

A Kingly Donation

By ROBERT-L. SCOTT

NOTE:—The history of the Canadian Pacific Railway is one of vital interest to every Canadian citizen. The people created the company and have given outright to them more than the value of the entire property. There is no regulation of rates and but little control of any kind over the vast corporation. The railway companies by their greed are hastening forward the day when the people will demand the roads which they have paid for be operated for them and the profits paid into the public treasury—Editor.

A friend of mine recently in discussing reciprocity said he thought it a calamity to give the Americans access to Canadian markets. "Think," he said, "of the ruin of our Eastern manufacturers."

"But," I replied, "think of the burden of the workers, think of the high prices! Does it pay, or is it righteous to build up industries for the benefit of a few of us at the expense of all of us? Is it a just law which takes from one and gives unto another?"

"Yes! Yes!" my friend replied impatiently. "There may be something in what you say, the consumers of the West may have to pay more for what they buy owing to the protective tariff, but you must remember the East built up the West; it gave the West the Canadian Pacific Railway. Reciprocity will turn the traffic southward and ruin the Canadian Pacific. Our policy all along has been to divert trade east and west. If you do away with the tariff it will flow north and south in its natural channels."

To this I did not reply. I did not have patience. I remained in silent meditation. Doubtless my friend thought he had disposed of my contention. I had never a word to say, he had silenced me—at least one would so assume from his attitude of self-satisfied complacency. Now I ask who—knowing the facts—would reply? or who—being capable of drawing an intelligent deduction—would deign to reply? And yet, this is just the sort of nonsense served up to us every day. The surprising fact is that it does seem to influence. Some innocents are always awaiting the slaughter.

Improving Nature

Let us examine the contention! In the first place it is not a monumental ego that would assume to improve upon the natural law of trade, to deflect it from natural channels? Cannot trade be more safely left to the arbitrament of natural forces, to the law of supply and demand? Is it not safer to allow it to flow in natural channels than to stop the way by the barriers and impediments imposed by men? Some day we will learn this natural law and then we will know that the prerogatives of government are as well defined and limited as those of men, we will learn that governmental interference in matters of trade is a thing not to be tolerated.

Secondly, it was asserted the east built the West. I ask who built the West? Was it not the men who came to the West and endured the privations of pioneer life on the lonely prairie, who toiled and sweated, and during many years received little recompense? Who are the men now building the West? Are they not the men who are now so doing? For these and the like of these I now write, in the hope that we may together learn, and learning know with justice and intelligence how to solve the problem of enacting such laws as will secure to every producer a value in full equivalent to that which he in service gives. . . . The value of any country is created by those who live in it.

Again, it was said, "The East gave you the Canadian Pacific. . . . It is not an easy matter to find men so patriotic as to assume such risk. Do you not think these men deserve some consideration?"

Yes! dear reader—you, who know something of the facts—he said it my friend did. Now it's no wonder I am not on intimate terms with him, is it?

Right Must Prevail

Gave the Canadian Pacific to whom? I pray! I didn't receive any of it. Did you? . . . Gentle reader, if we owe the East or those who live in the East anything for the Canadian Pacific Railroad it is not gratitude. If posterity repays in kind our railway patriots, and some other patriots I could not specify, it will be in opprobrium heaped high over their graves. But fortunately it is not the peculiar sin of any. So long as we are ignorant as to permit the perpetration of such crimes the authors will not count

them sins. They cannot gain a true perspective. We need an awakening of the national conscience. The error and unreason of the past is the sin of all. The injustice wrought can never be repaired without hardship to some, but that it will be repaired there can be no doubt. With the emancipation of every slave some interest suffers. But how can we permit ourselves for interests to defer the correction of errors founded and based upon injustice? In so far as men give service or the product of their labor without return to such degree are they slaves. So long as vested wrongs wrought by tariff laws and profit-legislation survive some must suffer. Economic freedom is the struggle of this century. It must come. . . . The day is at hand. . . . The state must resume those rights which in the past have been filched her. The value of railway charters and all law made privilege must in future accrue to those who create the value. Value must be distributed to the members of society in exact proportion to the measure which they contribute in the creation of it. This may seem a big problem but it can be solved.

Bad Business Judgment

Probably no more prodigal contract has ever been consummated than that made between the people of Canada and the Canadian Pacific Railway Company. Nothing to approach the largess with which the shareholders have battered, and are now at the public trough has been written in the story of Canadian exploitation. Much has been said in extenuation of the bad bargain the government made with the Canadian Pacific Railway Company owing to the doubtful nature of the enterprise. However, to those acquainted with the facts there is little to commend the achievement; it was a notoriously bad contract for the people from whatever viewpoint. If the outcome is doubtful that is the more reason why the company should have built and owned the road; the government provided the means to build the line and then presented to the company the ownership of the property—the country had everything to lose in any event, but nothing to gain.

The Canadian Pacific Railway was first projected and partially constructed by the Canadian government under the leadership of Alexander Mackenzie and upon the principle of public ownership. The work progressed slowly under Mackenzie's administration and much impatience resulted. In 1878 Sir John Macdonald's government was returned to power. Negotiations immediately commenced with those comprising the Canadian Pacific syndicate with the result that in 1880 the Canadian Pacific Railway Company was organized. Chief among its promoters were George Stephen (now Lord Mountstephen, a gentleman who has so far forgotten his humble origin as to be allied with the aristocracy in resisting every attack upon the arrogance of his fellow members in the House of Lords) and Sir Donald A. Smith (now Lord Strathcona). The company was given a charter and contract to build, complete, equip and operate what is now the main line of the Canadian Pacific Railway.

A Kingly Gift

The salient features of the contract were as follows:

- 1st. The company was to receive as a gift 641 miles of railway which had been completed under the administration of the Mackenzie government. The value of this consideration was \$37,785,000.
- 2nd. A cash subsidy of \$25,000,000.
- 3rd. A land grant of 25,000,000 acres, to be chosen at the pleasure of the company from among all the crown lands of the prairies.
- 4th. Loans which upon the completion of the railway in 1886 aggregated \$34,810,000.
- 5th. The company's lands were to be

exempt from taxation for a period of twenty years from the time the patents were granted by the crown. (N. B. Taxes have not yet been paid upon any of this land, nor is there any immediate prospect of it coming under the taxing power of the various provinces in which it is situated.)

6th. The government forfeited practically all control over freight rates. . . . (These rates were ostensibly to come under government control as soon as the company paid a dividend of ten per cent. upon its shares. These shares, however, have been watered so profusely that it will probably be a long time before they are made the basis of such dividend. The recent dividend was 10 per cent., but this constituted 8 per cent. upon the operation of the railway and 2 per cent. upon the land grants. This latter dividend, according to the contention of the company's lawyers, cannot be construed to be part of the 10 per cent. dividend mentioned in the original contract.)

7th. A guarantee was extended that no charter would be given in future to any company to operate lines between the main line of the C. P. R. and the International boundary. (This provision, however, was revoked after a struggle with the then government of the Province of Manitoba, but only after a threat of resort to armed violence. The Dominion government extended an additional loan of \$10,000,000, to placate the shareholders and reconcile them to the rescinding of this provision.)

8th. The company was exempted from the custom tariff taxation upon all material it wished to import from foreign countries for the construction of the railway. (This fact is a significant commentary upon the magnanimous spirit of those



Breast High

patriotic promoters consenting in their individual and private business to tax by virtue of the then brand new national policy all who consumed the goods they manufactured. Under this policy many of them with eagerness thrived but, they insisted, they must import free of duty everything required in the construction of the institution which was now the child of their enterprise. Could any more eloquent recognition of the tendency of tariffs to hamper industry and development be advanced? This exemplifies the nature actuating all protectionism. It is essentially selfish; buy in a free market and sell in a restricted (is the maxim).

Several changes and modifications generally to the advantage of the company were made in these conditions from time to time. Increases were made in the cash subsidy upon various pretexts. Upon referring to the blue book of railway statistics we learn that the actual amount of cash paid out under this schedule aggregated some \$29,750,000.

Owners of an Empire

The most recent annual balance sheet of the company, that under date of June 30, 1910, is an interesting document. Perusal of the items relating to the land grants of the company are particularly germane to this enquiry. . . . Under this caption we learn that the company has disposed of 19,375,157 acres for which it has received the sum of \$84,011,000. Of the original land grant, given the company for the construction of the main line and exclusive of the millions of additional acres received for the con-

struction of various branch lines, the company now owns 7,539,000 acres. The average price of land sold last year was \$15.15 per acre; therefore, at this price the value of the remaining portion of the original grant to the company is some \$114,426,000.

On recapitulation it will be seen the Canadian Pacific Railway Company has received from the people of Canada:

Completed railway to the value of	\$37,785,000
Cash subsidy	\$25,000,000
Land sales	\$84,011,000
Value of land now held (at present price)	\$114,426,000
Total gifts	\$266,772,000
To this amount may properly be added loans of	\$4,810,000
Making a total aid to the Canadian Pacific Railway of	\$300,582,000

Paid Themselves Huge Dividends

The total aid to the company, inclusive of recent land sales and loans, aggregates the enormous total of three hundred millions. This amount, while a fraction of it is partially accounted for in loans, does in fact represent an actual gift to the company of this huge sum.

Upon the formation of the Canadian Pacific Company and during process of construction of the road the company sold shares to the par value of \$60,000,000. . . . These shares were sold at so great a discount that from them only \$24,500,000 was realized. It was not, however, the intention of the shareholders to lose anything whatever the outcome of the venture might be. With this fixed purpose they proceeded to vote to themselves annual dividends of from 6 per cent. to 8 per cent. upon the par value of their holdings of stock. This constituted dividends of from 20 per cent. to 24 per cent. upon the amount which they had actually paid for their shares, and it will be interesting to the reader to know that these dividends were paid before the completion or operation of the road with funds which had been loaned to the company by the government. It was divulged upon completion of the road that the shareholders had received in dividends several millions in excess of their total investment. It was as Hon. Edward Blake observed in one of his speeches in the House of Commons, "simply putting money in with one hand and taking it out with the other."

High Finance

Therefore it will be perfectly clear to the reader, in view of the fact that the shareholders had nothing, whatever, invested in the enterprise that the loans which the government extended to the company have not been and never can be repaid out of the shareholders' pockets. These loans have been provided for out of the exorbitant freight rates which the company charges the people of Canada who ride on their trains or ship their produce to market. It is patent that the whole three hundred millions represent nothing but an actual gift to the company from the people of Canada.

But returning to the construction of the road we learn the actual cost of construction—according to figures supplied to the government upon completion of the main line—was some \$83,500,000, equipment, \$8,000,000; therefore, the aggregate cost of the line when ready to operate was \$91,500,000. This means the people paid for a road which was given to the company and in addition was presented to the shareholders with a princely domain, for the like of which many a war has in times past been waged.

The Land Donation

Another fact that you, my reader, may well ponder is that the end or limit of this gift is not yet in sight. We must still contribute millions. A land grant

Continued on Page 13