each other, rather than take a bite out of me. And that is precisely what is done when producers fix prices with, or without State intervention, they nibble at us all. Since the war the packs have increased; and now we have depression. Mind you, *I* have not called

price-fixing a dog's trick; it was you who raised the cry. But this I will say, going back to our old metaphor: when the safety valve is clogged, the boilers usually burst, and strangest of all strange things in this economic world, the capitalists have been stupidly clogging the safety valve and providing for their own exit.

“Profits are periodically added to capital funds, with the result that the wealth of the country is held in very few hands.” Now you *have* raised an issue. And again economic liberalism, when working, has a check. Roughly speaking the monies distributed in the act of production (wages, interest, rents etc.) furnish the fund to buy back what is produced; when only a few people share the proceeds of production only a few people can buy the products, and only a few products can be sold; it follows that profits shrink in proportion. The thing works its own end. Show me ten millionaires and I will show you nine who have had special privilege. Privilege may not always be the cause of inequality of possession but it is always subject to suspicion. However, the matter of the distribution of national wealth is so important it ought to be laid aside for separate consideration.

Meantime I would have you consider the equalising effects of economic liberalism. Under the new era, the venturesome peasants of the Old World became landed proprietors in the New World, and the common people who stayed at home had enough money in their pockets to hire football players; while millions of common people in America paid their way through baseball turnstiles. About one out of every three or four houses in the United States had a garage, and the many went to the movies and had telephones and radios and all sorts of comforts. The poor had more comforts when people planned for

themselves than the rich had when the State did the planning. Before the days of economic liberalism most people lived in hovels. (Of course there are still distressing numbers of paupers in the world, more than in Adam Smith's time, because there are more people).

Nothing fails like success. With wealth spread all around them, the people forgot whence it came. Collectively we learn little from history. In our group-moods we say: great strong people that we are, what do we care for Joseph or for that matter, Moses and all the rest of them? History books were made for children and not for grown-up people. So we reasoned, if we reasoned at all, as we turned back to a planning of industry by the few for the many.

You may have thought the ship of State, which sailed on this tack with Liberals at the wheel and then on that tack with Conservatives at the wheel was not getting anywhere in particular. Apparently there was seldom a chart on board; catching the breeze is the main thing in politics. "Which way blows the wind?" cries the skilful skipper.

For years the look-outs answered that it blew to the Left. For the past 20 or 30 years the State has been heading towards planned industry. When the Great War came we were all in socialism. The hurricane blew steadily to the Left for four years, and when the war was over, several of the nations were left piled high on the Leftist Reef. And others, including our own, were nearer in than most people realised.

We had forgotten that industry is more safely planned by the many than by the few. The coffee planters of Brazil complained of prices and the State set its hand to several plans. The rubber planters of the British East Indies complained of prices and the

Stevenson plan was evolved. The Australian dairy men complained that butter was cheap and the Patterson plan became notorious. The cane sugar countries, for half a century, have been planning to off-set the plans of the beet sugar countries and just now the sugar industry is gasping under the Chadbourne plan. They have had armed revolt in Cuba. In every instance the State either made the plan or backed it.

But suppose we come home for an illustration. The pools of the prairies began planning for the orderly marketing of wheat and the Federal and Provincial governments lent their resources.

“Which way blows the wind?” cried the skipper.

“To the Left.” answered the unnautical, political look-outs.

Our governments encouraged the farmers to grow wheat. Australia pushed back the desert by irrigation for the purpose. The statesmen of importing countries were not disposed to have their own growers ruined by an inflow of subsidised wheat, and by milling regulations, quotas and State monopolies sought to protect their own growers. Then wheat came skidding down. With one accord we shrieked “economic nationalism”. The senior statesmen thought of world conference and with their experts decided that they should plan again, but this time, they would plan for less wheat, instead of more—and while they planned, their plans were upset by hot weather and some grass-hoppers.

The great captains of industry took up the cry: “It is better to plan than not to plan,” and with their own experts divided us into zones and decided what we should have and the prices we should pay for what we had.

I would have you remember just this: within recent years the

select few have been again intensively planning for the people; the supermen of politics and the supermen of industry have planned nationally and internationally and when the planners appeared to have us on the Peak of Prosperity, we were tumbled to the foot of the Valley of Depression.



## CHAPTER III

Little more than 100 years ago the common people of England began sending their own kind to Parliament. Mixed in with some other things we have named it democracy. The centennial of the Great Reform Bill of 1832 was passed almost without observation; certainly without celebration amid bonfires and salvos due to a hale and hearty institution that had survived a century.

Political liberty followed economic liberty. I would have you note the order; not until men were free to plan for themselves, and possessed the proceeds of the new freedom, did men begin to acquire the means, the intelligence and the spirit which made them insistent upon governing themselves.

Of course, the closest relation exists between our economic, social and political structures. Touch one and you touch them all. When Pharoah held the lands, Pharoah held the whip. And so it is with Stalin to-day as he plans urbanisation and drives farmers from the Western borders of Russia even to the other end. As we lose our economic freedom, so shall we lose our political freedom. That is not a prophecy; it is a statement of inescapable consequence. The passing of Parliament is well under way.

At the outset I desire to make it quite plain I am all for parliamentary government. Not long ago, I was chided for saying that Parliament reminded me of an emaciated camel with a broken back. It may be I should have used the phrase "an overloaded donkey" since that little animal is the emblem of American Democracy. What I meant to say was, that there is urgent need for both a humane officer and a veterinarian. You

may overload donkeys, camels and Parliament; for that matter you may overload the Empress of Britain.

Whatever its other virtues, ability to manage business does not belong to Parliament. I have the highest respect for those who offer themselves for service in public life. They are the country's average men, but the plain fact is that they are not generally trained in practical business administration. The active business man is too busy to enter public life and usually has little liking for the always rough and often tumble of elections. Parliament plainly lacks business ability. The polls possess no magic; they can confer power, they cannot confer wisdom.

The legislators have stipulated that before a man may fill teeth he shall attend a college and learn something about psychology and trigonometry. Before a man is licensed to interpret the laws he has to spend five to seven years at college and is then submitted to examination. But the legislators themselves are licensed to make laws by means that have not the slightest connection with law making. Mind you, I am all for that kind of a Parliament, but I do stoutly contend it can be rather easily overloaded. I shall go further and say that Parliament in one or two respects is more stupid than the camel for the camel protested against the straw that broke its back. Parliaments have sat for months at a time devising schemes by which they could take on new activities. With the capitalists, the members of Parliament have been sedulously preparing for the exit of their own institution.

To be quite explicit, I have the highest regard for both the Presbytery of the United Church and the Synod of the Anglican Church, and yet I should not expect them to give capable

administration of the peoples' railway. I shall go further and include the Ontario Medical Association, although just now one of its members, and a capable medical doctor, happens to be responsible for the administration of the peoples' railways.

You are probably scratching your head and wondering if, after all, you should not sacrifice yourself for the good of your country, and enter Parliament to give it business ability. It is not a bad idea, but admitting all your qualifications, the fact remains, no man is as clever, as a member of a modern parliament ought to be, if his work is to be done.

Parliament's inherent weakness renders it an incapable business institution. It talks too much. You cannot imagine directors talking to shareholders in good parliamentary style. Bernard Shaw maintains that Parliament is unlike a railway locomotive in that it is always blowing off steam and so never has enough steam to haul a load. Yet even weakness has its silver lining. Mr. Shaw would appear to have forgotten that when the members are talking they are not turning bills into Acts. Ottawa alone passes 100 laws a year, a thousand every 10 years. Making laws is not what it used to be; Moses got the children of Israel out of the wilderness with ten.

You may think what I have said about Parliament has little to do with your perplexity as to the cause of our Great Misadventure, and particularly, your desire to be put at work. The connection is in reality very intimate. Every politician is at his best when he talks of the great basic industries.<sup>[1]</sup> In the year 1930 the farmers of this country produced a net value of about \$759 million from their cereals, fruits, dairies, hens, live stock etc., etc., and in the following year, 1931, the governments spent it all. The Governments in one year spent all that the farmers

had produced in one year. By Governments I mean Municipal, Provincial and Federal.<sup>[2]</sup> Within the expenditures were included those for schools, deficits on publicly owned utilities (but not operating costs) and deficits on special services such as railways, electric lights and power, storage dams, rural credit, together with the ordinary expenditures.

The Governments spent not only all that the farmers produced, but all that the miners produced as well; to be exact, the productions of the great basic industries of agriculture, forestry, fishing, trapping and mining in 1930 were valued at \$1,399 million and the government expenditures for the following year 1931 amounted to \$1,052 million.

The candle has revealed great truths, not only in figures but in mentality. The size of the expenditures is appalling, but the apathy of the people to the expenditures is by far the more serious phase of the business. You may quote these figures to any hard-headed audience, even one in the Scotch settlements, and not a man in the audience will become faint. Some of the audience may even yawn. Government figures are a bit of a bore for most people, especially when they run into thousands of millions. I was told the other day of a politician who tried to arouse his audience to indignation over a misspent amount of 18 million dollars and quite without success, until he made a slip and said "18 thousand dollars". Then the audience booed to the ceiling.

There is a vast difference between private and public expenditures. Any man would be upset by a sudden realization that for years he had been spending more than he had made. He would keenly appreciate that he could not go on and on. Canadian governments on the average, over the past 18 years,

have been expending \$134, Provincial governments \$152 and Municipal governments \$124 for every \$100 of their income<sup>[3]</sup>. The difference has been added to debt. It cannot go on and on. But there is such illusion over matters concerning the State, that people exist who think it can go on forever.

The diversion of so large a portion of national income through Government channels is a major cause of the collapse we have suffered. Felix Mlynarski, in a memorandum to the League of Nations<sup>[4]</sup> pointed out that between 1913 and 1928 the Englishman's income had increased by 65%, and his government's expenditures, by 346% the Frenchman's income fell by 6%, while his government's expenditures went up by 82%; the German's income increased by 43%, but his government's expenditure increased 142%; the Italian's income fell away by 3% his government's expenditures up by 145%; and as for the Americans of the United States they smashed both records increasing average income by 121% and government expenditures by 458%.

It is an extraordinary situation. It goes very far beyond party politics. It goes even beyond the disposition of the legislators for economy. Parliament is opened with prayer. It might be helpful to have it closed with a prayer emphasizing the things the legislators "ought not to have done." Members should be daily reminded that Parliament did not become omniscient when it became democratic. And if it ever became socialist it would be still worse for having still more things to do Parliament would know even less about what it was doing.

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# CHAPTER IV

## 1

“The general good” is a vague phrase. With the best intention in the world one may easily slip into a particular good, sometimes one’s own. Stupidly we used to class Society into The Haves and The Haven’ts. I shall say this for the Socialists, they were invariably for the Haven’ts. They tried to help them and that their doctrines injured them when put into practice was not the fault of disposition, it was the fault of doctrine.

Let us accept the good of the Haven’ts as the good we seek and proceed to find out how those socialist doctrines have actually worked, or failed to work. But we should recall the Haven’ts are themselves divided into Wont Works and Would Works. Without stopping either to castigate those who won’t work or denounce social conditions as the cause of their vagabondage, we shall not deny they may be the better off under regimentation. Some one must take care of the man who will not feed himself, but a patient nurse is not always the best person for the job. When the depression has lifted, we shall have a proletariat with us for many a year, unless we set about making it something else.

The other day I gave a man a lift on the road and in the course of conversation I asked: “Are you a red?”

“Who wouldn’t be if he carried mile after mile a pack like mine and didn’t know where he was carrying it?”

“I suspect it is hard work,” I said. “It is bad it cannot be made productive.”

“In Russia they give you steady work, square meals and clean feeds.”

“How do you know?”

“They say so.”

“Have you a trade?”

“I’m a coal-heaver. But they lift so much coal by machines now a days that it’s only now and then a man can get a job.”

“Where did you work last?”

“Well, I haven’t had any work to speak of for two years.”

“Where are you going?”

“Down the road. To tell the truth, Mister, I’ve got tired looking for a job and just go shifting about from place to place. And I can tell you most of the gaols in this country aren’t fit for a dog to sleep in, much less a human being.”

Just then we caught up with a Ukranian neighbour of mine who was plodding along the road side. He also accepted the offer of a lift.

“Can’t you do something to get my brother and his wife into this country?” he began as he entered the car. We had talked of the matter before and I nodded to my red friend, repeating briefly what we had been talking about.

My Ukranian neighbour sniffed a bit “People in this country don’t know when they are well off,” he said. “Last winter my brother and his wife worked like slaves through the long winter and there was but one pair of boots in the house. When my sister-in-law went out, my brother had to stay in. It was not like that in Russia when I was a boy. We were never so well off as

the people in this country, but we always had enough to eat and warm clothes and stout boots. No matter what the peasants make now the Government takes it away. The Socialists have ruined the little industries of the village and forced the farmers to be dependent upon the big factories of cities.”

I should like to have continued the conversation with two such interesting companions but had come to my journey’s end.

The New World is faced with the problems of the proletariat, as well as the Old; but under vastly different conditions. In the Old World the historic struggle of the proletariat has been for a bit of land. Speaking on a platform with an English Socialist, not long ago, he told the story of a left-minded gardener who in a bit of heat asked the master how he had come into possession of his land.

“I inherited it from my father.”

“And how did he get it?”

“He inherited it from his father.”

“And how did the first of your fathers get the land?”

“He fought for it.”

“All right;” responded the Leftist, taking off his coat, “I am ready to fight you for it.”

It is a typical story of the Old World, but not of the New. Here there is land to spare, and men may have it by taking off their coats and working for it.

The Socialist wants the land to be worked collectively and the factories as well. Nationalisation of land is the second plank in Mr. Cole’s new socialist programme. Personally I believe it

is not an effective method of production for either field or factory but I am willing to try the experiment and besides it may be desirable to regiment the proletariat. Suppose then we set aside a tract of land and allow the Socialists to apply their doctrines. This country is big enough for half a dozen European States.

Naturally we shall expect the Socialists, first, to declare the property they intend to turn over to the New Commonwealth. If the movement be a serious one, and not merely a hustings declaration, then we should give the New Commonwealth its per capita share of the national wealth, making due deductions for its share of per capita debt. I confess I have but slight expectation that my sensible suggestion will be accepted by either Socialists or any one else, but in the meantime I object to being shoved into socialism before anyone has shown me where it has ever worked.

The other night I talked the matter over with a little group of students who were sitting around the Kazi's candle. We began with conditions as they were under government by Socialist Parties in Australia. We saw clearly that high standards of living had been maintained, only so long as the Australians had been able to borrow foreign capital and when the loans failed the system broke down. Socialism had not been self-sustaining in Australia. The students decided that was not the kind of socialism we wanted in North America. Yet it is practically what is proposed.

We turned to our own undertakings in government ownership, and we decided they had been generally unfortunate but someone pleaded there had been no proper machinery for their administration. Then we discussed the matter of machinery

and could not think of anything but administration by political departments or irresponsible commissions and decided both were ineffective.

We ran over the experience of Great Britain, under Socialist government, and decided that the British Socialists had become afraid of their own doctrines once the time had arrived to put them in practice.

Then we talked about Russia.

## 2

The Socialist Party in Canada protest they intend to use no force; they seek but to establish a Co-operative Commonwealth. You may be a Conservative, but I venture to say both of us are for co-operation. We like the idea. It is the poor man's field from which he may harvest profit. Then why not co-operate? Why all this fuss about politics. Let us persuade the butchers, bakers, tailors and all the rest of them to co-operate. There are scores of industries that require no heavy out-lays for tools. The laws are not against co-operation; they are for it and more laws are to be had for the asking. Let us have a co-operative bank and whatever else we need.

The plain truth is we have tried co-operation with varying degrees of success, we tried with the cheese factories in Ontario and did well, with butter factories and did well, with wheat pools in Western Canada, and egg pools, and a number of other things, and failed in some and succeeded in others. Failures were never caused by lack of legislation. On the whole, co-operation has not taken deep root in the soil of the New World; not because of the opposition of Governments, but rather

because of the individualism of the people. Respected as a principle, we have generally preferred something else in practice.

Now it is proposed to force us to co-operate; despite the Socialist's pacifist declarations, that is the intention. A thing forced is not co-operation. When socialism comes in one door swinging a policeman's baton, co-operation goes out the other.

The socialist revolution in Russia received our sympathy, when we thought it designed to break up the old feudal estates and distribute them among the people who craved a bit of old Mother Earth. We shuddered at the blood which bespattered the floors of the old country houses, but after all, the great land owners had used their estates largely as game preserves, and above all, they had beaten with knotted cords the peasants who had once been their serfs.

We were all for the common people, and at an All Russian Conference Sereda said: "The thought of expropriation of small farmers' lands is not contemplated by any conscientious Socialist—we do not want to use force; we propose only measures which will demonstrate the positive side for socialism." We took the Socialist Soviets at their word; the farmers of our kind were to be protected and if we were not satisfied, we were quiescent. Later on, when the Soviets had become entrenched, and the lands of the poor, as well as the rich, were confiscated by the State, many of us began to study socialism rather than Socialists.

Until then we had not generally realised that a great Co-operative Commonwealth was actually in existence when the Socialists took over the co-operative movement. Commencing 1865 it had grown until in 1905 it received the State's

encouragement under Stolypin's scheme of land reform. Before the war (1912) the membership had included 4,756,000 householders. In 1918, there were 20,000,000 householders who belonged to co-operative associations representing 100,000,000 people. The Co-operative Commonwealth had been established.

The Socialists took over the Narodny (Peoples) bank at Moscow founded in 1912, which had been the nerve centre of the movement. In the year 1917, it had purchased for the co-operative farm societies 125,000 harvesters, binder twine, and farmer's supplies to the value of 43 million rubles. Year after year before the war it had done that sort of business. The Socialists nationalised the Centrosoyus which was the central organisation of the societies. The Socialists retained the name "co-operative" but took the soul out of the movement. They insisted upon "controlled elections" of the boards of the co-operative societies. They drew up uniform by-laws for regulating the affairs of the co-operative societies. They seized the supplies of several of the recreant societies. They harassed and banished and murdered men who had been pioneers of the co-operative movement.

What I say is all a matter of record. If you stubbornly insist that co-operation and socialism are twin sisters born of a desire for group control, then listen, please, to E. A. Malakhoff, one of the pioneers of co-operation who, escaping in 1919 to London, said: "Co-operation fights against socialism in the same way it fought against autocracy. It fought with the weapon inherent in its nature. A noble aim required noble means. Co-operation cannot lean on bayonets, neither can it force its aim with their help."

Socialism is not to be excused on the plea that it was Russian when it squeezed the life out of co-operation and left it “co-operative” only in name. It was not for wanton cruelty that co-operation was destroyed. Russian leaders were probably as kindly as Joseph. Pharoah had to crack the whip. Co-operation had to be destroyed because of the inherent nature of socialism. In February 1930 Pravda, the organ of the Socialists Soviet, said: “We could not authorize separate small organizations to carry out the forthcoming exchange of goods on which depends the welfare of the whole nation. The exchange of goods must be carried on by the State.”

Surely that is a reasoning from which there is no escape. Not long ago in speaking on the subject I asked if anyone could believe that the Municipal or Provincial or Federal authorities could run the farms better than the farmers themselves, and was told the Socialists did not intend to nationalize the land in Canada. Very plainly under socialism it is not intention that counts. No doubt Mr. Sereda was quite sincere in his promise that the small farmers were not to lose their lands by force.

### 3

Those who believe there is a light in socialism do not intend to deceive. To them it is a very real light that betokens security. They promise security believing they can deliver security. Somewhere, sometime, they say we shall surely find it “Over There.” For thousands of years that has been the dream of men who in reverie fall into Utopias. You will recall that the Greeks in their Golden Age created a people, and called them, Hyperboreans, (men beyond the north wind). The Greeks thought they lived under continuous sunshine with plenty of food

and work equally distributed, (and not too much of it.) At first they placed the land “Up There” in Thrace, and when Thrace had been explored and no country had been found that was better than their own, the dreamers of Greece were sure that the Hyperboreans were “Farther North.” By the fifth century B.C. it was “Up There” beyond the Ripean (Gusty) Mountains.

Your Socialist is a dreamer. He is not readily discouraged; when one dream is shattered, he dreams again. And so it is today as we turn to Russia for guidance. When we find something that is bad, we are told in time it will become good. Worst of all, so many visit modern Thrace to confirm their opinions, and succeed by conveniently closing their eyes. Thus we are left in doubt as to the relative gain and loss under socialism. But certain things are matters of record and among them these:

*First*—The Socialist Soviet Republic possess territories capable of producing everything from cotton to hard wheat; they have practically every raw material required for the sustenance of man.

*Second*—The Socialists seized the capital resources of the country without compensation and repudiated debts.

*Third*—The peoples of the Socialist Soviets are generally industrially untrained, but they are tractable and above all are accustomed to discipline. They are idealists and capable of sacrifice for idealism. For centuries the people had believed in the common ownership of the land. Our bodies may be those of our lord, said they, but the land belongs to us.

*Fourth*—The leadership of Lenin and Stalin is generally recognized as capable and the plans applied have not been in the making for 15 years but for 50 or more.

*Fifth*—It simply is not true that the capitalist countries have of common accord blocked the progress of the Socialist Soviets. Despite their repudiation of debts, the Socialist Soviets have received hundreds of millions of credits from the outside capitalistic world besides technical assistance when it was required.

*Sixth*—The economy of the Socialist Soviets is simple, it covers really the bare necessities of life; it is not like ours, complicated by a round million of articles in commerce.

With these things in mind let us enquire as to what are the actual conditions of modern Thrace. I could give you certain convincing evidence but cannot put it in form that may be checked, and naturally no other evidence will satisfy. As it happens I am surrounded by Ukranians and Russians; I count my intimate friends among them; they are in constant communication with relatives in their old land, at times, by subterranean channels, they tell me of privations and sufferings under the Socialist Soviets that cannot be made public for fear of reprisals. Perhaps, after all, you may for yourself judge the truth of the statement so generally circulated that there is no unemployment under the Socialist Soviets by realising that in Canada and the United States there are thousands of skilled workers of Russian birth, without political black marks, who will not return to Russia.

The Russian press is unreliable. Publications not authorized by the Soviet and in line with its policy are not tolerated. There is not any pretence of the freedom of the press under the Socialist Soviets. The publishing of books is censored, the wireless is censored and a censorship exercised on the outgoing messages of foreign correspondents. Now you may say I have

gone too far for one who promised fairness. I am using the words of R. W. Postgate, an English Socialist, who recently returned from Russia after investigating conditions on behalf of the Fabian Research Bureau.

We cannot in two or three pages learn all there is to be known of conditions in Russia. The thing is too vast. Even the most competent observer has difficulty in determining what is what by staying six months in a land which covers a seventh of the world's surface and contains 160 millions of people. His difficulties are multiplied, when the observer does not understand what the people are talking about. A clergyman of Oshawa, visiting Central Europe this summer, was refused entry into the Socialist Union when the officials learned he could speak the language.

I propose to take the more alluring promises made by our own Socialists and enquire how far they have stood up under practice. The answers must necessarily be brief; they will be decisive.

First as to competition. Your slogan of "dog eat dog" has intrigued me, not because I belong to the Humane Society, but because holding your judgment in high respect I regard your slogan as subversive of efficiency. You seem to regard it a social maxim. I look upon it as distinctly anti-social. One of us is wrong. Mind you, I can see the nuisance of having someone come along and under-sell me. When that someone has excelled me in a permanent reduction of costs, I know I must be up and doing, or be undone; but whatever happens to me, Society has usually acquired better service.

The Socialist Soviets shut off foreign competition the moment they took control of the country's industries. Despite all

their talk of the efficiency of socialism and the brotherhood of man they threw the weavers and spinners of Lancashire on the street (just as we did in Canada). Then the Socialist Soviets set about shutting down the internal competition of the village industries and domestic co-operatives. Then they proceeded to work out a system of socialist “costs” sheltered from devastating competitive economy. Through stage to stage they passed, from failure to failure, until, in 1931, they wound up with a distressing number of industries in a chaos of costs. That is not my guess, “It is a fact. In a number of economic (Soviet Socialist) organisations the conceptions, ‘regime of economy,’ ‘curtailment of non-productive expenses,’ ‘rationalisation of production,’ went out of fashion. They obviously expected that the State bank would advance them the sums anyway”. Those conditions became inevitable once the several units of industry were exempted from delivering the goods. I cannot get away from the idea, and the more I study attempts to get away from it, the more I am convinced it is not to be done. It is equally true of government ownership or combine operation in Canada, or State socialism in Russia. How do I know what happened in Russia? Stalin said so. The words I have quoted were his, June 23rd, 1931, turned into English by the Soviet Union Review.

When you shut out competition you shut out the incentive to efficiency. When Socialists plan they have to plan that no one shall upset their plans by obtruding with something more efficient. The plain truth is socialism cannot submit to competition because it is itself not competent. The ablest of the Soviet commissars recently said: “In capitalist countries there is in every industrial plant a plan, but outside there is general anarchy. In the Soviet Union, on the other hand, there is a general plan but inside many of our industrial establishments

there is anarchy.” That statement I take from Dr. Dalton, an English Socialist who quotes it as evidence that “leading men (of Russia) so bravely face the facts.” I quote it that we may know the facts, as we listen to the promises of what we should have if we were to entrust the Socialist Party with the management of our industrial and financial establishments.

By the way, there is a good story going the socialist rounds in England that bears on the point. A visiting Socialist, note book in hand, wandered around Moscow gathering evidence of the New Efficiency. In course of time, he came to the great building which houses a central board which with the aid of the old crown jewels, capitalist credits, capitalist mechanism, American engineers and the good Lord’s waterfalls, had created great power plants for Russia. Naturally it was a great moment in his life, since the electrical works had been staged as the best of the socialist achievements. As the visiting Socialist went to ring the bell for admission, he noticed a piece of paper on the door which read: “Please knock, the electric bell is out of order.”

Now you are about ready to protest I have missed the whole point of the Leftist movement, in that I have said only ten words about the wage system. That is where the dog eating the dog hurts most; one man pulling another down, the stronger shoving the weaker off the ladder, the prizes going to more competent.

Correction of that condition is the real aim of the Left Wing. Have I stated the thought fairly? Very well, we shall turn to the candle. Society, or anyone else, is best served by the competent. If Society is to be well served, it must reward not merely those who serve it. It must reward competence. That is not an easy doctrine for some of us to swallow. Once or twice I have

choked over it myself.

Sometimes I wonder why the Lord did not provide we should all be equally good looking, or be equally competent. The beauty parlour has done its best to help us with looks and democracy with competence. Between the two, wonders have been performed. Only yesterday, at a cricket game, an eighteen year old lad told me he had just finished writing an examination for the University. His father has been on public relief for two years. And that is as it should be.

Incidentally the County of Ontario lost that match. Peterborough men were smarter at bat and in the field. And then we said: "Next Saturday is another day." When it was quite apparent we were in a slump, the clouds gathered rather thickly in the East, and I am almost certain that not a man on our side prayed for rain. Win or lose, we would play it through. That is the spirit of competition; that is the spirit of life. No matter the glitter of those banners or the tinkling of those slogans, when you shut off competition you set back social service, and scant the supply of life's necessities. Stalin put the case for competition this way: "Levelling results in that the unskilled worker has no interest to become skilled." It is as true of capital as of labour.

When on June 23rd 1931, Stalin reviewed the causes of the disorganised industries of the Soviets, he set down the first cause as an "incorrect organisation of the wage system, to an incorrect wage scale, to a Leftist levelling of wages." I have not discussed the wage system, or wagery, as some of my friends to the Left acidly call it, because I cannot think of anything to replace it. Certainly the Socialists with 50 years of promised abolition retained it when they had to face the requirements of

practical production. I am told they have even put back piece-work in Russia. They have certainly done little, if anything, to smooth out the inequalities that exist under capitalism. Mr. G. R. Mitchison, who investigated labour conditions in Russia for the Fabian Research Bureau, concluded that “the average wage for unskilled work in large towns is about 100 roubles a month, for skilled work from 200 to 400 roubles or more and for technical or supervisory work up to 700 to 1000 roubles.” Mr. Mitchison points out that, away from the large cities, the minimum rate is evidently much below 100 roubles per month, since “the average rate of all industrial wages is only 101.10 roubles.” The real criterion is the condition of living. Wages expressed in roubles mean little to you or to me. I have set them down for the disparities they indicate.

In the capitalist world the prizes do not always go to the efficient. I venture this little book will not sell into hundreds of thousands, and for fear you accuse me of overrating its value, I hasten to say your opinions are not likely to receive the acclaim they deserve. When I spoke of the mismanagement of business under democracy, a little while ago, you may have said to yourself “the old parties are steeped in patronage. You cannot expect to receive from them the efficiency of socialism in which ability alone decides position”. That is another barque that was wrecked when launched in the sea of socialistic practice. After 15 years of operation in Russia, under the direction of the Communist Party, Stalin said: “Some comrades believe that only party members may be promoted to leading positions in our factories and workshops. Upon these grounds they frequently hold back capable and energetic party members to leading positions.” You point out that Stalin was raising a row over the matter with a view to its correction. Certainly. Socialists,

Liberals, and Conservatives are constantly rowing over it, and the thing goes on whenever men, as organised parties, have the dispensing of jobs. The fault lies in the system. Not long ago a Conservative member of the House of Commons assured me that if I went into the office of the people's hydro at Toronto I should fall over men who would be at a loss to explain what they were supposed to do for their salaries. "But if you ask them how they got their jobs." he added, "they will tell you to a man."

There is just one other old controversy to which I shall refer. It has to do with the size of industrial units. Capitalists and Socialists alike have fallen at the feet of that ugly god, Bigness, and worshipped it in the name of efficiency. All my life I have feared Bigness and the service it had to offer. Personally I would not engage Carnera as a house-man and nothing you can say will change my mind. Is Bigness really capable? In industry Bigness is put together by statutes and works only after the State has breathed privilege into it. Despite its boasted efficiency, Bigness fears competition and constantly seeks to suppress it. Nor is Bigness always scrupulous about the means it employs. The theory of the Socialists is to bring together the factories that now compete into one central scientific management. That is the marrow of the socialist bone. I have seen audiences simply spell-bound by the vision of bread, radios, caps, coal, candies, false teeth, motor cars, and all the good things that are to come pouring forth once the industries have been put together under capable scientific management. But after the thing had been actually done in Russia it was found; "The managers could not know their factories, their possibilities and their work and not knowing them were in no position to manage them." So said Stalin. That is probably the most important of all lessons we have learned from Great Experiment. It is a lesson for which

Stalin and Co. deserve our thanks. They have shown Bigness up for what it is. We have always known it to be arrogant; now we know it to be inefficient under socialism and may suspect it is not more efficient under capitalism. Naturally there is but one thing to do, "The combinations must be broken up and the centre brought nearer to the factories." So said Stalin. And for once you and I may safely agree with Mr. Stalin, although when we have agreed there does not appear to be much marrow left in socialism.



# CHAPTER V

It is quite true, that under the present order of things there are wide disparities in individual possessions. Sometimes you are told that three men practically control the wealth of Canada and at other times, it is 3% of the population that is supposed to control it. The statements from the hustings are inaccurate as to the distribution of our national wealth, and necessarily so, since the meticulous Dr. Coats, who directs our national statistics, has not given us sufficient information to determine the matter. For some time I have been plodding over what he has given us and can add little to his statement save to re-distribute its items, in a manner which upon common observation appears to reflect ownership.

The matter is of the highest importance. The State in which wealth is concentrated in few hands has not been built on sound foundations. It may be that the Department will make a more intensive search into the distribution of wealth but meantime we have to take the figures as they are and draw largely upon common observation for conclusions. After all it is a fairly safe guide.

## National Wealth of Canada Its Distribution 1929

	% of Total	Value per Capita
1. Agriculture	25.74	\$810.42
2. Urban real property (including sewers, etc.)	26.75	842.21
3. Public utilities, railways,		

central electric plants, telephones, canals, harbours and highways	16.91	532.19
4. Household goods and automobiles	6.90	217.26
5. Mines, forests and fisheries	9.01	283.55
6. Manufactures (excluding urban real estate) and construction	7.77	244.32
7. Trading Establishments	5.79	182.28
8. Shipping (aircraft)	0.48	15.24
9. Special coin currency of Gov't banks and the public.	0.65	20.52
	<hr/>	
Total	100	\$3,147.99

Offhand, many a man will say: I haven't my per capita share, I don't own three thousand dollars. But he should wait until he has extricated the value of those parks, pavements, bridges, steam railways and street railways, hotels, canals, harbours, power plants and other things which we together own, from the fields, factories, stores, mines, houses, motor cars, clothes and things which we own individually.

If he should think of the debt against these things he should remember that the savings of more than three persons are invested in the ordinary farm mortgage; if he thinks of bank deposits he should recall that there are 4,460,000 deposit accounts in the banks with an average balance of \$413; if he thinks of the shareholders of the banks, he should recall that there are more than 47 thousand shareholders and if life insurance be his stumbling block, he should recall that there are

6,992,000 policies in force with an average amount of \$947 per policy.

Dr. Coats' table when re-distributed does not appear to indicate closely-held ownership of the wealth of Canada, but your observation is as good as mine and I shall leave it with you, an interesting bit of homework if nothing more.

If, after conning over the figures you come to the conclusion that it would be a good stroke of business for the State to take over a portion of the things now owned privately, or all of them, I would ask you to decide how the State is to obtain them. That is always a stern question when one wants to take over anything. It arose at the outset of the Socialists' regime in Russia. The two major schools of socialism, were of divided opinion. The Mensheviki said: we shall take over the industries because that is our business as Socialists but we shall compensate the owners. The Bolsheviks said: what an absurd idea; we are taking property against the protests of the owners, nothing we can do will alter the natures of the transaction and besides, it is our business as Socialists to destroy capitalism, not to pension it. So the Socialist nailed the slogan "Whole hog or nothing" to the factory doors and took possession.

But the question just now is: how are we to get the State into possession of what the Socialists say it should have. We have already done some acquiring which has not been paid for save by running into debt. That is a poor way of acquiring anything (and a popular one.) The net debt of Canada March 31, 1932, was \$2,375,846,172. The guaranteed debt at that date, was \$1,000,522,406 and the unguaranteed debt of the people's railways runs into the sum of \$229,000,000. The gross direct liabilities of the Provinces, 1932 were \$1,363,382,464 and

their indirect liabilities \$215,977,011. The gross direct liabilities of the municipalities Dec. 1st, 1931, were \$1,584,000,000. In face of these obligations how much of this world's goods have we left to exchange for what the Socialists say we should have? After all we are only ten and a half million people.

Discussing this matter with a Socialist the other day I must confess he did not seem to regard it as of major importance. In his opinion, when the State had decided what it wanted, it should, in a strictly business-like way, proceed to an assessment of values; once that was determined, the State should "make money" for the amount required. When I turn Socialist, I shall probably become a Bolshevik for I always liked Robin Hood better than Fagin. Shall we take by force? That is the matter to decide. Whether we give some worthless paper for what we take is a minor matter, and besides it involves the expense of assessing values in a strictly business way.

However, the case of Hood *versus* Fagin is not a matter for us to decide alone. There are at least 1,200 concerns in Canada which are controlled by Americans of the United States; many of them are branch plants. What shall we do if the Americans do not accept what our governments consider fair under the circumstances? As a matter of fact, there are foreign holders of most Canadian securities. The Socialists appear to want the pulp, paper and lumber industries; the foreign investment in them amounts to \$560,248,000. They want mining, the foreign investment in mining amounts to \$295,100,000. They want the metal industries; the foreign investment in the metal industries amounts to \$558,366,000. Just why they want to take over the generally unprofitable industries is a mystery. The coal mines of Canada, over the years, have been a perfect sink hole for

capital. Nor has gold mining returned its investment. Turn to Sault Ste. Marie and Sydney, if you would know what has been made out of the primary iron and steel industries, and off-set if you will their losses by the profits of Hamilton. The net loss will astound you.

But just now the question is as to how to get the State into possession of what the Socialists think it should have without a civil war and three or four foreign wars. The Canadian statistical year book will have it that the Americans of the United States own 20% of our country's working capital, the British of the Isles have 13% and people of several other countries have 2%. In ether words Canadians have only 65% of Canada's working capital.



# CHAPTER VI

## 1

At Bury in England there is a monument to John Kay, which reads: “Whose invention of the fly shuttle in the year 1733 quadrupled human power and placed this country in the front rank of the world”. It was a splendid idea to erect that monument for somehow people have not paid much attention to the man who opened the industrial revolution, and led the iron men in their first charge on the old brigade. For five thousand years, (perhaps a few more) generation had followed generation, with exactly the same motions in turning cloth out from clumsy looms. I shall not try to describe exactly what Kay did to the loom, for I never quite understood, but whatever he did it made looms hungry for yarn. There simply had to be another equally remarkable invention in spinning, and instead of one we had three and the iron men were on their way.

When machines had replaced the tools, the machines went on growing in size. When James Hargreaves stumbled over his wife’s spinning frame, and on to an idea to multiply the power of the hand-wheel 8 times, he went on to 20 times, and then to 30 times, and finally to 100 times. Then 99 spinners were out of work.

Here the road forks. You may take one that begins with children in the mills, and leads to Factory Acts, State intervention and finally to State socialism. Take the other, which runs with the workers’ loss of tools, the conflicts of labour and capital, the replacement of little machines by big ones, the merging of industries, the replacement of the old master

employers by finance. That road ends in corporatism. There are side lines, but down one of these two roads, someday, you may be prodded by a bayonet and a soldier will say: "Get along, stupid; don't you know you are in the glorious era of socialism," Which road shall it be; to State socialism as they have it in Russia, or corporatism as they have it in Italy? The past 30 years we have been facing both ways. Having seen something of the preparation for State socialism we should now see something of the preparation for corporatism.

When machinery and factories became larger, the resources, buildings and machines and working capital grew beyond the ownership of any one man and the expedient of the old 16th and 17th centuries' trading companies was applied to industry. Men were associated together with rights defined by charters, granted by States. Men became Corporations. Capitalists became self-supporting. They could live upon the earnings of their capital. No longer did they require to eke out scanty capitalistic incomes by labour. In the old days there had been masters and men, and hard masters at that; but usually the masters worked at the bench with the men.

The new owners of business finally arranged to stay at home, or travel abroad. They smoked good cigars and left the direction of the business to boards. All these things are so common-place that we seldom grasp their significance, and particularly their inevitable results. Before we turn to the latter phase of the business, a word as to those who became capitalists. Originally some of them were the inventors. Poor Kay never became a capitalist, for the mob smashed his machines, and would have killed him, had he not been smuggled away in one of his blankets. Other weavers stole his invention and he closed his career a povertystricken exile in France.

Arkwright, who invented a spinning frame driven by water, however, was a prototype of the modern capitalist, even if he did invent something. He was an all round man who could handle an opportunity when he found one. Beginning life as a barber he made his first real money by concocting a hair dye and keeping its formula a secret. Arkwright was a versatile man and although he may not have been a director of 100 boards, he turned out the first calicoes by horse power, and at the time was partner in a knitting mill. He accumulated wealth, he was knighted by George III, he divorced his wife, and at fifty began to study the English Grammar.

When the factories had become even much bigger (if not better) there came a time when they began to be merged under central control. Of course there is no sharp marking of the mile posts. Gradually organising genius secured the upper hand in industry. Men even ceased watching tea kettles while they spouted, or watching women combing their hair, or falling over their wives' spinning wheels, in the hope of being able to strike upon an invention. Finance organized research boards for the purpose. The factories built; it remained for financiers to regiment them. That is a Socialist's word, "regimentation". In capitalism the same idea is expressed as "combination" and in somewhat the same sense as "merger".

## 2

Since everybody has recently had a three year's course in economics, over the air and otherwise, it seems unnecessary to say that our depression, or what ever it is, came by way of a collapse in the price structure. Nor is it necessary, to dwell upon the division of the whole world into two schools of

thought, one holding that the collapse was brought about by monetary means and the other by something else. Possibly I should add that the division of opinion appears to be largely in degree of emphasis.

Manifestly it is necessary to have a working level upon which you may exchange your tobacco for my apples, or I may have to lay aside my pipe and you may have to stop munching apples. The fear of such a thing happening is not at all imaginary. If by reason of Cuba closing its doors to my apples the price of apples is cut in two, then I shall have to cut in two my expenditures. I shall have one-half less to spend. I mention the subject, not to step in where the elder statesmen at London feared to tread, but simply to point out that under economic liberalism we generally went up and down together.

The Socialists are always complaining that their beautiful plans are being sabotaged. I am going to contend that our depression came about because economic liberalism has been sabotaged by the advance guards of State socialism and corporatism.

People are affected by State activities in different measures. I know a man who says he pays the State about 75% of all he makes, but then he lives in one of the State's hotels. It is quite likely that in one form or another, electric light bills, tramway tickets, water and school rates and general taxation the State took 35% of your income in 1929 and takes a greater percentage now if your income is cut in half. The prices of State services have remained generally as they were. There is little flexibility in government service. Once a great statesman made it his business to find out why a policeman stood every day at a particular place in the corridors of the Parliament Buildings,

only to find that, some ten years before, alterations were being made and a policeman had been stationed there to warn people of the danger from falling plaster. Regularly I receive mail from a department of the Government, as chairman of a Government Board, from which I resigned several years ago.

But just now, it is the rigidity brought about by Big Business that concerns us. Almost in the twinkling of an eye, anyone of ten Canadian governments may convert five ordinary tinkers into Tin Cans Ltd. Of course the thing would be done ordinarily with five stenographers, which is even more remarkable, but does not lead down the road I wish to travel. My thought is that yesterday we had five tinkers, each striving by every tinsmithing device to serve us with better cans for less of our own services or goods; and hereafter the cans will be served out to us at the list price, less discount, or not at all. You may not see much in that to worry about. But actually a profound change has taken place in tin can economy. The call of cans has passed from consumers to producers. Now we shall have what we can get, which may not be what we want. The consumer may even be called upon to adapt his commodity to the kind of can he is told he should have. I know of one concern that boasts it does not solicit orders, it employs no salesman and never advertises; it just allots business.

It may be there was a sixth can maker or a seventh left outside and still Tin Cans Ltd. may have the sole call of the market. For the independent tinkers know the penalty of competition. In other words competition is penalized as something not wanted. In fact it is usual to set aside reserves for the purpose. "And a very good thing it is" you say "cut-throat competition is the death of trade." I wish you would really think that idea through to the end. For when we have stopped all

competition, or nearly all, we should obviously let the Socialists do their stuff.

If you are following my argument at all closely, you will have decided that I have stumbled. Crying out for competition, I have seemed to protest against competition, when the big fellow put the little fellow out of business. Frankly I admit the point is well taken, but you cannot have elephants competing with mice. They say a single mouse has been known to throw a herd of elephants into a panic; but if the State is to preserve competition in industry it will have to establish a rough relativity in strength between the competing units. You and I will have to think again about that matter, and should not be at all discouraged if we have not, on the first attempt, solved its intricacy.

Canadian statistics on price controlled products are as inadequate as the income returns of bootleggers. In a general way, we know there are great corporations that have a monopoly of their markets. We know the practice of price control is carried on by associations that meet for statistical and scientific discussions, and incidentally may exchange views on prices, out-put, territorial distributions and matters of trade interest. I can think of twenty good reasons why that should be done and prices be controlled but, one is sufficient why it should not be done: when the practice becomes sufficiently general, we have passed back into an order that instead of being self-adjustable, is adjusted for us. Then an insistent demand arises for a disinterested adjuster. Expressed in other words we shall be thrown back into another Dark Age when the few did the planning and the many lived in poverty amid scarcity.

The particular matter in hand is, of course, not local; it is world-wide, which is significant, in view of the world-wide

character of the depression. If I am right in my contention as to the dislocation in price levels arising out of comparative rigidities, the proof ought to be found in the market pages. From the League of Nations "Review of World Trade, 1932" I take the following data showing the percentage change in the average export prices (in terms of gold) of three classes of commodities, according to the respective influences of competition and control:

	1929 to 1930	1929 to 1932
A. Wool (Argentina)	-46	-72
Maize (Argentina)	-40	-63
Cotton (U.S.)	-27	-63
	_____	_____
B. Rubber (Br. Malaya)	-42	-84
Copper (U.S.)	-25	-65
Coffee (Brazil)	-43	-64
	_____	_____
C. Coal (U.K.)	+3	-28
Steel girders (Belgium)	-1	-17
Mowing machines (Ger.)	-1	-5

In a general way, the commodities listed under Class A are produced under competition; those in Class B were under artificial controls that broke down; and those under Class C, under artificial controls that had been substantially maintained. So diverse are the conditions from nation to nation, and so divers the means, pools, cartels, trusts, bonuses, valorisation, it is extremely difficult to classify or assess the effects of attempts at artificial market control, or indeed, separate the influences

that make respectively for State socialism and for corporatism.

But we should not allow figures to intrigue us away from the search for general principles. Sufficient to know that they are a matter of record in the market place. Men within industries have conspired to shield themselves from the rigours of competition. They have sought to dam back the flow of supply. Continuously higher they built its stop-gates and when the big bad dam burst and we were inundated with supplies of rubber, coffee, tin, copper, petroleum, sugar and scores of other commodities we had that startling thing poverty amidst plenty. Now the dam builders assure us they will do better next time. And we call them courageous captains of industry. That is the real tragedy of the situation. The copper pool, more or less international, has broken at least six times, bringing almost indescribable misery to investors and workmen alike, yet even now the captains of copper are courageously struggling to put their pestilent pool together. When copper fell below 5” a pound, Chile had a revolution.

You may say for years we have had trusts, combines and the like, and have still gone on. That is quite true. More than thirty years ago, I read a paper on the subject before the British Association for the Advancement of Science and since then we have gone on. The industrial structure has grown vastly bigger, and its foundations decidedly weaker. Size is a major factor in the situation, when privilege is concerned. Of the 25 commodities listed by the League’s economists in the publication from which I just now quoted, 14 are commonly under artificial price control.

State socialism has emerged from government ownership; corporatism from the combine. When we asked certain pertinent

questions as to the results of State socialism in Russia we allowed Mr. Stalin to answer them, and now we shall take from the Italian Minister of Justice a brief summary of the case for corporatism. May 27th, 1932, Senor Alfredo Rocco said at Milan:

“The Corporative system is a system in which production and distribution are organised by the producers themselves, both employers and workers, united in the corporations, under the ultimate control of the State, in such a way that the risks devolve on the producers and not on the State. The latter only intervenes to protect the general welfare, particularly when the question is of a political nature.”

Men of other schools might describe it differently. We have different ideas about each other’s “isms.”



## CHAPTER VII

If you are an unplaced man your patience must be about exhausted. You want to be put at work. Winter is coming on, the winter of life in which your earning power will wane and this past several years you have drawn heavily upon your store. You look impatiently at the raw materials that lie under the ground, over the ground and under the sea and wonder why some one cannot think out how you and all other unplaced men may be put at work rendering them into useful commodities. Personally you are ready to carry your own weight, and a bit for the mental and physical invalids of society, its weaklings and its misfits, but you do not want to carry much more. However, you are not arguing just now over the precise terms; you want work and wages and buying power.

What do you expect from a government? Huge volumes have been written over the relation between the individual and the State. Several political philosophers have grown quite bald arguing that “putting individuals to work” was not the State’s job and that “finding work” was the individual’s job. Otherwise they said we should be headed for socialism. But you will retort that no matter which way we are headed, you lost your last job through no fault of your own, and may be able to put your hand on some social action that caused its loss. It may well be that you sold your farm and went into the factory, because the State passed certain customs legislation and lost your job because the State passed other customs legislation. The State is forever throwing men in and out of fields and factories and finally landing them penniless on the streets. Of course, we blame party politics but, after all, it is the State. I agree with you that the State has responsibility, and best of all the State has accepted it.

In the autumn of 1930, Parliament decided that no one should perish for lack of the necessities of life. A milestone was placed in the progress of collective life that only the historian will properly inscribe. They were strenuous days then, and more strenuous later on. The executive director of the Welfare Association, April 20th, 1933, estimated that the “country’s relief load” was somewhere between 1,500,000 and 1,600,000 persons, including men, women and children. For the year 1932, Miss Whitton, the director, estimated the State’s expenditure for direct relief at \$60 million; hospital services, \$27 million; old age pensions, \$14.5 million; mental cases, \$13.5 million; public health, \$10 million; mother’s allowances, \$6.5 million; tuberculosis, \$8 million. Of course to have the full picture one should add in expenditures for labour exchanges, women’s institutes etc. Partisans will use these figures in different ways, some to blame the parties in power, others to defend them. I have recited them that you may have a picture of the social aspect of the democratic State.

You want work. The Socialists promise work for all at splendid remuneration. But you are not dazzled, you are not satisfied; you know a bit about the ways of governments yourself; it may be you have been deceived by political promises, and have grown canny.

You want buying power. That is a thing that is seldom mentioned about socialism. I have referred to it, once or twice, because I consider it extremely important. When you eliminate competition, and go in for planned industry, you at once transfer the choice of goods from the consumer to the producer. That is why it is so hard to talk back to the postman, or the man who collects the water-rates. Under socialism, you take your allotment of goods under the card system precisely as you do

under public relief. Under socialism you lose your right of selection. The Socialist does away with people choosing what they want. He considers it a wasteful practice.

But you hesitate, most of all, to accept socialism, because no one has shown you where over a period of time it has been self-supporting. The Socialists have given you excuses why it has not been successful; but as the farmer buying the new implement, you want to be shown. You are all for a more equal distribution of this world's goods, but you want equality of plenty, not equality of scarcity, and so far socialism has never been able to produce plenty. Even equality is shrinking under the new Russian policy.

Corporatism as they have it in Italy, I venture to predict, will some day bid for your support, but, so far it has not shown special ability in either production or distribution.

Finally we turn to economic liberalism. You will recall we summed it up roughly as: profit, the motive power; competition, the safety valve. The socialists say that economic liberalism caused the depression; but you and I know better. We have found economic liberalism sabotaged by monopoly both public and private; we have recollected that under economic liberalism, the world came out of scarcity into plenty. The course of economic liberalism was generally upward but not continuously so; its course was marred by short-term and long-term dips. By public and private action, men planned to do away with those dips and succeeded only in impregnating with rigidity a system which would work only when flexible.

These are the high points I would have you recall as we try to think out an economy that will be better than State socialism, better than corporatism, better than economic liberalism, and, of

course, better than what we have; in short a system that will really work for all who are willing to work for themselves; an economic system that will preserve democracy, that will avoid all the mess of revolution and yet give security against the uncertainties of life. Please do not smile incredulously at the boldness of the thought, and for a while do not interrupt, as I am off to a good idea and shall have difficulty in finding words in which to have you see it as I see it.

Let us begin by scanning the general course of the lives of Canadians. After all, it is with their good that we are alone concerned. Begin at the beginning, the Preparatory Stage of life, the school period, for which the State assumes responsibility and discharges it badly, if one may judge by common observation. In 1914 we were paying \$44 million for education and in 1931 we were paying \$166 million. The school population had increased by 36%, the expenditures for education by 275%. My opinion as to what we received for our dollars is not better than yours, and probably not so good.

We shall have to enlist the support of experts, men and women, who are on the field, but this I would like to throw out by way of suggestion; when textile manufacturers come seeking protection they usually plead they cannot compete against the United Kingdom, the United States, or France and those countries which provide instruction in the art of designing and manufacturing textile fabrics. Canada has no exclusive textile school. India has several.

Personally I believe the State is going to be too busy looking after the things that it has "left undone" so I suggest that leadership in technical instruction be taken by the industries. Perhaps our agricultural schools would be the better for being

under the direction of the farmers rather than the Governments. Certain it is we should go carefully over our systems of education and instruction; we cannot afford to waste our money, we need the greatest possible efficiency to attain what I shall presently propose.

The Middle Stage of life is to be one of work. I know the thought may not sound inspiring to those, who had hoped I was going to abolish work and arrange that on the pressing of a button the good things of life would be laid at their feet. But there is to be work, and wages as well. Naturally I cannot promise any particular height of wages, nor shall I vie with the Socialist in promised standards of comforts. When Socialists or other politicians promise those things you ought always to recall that roughly 20% of the Canadian production is sold abroad, and the fixing of real wages is not a matter entirely within our own control. We cannot go on saddling the export industries with either wage bills or profits for the sheltered industries. However, I do say that under what I propose you ought to have steady work. Further you need no longer fear the machines. They will be your friends, as they would have been long ago, had we been less stupid in our collective affairs. I specifically aim at the avoidance of crises with their attendant unemployment and misery.

When a man works in the factory, field, office or wherever he works he performs two services and receives two sorts of remuneration, one by way of wages, fees or profits from his employer or customer and the other by enjoyment of what Society has to distribute through the State in the use of roads, protection by the policeman etc. It is the latter form of remuneration I propose to alter. The pith of the thought is that the *State now pays us for our social services in many things that*

*should be exchanged for one worth-while, definite object.*

Since we cannot all have what I suggest, I propose we establish a privileged class to receive it. This world seems to be unable to get along without privilege, so let us have a privileged class and who more entitled than the good, old workers. By old workers, I mean men and women who have invested labour in Society during the Middle Stage of life. By good workers, I mean housewives, farmers, mechanics, parsons, doctors, insurance agents, and everybody who has invested useful labour in Society. If you have idled your time away through the Middle Stage of life, quite obviously you have not contributed a labour upon which you may draw dividends. If you have lived exclusively upon capital, you will not find your name on the dividend list. I am not unmindful of the services rendered to Society by capital, but just now, I am proposing dividends upon labour. Let me make that point quite clear. My doctor and my banker cut coupons, but they have been working for 30 years or more, and their names are to be on the list. My neighbours own their farms, but they work them, and when they have sufficient investment in labour they will be entitled to dividends. It is not the possession of capital that keeps a name off the list, it is lack of having invested labour in the maintenance of the social structure.

Nor is the name to go on the list through need. What I propose is not a charitable "hand out." The shiftless we shall have with us and I suppose we shall care for them, but their accounts are to be kept in one book while the dividends on labour investment are to be in another book, along with the Victory Bonds.

Before you turn down the thumb, may I set down several

things that may influence your judgment as to the desirability of labour dividends.

First: The country has had a severe crisis in which 1,500,000 of our fellow citizens (big and little) are even now being carried upon public relief.

Second: At present there are men in their twenties on the street corners who have never worked and are deteriorating rapidly under idleness. Many of them will lose the will to work, and as years go by Society will pay a heavy penalty.

Third: Should headway be made out of crisis, as now appears to be likely, it will be years before work has been secured for all under the present order of things.

Fourth: The country is facing the necessity of unemployment insurance; and it is to be recalled that in Canada (half rural and half urban) only a minority of those who work are wage earners. When prices fall even with large crops the farmer is often wageless.

Fifth: It would seem reasonable to put the younger men at work and retire the older men. The existence of a large body of reserve labour living on dividends will be a stabilising factor of value against crises. For generous as we hope the dividends will become they can never be expected to equal the wages. Dividends on labour would be drawn only when men cease to work.

Sixth: A stabilisation fund of buying power would become established. No longer would machines stand idle for lack of customers; no longer need men stand aghast at the thought of over-production and talk of restrictions. Surely that is stupid talk. The good things of life come from production. The women

who have stood, day after day over kitchen stoves are a source of potential demand for clothes that will astonish the world, once they come into buying power.

Before I turn from desirability to practicability may I say that unless you have known the gnawing fear of the uncertainties of life, you will not have realised that it should be the definite object of Society to remove it. With growing urbanisation and the removal of men from cottages and hens and cows to tenements and pavements that fear has become a pall upon Society. They are not the wasters of Society who fear; they would be Society's workers. This past several years it has seemed to them that all the fears of a life-time have been realised. The telephone was taken out, the insurance policy was cancelled, the instalment man took away the radio and the washing machine, and the rent went unpaid. Men and women who are desperate are liable to follow any light that gives promise of security, even a light which they suspect is false. You will recall the old fable in which a group of men, women and children were lost on the wind-swept, ice-bound plains of Russia. They were cold and hungry. They had no shelter. After they had wandered here and there, someone in the group said, "There is a light." And the older men of the group said, "We can see no light." "There is a light" it was insisted. "And that light means fuel; that light means food, shelter." Worn out and overcome by the force of insistence the wiser men of the group gave up their protest, and all followed on, only to perish.

We have seen socialism to be a false light. Down through the ages little bands of men and women who sought its security have perished. We have seen the results in Australia and know of them in Russia. Nowhere has State socialism been self-supporting.

Now as to what I propose; some of you may think I have suddenly fallen from the hard bench of practicability into a Utopian dream. You may admit desirability (although others will still be doubtful). You are highly sceptical that the proposal is practicable. It may be you are already groaning under the burden of taxation and fear that I am ready to throw on the last straw. When I tell you I should like to give cheques to men who are yet in the prime of their cricket days, you will probably feel certain that I am about to propose a confiscation of wealth. I am much too sensible to do that. If your wealth is productively used it would be sheerly stupid to confiscate it. From past experiences we know that if it fell into our collective hands, we would spend it and waste it, and eventually find ourselves in poverty midst scarcity. I do not even propose to raise your tax bills, if you are engaged in competitive industry. But of that later on. Having already announced my disbelief in magic and chided the Socialists for having held up a false light to desperate people, you may think I shall find the future going rather heavy. As a matter of fact, the task will be comparatively simple.

For a while I shall have to engage you in arithmetic, but they are your sums we shall divide; they are to be the sources from which I trust you will someday be drawing dividends. I have a friend who on festive evenings sings “My Castle on the River Nile”, but on the morrow, he is an accountant. I am not going to build castles on the Nile nor on the St. Lawrence, nor am I an accountant. I shall but indicate fields of figures which others must carefully work over to draw out the amounts required. Having done that, the rest of my effort will be devoted to suggestions as to the changes required in our economic life to accomplish our National Purpose.

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# CHAPTER VIII

We have too many governments. Everybody says so but nobody does anything about it. Now that we have a National Purpose we must do something. I am not going to take your time by stating how many of us are lieutenant governors, cabinet ministers, members of Parliament, members of the legislatures, municipal councillors and civil servants. For 10= million people the total must be appalling. Collectively we should be a laughing stock, were we not a tragedy.

What shall we do? Even now the hardened politicians are smiling at our simplicity in thinking we can do anything. They know the “maritime mentality”; they know the “provincial pride” of the prairies and times again stepped upon both to attain power. Professor Maxwell pointed out recently in Queens Quarterly that there had been 26 changes in the terms of payments made by the Federal government to the Provincial governments since Confederation. Following are the per capita payments for 1867 and 1928-29 by Provinces including interest on debt allowances:

	1867	1928-29
Nova Scotia	0.74	2.79
New Brunswick	0.97	3.10
Ontario	0.60	0.83
Quebec	0.61	0.86
Manitoba		2.74
Saskatchewan		3.59
Alberta		3.68
British Columbia		1.25
Prince Edward Island		5.78

Here is the political aspect of the thing. Professor Maxwell tells us that all important “better terms” were given just before, or after, Federal elections and only five “better terms” were given to Provinces governed by parties of opposing politics. Now perhaps you may agree with me that skippers who sail the ship of State jockey for the breezes. I have taken up the matter of political organisation first for several reasons but mainly because I wanted you to realise that we shall have to be in earnest. Naturally I hope our National Purpose will not become a mere plank in a party platform. It is a platform in itself, and large enough for two or three parties to stand on.

Precisely what should be done by re-arrangement of the Provinces remains to be worked out, but it would seem reasonable that the Provinces should become fairly self-supporting. Otherwise we begin with waste and will surely end up with waste. Possibly the brighter boys and girls in the high schools, with the aid of a map and a history book, could tell us what should be done. They should be spurred on to their task with the thought that within 13 years the Provincial Governments increased taxation seven times. However, the matter is not one of accountancy alone. They will need the history book, for claims of nationality and language are to be respected.

I would decentralise power. The best of the four bodies that govern me is the township council and significantly enough the members of the council are under the closest observation of the governed. When it is rumored round that the council may commit us to an extravagance, my neighbours and I button on our great coats, pull down our caps and sally forth, a grim little body

determined to know exactly what is going on. In other words; we are on the job. There is finer oratory in Toronto and still finer in Ottawa; but our township council is under wraps when it comes to oratory. Now and then we have fire-works, but somehow, the rate-payers are not disposed to accept fine speech as a substitute for business sense. We may even take part in the discussion without being ejected by a serjeant-at-arms in knee breeches. If that is not good government, it is at least better than we have elsewhere. But, mind you, we realise that the township council as well as a donkey's cart can be overloaded.

I have told you that at Ottawa your representatives pass 100 laws a year and I have not tried to count how many laws are made annually by the Provinces. For all Governments, the cost of legislation, executive staff, upkeep of public buildings, collection of revenue, etc., amounted in 1931 to \$118 million. If we went back to the days of 1921 when we seemed to have plenty of government and spent \$84 million dollars for those purposes, we should save enough to provide 85,000 people each with incomes of \$400 dollars a year; when you consider how many of them are doubled up in marriage, \$800 a year should be a tidy sum. As I look back to 1921 I am sure we then had quite sufficient legislation, an efficient executive staff and were spending enough on upkeep of building, the collection of revenue etc.

Beyond a doubt there is real money to be had for labour dividends in the re-organisation of our governments but it will take courage to have it for our National Purpose. If a procession comes marching down the street bearing banners inscribed: "Provincial Pride" or "Keep the County" we shall have to meet it at the corner with bigger banners blazoning "The Nation's Purpose". Canada would be better off with five Provinces than

with nine, especially with a passing of much of their jurisdiction back to the people through the townships. We might do away with the county organisations.

What do we do with all those laws we make? Lots of people apparently spend most of their time breaking them, for the expense of law enforcement, fire protection and the like jumped from \$19 million in 1914 to \$66 million in 1931, a rate of increase nearly 7 times the rate of increase in population.

While you have those figures of law breaking in mind, I want you to think back to our expenditures for education which we raised from \$44 million in 1914 to \$166 million in 1931, and tell me, please, is there any connection? I am not suggesting that we are educating our children to break laws when they arrive at the law breaking age, but quite clearly, we have not equipped them to stand the practical tests of citizenship. Perhaps we have given them too many tests. At any rate I contend there would be net gain by a diversion of funds from these sources to our National Purpose.

For communications in 1931 we spent \$140 millions, and as I propose a diversion of funds from that source I can almost hear some one scornfully call me a mid-Victorian, advocating a return of the stage-coach and the gravelled post-roads. Being neither a mid-Victorian nor a road contractor and being set upon saving money for a definite purpose, I shall point out that in 1922 we spent \$95 million and in 1905 \$28 million on communications. I shall go back only to 1922 when we seemed to be getting about the country quite comfortably. Had we held the pace fairly well, and saved an amount fairly representative of increased population, we should have been in a position to write \$100 dividend cheques each quarter, for 75,000 men and

women who had invested their labours in society. If we had held the 1914 pace we could have taken care of another batch of 75,000 men and women.

In 1931 we spent \$18 million on agriculture, as against \$6 million in 1914; and \$14 million in 1931 on immigration and colonisation as against \$2 million in 1914.

There are some 673 thousand men and women in Canada 65 years and over. Shall we make 65 the age for entrance to the Final Stage or shall we raise the age limit, or lower it? The answer depends entirely upon the funds and the times. What proportion of the population could be registered as having performed useful work? Candidly I do not know. At present we are spending millions in direct relief and millions more in old age pensions, and there are other millions in the charity column which can be transferred over to the service column, without injury to those who in other periods of life depend on the State for a living.

I shall not go on with government expenditures; they are even now being combed by expert accountants. My old friend Sanford Evans is shouting them from the house-top as he seeks to reduce taxation. My thought is to systematise our expenditures into a Definite National Purpose. If we were given to the exercise of common sense in our collective affairs we would have done it long ago. There is nothing at all impracticable about my suggestion. Years ago a wise old economist laid down the law that you could not have your cake after you had eaten it. The thing works with State expenditures. We should sort out the objects of our expenditures and place them in the order of their importance. The chances are that we shall have to give up something we like. In 1931 the State spent \$7= million on

recreation as against less than \$2 million in 1914. I want some of that money for the recreation of the men and women of the Final Stage of life. It is really theirs.

Did you ever set out with a definite object? It may be an impertinent question; but I venture to say you had a worthy object and accomplished it largely because you were not objectless. It may be you walked to work, or went without electric light, or did not pay fifty cents for a bottle of buttermilk at the Chateau Laurier, or sat all night in a day coach; in short, you abstained from things you may have wanted, in order to have something you wanted more. The thing works precisely the same way with the State; in the past it has seldom known where it was going, it quite often had two antagonistic policies at work at the same time, one killing off the other; and after general elections it was the usual thing for the State to turn around and go in the opposite direction. That is one of the results of each of the great political groups possessing specific “isms”. Sometimes I think it illustrates why we have such uniformly good government in our township. Before we enter the council chamber the Tories park their “ism” on one of the gate posts and the Grits on the other; we aim at mixing economy with efficiency in the management of our common affairs. We know what we want and we usually get it.

I regret to announce that there are a couple of parties who are decidedly opposed to our National Purpose. That crusted old party, who is soon to be retired from the office on pension, feels that we would subvert the spirit of thrift by distributing dividends on labour in the Final Stage of life. He followed us with approval while we were gazing at the absurdities of socialism but when we plumped for labour dividends he said: “Stuff and nonsense.” Perhaps I should explain that phrase is a

family heirloom. His grandfather used it against responsible government. What he means to say is that he is wholly against change. I should like to tell him just this: we have already had the change; our task is now to adapt ourselves to that change; it is impossible to weaken, by rest, the moral fibre of men and women who have worked for years at a stretch. Once a man is assured of necessities he will go on insuring and saving for comforts. Moreover dividend payments are to be made only to those who have invested useful labour in the social structure. The man who would not weed the strawberry plants is to have the fruit of his labour.

We shall have to protect ourselves from blind conservatism, and we shall have to ward off dangerous innovation. That restless young man who is all agog for change and keeps abreast of current thought is not with us. He has read Soddy, Foster and Catchings and talks approvingly of Karl Marx (but has not read *Das Capital*). He does not like Stephen Leacock; he prides himself on the heterodoxy of his economics and condemns the National Purpose as not going far enough. He says: there is nothing new about it. Sometimes I think he would rather have something “new” than something “good”. I am sorry we have not received his approval for I like that young man, despite his disbelief in the worth of experience. Years ago I knew him very, very intimately. The other day in talking to his study group he said we were only expanding old age pensions. I wonder what he would call the power plant at Niagara. Falling water in mill-pond days used to turn wheels and grind grain. The National Purpose may well be compared to the towers and wires and machinery of the great modern power house. But mind you the plant is sterile unless the river of production is kept flowing. It should not be wasted, it should not be monopolised, it should be

turned directly to the definite object of our national life. And that will mean change in our national economy.



# CHAPTER IX

## 1

It is now two or three days since Tin Cans Ltd. was incorporated. The investment bankers have been duly warned by the prospectus which they themselves prepared and have bought the securities which they themselves had issued. The tinkers (or stenographers) have been replaced by five gentlemen who are perfectly respectable but who could not open a can, much less make one. The senior securities are offered to the public, with some of the junior securities, and are briskly taken because the public believes the five gentlemen are going to put the price up from 35 to 90 in the course of a month or two. In fact, a hot can tip has passed around the street. But you know all about that sort of thing.

We are now in the field of company finance and shall have to be careful that we are not stuck in its mud or lost in its by-ways. I have no desire to win your “hurrahs” by an attack on Big Business as a matter of fact with the National Purpose in mind we shall have to subordinate our political passions and personal prejudices to the social good. Moreover, I am not qualified to set out a scheme of law reform. The matter is highly technical but certain things within our company organisation would appear to be obviously wrong.

For instance, when those five gentlemen have concluded their director’s meeting, they are whirled away to attend other director’s meetings, one to the butcher’s, one to the milliner’s, another to the steel mills and all over the varied industries of the country. Of course the dear old boys do not really know what it

is all about. I suggest that it is the plain duty of the State to see that a director directs. Please do not condemn me as Utopian before I have stated my case. I propose the State should provide that a director shall actually know something about the business entrusted to his direction. Remember, the company is a creature of the State and that the State has undertaken to provide that your dentist knows his business.

When you bought those shares intending to sell them shortly on the expected bulge you probably left them in your broker's name. Let us suppose that since then you have learned that all is not as it should be with the management of the Tin Cans Ltd.; what do you do? I venture to suggest that instead of attending the next general meeting and raising Cain, you run straight away to your broker and order him to sell before news of misadventure becomes general. In the country the same thing is frequently done with a cow that has prematurely dropped her calf, with the result that our herds become infected with contagious abortion. The loss is incalculable; it runs annually into millions. We shall never attain our National Purpose unless we stop waste.

Our stupid collective selves will find it extremely difficult to protect us from our own individual stupidities, but when the State has been relieved of some of the things it is trying to do, and cannot do, it ought to have more time for several things it alone can do.

If Tin Cans Ltd. has any success at all it will, in course of time, apply for greater capitalisation and the State will exercise as little thought in the issue of the extra capital as in the original allotment. If the company desired to erect a 30 story building on King Street, the city architect would require carefully drawn plans and would then go over them in detailed examination. Not

so the capital structure of the companies created by the State; and thus it is, many of them come tumbling down to the destruction of investors, workmen and the neighbourhood.

If you have sold your junior securities and held on to your senior securities as an investment, it may be you have no right to attend the shareholders' meetings, and with drastic shrinkage in the value of the junior securities, it may come about that the real owners of the business have little, if anything, to say of its management. That is not a figment of my imagination. It is a situation that exists in many a great industry to-day.

But something else has also happened which is equally important. In the re-finance which took place after the war, senior securities (debentures etc.), were issued at fixed rates of interest in fabulous amounts, and when commodities dropped in price, those fixed rates of interest had to be paid, or the company passed into liquidation. I had that very thing in mind, when we were thinking a little while ago of the growing rigidity of those industries that had fallen under the control of finance.

There should be clearer demarcation between statutory capital and real capital. The present situation in which a company may have millions of shares and thousands of dollars in real capital is confusing alike to creditors and investors. Particularly is it unfair to the small investor who has not learned how to analyse the annual statement of a company.

Important as these matters seem to be in blocking the fuller realisation of our National Purpose, there is one thing that is even more important. The production of tin is subjected to artificial control. The tin pool has broken times again, and is even now in process of rehabilitation, with the assistance of the tin producing countries. The makers of tin plates have

agreements as to territorial distribution which run round the world. I do not know whether the can makers have controlled prices or not, but this much is certain—the great bulk of tin cans is made by two capitalist hands and comparatively few labour hands since cans come pouring forth from machines in a continuous stream at the rate of 300 a minute.

Now here is a situation that very definitely affects our National Purpose. You have been very kind in allowing me to consider you an unplaced man one minute, and in the next, a hard working Socialist; I wonder if you would now oblige me by taking over responsibility for one of these great price controlling industries. At once, you see no harm in artificial price control, in fact you regard yourself as a benefactor. But will you please tell me what is to become of Society when each of its industries has become organised as yours? You protest you are a business man and not at all interested in social speculation. It is not a nice answer to give, but if you will not take an interest in the fate of Society then Society must take an interest in itself and you. For your action multiplied many times and combined with the extension of government monopolies is carrying us swiftly into a New Dark Age.

Think for a moment of the position of the fruit and vegetable growers with so much of the ultimate price of their product under your control. The growers must compete one with the other; you refuse to compete. You aim to raise the price to consumers, but because canned cherries and canned tomatoes are low in price it does not follow that your action is to be commended. Whatever you have accomplished for yourself is at the expense of either your partners (the growers and the canners) or the ultimate consumers or both.

If you have a monopoly you have absolute control over your officers and workmen. Once discharged they cannot become re-established, save on your say-so. Consequences are involved which as pernicious vines destroy the binding of the Social structure. The position is intolerable. When industry is planned, the wage earners, the price payers and every one affected will eventually be represented on the planning committee.

A little while ago I refused to consider Mr. Carnera as a house-man fearing that someday he would have the upper hand and when I complained of the temperature of the soda water he would say: "Moore, you'll take it or leave it, you'll get no ice to-night." That is the sort of service we get from private and State monopoly. Mr. Carnera may well have thought he had my good at heart for iced drinks are not always good for the digestion.

We have already passed by this subject but again and again we shall have to return to it. We have gone in for Big Business, believing it efficient and disregarding the social consequences. Like bats we have battered ourselves against the wall. Now as a people with a National Purpose we must dispose of it.

Is Big Business really efficient? Professor Bonn, the ablest of German economists, said that Big Business made most of the Big Mistakes that contributed to the depression. Mr. Lenin went to no end of trouble in merging the factories and now Mr. Stalin has to go to no end of trouble in unscrambling them so that they can be managed. The social life was largely taken out of our villages and towns and small cities by the merging of the factories and now its vestige is being taken away by the removal of the art of merchandising to the large centres of population. Our merchants are being manacled by chains. You say, it is the

trend of the times; but we are tired of the times. You say, we cannot turn back the hands of the clock; we have done that very thing when we wanted to enjoy more sunlight. Perhaps by decentralising power and restoring to the municipalities the right to live their own lives in their own way we may solve, at least, the problem involved in the distribution of goods.

## 2

Obviously there are certain services such as roads, waterworks, gas, tramways, telephones and the like which are best rendered by monopoly. We ought to go over the list and decide which are best performed by the State. Because we ought to have some State administration of business does not mean that we should over-throw democracy and become Socialists.

Your social speculator is forever pushing things to extremes. Because the State decides quite properly to prevent children from working in the factories he will have it that the State should fix the wages of grown-up men. Because the State quite properly prevents people from throwing slops from the upper window on the heads of people below, he will have it that the State may put people in gaol for selling apples to whom they please. In the Province of British Columbia legislation was actually passed to that effect. You say it is the trend of the times; I argue for the return of good times.

We may find that by experience several services now rendered by the State are to be better administered by corporations, proceeding under private ownership. If they are monopoly services, we shall then have the corporations controlled by the State, and shall have borrowed from corporatism, but that does not mean that we shall become

Fascists and go in for a Corporative State. For the purpose we shall require a department of corporations, as they have one in Italy. The State may compel regimentation, or the industries may themselves apply (in public hearing) for regimentation under it. The State then shall take such action as shall seem best in the matter of administration. If prices are to be fixed by control, then capitalisation and wages and the salaries of directors and officials must be fixed by State control. If it be a milk combine, then the interests of those who milk cows and those who deliver milk are to be reconciled with the interest of children who drink milk. It may be the State will insist that the price of milk be decreased. If the combine be in silk, it may be that the State will have prices raised, and provide that the surplus above normal profits shall go into the fund for dividends required under the National Purpose. Monopoly exacts toll from Society and will be made to return what it collects.

The prospect is not bright for those who combine and it may well be that most industries will find it better to compete. Naturally there will have to be a complete revision of our laws as to stifling competition. All agreements between producers affecting competition and all industries possessing monopolies must be registered. Once made the law is to be enforced. The State has passed laws on this very subject without suppressing combination. Fines are futile but what more effective than that the State should remove the directors of disobedient companies and prevent them from ever again directing Canadian industries? If directors are disobedient not once, but twice, then of course patience is exhausted with shareholders who stupidly or contumaciously refuse to choose managements that will obey the law. In extremity, the State may have to provide for a change of shareholders. The law must be observed. When the practice of

pulling horses at the race track becomes common, after the riot, the track is usually closed.

To retain competition it would almost appear that we shall have to have our companies of competitive size or rather should not allow any company to become “abnormal” in size. That will be a difficult matter to arrange for we must avoid penalising efficiency. But the more one studies the reasons for size, the more one is convinced that the idea behind it all is the softening or even stifling of competition. Before deciding that matter it would be well to await the outcome of an interesting trend which seems to indicate that Big Business is sinking from the sheer weight of its own overhead.

You may have thought I have departed from my economic liberalism, but you will recall we set out to use our “isms” for the creation of the best possible social structure. My liberalism bids me have faith in freedom but warns me to fear power. The end of all this planning and working to produce goods and distribute them is that they may be available for human consumption with the least possible effort. But clearly the act of production has its social consequences; it is carried on by men and women. Sometimes we talk of the social structure as if men and women were stones to be chiseled, planks to be planed and nails to be driven. We forget that we must have not merely an economic structure that will produce and distribute goods but as well a social structure that will produce and distribute intelligence. When we create brain trusts that plan production or buy and sell for us in the great cities we lose our own initiative.

The problems of our common life are indeed intricate. If I have introduced another “ism” in their solution it is really a very old one. Each of us applies it in working out the respective

problems of our individual lives. It is the doctrine of realism. It bids us see the things that are. It is not spectacular, and those who dearly love a show may reject it. It is difficult, I admit, to picture men and women flocking to halls and cheering wildly for common sense in the working out of our common affairs. That is the sad part of the situation for nothing but common sense will save us.



# CHAPTER X

When we had sufficiently repeated the phrase: "It is better to plan than not to plan," we fell into thinking that we ought to have a central bank. As a matter of fact quite a few people were puzzled to know how we ever managed to get along without one, since credit courses every vein of economic life. The demand is now insistent and we shall have to make up our minds how the creation of a central bank will effect the accomplishment of our National Purpose. We should not make a snap judgment; we should not delay too long. Even now the political skippers cry out: "Which way blows the wind?"

The look-outs are probably answering that the winds favour central banking by the State. My nautical metaphor would appear to have broken down but closer investigation will show that it is fairly intact. There may be good reasons for a central bank but the two that are usually offered are decidedly breezy, namely (a) that we need a central bank to pull us out of depression, and (b) that every important country save Canada has a central bank. Usually the two are separated by flights of oratory into the intricacies of social credit. This much is clear; in the decade that immediately preceded the crisis most of the nations of the world had central banks and through them the States were planning credit. Canada had no central bank, but made several incursions into planned credit.

We ought to recall that several of our Provincial Governments and the Federal Government planned credit for the farmers. The Governments went into the banking business to the extent that they loaned millions to the farmers to acquire more land to grow more wheat, although at the time our foreign

customers were quite plainly planning to buy less of our wheat.

Whatever the Socialist State may be as a banker the Democratic State would almost appear to have an abiding faith in magic. When the farmers had produced more wheat than could be sold at profitable prices, certain of the Provinces passed legislation to impede those who had loaned money on security of mortgages from collecting debts or realizing upon their securities. It was a popular move as was the loaning of money by the State at artificial rates of interest. Follow the results.

Those who loaned may have themselves borrowed; in some instances they had loaned capital which had been deposited with them subject to almost immediate withdrawal. Impeded in the collection of their loans by one set of laws, they were compelled by another set of laws to pay their own debts and pay their depositors on demand. By a third set of laws, they were expressly forbidden to carry their mortgage securities across the street to the chartered banks and borrow against them. It is almost incredible that those who asked for the legislation or those who passed it should have thought of these things. The Canadian chartered banks may not loan directly upon the security of land. The money which was loaned with security by way of mortgage was not "made" for the purpose; as a matter of fact much of it was the savings of very poor people. Curiously enough, if you look into the matter you will find most of it was money saved against the uncertainties of life or for the purpose of securing a home. Stranger still thousands of the impeded securities were upon acres which the creditors had themselves by years of labour converted into farms.

The demand for credit had come with insistence from the

wheat growers; the demand for debt adjustment boards had been equally insistent. In the one instance loans had been made, and in the other, collections were denied, upon clamour. There is but one end to that sort of thing and you may study it for yourself in the credit of the people of almost any one of the Central American Republics.

The design of the impending legislation was to protect the interest of some of the farmers; the result of course was to destroy the credit of all the farmers. The Governments in effect posted notice boards on every farm gate: "Don't Lend Here; Security Unsafe." There is a very simple way of checking my conclusion. If you have collected a few dollars by savings upon the interest of which you depend for a living, will you lend it by way of security of mortgage on lands? Upon your answer depends the credit of those whom the Provinces tried to help by their venture into legislation for debt adjustment.

Since the days when men first began to lend, the debtor has had our sympathy. Since men were first elected to Parliaments the debtor has had the particular sympathy of legislators. And that is as it should be. But virtue does not rise and fall with debt; nor curiously enough does distress. Yesterday I had a letter from a woman pleading that someone should take a mortgage for \$1,000 off her hands. She writes: "I am a widow of 72 years of age and have to go out to my days work to earn a living. I earned that \$1,000 by washing and scrubbing and don't want to ask for charity. If I had it I could live." That is a distressing case. I know of no other so bad; but I do know of creditors who have been brought to verge of want by the governments' financial legislation. When the legislators voted for loaning money and adjusting debt they were trying to help a set of poor people and it probably never occurred to them that the assistance they gave

was at the expense of another set of people still poorer; for it was the savings of the poor not the capital of rich that went into the mortgages on farm land. The illusion probably came about through many of the loans having been made by great corporations of little savers.

The governments have some \$60 millions of the peoples' money loaned to the farmers. I have enquired, as closely as I could, into the soundness of the investment and am convinced that the government's losses have already reached an amount which, if put out at interest, would provide you and 3,000 other Canadians with retiring allowances for life. We shall not realise the definite object of our national life if we continue to plan credit after that fashion.

Because the State should not be trying to make credit run up hill, it does not follow that chartered bankers should be allowed to freeze it. We may stop them from doing so if we will. Under our present banking system, the banks are under a form of corporatism but instead of intervening daily in their affairs, the State does it once every ten years, and all the while the State has inspectors poking about to see that the conditions of the charter are observed. Next year the Bank Act is to be revised and although quite conscious that I possess no special knowledge of the subject, I offer two or three suggestions for the revision which would appear to be in line with our suggested new economy.

The general principle that directors should know something about what they are directing, should apply to bank directors. If store-keepers should be store-keepers then bankers should be bankers. The shareholders of the bank must have the general direction, for they have special liabilities, but those who have

4,460,000 deposit accounts are entitled to have them administered by men who have been brought up in the hard school of banking and have acquired its ethics.

Above all bankers should not be brokers. Bankers, with the rest of us, have their alternating waves of optimism and depression; with ordinary people they make mistakes but they are not in the conduct of ordinary business. Sometime ago I visited a village bank in New York State and found a ticker with a bank official ready to tip his customers and arrange the purchase of stocks on margin. When the banking system of the United States came crashing down I was not at all surprised. We did not have that sort of thing in Canada.

I wonder if I may carry you a step further. Bankers should not be big borrowers. Credit must be allowed to flow freely to the places of highest return and maximum of safety; it is not to be diverted into industries owned or controlled by bank directors without suspicion that it may not be flowing in the natural, safest course. The bank director will never be another Caesar's wife but when he borrows it must be as other people and it may now be otherwise. When men put a million dollars into banks by way of shareholding and take out millions by way of borrowing, or have companies under their control do it, a practice has been established which clearly requires scrutiny. I do not say that loans are ever made by banks to their own directors or to directors of other banks but there are people who demand the nationalisation of banks on that ground; and in fact, on that ground some there are who demand the over-throw of capitalism. Bankers will have to play the game; in fact it may be necessary to have a drastic revision of the rules to ensure they do play it. When the Bank Act comes under revision, enquiries will be made as to how far our bank directors have engaged in

speculative investment with the depositors' money and as to whether local bank managers have recommended the purchase on margin of securities to their savings account depositors. Until then the matter may be allowed to rest.

If the Canadian banking system has not worked well, it has, at least stood up under strain better than most other systems. Obviously we should hesitate before changing the system for one that has not worked as well. If we had made an unqualified success of handling electric power, or railways, or steamships, or anyone of the things we have tried to do collectively, then the argument for a central bank owned by the State would have had more appeal. If public finance were in better reputation, the appeal would have been still stronger; one needs only to sit in the galleries of the House to find all sorts of charges made against governments as to "unbalanced budgets" "concealed deficits" and other charges of the sort. Of course the argument is for a non-political central bank but just how it is to be managed by one set of men, while another set of men is responsible to the public has never been explained.

At present the Government through the Finance Department exercises certain functions that have to do with banking. If it is proposed to turn those functions over to a separate body called a Central Bank neither much harm nor great good should be accomplished. If it is proposed that the Government itself, through its own banking institution, become the banker of bankers, and in effect our banker, then we should think very seriously before giving assent. Unfortunately the matter is of a sort that is not readily understood, and I doubt if it can be sufficiently explained to us from the hustings. That is a bad introduction for we are to be the real owners.

As laymen we all have in mind certain qualities which we demand our banker should possess; when we set them down, one by one, we find they spell the word, Confidence. Year after year our banks issue Annual Statements as to their business and when we observe they have had “another prosperous year”, we have confidence and leave our savings with them; should our banks show losses instead of profits we should “run” to the bank and stand in line until we had our money, or something else had happened.

Now where is the situation different when the Government becomes banker. I assume Confidence is still essential. When the Government brings down its Annual Statement and we find it has not balanced its budget; when we learn a little bit later that it has also lost millions in the management of its railways we may easily come to the conclusion that our banker, the Government, has been wasteful, extravagant or something else that a banker should not be. If we were inclined to overlook these dark features of the year’s operation the opposition will vigorously remind us to wake up and pay attention. You may now remind me the situation has changed by the entry of the Government into the banking business.

Nothing is to be gained lining up to withdraw our savings since in these days of automatic, high speed, printing presses the Government can, with celerity take care of all our demands. We may not stand in line, it is quite true, but we shall not save to deposit. It would not be worth the sacrifice. We would either spend as we make, or invest our savings in countries where we considered them safe. If you should think I am drawing out of imagination unlikely situations, will you just ask someone who knows, how many times the Federal Government has really balanced its budget since Confederation. So strange is the

method of government accounting it might be well for safety's sake to direct your enquiry to both sides of politics. Having that information, it would be as well to enquire into the course of credit in countries where central banks owned by governments have been in operation for years. For accuracy select governments which like our own, are elected by a people comparatively advanced in knowledge of the responsibilities imposed by modern finance. I know of one Government in the Antipodes that almost balanced its budget by the simple expedient of borrowing millions from itself. Naturally it used its own central bank for the purpose. It may well be that we are collectively devoid of a sense of finance.

I daresay I shall be accused by someone of not having understood the main purpose of a central bank, namely the issuing of notes and discount of commercial paper. They will contend that note issue means credit and should be a government monopoly; it should be planned and not be left to half-a-dozen separate institutions each pursuing a different policy. "It is better to plan than not to plan." With a desire to be helpful I shall submit several suggestions made by a monetary economist, Dr. Mlynarski, to the central bankers of Europe namely: [5] "Whether it would not be advisable to abandon the monopoly of note issue, and to admit to it a few of the best joint-stock banks, whose right of issue of their own notes exclusively for discounting of commercial bills should be strictly limited, and to a certain degree based on the Canadian system. Is it not a characteristic feature of the crisis that Canadian banks suffer less at present than in other countries, particularly less than banks in the United States? Is it not also characteristic that in debtor countries with a note issue monopoly the reconstruction of the capital market is slow and painful?"

“Finally, would not a reform of this kind make an end to the artificial attraction of deposits on to the money market at the expense of the capital market?”

Dr. Mlynarski is not only a distinguished monetary economist, he is an authority on central banking who has had practical experience.



# CHAPTER XI

## 1

Perhaps we shall agree that there is nothing more important than the acceptance of a definite objective in national life. It is natural you should hesitate before accepting the one I have proposed. But the present position is untenable. When men know that by standing still they are to perish, they will go somewhere, and sometimes as a disorderly, despairing rabble. What lights are held up to us with promise of safety? The alternatives to my proposal should be considered and so involved are they, so vast, and vital, it is extremely difficult to have them side by side for comparison but I propose to make an attempt to compress them. The work will necessarily be a sketch in which only the bolder lines are drawn.

When I said the present situation was untenable, I was not thinking alone of the depression. Apparently Canadians are holding their own, quite as well as the people of any country in the world. No one is to perish for lack of the necessities of life; but, after all, that but gives us a breathing spell in which to make up our minds as to what is best to be done. Our economy has failed to carry its load; an economy, that is half flexible and half rigid, will never work well, not in Canada, nor any other place, and some day will be found not working at all. The State Socialists propose that our economy shall be mainly rigid; the Fascists have provided for rigidity in Italy and Germany and Mr. Roosevelt is apparently leaning rather heavily towards greater rigidity for the United States. Choice between the forks of the road is becoming imperative. Can we go on? Or must we turn back? Let us look at the lights which our statesmen hold up

as means of recovery.

## 2

Out of the world's conference of statesmen, (most of them bent upon saving democracy) with experts at their elbows, has come the suggestion that "Price Raising" will take us from our depressions. With mortgages on lands and debentures on factories bearing fixed rates of interest, millions of debtors have said, "Amen". But how is it to be done? The editor of the (London) Recovery states: "The A. B. C. of price raising, therefore, amounts to this. Prices may be raised (A) by reducing the volume of goods for sale without corresponding reduction in the volume of buying; or (B) by increasing the volume of buying more rapidly than the increase in the volume of goods for sale; or (C) by reducing the volume of goods for sale and at the same time increasing the volume of buying."

At this late stage of our enquiry, I have no intention of analysing these several methods in detail. Every one of them has been tried by Governments and proved its own failure. Already we have seen the hall-mark of "Planned Industry" upon most of our distressed commodities. "Price Raising" and "Price Fixing" are but slightly different attempts to canalise the flow of supply and demand and the consequences of the two are much alike.

1. When acreages are reduced, the unit cost of production, (e.g. the bushel of wheat) is increased and what the producer gains at one end he may lose at the other.

2. The nations have "specialties" in production and it is only natural that each nation should want as much as it can get for what it produces, paying as little as possible for what it has to

buy. At the Ottawa conference, you will recall, the United Kingdom was prepared to give us “preference” on grain, copper, lead, and zinc but, stipulated for “world’s prices” and indeed could scarcely do otherwise since Englishmen must keep their costs in line with world’s prices or lose their export markets.

3. After all the initiative in production is largely individual and when it ceases to be so we shall have become socialised, regardless of nomenclature. Proposals of the States for acreage reduction during seeding seasons have probably done more than anything else to maintain acreages under the pressure of low prices. When Black believes White will work with the plan and put less land to wheat Black is inclined to put more land to wheat in the hope of reaping a harvest while White has not sown. The same rule applies to nations.

4. Reduced production gives rise to unemployment and further curtails buying powers.

5. Proposals for increasing buying power are usually made by way of suggested expenditures for public works; and we have already observed the drain imposed upon our resources by way of interest on their cost and outlay for their maintenance. Of course we should build publicly in times of slump but since we chose to over-build in times of boom that avenue of relief is largely closed to us now.

These matters I have set down merely by way of partial illustration. There are other objections which it is unnecessary to mention since the train of thought has been started.

But, there is one other method of raising prices which requires so much consideration that it is not to be disposed of except in great volumes written by hands more knowing than

mine. I refer to monetary manipulation. I have every respect for the opinions of those who strive for stable prices through stable money; but my realism tells me that is precisely what most of us thought the nations were doing before the crash. Australia and the Argentine were the first to hoist the signal of distress and both had central banks, seeking to maintain stability of credit and prices. Their influence on the world's trade and world's finance, it is true, was comparatively insignificant. They were not masters of their own economy. The Bank of England and the Federal Reserve of the United States, however, were great institutions and both were planning credit and together affected world's prices. There is good reason to suppose that at times they worked together for that purpose. Under their operations we had credit inflation; and I do not say it was through their operations. If we are to have more inflation, if we are to go up again by planned effort my realism fairly shouts at me to enquire how we are to be kept up.

The Gold Standard was supposed to give us reasonable stability of prices; and the fall of prices was plainly not the result of the shortage of gold. The supply of monetary gold has kept in fair pace with increase in the supply of goods. The League of Nations went to no end of trouble before it determined that matter; it assembled the world's experts in Conference as a Gold Delegation and after months of study in 1932 they reported:

“We wish at this point to record our opinion that the world's stock of monetary gold, apart from any consideration as to its distribution among different countries, has at all times in recent years been adequate to support the credit structure legitimately required by world trade, and that the rapid decline in prices, which began in 1929, cannot be attributed to any deficiency in

the gold supply considered in this sense. During the six years from the end of 1925 to the end of 1931, the world's central gold reserves increased from about \$9,150 million to about \$11,350 million, or at an average rate of about 3-2/3% per annum. Since this rate is not lower than the generally accepted normal rate of growth of production and trade in the gold-using countries as a whole, and since in addition certain economies were made in the use of gold, at any rate in the early part of the period considered, there seems to be little ground for believing that the total supplies of gold available for monetary use have not been sufficient to meet all reasonable demands."

The plain facts will have it that, since the supplies of monetary gold have kept up with the normal growth of production, by measuring credit with the yard-stick of gold, we ought to have secured stable money. What happened is a story too long to be repeated here, but, it arose partially out of the "plans" of some of the Nations to measure money by yard-sticks which were supposed to be "just as good as gold." When people at Exhibitions erect flimsy structures and paint them to look like stone buildings they do not blame "stone" when their flimsy structures come tumbling down. Apparently it is different in finance.

After all, present interest in this phase of the business lies simply in the assessment we are to place upon the proposal to take us out of our difficulties by monetary manipulation. It may be I am prejudiced but my realism tells me to beware of vaunted, legislative money magic; it points out to me that it is futile for the nations that suffered from the Great War to hang up a sign "Business as Usual." Business simply could not be as usual since during that war hundreds of thousands of millions of dollars of value were destroyed, or changed hands. My realism

also tells me it was futile for the Americans to have shared their “war profits” with the debtor nations, loaning with one hand and with the other writing customs and immigration laws that the loans should not be repaid by either goods or service.

### 3

The Kazi’s candle has thrown a light upon something to which we have not yet given due consideration, economic nationalism. Each country is a separate national unit (even each autonomous part of the British Empire); each one must pay its own way, or repudiate its debts. Shall we go on? Tariffs are involved; and it is over their field that the artillery of the great political parties bark and roar. My realism warns me it is a hardy feat to venture into No Mans Land with only a lighted candle for protection.

Nations must balance their payments. When Nations lose money on railways, or anything else or incur unproductive expenditures, and borrow abroad, they limit the ability of their people to buy abroad. If I have an income of ten thousand dollars a year I can buy a pretty fair volume of goods every year but if I owe five thousand dollars a year my buying power is cut in two. It is not quite the same when nations borrow and buy abroad but, much the same principle applies. If the root of our trouble is the customs tariff then the root is at least partially buried in the ground of our foreign debt. The custom’s schedule works differently for creditor and debtor nations.

The nations in conference, especially in the conferences of the League, are forever passing resolutions against economic nationalism, only to return home and by legislation further the cause of economic nationalism. It is the resolution and not the

legislation that is unnatural. Nationalism is not to be put down by resolution. Nations possess property; some are rich and others are poor; and all would like to be rich. They are not unlike individuals in that respect. These things are of common knowledge and would not deserve mention were they not so commonly confused by our pious political resolutions. The customs tariff is an economic boundary line behind which each Nation lives industrially. According to the lives they want to live, according to their relative strength in producing goods (stoves, wheat, raw cotton and the like) the walls on the line are raised or lowered; and sometimes according to sentiment. The Canadian tariff schedule really resembles a structure of several compartments. Our own producers are on the ground floor. The next up is reserved for our kinsmen within the British Empire; the third, for guests who come upon written invitations, having first returned the compliment. Upon both second and third floors are galleries with seats reserved for those with whom we have entered into special treaties. The fourth floor up is open to all who care to climb the stairs, including Americans of the United States. In short the Canadian customs schedule is a bargaining tariff, the sort that most European nations possess.

Traditionally the two major parties of Canada have promised to produce prosperity by alterations to that structure, one asking us to pin our faith upon the efficacy of raising walls, and the other upon lowering them. We shall not be much further ahead by enquiring into the extent to which those promises have been made good; our enquiry is just now directed at the extent to which we may reasonably hope for relief from distress by tariff re-arrangement. Frankly I admit it will require not a little courage to apply the doctrine of realism to this controverted matter and at times there may be a temptation to tip the candle-

stick.

First of all, it may be as well to determine what we want the tariff to do for us. So far as I am concerned it has always seemed that success or failure in tariff making is to be counted by the numbers of happy people left in its trail. Now that we have in mind dividends upon accumulated labour investment that would seem to be the imperative objective. If we throw men out of factories or starve them in the fields we shall have to care for them, and draw upon funds that would otherwise be distributed by way of dividends. Therefore good business becomes good tariff administration; and good politics. When changes are proposed, we should have all the data placed before Parliament by a competent board of enquiry and then our representatives will ask, item by item: what are the benefits and who will receive them; what are the sacrifices and who will bear them? The thing sounds simple enough but I suppose there will be warm battles fought over benefits and sacrifices. After all much must be left to individual and party judgment. The assumption of a Definite National Purpose should facilitate decision.

Meanwhile we should meditate upon the effect of those changes that have passed over the world since the Great War and with which we are already partially familiar. Economic liberalism knew no tariff barriers; but we have found it sabotaged by monopoly both private and public; both within and without the country. Great cartels have been formed which control the distribution of goods between nations. The workings of our Imperial Preferences have made us particularly vulnerable to the price controlled products of the United Kingdom. Times again, we have reduced or wiped out the duties upon British products, sacrificing Canadian labour without benefit to Canadian consumers, as a matter of fact, it would

appear that the English manufacturers have, now and then, used the preferences we gave them to negotiate trading advantages with their foreign competitors, and not always to the advantage of Canadian consumers.

But I would not place all the blame upon monopoly. Plainly the nations, not unlike individuals again, strive to be self-supporting. It may be it should not be so; but we must resolutely face the conditions that are. The forces of nationality are not readily to be put down. That masses of people may be willing to sacrifice, or be sacrificed, that their nation should be industrially independent of other nations is being illustrated to-day in Russia. When men live together, and have absorbed common traditions, and breathed common aspirations, they look forward to self-sufficiency. The New Dependence, in which the greatest wealth for all was supposed to be gained by the dependence of one nation upon the others has been rudely shocked this past several years. We have thought often of the man who put all his eggs in the one basket.

What have we to expect from reciprocity with the United States? Irrespective of party we should all welcome freer trade relations with our next door neighbour and I venture to say, mainly for what we hope to sell. Unfortunately the farmers of the United States are as badly off as our own; and their Government has found it necessary to pass bills for relief running into hundreds and even thousands of millions of dollars. The prospects are not bright for our farm products in the United States.

Our export distress is largely in wheat. We completed an arrangement for the sale of wheat to the United Kingdom at the Ottawa Conference and its value will be determined in course

of time; our other principal European customers of importance are Germany, France and Italy. Germany has apparently determined to be self-supporting in food; France is holding back communism by the support of her thrifty, land-owning peasantry and is not disposed to submit her farmers to the competition of the mechanised farming of the New World; the Italians are bottled up by the world's immigration laws and, under the guidance of a dictator, desperately fight the Battle of Bread. The Orient remains a potential market for our wheat, but, what shall we take from the Chinese, the Hindus and Japanese in exchange? Remember please it is a newly mechanised Orient; and one that has also imbibed the doctrine of economic nationalism, and acquired facility in attendance on machines, without having attained our standard of living.

These things I have tried to sketch that you might have before you a picture while making up your mind if by tariff action we may reasonably expect to put our men back to work in the factory, and give those in the field an adequate return for their labour. That question you must answer, for yourself. The subject is extremely complicated and it may be the salient figures of domestic and foreign trade will be helpful towards intelligent decision. The Dominion Bureau of Statistics makes an annual survey of Canadian production, the latest figures available being those for the year 1929. In that year the *gross* value of production was estimated to be \$6,846,171,400. Primary production including agriculture, forestry, fisheries, trapping, mining and electric power, amounted to \$2,822,116,723. (You will recall that some pages back I gave you several figures of *net* production.) Secondary production including construction (\$594,144,825), customs and repair (\$143,877,000) and manufactures (\$4,063,987,279), amounted

to \$4,802,009,104.

These totals include many duplications as, for example, primary wheat used in the secondary production of flour. Eliminating such duplications the net value of production as shown in the statement amounted to \$3,946,609,211.

To obtain an idea of the extent of internal trade, other items must be added to the above totals. These do not include various activities which must be considered as productive in the economic sense, such as, (a) transportation, refrigeration, merchandising, etc.; (b) personal and professional services, such as those of teachers, doctors, barbers, beauty parlors, recreation, etc.; (c) various forms of finance, such as banks, insurance companies, customs brokers, credit agencies, and so forth.

In the above statement roughly 65% of the gainfully employed population was included. If the other 35% had been included, we should have as our net figure of national production of goods and services in 1929, \$6,072,000,000 as compared with \$6,342,000,000 in 1928 and \$6,010,000,000 in 1927.

In 1929 total exports of Canadian and foreign produce were \$1,208,338,430, thus only about 20% of productive activities were involved in commodity exports while 80% of productive activities were concerned with internal trade in goods and services.

On the basis of these figures an increase of 1% in domestic or internal trade would amount to about \$50,000,000 and an increase of 1% in external trade about \$10,000,000 to \$12,000,000.

Having set down those figures, I shall probably be condemned as a protectionist or denounced as a propagandist or something I should not be, but in reality I have simply given you a statement prepared by the ever-ready Bureau of Statistics. The Department is given over to a realism that is sometimes disconcerting to political speculations.

#### 4

If you have come to the conclusion that neither by artificially raising prices nor by tariff adjustment is the Nation to be restored to prosperity, what then remains? I shall not take you back over the ground we covered in discussing State socialism. It seems to me quite plain neither democracy nor socialism has devised mechanism whereby it may efficiently conduct industry. No substitute has ever been found as industrially efficient as individual profit incentive. Maybe it should not be so. Our “isms” should not prevent us from seeing that it is so. The democratic State tried to administer its affairs, by committees and failed; the Socialists seek to convert that failure into success by more committees, under slightly different arrangement. You know the work of “Committees”; you have them in your lodges; you have heard them discuss by the hour a two dollar item, and almost come to blows over it, only to pass a wasteful twenty dollar item without discussion. The committees of Parliament, socialist or democratic, are like that. But we are assured that under socialism things will be different for Parliament will be replaced by a strong, silent dictator.

It is a feature of all emergencies that men and women of the mass fall back upon dictatorship. They are talking now of its need as they would of the need of a new mashie or a new

kitchen stove. Scores of times I have heard it said we need a Moses to lead us out of the wilderness. Moses certainly did much for the Israelites, he provided them with food, and from morning until night, he regulated their little affairs. Then Jethro appeared on the scene. I trust you have not forgotten Moses married Jethro's daughter. After Jethro had sized up the situation awhile he took his son-in-law aside and said:

“The thing that thou doest is not good. Thou wilt surely wear away, both thou, and this people that is with thee; for this thing is too heavy for thee; thou art not able to perform it thyself alone.”

Jethro was a Midian prince and for all I know a heathen. I am not quoting his advice as authority; I am quoting it because it seems to be as applicable to-day as it was in the years of the long ago. It is not good: when industry is planned by the few for the many. State planned industry never yet was abundant industry, and with the infinite complications of modern life it has come to mean scant industry.

Back of every Socialist's mind there appears to be an abiding faith in the existence of a Superior Person; and strangely enough protesting against the iron heel of democracy the Socialist is not at all worried about falling under the iron heel of a Socialist dictator. There are no supermen among us to whom we may confide the direction of our twenty thousand and one industries with all their varied products. I would not reflect upon the Government of the day by that statement although I believe the thing is too heavy for them; they are not able to bear the burden alone and it would be none the less heavy for the opposition; it would be still heavier under socialism; and all the paper planning in Christendom would not make it otherwise.

The solution obviously lies in passing the initiative back where it belongs. The State should cease intervening between man and his job.

Your Canadian is not to be readily socialised. He may think to kick himself out of capitalism but will not submit to being kicked into socialism. When the time comes, here, as in England, men and women will hesitate, if for no other reason, than their innate detestation of espionage. Espionage is at once the chore-boy and handmaiden of socialism. You resent that thought, then tell me, you who have accepted the tenets of socialism by what means is it to work its way? Under socialism the State assumes to care for all of us even in our daily work. Plainly it must keep track of all of us. As we have extended the regulations under which we are governed so have we extended the number of those who regulate us. The outstanding feature of the planned life we have had already has brought with it a vast extension of the police force.

It is proposed by both State socialism and corporatism that we give up our freedom to save our lives. If I am right, we shall lose both our freedom and our lives by accepting either of them. Socialism essentially means a merging of human individuals; whatever is extraneous, whether it be economic, social, religious or racial must be melted down, or drawn off. Beginning as a system of economics, socialism ends up as a religion, and worst of all religions, it propagates its faith with the policemen's baton and a soldier's bayonet.

You are weary of it all (and this past several years most of us have become very, very weary). You want peace, but you will not find it in socialism. All over Russia little bodies of Socialists have been ordered to dig their own trenches. That

was not Russian, it was Socialism. Stalin had to crack the gun to maintain homogeneity. Nor is that the end. Your Socialist State must yet be seen in its relation to other Socialist States.

Individual greed is bad; but group greed is far worse. It is not to be restrained by law, it is the law, its aggression knows no bounds; it is to be put down only by superior force of arms.

The Corporative State also depends upon autocracy; but it *does seek* to preserve more individual liberty than State socialism, and for that reason we shall have it, whether we want it or not, should our social order become actually endangered by the spread of State socialism. People who have been separated from unfreedom by years of democracy will willingly lay down their lives rather than be subjected to the intensive regimentation of State socialism. The Canadian people if driven to change will turn to the corporatism or fascism that so recently brushed its opposition aside in Germany with only street brawls raised in its defence.

These things may seem far away, but we may be called before long to choose definitely which fork in the road we shall take. At present we waver, because the issues are not clear. We have become confused by the marking of the roads and more than once have lost our way, the victims of nomenclature. Shall we apply the methods of corporatism to our railways or those of State socialism? Even now we face that issue. Having settled the matter shall we go on with the banks, mines, oil refineries, bakeries, milk distribution, abattoirs, steel plants and so on down the line. Corporatism or State socialism? Personally I am pleased that an organised Socialist Party has uncovered its platform for now we shall begin to ask: what really is the Definite Purpose of our National Life?

Before our eyes democracies are being replaced by dictatorships; and we say it cannot happen here; what was yesterday will be to-morrow. It is impossible to review all the causes that have contributed to the break-down of democracy. We have already seen it sabotaged by the incipient forces of State socialism and corporatism, but as well, the democratic State has weaknesses of its own. For one thing it lacks a continuity of objective.

Many years ago the Canadian State encouraged the inception of the woollen industry. Under the shelter of a customs tariff it developed in small mills, (characteristic of the industry); it spread itself over the villages and towns from Ontario to Nova Scotia, and on the Pacific Coast. Men and women gave up their homes in Northern England and built new homes in Canada; they brought up children and acquired a stake in the country. Canadians learned the art of making woolens and worsteds. Then the State changed its mind, and subjected them to the competition of Europe and old Yorkshire. Just now the amount of protection is quite aside from the business in hand. The point is that by State action the Canadian villages and towns that lived upon the industry were sent into decay. The spinners and weavers and dyers were thrown out of the mills and lost their homes and some of them had to emigrate. In 1930 the State once more changed its mind and the men and women were called back to the spinning frames, weaving looms and dye-tubs.

You will recall I warned you it was a dangerous piece of business wandering around No Mans Land with a lighted candle, especially on a dark night before a battle. But of course I have taken tariff action on the woollen industry only to

illustrate the effects of changing State action upon men and women who work in factories and mills that are sustained behind tariff walls. If I were a weaver or a dyer and had built a home and lost it, only to build again, I should probably turn against democracy if I lost my home again. And weavers and dyers are only a few of the many who have been buffeted about when the State changed its mind. Surely these things do not have to be under the democratic State. Democracy is the best of all governments; but it must give efficient service if it is to live.

The State encouraged the growing of wheat. For the five years that preceded the Great War, Canada had 14.2 of the world's export trade in wheat, holding fourth place among the export nations, and in the five years that preceded the depression, Canada had worked its way into first place with 38.8% of the world's export trade. Already we have observed some of the measures by which the State induced men to acquire lands and implements and stake their all in driving others from the world's wheat markets. Now the wheat growers of Canada are in distress. Democracy is quite incapable of planning industry.

The State set itself the task of advising the farmers to grow this and that and how to grow it; and when we had rushed to follow the advice, we found ourselves without remunerative markets; then the State told us to do something else.

I shall not go further with illustration to show the disaster of the State intervening in business. The illustrations lie all around us. We see them and talk of them and fight our elections over them. Liberals blame Conservatives and Conservatives blame Liberals, as the political wheel goes turning round; but I ask you: what say the weavers and dyers and farmers who have lost

their homes? It may well be that some day, they will say: a plague on both your theories, spun from arm chairs for our good; we want a State that knows its own mind and minds its own business. In other words the matter lies much deeper than the controversy between political parties, it challenges the existence of democracy.

We have fallen into debt, and again Conservatives blame Liberals and on the turn of the wheel Liberals blame Conservatives. It is the democratic State that has squandered the peoples' savings, upon unproductive enterprises, in amounts that stagger imagination. "Hold on", you say, "private business has done precisely the same thing. You are forever decrying government ownership." I would have you observe the sharp difference between failure by governments and failure by privately owned concerns. In its first report on Monetary Policy and the Depression, the Royal Institute of International Affairs says: "If private enterprise built a railway in South America, and the failure of that railway meant the loss of the capital invested in it, this would be a case of an ordinary financial undertaking that had failed. A loan to a foreign Government for the building of a railway or for any other purpose is in a different category; the loan is charged, not against the profits of an undertaking, but against the taxable capacity of the citizens of the borrowing State. However much the railway loses, the Government still has to pay interest on the money borrowed; the profit-earning capacity of the enterprise and the return on the loan are divorced, and the burden of indebtedness piles up whether profit-earning assets are created or not."

When the privately owned industrial or financial company has piled up debts beyond its capacity to pay, it passes into liquidation and is sometimes dissolved. "The risks of industry";

it is called. Under socialism Australian States went to the verge of bankruptcy by assuming the risks of industry. Canadian Governments have assumed the risks of operating railways, tramways, omnibus lines, telegraphs, telephones, ships, power-plants, hotels, barber shops, beauty parlors, laundries, farms, banks, stores and magazines. When those industries have not paid their way the losses have been charged up in the tax-bills or replaced by borrowed money. It is sheerly stupid to close our eyes to the eventual consequence.

For years *you have been working from two to four months in every calendar year to supply the fiscal need of the various public bodies.* Twenty years ago the political philosophers said we were entering the first stage of socialism. At one time, before the collapse, nearly every important capital in Europe (including London) was held by socialist Governments. Political parties of the New World eschewing the name “Socialist” have been, none the less, aggressively taking over activities which belonged to the individual. In the eight or ten months which the individual has been left to earn a living the State has aggressively sought to direct his activities. On every Economic Lane it has posted Stop and Go signs. And now we have stopped and the State cannot make us go.

One does not have to reflect long to realise that the State’s “shall nots” are more effective than its “shalls”. The breakdown had to come. Beginning with a decline in prices the depression was converted into a panic when the State intervened in the matter of credit. Modern civilisation has been called many things and among other names The Credit Era. Certainly progress began in a big way only when men learned that they could turn over their savings to others and rely upon having them back according to the terms of agreement. Men did

not advance in material wealth until they learned to contract with confidence. Industry was built on that foundation. Most European States, the United States and Canada made sure the foundation, by laws enforcing contracts. Certain States in Central America and South America found they could not enforce contracts and suffered the penalty. Their countries are as rich as ours in natural resources, they are largely undeveloped because saving men feared to invest their savings over the periods of time required in the development of those resources. They feared legislative insecurity of contract. And now we have it. Credit has been described as the main-spring of industry. The depression entered its worst phase when the Governments broke the main-spring. It is a long story but its lessons are painfully plain; it is filled with figures, but they are mainly human figures that run through its pages with all their frailties and virtues but everywhere in the back-ground is the meddling, wasteful, inefficient State.

## 6

Trying to discharge an obligation to an unknown correspondent, I have sought truth where it is to be found. I have tried to substitute realism for the dreams and “isms” that are usually applied to our common affairs; I have tried to see things as they really are. My own conclusion is that we ought to have a Definite National Purpose not merely as a means out of depression but as a means to a more equitable distribution of wealth—all the while preserving our freedoms.

At times you may have thought we lingered too long in criticism, but it seemed necessary to test the materials which others and more particularly the Socialists had proffered for our

social structure. Our duty was far from discharged when we found much of it flimsy and some of it unobtainable. *In these days it is not sufficient to be anti-anything; it is imperative to build something that will work.* I have tried to outline a social structure that will work for all who are willing to work for themselves.

If the outline meets with your approval we shall return to it again and again. Next time you may lead the way.

Perhaps you have observed that I first sought to locate the sources from which came our national wealth. Great are those national resources which we as a nation possess. I am not of a mood to recite the number of trees we have, nor estimate the coal and other minerals that lie under our ground, nor measure the productive capacity of our fields and our factories; our potential wealth is very great.

It is over the conversion of those resources into useful goods that we have fallen into the disputes we have together reviewed. Should we proceed mainly by individual action or collective action? Privileged with the "last word" I shall once more insist that refusal to recognise human nature for what it is and work with it has brought us to the verge of collapse. We have learned the secrets of Nature but not those of human nature. We appear to know more about the burning insides of a furnace than about ourselves. And all for the lack of realism. We refuse to see the things that are. Once we had the truth within our grasp and lost it through a false faith in the omnipotence of the State and the propaganda of those who refuse to give their best in service.

On the field of sport men compete for prizes. It may be they should run and jump and knock little balls about the green for the pleasure of the thing. As a matter of every-day experience

they do their best when matched in competition. It is not otherwise in industry. If you still persist in the thought that the profit motive has led to inequality of wealth, I would ask you to recall just two things, first, Stalin's discovery that "Levelling" led to inefficiency (and scarcity) and second, *the great inequalities of wealth have generally come about when profits were acquired unchecked by competition.*

I have admitted the necessity of certain monopolies and asked that they be recognised and handled as abnormal industries. Giving free rein to individual initiative, so long as it is bridled with competition, I have suggested a tight holding of the reins when competition is ineffective. When men hold back and refuse to give their best, or opposite numbers huddle to agree as to what is best, then the State's referee is to decide what is to be done.

For twenty-five years we have been gradually going down the road on the Left. We cannot re-trace our steps over-night. The First Stage of planned industry completed; we are in disaster. To go on will be fatal. To work back to the highway of competitive economy will require patience and courage. Personally I believe that every sane man is the best guardian of his own fortunes, but so long as competitive economy is unobtainable I have suggested that the State turn from waste to thrift and convert the millions it now fritters away into one, worth-while, definite object.

I have made no attempt to assess the effect of the new mechanism. Great as it may well be, we need no revolution to secure its distribution among those who are willing to work. The return to capital is rarely excessive under competitive economy. Capital is plainly entitled to no greater return under

monopoly than the normal one. I have suggested that all “surplus” returns under non-competitive economy be distributed by way of dividends on labour. For surely labour shares with capital the condition that contributed to the abnormal gain. We may drive the word “exploitation” into disuse, if we will, and for that purpose need no revolution and no curtailment of anyone of our freedoms. But it cannot be done by wishing. *We have to will.*

You may say I began by condemning planned industry and have ended up with a plan, you will notice, however, it is a plan by which the people may plan for themselves, not collectively to scarcity, but individually to plenty. Personally I prefer to think that you and I have presented the ship of State with a chart by which it will bring all those who are willing to work their way into the Port of Plenty.

Canadians have not struggled thus far up the road only to turn back. Our forefathers did not cut down trees and pull stumps and fence land, only to have its fruits dissipated by our collective stupidities. Once we regarded planning by the State as the regretful necessity of a people who had lagged behind the course of civilisation. The Canadian State planned the lives of the aboriginal Indians and made a mess of them; the State did its best for the Indians; it can do little better for us: We have wrested many a secret from Nature; surely our wits have not become so dull, and our greed so great, that we may not share those secrets one with another, save by regimentation at the policeman’s whistle.

You have not answered: it is the trend of the times. At last you have realised the times are of our own making; you have decided we shall together go into a richer life with a Definite

Objective.



# FOOTNOTES:

[1] *Survey of Production in Canada, Dominion Bureau of Statistics, Ottawa 1932.*

[2] *Cost of Government In Canada, Citizens Research Bureau, April, 1933, Toronto.*

[3] *Cost of Government in Canada. W. Sanford Evans. Canadian Chamber of Commerce.*

[4] *Functioning of The Gold Standard By Felix Mlynarski. League of Nations, 1931.*

[5] *Credit and Peace. Felix Mlynarski. Allen & Unwin. London.*



# Transcriber's Notes

Hyphenation has been standardised.

Decimals < 1 issued with leading zero.

page viii.: Critticism —> Criticism

page xii.: anyone —> any one

page 19: deepy —> deeply

page 33: ommiscient —> omniscient

page 37: possion —> possession

page 42: harrassed —> harassed

page 60: closely—held —> closely-held

page 94: years —> year

page 99: maching —> marching

page 124: Govrnment —> Government

page 148: homogenity —> homogeneity

page 153: catagory —> category

[The end of *The Definite National Purpose* by William Henry Moore]