

everything is sailing along with a good breeze and things are on the up grade of production and building and immigration, the subdivisionist's pupils manage to get money enough to make payments. They still have the vision—of population and higher values. Then we come to a time when money is relatively scarce. People have spent all the money they can get their hands on. They want more—and more. The banks tighten up. People who have been bamboozled by the subdivisionist can't make payments. They are hit. And in the new town away out on the prairie you always find the greatest percentage of optimists. When money gets tight, the new town is the first to feel it, and feels it the worst—because of the over-confidence created by the subdivisionist.

"That's about where we are at present," he added. "But if the present stringency manages to put a curb on the land gambler we ought to be glad of it."

The telephone interrupted. But as Sir Donald is not fond of most telephone talks the interruption was brief.

"You ask me," he went on, lighting a fresh cigar, "why this country with enormous areas of natural resources and millions of industrious, intelligent people that want to develop them—should be confronted with tight money?"

"Well, history explains it. I don't know that the old story about the seven lean kine and the seven fat ones quite fits the case. Of course every progressive country has its periods of ups and downs, like prices and weather and fashions and plays and novel-reading and all sorts of popular movements. But Canada is in a class by itself; and the world never before saw anything like it."

HE leaned over the desk, and stopped talking a while. The fact that he doesn't talk a blue streak from start to finish is no sign that the interview is anywhere nearly over.

"Here's a way to put it," he said, suddenly, with one of those odd lightning-like movements of his forehead. "Canada started in to develop her resources in the twentieth century. That's trite. I don't mean that Canada owns this century. What I do mean is—"

He puffed voluminously.

"Other countries," he went on, "have developed gradually, state by state, almost mile by mile. Take the United States—the most instructive parallel we can get. That country slowly pushed out from the New England States, westward. I'll omit the South, which, before the Civil War, had its own peculiar economy. Take the North. How did it develop? Slowly, state after state the country pushed out; to the Ohio Valley and on to the Mississippi; across Illinois and Minnesota, then the Dakotas and Arizona and Nevada, the Oregon trail and California. It's not necessary to go into detail. But it is necessary to bear in mind that when Canada started in to develop her resources and to pump in the immigrants and to build railways—she opened up at one sweep a whole empire three thousand miles long. The whole cost of settling and rail-roading and townning this vast area had to be undertaken in less than a quarter of a man's lifetime. Where could the capital be got? Some of it from the East, of course, as in the case of the United States. Most of it—from abroad."

He spoke from experience. A great many millions of British capital are invested in C. N. R.

"Is it any wonder that in this country we sometimes come to a point—where we have everything else but money?" he asked.

"You simply have to pay the cost of progress—and it costs like the very mischief. The cheapest thing in the world is stagnation."

The intention was to insert a comment here about the magnitude of Canadian investments, with a rider—as to why some financiers, when so much money is needed in Canada, don't quit shoveling money into other countries.

But Sir Donald was on the track coming from an opposite direction—so I took a switch.

"What is your opinion of Canadian municipal securities—as investments?" he was asked.

Sir Donald has reasons for regarding municipal investments as a very natural outgrowth of investment in railway bonds. In fact he sees no reason for exaggerating one at the expense of the other, since both are necessary in development.

"I consider municipal securities just as good investment in this country as they ever were," he said. "I mean municipalities whose growth has been legitimate expansion. But there is one phase of civic development applying to money markets that needs emphasizing."

He paused again.

"Some Canadian municipalities are over-borrowed," he said. "And there's an economic reason."

"This is it," he went on. "This is why Canadian

municipalities are big borrowers, some of them right up to their own statutory limits."

The smoke came thick and fast.

"It's the enormous cost of civic utilities."

"But do cities pay more than—?"

"It's a fact that when a civic corporation undertakes an average job of construction the cost is often higher than it should be."

"In material—or wages?"

"Mainly wages. I don't mean rate of wages. I mean wages compared with what the wages are paid for—the work done."

Many a thousand men Sir Donald has handled on big contracts, and he ought to know.

"Every civic undertaking in the works department should be open to tender and carried out by contract on a sheer commercial basis," he said, heavily. "If that were so, we should be rid of the man who gets onto a city payroll because he has a vote in a ward, and the man who, when he gets on a job, does effectively about three hours' work a day for nine hours' pay. That isn't guess-work, either. I've seen it."

A FEW of Sir William Mackenzie's street-cars went rumbling by, and for a moment it was difficult to catch just what Sir Donald was saying. He was talking about national economics again, with his customary optimism; back to the familiar epic of population and wheat and land, railways and factories—concerning which in the big aggregate he knows perhaps more in a practical way than any other man in Canada.

He adverted to the problem of settlement; what population is worth to a country based upon what it's worth to a railway.

"Every year, in this country," he said, "we bring in nearly half a million of people. Most of them have nothing when they come except land-hunger and hope. Those that come from the United States direct have some money. But for all practical purposes we every year are imposing on our national machinery a peak load of new population."

"Too much pumping in immigrants?"

"No! I don't mean that. I mean that for at least a year, and in most cases two years, we add to our population about half a million people whose main business at first is—to buy. In the case of those who go on the land—and most of them do—their first concern is to buy ploughs, horses, cattle, seed grain, household utensils, waggons, machinery—everything. While they are breaking the land and building homes they have nothing to sell. They are consumers who for a while produce nothing."

"But very good for our home market?"

"Precisely. And to the same extent diminishing our export trade. Every little while you read in the newspapers about the comparative decline of our exports and the increase of our import trade. Why? Because we produce less? No—but because our new populations consume more. Until we get the aggregate of producers in this country in a larger ratio to the consuming population, we can't look for any increase in our total export trade."

"But when we do—"

"No country in the world will have such an export

trade based on population. Because we have everything in the world to make it."

He referred not merely to land products; but with great enthusiasm to manufacturing. He had no time to go into the whole problem of Canadian manufactures, but simply to sketch the outlines of natural conditions. He had no disposition to grumble because central Canada is without coal.

"Why, we have coal on both seaboard," he said. "In Quebec and Ontario and some parts of the west we have the greatest dynamic aggregation of water-power in the world. This is—a great power country!"

"And with plenty of raw material—"

"Yes, even if we had to water-carry raw material to the areas of cheap power we could afford to do it. Power is one great item of cost. The power-cost of manufacturing in this country should be low. Our water-powers should be more rapidly developed. We can't exhaust them by using them. But we are losing wealth every year we let them lie idle. Governments should encourage capital to develop water-powers. I know a good deal is said about the control of rates. But if there is development enough competition will take care of that. What we need, if we are to increase the productive power of our people as fast as we should, is development. In any case a royalty per horsepower could easily be imposed by the government for revenue."

From that he went back to the day when, in 1879, he first saw Winnipeg; when west of the great lakes there wasn't a steel rail or a modern town or any real farming. He said nothing about the Saskatchewan valley, which he was one of the first to exploit for settlement. But he swiftly compared conditions in 1879 with those of 1913.

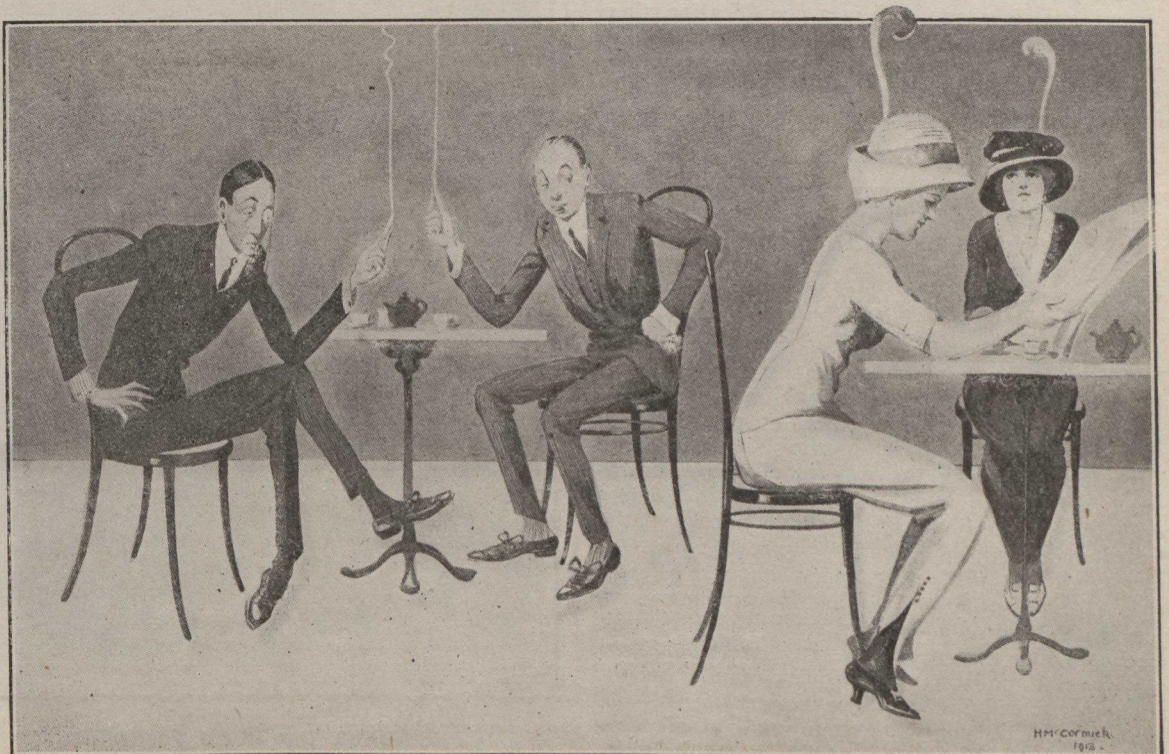
"In one generation," he wound up, "we have the best part of two millions of people in the west all served by a gridiron of railways; and such a record of railway-building as never was known in the world before. No, I don't know how many thousands of these people are construction hands either past or present. Yes, I know that it's always a problem how to get men away from the towns to go to the camps. It was always that way. It's so now more than ever, because the towns are bigger. A big town is a lodestone and always will be. I know that in my time construction hands went on the land or into business. They even got into town councils and school boards."

"But the kind of men you get now—?"

"Can't say so much about them. We have to import a large number of foreigners to get the railways built. I see no reason, however, why the land or the town shouldn't make real producers of most of them. Production is the great thing. The nation that produces most under average human conditions of social progress is the happiest and the best off."

"No," he concluded, "you can't blame people for wanting to get away from some parts of the country to the town. Up to the present a great many parts of the west were lonesome places to live. That is being gradually overcome. And the greater number of thrifty small towns and good settlements we get the less people will hanker to get to the city."

"TEA THINGS"



A Bit of Satire from the London "Bystander."

—Drawn by H. McCormick.