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The Outlook For Canada

A Speech delivered by
Sir John Willison
before the
Canadian Club of Halifax
April 30, 1920

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THE OUTLOOK FOR CANADA

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What is the immediate situation in Canada? Before the war the annual expenditure was between \$170,000,000 and \$175,000,000. In the future we shall require to raise annually between \$350,000,000 and \$400,000,000. The main estimates for this year, exclusive of the allowances for demobilization, total \$500,000,000. Supplementary estimates will increase the amount. The revenue is estimated at \$365,000,000. The deficit on the national railways is \$47,000,000 and if one may predict, without suggesting an attack upon railway nationalization, for many reasons explain the decision of the Government to acquire and operate a great railway system, the annual deficits upon the national railways for some years to come will run from \$30,000,000 to \$50,000,000. And these deficits must be provided by taxation or by higher freight and passenger charges. Before the war the public debt was \$336,000,000. It is now over \$2,000,000,000. In 1914 the debt per capita was \$43.49. It is now more than \$220. By the fall in exchange the value of Canadian purchases in the United States is increased by between \$75,000,000 and \$100,000,000. Besides the direct discount on the dollar the higher charges for transportation on American railways and the retailer's profit are added in Canada. Prices are also increased of many products for which there is a keen export demand and upon which the dealer in this country profits by the difference in value between the American and the Canadian dollar. These are the obligations which lie upon nine million people, which cannot be

evaded and which can be carried only by economy, by industry and by production. The load is heavy but it is not beyond our strength if we are wise and prudent and confident, if we have faith and vision and if the resources of Canada are conserved and developed primarily in the interest of the Canadian people.

OPTIMISTIC FOR CANADA

At Ottawa a few weeks ago a political economist declared that Canada was bankrupt. The other day a professor from Montreal in an address at Toronto suggested that we had exhausted our natural resources. But that is not the temper of Montreal or Ottawa nor is that the conviction of Canada. Just as a reporter has a "nose for news" so an economist has a nose for bankruptcy. Over and over again the economists have ruined Great Britain. They declared the United States insolvent after the Civil War. They had France in bankruptcy after the War of 1870. They were in general agreement a few years ago that owing to the commercial and financial inter-relation and inter-dependence of modern nations, a war of twelve or even of six months between two great countries was inconceivable and impossible. So one recalls a sentence from the Book: "If the thing follow not nor come to pass the prophet hath spoken it presumptuously; thou shalt not be afraid of him." An economist, like a public man out of office, is a natural, incurable pessimist. You never knew a politician when his

party was in opposition who was not a pessimist nor was there ever a politician with his party in office who was not an optimist. Like Sir Thomas White the war has made me an optimist for Canada and optimism is stimulated by any comprehensive survey of the achievements and resources of the country.

UNTAPPED RESOURCES

If the national debt is \$200 per head the national wealth is estimated at \$2,000 per head. It is idle to say that our resources are exhausted. The truth is that they are undiscovered. In 1918 the value of minerals produced in Canada was \$211,301,897 and for 1919 the estimate is \$167,000,000. At Porcupine last year \$7,000,000 of gold was extracted and the reserves are said to contain over \$41,000,000. The Klondike produced gold to the value of \$175,000,000. The total production of silver at Cobalt is put at \$181,570,561. The mines at Sudbury have yielded metals to the value of \$200,000,000 and in 1918 the production was \$37,000,000. Coal was produced in Canada in 1918 to the value of \$55,129,896. It is pointed out by Dr. Coleman of the Geological Department of the University of Toronto, and there is no higher or more conservative authority, that the well explored areas of Canada form only a fringe along the St. Lawrence and the southern boundary of the country and that we have only begun to develop the mineral wealth of a territory covering more than 3,000,000 square miles. "The last 25 years," he says, "have seen the discovery of the Yukon placers, the Cobalt silver and the Porcupine gold region, the operation of the Creighton nickel mine, much the greatest in the world, and the opening up of the great coalfields of Alberta." He adds: "It is natural to expect that the next quarter of a century, with a rapidly growing population and so

wide a stretch of almost virgin territory, will see equally important discoveries; and there is no evident reason why Canada should not in time rival its great neighbor, the United States, as a mining country."

MANUFACTURE AT HOME

It is my contention, the very root of my conception of sound national policy, that subject to public contracts into which we may have entered and respect for the obligations of international good neighborhood, the raw materials of Canada should be carried to the last processes of manufacture within the national boundaries. Who in Ontario but regrets that we did not require the product of the Sudbury mines to be refined in Canada? Who would now have the timber of Northern Ontario manufactured in Michigan? Who would now agree to unrestricted export of pulpwood? In 1908, 64 per cent. of Canadian pulpwood was exported and 36 per cent. manufactured in Canada. In 1917 over 70 per cent. was manufactured in the Dominion and only 30 per cent. exported. Ten years ago 9,000 persons were employed in the Canadian pulp and paper industry. Now 25,000 persons are employed and the annual wage bill is over \$20,000,000. The exports from this industry alone in the last fiscal year were valued at \$100,000,000. Ninety per cent. of the newsprint manufactured in Canada is exported. One-third of all the newsprint used in the United States is of Canadian manufacture. And whatever may be the report of the Committee which Congress has appointed to consider Canadian restrictions upon export, it is inconceivable that the United States will challenge the right of the Canadian Provinces to handle their own resources as they may determine just as it would be inconceivable that Canada would demand any share of control in property belonging to a State of the Union.

For remember there is no restriction upon export of paper but only provision for manufacture in Canada. One would hesitate to sanction any policy conceived in deliberate hostility to the United States, for despite occasional ebullitions of Chauvinism upon one side of the border or the other the Americans are good neighbors, and there lies upon us as a Dominion of the British Empire a clear obligation to maintain good relations with the United States and if possible improve the relations between the Republic and Great Britain. It is solemnly true in the sphere of international relations that: "He that is slow to anger is better than the mighty and he that ruleth his spirit than he that taketh a city." And however perplexing and disturbing at the moment may be the behavior of Congress, the utterances of a portion of the American press and the temper of sections of the American people one feels the gods have ordained that sooner or later the United States and the British Empire in complete sympathy, if not in actual alliance, will hold fretful realms in awe, command the nations to peace, and make and keep the world "safe for democracy." That phrase, melodramatic and evangelical perhaps but great in its significance, was coined at Washington and one must believe that Washington will redeem its own coinage.

CONTROL RAW MATERIALS

At any rate Canada must control its own raw materials and develop its resources as sound national policy may require but not in enmity to any other country nor in violation of any international contract. From 80 to 85 per cent. of the total production of asbestos is mined in the Eastern Townships of Quebec. The total consumption of asbestos in 1918 was 155,000 tons and of this total 142,000 tons were supplied by Canada. In 1914, a year of small

production, \$3,500,000 was paid for the raw Canadian product. In 1918 the amount was nearly \$11,000,000. The value of the manufactured product in 1914 was over \$70,000,000. Why should we not manufacture a greater proportion of the fibre in Canada, employing labor, expanding industrial communities, and increasing the public revenues? It is established that in Saskatchewan there is clay for earthenware which would afford the raw material for pottery industries. Indeed according to one of the Provincial ministers a company is now producing "first class articles of clay manufacture." A discovery of white clay near James Bay is reported, which with large deposits of feldspar and other minerals make it possible for Ontario to manufacture optical glass, fine chinias and ornamental glassware. But we should have greater knowledge of the quality of these clays and that we can only acquire by scientific investigation and research. There is no doubt that the return from the fisheries could be enormously increased. The Council for Scientific and Industrial Research estimates the loss in solids, comprising chiefly fat and proteins, in the 300,000 tons of waste that is thrown away annually, at \$10,000,000 and in oil at \$2,000,000. These discoveries alone increase the value of the fisheries by 25 per cent. The Council is engaged in experiments to determine the commercial feasibility of utilizing as fuel the lignite deposits of the Prairie Provinces. If these experiments are successful, as they promise to be, not only will industrial development follow but an annual saving of \$18,000,000 involving, at the present value of the dollar, a loss on exchange of \$1,750,000 will be effected through the substitution of lignite for coal now imported into Western Canada. There are 57,000,000 tons of lignites in Saskatchewan and even a greater quantity of the better grade of this fuel in

Alberta. Eventually, too, utilization of valuable by-products will provide raw materials for native industries, and in these Provinces not so well supplied with water powers as the other Provinces of the Dominion the vast stores of energy locked up in these lignites will be made available for industrial and agricultural purposes.

WESTERN COAL RESOURCES

One cannot believe that the West with a coal production now greater than that of the Atlantic Provinces will continue to import coal from Pennsylvania. Alberta alone has 16 per cent. of the world's total coal supply. Industries in Winnipeg have discovered that coal from Alberta is a satisfactory substitute for the imported product. It is certain that Western coal will also be utilized for domestic purposes. In Ontario we have changed from wood to coal and no such revolution is required to make the West independent of outside sources of supply. Nor is it unlikely that the Atlantic Provinces will send coal into Central and Western Ontario. For years the price of coal from the United States has been steadily rising. There is a prospect of further increases. There is even danger that in the future the American supply may become inadequate and precarious. Thus far we have escaped a serious situation only by wise and wide distribution of Niagara energy. We have, too, a great safeguard for the future in the water powers of the St. Lawrence. But coal will still be necessary and it may become economically profitable to carry coal from the Atlantic Provinces into the industrial centres of Ontario, and conceivably this may become a commercial and economic necessity.

NEW SOURCES OF WEALTH

Experiments in wheat breeding produced Marquis wheat, the staple

wheat of the West, and now the Research Council is trying to discover a variety of wheat which will ripen early, be wholly rust-resistant, and have good milling and baking qualities. A new process of making binder twine out of the flax straw of Saskatchewan has been discovered from which it is believed a great industry will develop and a substantial monetary saving to Western farmers be effected. The Research Council is seeking to discover a method of utilizing the thousands of tons of waste straw which from year to year are burned in the Prairie Provinces. The fact that we import iron and steel to the value of \$154,000,000 should stimulate exploration and research in Canada. Ores which had practically no commercial value 20 years ago are now in high demand. It cannot be doubted that we will develop mines in Canada or methods of treatment which will in degree lessen our dependence upon foreign supplies. The Natural Resources Branch of the Department of the Interior has just issued a memorandum on the subject of molybdenum. This steel is claimed to be the lightest and strongest that has yet been produced. It is said that there are over one hundred known sources of molybdenum in the Dominion, some of which have proved very productive. One mine in 1916-17 produced more than any other individual mine in the world. In 1918 the total production in Canada was 189,000 tons, which was one-third of the world's production. And it is stated that Canada is in the most favorable position in the Empire to supply this metal. In remote Northern Manitoba, beyond the Saskatchewan and north of the inland seas of the Province, in 1919 copper and gold ores, "though the surface has hardly been scratched," were produced to the value of \$694,633, timber was cut to the value of \$583,300, the lakes yielded fish to the value of \$163,000 and furs

were taken to the value of \$1,867,000. One particular property in this territory is said to contain 20,000,000 tons of copper ore valued at \$180,000,000.

PRODUCE AND BUY AT HOME

From the United States we import wool to the value of \$46,000,000, meat to the value of \$20,000,000, hides to the value of \$18,000,000, chemicals to the value of \$15,000,000 and breadstuffs to the value of \$19,000,000. But all these could be produced in Canada where the dollar is worth a hundred cents to the common advantage of all classes and to the relief of taxpayers whose burdens have become very heavy. Hon. C. A. Dunning, Minister of Agriculture for Saskatchewan, told the Legislature a few weeks ago of the discovery of a bed of sodium sulphite in the Province which it is estimated by engineers contains 6,000,000 tons. "It is," he says, "96.36 per cent. pure, probably the highest in purity in the world." Sodium sulphite is used with wood pulp in the manufacture of paper and Mr. Dunning reports that every pulp mill in the country is writing for information and that some mills have placed orders. But this is the significant statement in Mr. Dunning's report: "The Government views that deposit from the standpoint of the industrial development of the Province, not from the point of view of shipping it out of the Province but from the point of view of establishing the industry in the Province itself." He adds that those interested will be invited to establish an industry in Saskatchewan to develop this particular natural resource. The minister also makes the practical suggestion that owing to the increasing cost of lumber the clay deposits of the Province should be investigated in order that brick may be substituted for wooden buildings. In 1919 the 80,000 acres around Lethbridge in Southern

Alberta now watered by irrigation produced an average yield of \$55 an acre. The gross value of the crop from this area was \$4,498,542. Two million five hundred thousand acres were under crop in the Lethbridge railway division and had that whole area had irrigation or an adequate rainfall the total return would have been \$150,000,000. But during last year between 1,200 and 1,500 carloads of hay were carried from east of Montreal to Alberta to save the stock of the farmers from starvation. One large area on the banks of the Saskatchewan River last year yielded 9,000 tons of hay which was shipped to farmers in Alberta and a district of Saskatchewan where the hay crop failed. What greater public service could the Dominion and Provincial Governments in association with private capital render than to extend irrigation in Southern Alberta?

"WAKE UP, CANADIANS"

In face of all this, and the story could be greatly elaborated in detail and emphasized in national significance, who suggests that the natural resources of Canada are exhausted or that the country is bankrupt? But these resources should be conserved for Canada and manufacture carried to the last processes in Canadian factories. At the Industrial Conference at Calgary last summer Capt. Robert Dollar of the Dollar Steamship Company said: "My ships are continually plying in and out of Vancouver, but only one-tenth of what they bring in stays in Canada. The balance goes to Seattle and Chicago and Detroit and later finds its way back across the line to Canada in the form of manufactured goods. Wake up, you Canadians. You should be ready to take that raw material and turn it into the finished product for your own use, instead of paying all those profits to your competitors across the line." Those who have

ears to hear let them hear, for surely there is no other national policy for the Canadian people whatever may be the fiscal faith which they have inherited or the economic creed which they profess. It would be a blessing of the gods for Canada if we could forget that we have ever had a tariff controversy and if we could approach the questions which are vital to national unity, national expansion and national prosperity without the fettering and narrowing incubus of old racial quarrels and party animosities. Through war, as has been said, the debt upon the estate has been increased from \$336,000,000 to \$2,000,000,000 and if we are to reduce the obligation we must maintain and expand the industrial fabric and conserve and develop the natural resources.

INCIDENCE OF TAXATION

During the four years of war the half of our population which is not engaged in agriculture carried \$83,379,099 of the war taxation while the half engaged in agriculture carried \$389,011—or only one-half of one per cent. In this comparison I am not making any covert attack upon farmers but only emphasizing the heavy contribution of finance and industry and suggesting the heavier burden which must fall upon agriculture and industrial workers if these special sources of taxation should be restricted or destroyed. And we must remember that domestic manufacture of raw materials increases wealth, employs labor and creates new communities and markets. Moreover we get only one-tenth of the value of natural resources if they are exported for manufacture in other countries. I think sometimes that in the immediate situation in Canada there are greater considerations than representation in the Assembly of Nations, or an Imperial Conference in London, or a diplomatic agent at Washington, or even the evil effects of titles upon

our sensitive democracy. For the time let us turn our eyes to our own things and set our hands to our own tasks. If we protect and develop the estate we shall have a bountiful return and the future will be secure.

WAYS TO PROSPERITY

It is universally admitted that there is now a great scarcity of raw materials. The nation, therefore, which best guards its raw materials will make the greatest advances in production and prosperity in the years ahead. It is legitimate that we should import factories rather than export raw materials, and desirable that we should have immigration into Canada rather than emigration out of Canada. Industrial capital from abroad brings skilled workmen and skilled workmen and farmers are the best classes that we can have in the country. What is the alternative to conservation of our natural resources and manufacture of raw materials to the last processes in Canada? We are situated as is no other country in the world. We lie alongside a nation of a hundred millions of people who speak the same language and have substantially the same traditions, customs and institutions. In Europe movement of population from one country to another is obstructed by differences of language, of customs and of social conditions. But in North America men cross naturally from Canada to the United States and, save that they change their citizenship and their political relation, find the new surroundings very like the old. Clearly, therefore, we must either manufacture the raw materials of Canada within the country, thus employing labor, rearing new communities, providing local markets for merchants and producers, strengthening the national structure, making the back of Canada strong to bear its accumulating burden, or the sons of Canada will follow these raw

materials out of the country, establish themselves in American industrial centres, and more and more, from year to year, the national burden will become heavier and the issue of the great political experiment in which we are engaged become more difficult and uncertain. Every sound economic and national reason, therefore, demands that the raw materials of Canada should be manufactured in Canada and the Canadian people protected in the possession and control of their natural inheritance.

WORK OR DIE

The war has left us with a legacy of phrases which are embarrassing to practical statesmen. It is not so easy to make the world "safe for democracy" or to apply the Sermon on the Mount in social, industrial and political practice. There has been no regeneration of human nature nor any general infusion of divinity in human institutions. Still he that laboureth, laboureth for himself, still a slothful man hath his hand in his bosom and will not so much as bring it to his mouth again and still the sluggard who will not plow by reason of the cold will beg in harvest and have nothing. In a new verse, Kipling says:—

"In the Carboniferous Epoch we were promised abundance for all, By robbing selected Peter to pay for collective Paul;

And, though we had plenty of money, there was nothing our money would buy.

And the Gods of the Copybook Maxims said:—"If you don't work you die."

We are not going to have a new world on new foundations. We have been laying the foundations of this civilization for a thousand years and one is not persuaded that this generation is wiser than all the generations that have gone before. There is great confusion of voices but one doubts if in the multiplicity of counsellors there is wisdom.

HONEST BUSINESS

Bernard Shaw declares that just now all the other planets are using this for a lunatic asylum. There are, perhaps, those who may think that this explains his presence among us. But even the Board of Commerce admits that "business is, in the main, sound and honest" and that "despite high prices undoubtedly prevailing profiteering so called, that is the taking of unjust profits, is not, in the Board's opinion, as common as may have been charged or claimed." But how seldom are these sentences quoted and how seldom are the real causes of high prices explained. Wages in many industries have been nearly doubled and wages represent 70 per cent. of the cost of production. The prices of all food products have increased tremendously not through "profiteering" among farmers but through a world scarcity which was the inevitable result of the great war, the withdrawal of millions of men from productive pursuits, disorganization of transportation, social and political revolution and the reaction from the long agony in Europe.

In Great Britain, according to a Government Commission which has investigated the cost of living and the increasing wages among workers, the average advance in retail prices was 125 per cent. and in wages from 120 to 130 per cent. In France the average advance in cost of living was from 84 to 100 per cent. and in wages 90 per cent. In the United States food prices have increased 88 per cent. and wages for men 90 per cent. and for women 70 per cent. In Italy there has been an average increase in the cost of living of 240 per cent. and in wages of 183 per cent. In Germany food prices have increased by 300 per cent. and wages from 200 to 250 per cent. In Canada according to the Department of Labor cost of living has increased between 60 and 80 per cent. but no official statement of the

average increase in wages is available. There are groups of workers in Canada who have had advances which more than offset the increase in the cost of living. But there are also multitudes of workers who have not received increases equal to the advance in the cost of living and who are comparatively poorer than they were five or six years ago. In 1914, however, the wages and salaries of railway employees totalled \$111,762,972 and in 1918 \$152,274,953. For 1919, the first full year of the McAdoo increases, it is estimated that there was a further advance of 25 or 30 per cent. or an average increase of wages and salaries to Canadian railway employees, excluding general officers, of 73.4 per cent. This represents \$35,838,000 annually to the Canadian Pacific and according to Dr. Reid, Minister of Railways, in 1914 the average yearly wage of railway employees in Canada was \$700 and in 1919 \$1,447.

HEAVY STRIKE LOSSES

Added to great and general wage increases are the heavy losses from industrial conflict. The losses to labor in Canada by strikes during 1919 aggregated at least \$9,000,000 or \$10,000,000 and to employers a far greater amount. In the United States the loss to labor through industrial conflict in 1919 is put at \$723,478,000 and to capital at \$1,266,357,000. The loss in production of coal is estimated at 40,000,000 tons and of steel at \$300,000,000. In Great Britain 34,000,000 working days were lost by strikes and the hours of work were reduced by 6½ hours a week for over 6,000,000 workers. The cotton strike and the moulders' strike in the last three months of 1919 cost the General Federation of British Trade Unions \$750,000, and Mr. Appleton, General Secretary of the Federation declares: "The saddest thing about this expenditure is its failure to

secure anything beyond what might have been secured without the strikes." According to Governor Allen of Kansas during the past three years there have been 364 strikes in the mining fields of Kansas by which the miners gained \$778.81 in actual monetary advantage at a cost of over \$2,000,000 in loss of wages while during 1919 the miners provided \$157,000 in dues and benefits to meet the expenses of their leaders. It is not suggested that wage increases were excessive or that there was no justification for the destructive contests in which so many workers have engaged. In many cases no doubt there was justification. In some there was not. But it is not intended to pronounce or even to suggest judgment one way or the other. It is enough to argue from the facts that food scarcity, decreased production and higher wages must raise prices of much that we eat and wear, and must involve higher charges for housing, transportation and all other necessary services.

INCREASES IN FARM VALUES

Between 1914 and 1919 farm lands with dwellings and buildings increased in value per acre from \$38 to \$52. The total value of live stock has increased from \$1,102,261,000 in 1914 to \$1,296,602,000 in 1920. The field crops in 1913 were valued at \$552,771,500 and in 1917 at \$1,144,636,450. Between 1913 and 1918 the price of wheat per bushel rose from 67 cents to \$2.02, of oats from 32 cents to 78 cents, of barley from 42 cents to \$1, of rye from 66 cents to \$1.42, of buckwheat from 64 cents to \$1.58, and of mixed grains from 55 cents to \$1.14. The wholesale prices of hay, per ton, increased from \$14.04 to \$26.50; of bran, per ton, from \$19.96 to \$45.00; of cattle, Western butchers', per cwt., at Winnipeg from \$6.77 to \$10.25; of beef, dressed, hindquarters, per cwt., at Toronto from \$12.80 to

\$25.00; of hogs, per cwt., at Toronto from \$9.08 to \$18.50; of creamery butter per lb. from 27 cents to 64 cents; of milk per 8 gals. from \$1.47 to \$3.10; of fresh eggs, per dozen, from 35 cents to 90 cents; of potatoes in Ontario per bag from 87 cents to \$2.95. These prices are quoted for no other object than to show the increase in the cost of living. War and scarcity explain the advances. Nothing could be more unjust than to suggest that the farmers have exploited consumers or contrived to benefit themselves by any improper or illegal method. We must remember also that the war has laid heavy burdens upon farmers as upon all other classes.

CAUSES OF DISCONTENT

There is "profiteering" and no judgment too severe can be pronounced upon manufacturers, landlords or traders who traffic deliberately in the necessities of the people, but we should remember the judgment of the Board of Commerce that, "business is, in the main, sound and honest," and that the causes of our "Present Discontents" are largely natural and inevitable. Farmers, manufacturers, traders and capitalists may offer against many of the attacks to which they are subjected the defence of the darky who was reprimanded by his master: "Marse Andrew, I has enuff to answer fer wid the scusations what is jest, widout having to be 'sponsible for dem what ain't so." If the actual facts of the situation in which we find ourselves are understood and admitted there will be less angry denunciation by press and platform and a soberer and sounder temper in the country. I do not say that machinery for the regulation of prices should never be established. I do not deny that in isolated cases such machinery may be a necessary protection for the public. But I do say that the general, ultimate result of such legislation is to restrict

production, to discourage investment, to reduce wages, to increase prices, and to punish efficiency.

TAXES AND THE TARIFF

Nor do I believe that we shall discover new sources of taxation from which any considerable amounts can be derived. The income and excess profits taxes of Canada are equal to those imposed in the United States and substantially on a level with those levied in Australia and New Zealand. Besides in New Zealand direct taxes are laid upon farmers which in Canada would give an annual yield of \$50,000,000. From year to year the Provincial Governments assume new obligations and if they are to avoid very heavy direct taxation all the sources of revenue cannot be seized by the Federal Government. No tariff could be tolerated which would merely constitute a shelter for industrial inefficiency nor is there any justification for manufacturers who regardless of cost of production, seize all the advantages which the tariff may afford. It is not true that the bulk of Canadian employers deliberately exploit labor or the general community and there has been far too grudging recognition of the courage, resource and efficiency displayed by Canadian industries and Canadian labor in the manufacture of munitions, in the provision of other necessary war supplies, in organizing for export and in energetic attention to the needs of domestic consumers during the industrial dislocation of Great Britain and Europe.

FAIR PLAY FOR CAPITAL

There is no doubt that we must continue to impose Federal income taxes and possibly also levy special taxation upon industry. But to excess profits taxes as now levied there are formidable objections. President Wilson has never been regard-

ed as a champion of the industrial interests of the United States and yet he said in his last annual message to Congress: "There is a point at which in peace times high rates of income and profits taxes destroy energy, remove the incentive to new enterprises, encourage extravagant expenditures, and produce industrial stagnation with consequent unemployment and other attendant evils."

Mr. William B. Colver, of the United States Federal Trade Commission, who is denounced by Dr. Nicholas Murray Butler of Columbia University for "unwarranted persecution of industrial enterprise," describes the excess profits tax as the cornerstone on which the structure of the high cost of living has been erected. He declares that it is a bonus for inflated capitalization and a penalty on conservative capitalization, bears inequitably upon different concerns of the same size and profitableness, is difficult and cumbersome to collect and supports the unhealthy price structure "which is a burden alike upon every citizen, whether he be consumer, merchandiser, producer, or taxpayer." Mr. Glass, Secretary of the United States Treasury, believes the tax is a material factor in the increased cost of living and insists that it "encourages wasteful expenditure, puts a premium on over-capitalization and a penalty on brains, energy, and enterprise, discourages new ventures and confirms old ventures in their monopolies." Sir William Peat, Chairman of the British Agricultural Commission, argues that traders put up their prices in order to meet the excess profits taxes and that prices of commodities would not have gone to such heights if these taxes had not been imposed. It is no secret that Sir Thomas White has doubted the wisdom and the equity of this form of taxation. It is true that excess profits taxation has been retained and even increased in Great Britain where the industries command

masses of capital which are not available in Canada. But there are acute differences of opinion over the wisdom of the Government's action. It has been established that industries with great reserves can bear heavy taxation of profits, can even benefit under such circumstances at the expense of poorer rivals, and through their power to control prices can exact compensation from the public. But there are few such industries in this country and no such reserves of capital as British and American industries possess. For a time, however, we may have to submit to such taxation even in Canada unless Parliament can discover some better method of raising the great revenues immediately required to meet the country's tremendous obligations. But we need to remember that Capital will strike as Labor will strike if the return for its services is inadequate, and nothing is more certain than that to levy higher income or profits taxes in Canada than are maintained in the United States would be equivalent to an attempt at national suicide.

MILLIONS WASTED

It is vain to hope that public expenditures will be materially reduced. In Canada we have not learned, nor do the people seem willing to learn, the elementary lessons of economy in government. It is my conviction, speaking with some knowledge of conditions, that we could reduce the cost of the civil service by \$1,000,000 monthly without impairing its efficiency and without detriment to the public interest. By practical, courageous reorganization the annual cost of the Federal Department of Printing has been reduced by over \$500,000 for labor alone and it is estimated that a further reduction of \$200,000 will be effected. In the last twenty-five years we have wasted at least \$1,000,000,000 in the public services of Canada and often Governments

could not have survived if they had resisted the projects or reduced the appropriations which were the channels for this tremendous waste of the public taxes.

LABOR AND CAPITAL

The Union of Indianapolis, which describes itself as the oldest Union newspaper in the United States, said a few weeks ago: "Capital vitalizes us—that is most important. Left to our own resources we would have as bad working conditions to-day as our ancestors did when modern industry was a-borning. Left to itself, capital would have a multiplicity of petty masters, and no capacity to serve labor. Labor to-day commands a great price in that service that has to do with manual skill or brawn; it takes a larger share of its ultimate value than ever before; it works under beneficent conditions generally. It has broadly the goodwill of the employer who is much concerned about the health and social and economic welfare of his employees, because he has a fine concept of human rights."

If that be true of employers in the United States I believe it is even truer of employers in Canada. No doubt there still are employers in this country who challenge what we have come to describe as "the human rights of labor," deny in act if not in word the right of labor to bargain for wages and hours of work, and display the spirit of an industrial autocracy, but they are not numerous and they are censured by their own order as freely as they are condemned by those whom they employ. But shorter hours and increasing wages require high efficiency in labor and in factory organization if production is to be maintained, and one regrets that the official leaders of labor so seldom appeal for efficiency among workers and so seldom emphasize the necessity for high production in order that wages may not be reduced nor prices to the

public increased. Capital only represents wealth engaged in service or available for service and there could be no greater mistake than to assume that there is a great reserve of idle capital out of which wages may be increased and new levies of taxation met without greater production. As has been said: "There is only one way to prosperity and that is by increased production which we shall never get in sufficient measure until capitalists have confidence in the continuance of satisfactory conditions and the workers see that their future prosperity depends, not upon their power to hold up the community to ransom, but on their active co-operation in the creation of wealth."

OUR RESPONSIBILITIES

What we need in Canada, as in all other countries, is goodwill and sanity and industry and co-operation between classes, and the sense of equity and decent confidence in one another. Revolution in Russia began with conscription of wealth, land and factories and ended with conscription of labor. And the intervening stages are disfigured by violence, murder, anarchy, starvation and ruin. Many voices, angry and menacing, demand "free speech" and admittedly freedom of discussion is of the genius of British institutions. For my part I would concede complete freedom of debate so long as men confine themselves to constitutional agitation, but those who attempt to achieve their objects by intimidation, violence and revolution I would repress with all the authority which the State can command. And where democracy fails to maintain law and order just as where it fails to express the free judgment of the people it is a sham and a failure.

Let us forget our old quarrels and prejudices and set aside old theories which have no practical relation to the new situation in Canada. One

hopes that the "bloody shirt" will not become the emblem of any party in this country as it was of one of the American parties for long years after the fall of Richmond. Let us put behind us any differences which the war produced and go on together in mutual trust and mutual confidence. We have too many people who have come to this country with a disposition to impose their grievances upon us and to make us responsible for evil conditions elsewhere. They would punish Canada for the sins of other lands. They abuse Canadian freedom and endanger Canadian institutions. Against all such elements we must oppose a resolute and uncompromising Canadian spirit. We want a new birth of devotion to Canada. I am not thinking that we have no patriots save those who speak the English language. I am thinking of all those who were born on this soil and by right of birth are citizens of this country. I am thinking, too, of thousands born elsewhere who are devoted Canadian patriots. With these lie the honor, the dignity, and the prosperity of Canada, and we must unite against disturbers and trouble makers and grievance mongers, come they from where they may and whether they represent few votes or many, whether they are politically insignificant or politically formidable.

POPULATION NEEDED

Again immigrants in thousands begin to come to Canada, and we need a far more numerous popula-

tion in order to lessen the heavy burden of taxation we have to carry. But we must insist upon a more rigid selection of immigrants and we can afford to display a deeper human interest in those who neither understand our language nor our institutions. In future we should not throw these people upon our shores as we throw merchandise out of the hold of a ship. The United States Congress is appropriating \$5,000,000 to "Americanize" the foreign elements in that country. One quarter of the soldiers in the American Expeditionary Army could neither write a letter home nor read an army order. Dr. Thornton, Minister of Education for Manitoba, states that according to the census one out of every ten adult males in Canada is illiterate and that for every illiterate there is at least one near illiterate. In Ontario we have 150,000 illiterates. According to Rev. C. E. Manning, General Secretary of the Foreign Department of the Methodist Church, out of 138,787 persons of voting age in Saskatchewan 60 per cent. were foreign born and illiterate. As Dr. Thornton says "The perils of illiteracy and demagoguery are no less real because imperfectly understood" for "an enduring democracy is based upon the intelligence of the governed." If we are wise we will open the ports only to those from other lands who will accept all the duties and obligations of Canadian citizenship, but we will not neglect those whom we do admit, nor forget that an uneducated electorate threatens the very foundations of free institutions.

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