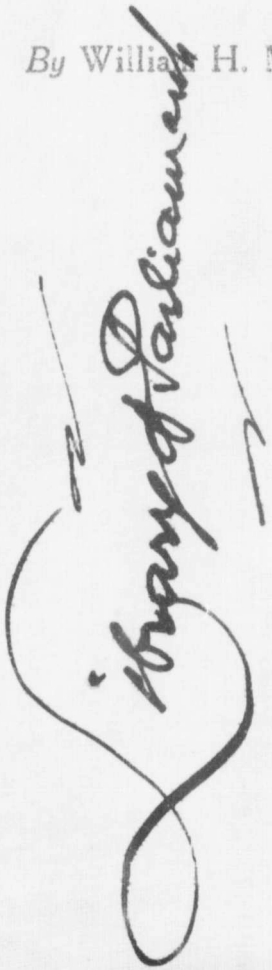
Railway Nationalisation *and the* Average Citizen

By William H. Moore



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INTRODUCTION.

A country extending from the Atlantic to the Pacific across the widest part of the North American Continent, must needs have a railway problem.

But at present we Canadians are more than usually troubled about our railway affairs; although only a few years ago we believed the solution of all our transportation difficulties lay in the palms of our hands. At that time most Members of Parliament, Members of the Legislatures,—and, yes, the Average Citizen—thought the country's best interest lay in state-assistance, for the extension of tracks throughout the land. If anyone feels inclined to question this statement, let him examine the voting registers of Parliament and Assemblies, and delve into the records of the polling booths, when at general elections railway assistance was the supreme issue.

If we were right in our confidence then, we are wrong in our despair now. But we may have been wrong then. There are men that say we were wrong, very wrong, many of them

doctors of journalism, that once upon a time, not long ago, cried aloud the slogan of development through transportation, and now lay a charge of intoxication against those who listened to their call. "A debauch in railway construction," they charge. In these days of prohibition, men resent being accused of intoxication, even if the cause be non-alcoholic.

If the Average Citizen would investigate the railway situation, he must needs depend upon the press for information. The question is of vast importance, but it is economic; and Canada has no economic literature. Perhaps that is putting it a little too strongly, but the few books written on economic subjects can scarcely be said to constitute a literature; and, as far as I know, not one has been written on the present railway question.

In England and in the United States there are scores of books on the various phases of the railway situation, written by men that seek only to supply facts for the public; but the Average Citizen of Canada is compelled to make up his mind as to what is best to be done with this highly-complicated and most-important business, upon the incomplete information con-

tained in newspaper editorials, magazine articles, the published extracts of House of Commons debates, and the occasional semi-public lectures delivered on the subject.

The newspaper has no room for relation of the facts that have led up to the present situation of the Canadian railways, no room for co-ordination and analysis of these facts; and without this, it is impossible for the Average Citizen, who must ultimately pass judgment upon them, to make an intelligent decision. The question is too big for even its salient points to be assembled in the pages of a periodical; and yet there is urgent need of study with the main facts on the table. Further, the newspaper is a political partisan and, while often independent and invariably clever, it naturally sways with the party. That's a paper's business in Canada.

It is possible that I may be accused of partisanship myself, since I have been in railway service during practically all of the period under review. It may be that the experience of those years has warped my judgment and unfitted me for the task of dissecting the case. And yet, when I think it over, how is anyone, who has not followed the events of those

strenuous years with daily interest, to analyse and untangle the present situation? The man who realises that he lives in a glass house, is the more apt to be on guard. I have taken pains to have the figures used in this book, checked by hands more competent than my own, and believe them to be correct. I have attempted to escape the rules applied to literary diction by frequently assuming the freedom that belongs to informal talk, with, I hope, a benefit to my subject and the Average Citizen whom I have sought as a companion. Confident of my facts, convinced of the need for their presentation, I still hold on to the painter, fearful for the fate of my craft in the hands of the literary critics. But "I do not expect this book to stand upon its literary merits; for if it is unsound in principle, felicity of diction cannot save it, and if sound, homeliness of expression cannot destroy it." Whatever the reader may think of the other merits of this book, having finished it, I trust he will be able to say: "It has been honestly done."

May, 1917.

W.H.M.

CHAPTER I.

THE PLATITUDINARIANS.

For the most part, those that have written the newspaper and magazine articles, and spoken in the lecture-room on the Canadian railway situation, are the advocates of state-ownership. The apostles of change are ever ready to air their views in public, and it is well that they are, for progress has come from change. Yet sometimes we have to check ourselves with the thought that these two words are not interchangeable; we have grown into a habit of looking kindly upon change as probably involving progress. And if the Average Citizen will peruse the clipping-books in which have been preserved the ideas of the advocates of state-ownership, as I have just done, he cannot but come to the conclusion that they have not proved their case to mean progress—at least for Canada.

"Trust the public," is the favourite maxim of the public-ownership advocates. Trust the pub-

lic with what? is the natural inquiry. Certainly the nationalisers have not trusted the public with the facts of the respective merits of private- and public-ownership; instead they have sought to sway the public mind by platitudes and doctrinaire arguments, which, to say the least, help the public to arrive at no place in particular.

And this is the first distinction we shall find between private and public-business. The Average Citizen may be a business man. If so, he has no blind eye for figures in his own affairs. There is no setting down of all the nines in one column and the zeroes in another, for he is indeed a fool who tries to deceive himself. But in public business, the nines fall naturally into one column and the zeroes into another; the millions in public business are not real money in the sense that the thousands are in private affairs.

It may be that it is impossible to conduct public-business without partisan advocacy. It may be that two hands are required to paint a true picture of public affairs—in Canada. If so, tally one against public ownership of complicated utilities—in Canada; for a heated debate between pro's and anti's, is a palpably poor sub-

stitute for the calm impartial consideration essential to the conduct of successful business.

Impassioned eloquence and beautiful rhetoric play a big part in public-business.

"Welfare of the many is everything; wealth of the few may be a menace," exclaims a Member of Parliament in advocating government-ownership before the Canadian Club of Toronto.

Quite true, the Average Citizen will comment. But no argument for state-ownership.

"One of the ends of government ought to be to enlarge the number, to widen the use, to cheapen the cost of the everyday services, the everyday needs, the everyday conveniences, and the comforts of life."

Agreed, reflects the Average Citizen. But this is not to be accomplished simply by say-so.

"Public-ownership seeks only the welfare of the many; private-ownership strives for the wealth of the few, mainly, and that at the cost of the many," continues the member. "We have worshipped wealth rather than welfare; one seeks to give service to the people, one to make a profit for a few private-owners."

And such statements from the writings and

discourses of state-ownership advocates, may be repeated indefinitely. But they lead us nowhere. Of course, the interest of the many is to be preferred to the interest of the few. We all subscribe to this doctrine. But those who are opposed to state-ownership for Canada, oppose it because it is not in the interest of either the few or the many; and do not rely upon the flimsy foundation of platitudes for their faith.

In the speech from which I have quoted, there is a carefully-balanced sentence, not a platitude but an allegation which, before passing to a review of arguments, I shall challenge. It is this: "Service and Profit make, in most cases, an ill-matched team."

I happened to read the account of the address just before breakfast. Whence came my coffee? I reflected. Brazil, probably; drawn thousands of miles to Canada by Profit. The grape-fruit from California, the pepper from Java, the china from England, and all assembled on a Canadian breakfast-table through Profit. The wheaten bread, the bacon—and I was going to say the eggs—were furnished by Profit. But I must sadly confess there was no element of profit in the eggs, for they were laid in my own

backyard. But Profit was certainly necessary to Service in the other commodities. If there were no profit in the service that provided what I ate, the outlook is sad for succeeding breakfasts. If there were no profit in the newspaper which, by the way, is owned by the Member of Parliament whose phrases I have quoted, the day will come when it will be no longer delivered at my door. Surely it has grown into its present metropolitan size and excellence through the investment of profits and can continue to grow only in the same way.

So, far from being an ill-matched team, Profit is indispensable to continous Service, and through its magnetic power the various peoples of the world are supplied with the complicated necessities required to satisfy their twentieth century wants. The profit of a fraction of a cent per pound on a commodity is sufficient to send it here, there, everywhere, across thousands of miles of land and sea until it reaches the market of greatest need.

CHAPTER II.

THE DOCTRINAIRE SCHOOL

But there are advocates of state-ownership of railways that advance something more substantial than empty platitudes and idle generalisations. The doctrinaire school, for instance. While it does not in reality lead us to a much more definite conclusion than the platitudinarian, its tenets must be more closely examined, for they are accepted as good gospel by many who in the hurry of their own private affairs do not stop to scrutinise arguments on public questions. This school has several stock arguments, one of which, "the highway argument," has been put to so much use recently that it ought to be analysed.

We are told that "a railway may be defined as a successor in modern civilised life to the public highway." I would have thought it not arguable that, because a student had done sums in arithmetic he ought to be able to solve the abstruse problems of trigonometry; and surely

the problems of construction and maintenance of the highways are related to the problems of the construction, maintenance, and operation of the steam railways, much after the manner of arithmetic and trigonometry. It must be remembered that the public has assumed only the construction and maintenance of the common highways. The public, in its corporate capacity, has not ventured into ownership and operation of the buggies, carts, democrats, automobiles, and other vehicles that travel upon the highways. So far as I know, it has never been seriously urged that it should. Possibly it would be admitted by the men who use the highway argument that the operation of the vehicular highways is beyond the capacity of public administration.

Operation! That's the rub; not construction, not maintenance. With the operation of the common roads an accepted impossibility, or rather a not even suggested possibility, the attempted parallel between highways and railways, for nationalisation purposes, becomes impossible. The pillar may not just yet fall to the ground, but it certainly cracks; its stability is impaired.

All that is left of the argument is construction and maintenance, for the State does assume to construct and to maintain the common highways. Is it then argued that because the ordinary highways have been well-constructed and well-maintained by the representatives of the people, the railways will be equally well constructed and maintained under the same management? I would have thought it did not require the production of much evidence—in addition to that already in the hands of the Average Citizen—to prove that the vehicular highways of this country have been, and are to-day, badly managed. Only a few years ago the Province of Ontario appointed a commission to investigate its highways—and I refer to its findings more readily because the advocates of nationalisation of railways are partial to government commissions. This commission sent a number of letters to farmers asking for information of conditions where road improvement had been made under the Highway Improvement Act. Here are some of the replies:

(*a.*) "I do not believe in so much patchwork. I think there should be not less than 12

miles completed at a stretch before moving to another part."

(*b.*) "The country road in this vicinity is getting in a bad state. It is not much better than it was before improvement. It has been improved eight years and no work has been done on it since."

(*c.*) "The roads are too expensive; so many favoured men. The roads are in good shape in this part of the country, but would be better if there were some way to compel the road-overseer to put in correct returns to the clerk and the council."

(*d.*) "The county road built in front of my farm about six years ago, good for 15 years of ordinary traffic, was ruined in the last two years by autos."

(*e.*) "The good roads system has certainly raised the value of our land, and has also raised the taxes to almost one-half a fair rent for our land."

Remember, these caustic comments are made upon the conditions of the best of the public-owned roads, those improved and made over under modern practices. The general highways are in even worse condition. An extract from a letter written by E. J. McLoughry, of

Markdale, a well-settled part of Ontario, and published a few days ago in a farm paper, tells a story well-known to those familiar with the Ontario road situation, and apt for repetition here:

"Our township is blessed and cursed, like nearly all other townships in Ontario, with the old statute labour system, which takes into consideration the drawing of a load of gravel in the forenoon, the resting of your horses all afternoon under some spreading maple, and the going home and getting the chores done early, the path master doing his duty by calling this three days' work."

Of the 55 thousand miles of highway in the Province of Ontario—and I assume Ontario is as well-off for roads as the other provinces—only a shade more than four per cent. are surfaced with broken-stone, while 33 thousand miles of highway are made only of earth and sand, described by a correspondent of the Highway Commission, as "fair-weather roads which you cannot use in spring or fall when most needed."

The Commission attempted to make an estimate of the average cost of haul on the country roads and failed for lack of reliable data. Some

years ago, I directed an examination into this subject, and found that it cost 25 cents to haul a ton of farm produce one mile over the average country road. Since then, conditions have improved so little that it may be taken for granted the cost is approximately unchanged. In other words, it cost $5.00 to haul a ton of wheat 20 miles over the public-owned highways to, say, Toronto; and under the conditions that prevailed before the war, it cost $5.00 to send a ton of wheat 3,150 miles over the non-public-administered railways and by non-public-operated steamships to Liverpool. I emphasise the form of ownership in this connection because advocates of nationalisation have laid the high-cost-of-living bundle on the doorstep of private-ownership. From these figures, and the Average Citizen may easily corroborate them, it will be seen that the part of the high-cost-of-living problem which affects produce, belongs more fairly in the house of government-ownership. Canada's acute problem in transportation is the short haul over government-owned highways, not the long haul over railways; and public ownership cannot evade its responsibility. No factor has more forcibly contributed to the disas-

trous decline of the food-producing rural population of the province than the public's mismanagement of its highways.

Direct evidence may be again taken from the farm paper mentioned before, and contributed by letter from Brower, New Ontario; and in New Ontario lies the provincial hope for increased food supplies:

"The greatest drawback I have encountered here, is the bad roads, or I should say no roads at all, whereby it is next to an impossibility to get to the railway station. I know several farmers who have left their farms and gone into towns and cities, owing to the fact that they cannot get to and from their farms."

The letter-writer's statement of depopulation is illustrative of conditions in more localities than Brower, New Ontario. The same may be said with equal force of almost any part of Ontario, New and Old. The social and economic life of rural Canada has been undermined by the existence of inferior roads, impassable roads, in an age when good roads are elsewhere deemed indispensable.

The Ontario Highway Commission located the weak spot of the government-ownership

doctrine when it found that "too often it is exceedingly difficult to get the public to take an interest in what is essentially its own business"; another way of stating the old axiom, "What is every man's business, is no man's business." The Average Citizen may well pause and reflect, for in this homely old adage of our forefathers lies an explanation of the failures that he will find marking the paths as he proceeds into the subject of government-ownership. There is a general apathy as to the conduct of public affairs—in Canada—and until this has been removed, nationalisation of complicated utilities cannot be attempted with any prospect of success. If Canadians will not take an intelligent interest in the comparatively simple sums contained in the highways that pass their own doors, what chance is there of securing from them an intelligent interest in the intricate problems of the farther-off, and, on the average, very far-off steam-railways?

No! It is not arguable that the public management of vehicular highways has proved the capacity of the public to manage the steam-railways. And yet it may be reasonably urged that the vehicular highways are in the hands of

inferior government organisations. The force of this argument, we shall examine later.

There is another pillar of the doctrinaire nationalisers, the stability of which should also be examined: "the universal-use argument." We are told: "The truth is that in the civilised life, no one can purchase or use the simplest article related to his food or clothing, or to his dwelling or mental needs, without paying tribute to transportation." The author of the magazine article from which I quote, illustrates his argument with the example of the daily paper, and traces its course of manufacture. Transportation, he argues, was required to bring together the axes, saws, and implements; the harness and vehicles; the coal, the pulp, the raw paper, the chemicals; the iron, steel, brass, copper, zinc, bronze, lead, aluminum; and the various articles that were used in converting a tree from wood to pulp, from pulp to raw paper, and from paper to the "daily" perused at the breakfast table or before the grate-fire after dinner; concluding thus: "Continents must be traversed by rail, and that many times over before a person can get his cent's worth of news."

Then the writer unfortunately commits him-

self to this statement: "When this same analysis is applied to the other items of the civilised life, it must be clear enough that no tax is so far-reaching and inevitable as that imposed for the transportation of our persons and goods." The Average Citizen, looking everywhere for truth, may feel disposed to accept the suggested challenge contained in this sentence, and apply the universal-use argument to some other item of civilised life. For this purpose, we may take any item of clothing for illustration; but, with the high cost of living in mind, let us choose boots. The other day a friend told me that good serviceable boots will cost twenty dollars a pair before long. I don't believe it, but they cost enough now for the purposes of this illustration. Surely the men that felled the tree that went into the pulp, that passed through the paper-mill into the presses that produced the daily, wore boots. And more than this: the men who made and assembled the harness and vehicles; the men who produced the coal, the pulp, the raw paper, the chemicals, the iron, steel, brass, copper, zinc, bronze, lead, aluminum, that went into the paper, or were used in its manufacture, all wore boots. Thus it comes about that "before a per-

son can get his cent's worth of news," he must pay tribute to the capitalists who make boots.

Q.E.D. Nationalise the boot-factory. We really must nationalise the boot and shoe factory, if we accept the universal-use argument.

I might go further, if I cared to resort to the demagogic appeals of the nationalisers, and say the grasping boot-maker exacts tribute from even the helpless infants in arms while the railway corporation carries the children free until they are five years of age; and as they form twelve per cent. of the country's population, it is certainly worth mentioning .

Nor is this all. The railways carry children between five and twelve years of age, for half fare; and if the numbers of children under five, and children between five and twelve, be deducted from the country's total population, only about five million people are left from whom to derive revenues at regular rates to meet the costs of service. And yet the boot- and shoemaker gives none of his products away and charges everyone according to the quality and quantity of footwear purchased! I wonder why anyone should have stated that "no tax is so far-

reaching and inevitable as that imposed for the transportation of our persons and goods."

But let us go a little further in our analysis. Out of every nine people living in Canada, five live in the country. It is our Director of the Census who tells us this. The farmers obtain large supplies of food from the farm, paying not a farthing for means of transportation except for the vehicles owned and operated by themselves. They produce most of their raw materials on the farm, convert them into beef, milk, and often into butter, without paying tribute to the railway companies; and, as a large part of their market lies in the nearby villages and towns, they carry not all, but still a fair proportion of their finished products, to the final consuming market, over the common roads provided by the public. And if the roads are impassable in spring or fall, or both, then, and then only, do the villagers and farmers pay tribute, to any extent, to the railway companies for domestic foodstuffs that must be brought from far-away points, often out of the cold-storage warehouses of the city. Let me repeat: five out of every nine persons in Canada live in the country.

Nor is tribute paid to the railway companies for each process of non-agrarian manufacture, as the writer I have quoted would have us believe. Many of the industries dependent upon coal and ores for raw material, dug out of the earth, are located at pit mouth, and the movement is entirely within their own control. The magazine-writer, quoted, has chosen to illustrate his point from the lumber woods; but, as a matter of fact, most of the felled trees, after their conversion into logs, are floated by the owners' men to the mills; and a considerable quantity of pulp and even finished paper, is sent to the publisher by water, and often in the boats of the producer. Not a dollar of tribute to the railways, but boots for the axemen, boots for the rossers, boots for the millmen, boots for the sailors: boots for everyone on the job!

And this reminds me of the chorus of a Southern Negro folk-song:

"I've got shoes, you've got shoes,
All God's children got shoes.

Electric energy, first furnished by private enterprise, provides the motive-power for many a process, without appreciable tribute to the railways. A portion of the fuel and building

material in the rural districts, is obtained in the same way without the use of the railways,—and it must be remembered these districts contain the bulk of the country's population.

I could continue almost indefinitely to cite illustrations, to the destruction of the dogmatic assertion of universal-railway-use; but space must be saved to answer equally fallacious arguments.

Universality of use means much or little to the Average Citizen, according to the extent of use. Every man that I know, uses buttons; and after the manner of the doctrinaire school, a strong argument can be put up for the nationalisation of the button factory, an argument not without dramatic situations. When you come to think of it, a man is dependent upon buttons, for without them he would be barred from society. The button-makers have doubled and trebled their prices in the last year or so, and, taking advantage of man's dependence, have made him pay. But, after all, the Average Citizen bears the situation calmly and continues to buy buttons, little thinking, perhaps not knowing the difference in cost. Thus, clearly, extent of use and cost is important—and this the doc-

trinaire nationalisers have overlooked, or looked over only to exaggerate in the case of the railway.

Let us go back to the daily paper which the magazine writer takes as an illustration for his universal-use argument. The newsboy receives from 90 cents to one dollar for delivering 312 copies to the door of the householder; while the railway for 18¾ cents carries enough white paper to make 400 dailies, from Grand Mère in the Province of Quebec 427 miles to Toronto in the Province of Ontario. Railway transportation is but a small item in the price of the daily paper, and in the cost of most commodities. The main transportation cost in the bread eaten by the householder of Montreal or Toronto, is not the charge for carrying wheat from the fields of Saskatchewan to these cities, but the expense of house-to-house delivery. The same may be said of ice, meat, vegetables, and the necessaries of life.

The railways are widely used, it is true, but the universal-use argument has no force in connection with their nationalisation which will not apply equally well to other industries upon which we rely for the satisfaction of our daily wants.

CHAPTER III.

CANADIAN UTILITIES UNDER COMMISSION MANAGEMENT

I would not blame the Average Citizen if at this stage he were to exclaim: Away with the criticism of unpractical theory! I want something more tangible, something bearing more directly on Canadian railway nationalisation! But it must not be forgotten that the anti-nationaliser is compelled to deal with the arguments of the nationalisers as he finds them. The nationalisers are on the offensive; they have attempted to make out the case for change, and my clipping books show that nine-tenths of what they have written and spoken is unpractical theory, dressed up in attractive rhetoric.

But the other tenth has been written by men that have taken government-ownership as many men take their religion, on trust, and seek a way of fitting it into existing conditions. Recently some nationalisers have realised the neces-

sity of trying to make their gospel practical in Canada. How far have they succeeded?

Nationalisers of this school labour, from the start, under the handicap of a political machinery which in Canada—no matter at present other countries—is unsuited for business administration. The work of running Canada has devolved upon a central and nine subsidiary organisations. The presidents or prime ministers of these organisations are to-day seven lawyers, one farmer, and two business men. An examination will show that in each organization the second man up is a lawyer.

This super-abundance of lawyers in the councils of the nations, is easily accounted for. The voting shareholders of Canada are one and a half million in number, and it is the spectacular man, the man gifted in speech, that has the best chance of securing their suffrages. The prosaic business man that makes a stumbling speech before fifty shareholders in an annual meeting may secure their confidence to re-election. They are close enough to him and to his and their affairs, to understand his worth. But, in the rough and tumble fight of the hustings, only now and then can a business man hold

his own and win a seat in Parliament; and even then he has to work overtime to catch a place in the cabinet against the used-to-speaking lawyer. Whether it be good for the country or not, as long as we choose our rulers by the votes of the people we shall choose lawyers and promote lawyers to the highest offices of the country's administration.

Let us then face the facts as we find them. The principal executive officers of this country's affairs are lawyers; their principal advisers are editors. I find no fault with the facts. Able men, adepts in the arts of speaking and writing, but untrained in the hard school of business, and without the intuitive ability to distinguish between profit and loss! To make factory, farm, or railway pay, is seldom within either their power or inclination. As a result, our State and, as we shall see, most states with representative government, is not suited for the administration of pure business.

When a man accepts a ready-made theory, and then goes a-hunting for ideas to fit into it, he is pretty sure to light upon something that, at least, appears to be satisfactory; for the "die-hard" theorist is seldom strong on the criticism

of his own preconceived political views. He is easily satisfied with the suggestions offered by his own school. Thus it comes about that nationalisers that admit the inadequacy of the State to directly administer the intricate business problems involved in the construction, ownership and operation of the country's railways, have accepted commission rule in its stead.

"Under government-ownership and operation, steam railways will be placed under the management of a competent commission of salaried experts who will administer them with honesty and efficiency," say the advocates of government ownership, and with that they rest content. But surely the Average Citizen is not satisfied. He, at least, has not closed his eyes to the many experiences this country has had with this sort of an organisation, and from which it has obtained neither honesty nor efficiency.

In Saskatchewan there was a board of Highway Commissioners, consisting of three members appointed by the Lieutenant-Governor. They received salaries, and had duties assigned to them as were determined from time to time by the Lieutenant-Governor in Council. Associated with the board for advisory purposes was a com-

mittee of two members, one appointed annually by the provincial organization representing rural municipalities, and one by the provincial organisation representing urban municipalities. This surely is the ideal mode of public-administration, and yet the advocates of government-ownership one and all have left it alone! Such is advocacy! An investigation into the affairs of this commission shewed inefficiency, out of which the province has lost many thousands of dollars, and the commission was abolished.

In the Province of Manitoba nearby nine years ago, a commission was appointed to administer the public-owned telephones, and the unfortunate history of this commission was told recently by James Mavor, Professor of Political Economy in the University of Toronto.

"The Commissioners appointed by the Government," Professor Mavor writes, "were men of many years' telephone experience in the service of the Bell Telephone Company in the Northwest, and were unquestionably well-qualified for the task of managing a telephone system under normal conditions. Moreover, all three were recognised not only by the Company and by the Government, but also by the public, as men

of high personal character and as entirely detached from any political affiliation."

In other words, "a commission of salaried experts" from whose administration "honesty and efficiency" might have been expected, the very kind the nationalisers want for Canada's railway administration.

"In speaking of the contemplated Commission before the Legislature on January 7, 1908, the Premier of Manitoba said: 'We have reached the conclusion that it is in the public interest that that commission . . . shall be free, as far as it is possible to make it, from party or political influence. . . . We have reached this conclusion for the reason that it is a commercial business; that it enters into the life and business of every home and office that uses a telephone; that the service to be efficient and satisfactory must be of the very best type or kind; and to secure that we must have men in charge who have no interests to serve—who are subject to no influence other than such as is of a telephone kind or character.' "

These words are strangely familiar. I am sure I have read something very like them in the current literature advocating railway national-

isation. It is impossible to foretell what would happen to the railways and the country under commission administration, since fortune-telling is prohibited by law; but perhaps we may satisfy our curiosity by finding out how the public fared under commission rule in Manitoba.

There are no gaps in Professor Mavor's story. In a book of nearly two hundred pages he takes the reader through the amazing underground labyrinth of intrigue marking the path of government-ownership and operation of the telephone in Manitoba, and culminating in the downfall of both commission and government. To quote from the book:

"With the resignation of the Telephone Commissioners, the first phase of the history of the Manitoba Government telephone system comes to a close. The entire period was dominated by political influence and political consideration, more or less effectually concealed behind the elaborate pretenses and the fair words of the Government. The pledge of non-partisan commercial management was not kept. The Bell rates, far from being 'cut in two,' as promised on so many occasions, were maintained intact for fifteen months, when the Government effected such slight reduction as might best redound to their political advantage. These unwarranted

reductions, when combined with the political accounting methods employed by the Government, contributed largely to the disastrous failure to fulfill the promise that the service would be self-sustaining. Finally, finding themselves in jeopardy from the wrath aroused by the force of the contrast between promise and performance, the Government deliberately sacrificed their loyal servants that their own sins might go unpunished. After four years of public ownership a prosperous business was well along the road to ruin."

But the Average Citizen may say this was a telephone failure; it has no bearing upon the operation of railways by the Government. Professor Mavor thinks it has. He says:

"It is possible that only by repeated and costly failure such as the Manitoba Government Telephones, will the public realise that the proper function of Government is not the conduct of industries but the impartial inspection of them under intelligent laws adapted to the character and conditions of the community and the country."

Only one man's opinion, comments the hard-headed Average Citizen. Admitted. But, after all, the value of an opinion lies in the knowledge of the man that gives it. Professor Mavor is the

foremost political economist in Canada, and a recognised authority in the outside world. If this question of nationalisation is to be settled by opinions, Mavor's will not be set aside lightly except by those who prefer the nationalisation of railways to the country's best interest.

For fear evidence from the telephone field may not be accepted by the Average Citizen as proving the point in hand, I will ask him to go with me into the direct field of government-railway activities under commission administration. It will be remembered that the National Transcontinental, extending from Moncton to Winnipeg, had been almost completed under a commission appointed by the Parliament of Canada when the Government was changed in the general elections of 1911. During the following year a commission was appointed to investigate the work of the constructing body, the appointees of the former régime. The report of the investigation is contained in a blue book of 650 pages, and it is obviously impossible to do more than cite a few of its salient findings. Anyway, a few are enough.

(*a.*) "The classifications prescribed in the contracts were ignored and contracts were overpaid $3,300,000 on improper classification."

(*b.*) "The Commission had an offer from the Grand Trunk Pacific to fill wooden trestles at the rate of 25 cents per cubic yard. Had the Commission made such an agreement to do the train-filling after the road was opened, $3,250,000 would have been saved in addition to that included under the last heading."

(*c.*) "The chairman of the Commission paid R. Bergevin, of Quebec, $7,950 just after the election of 1911, on a pretended claim for damages to a certain leasehold property. This was a most improper payment and cannot be justified in law or in morals."

(*d.*) "The country has been committed to the expenditure of $4,500,000 for the erection and equipment of the Transcona shops at Winnipeg, which, in our opinion, are not authorized by law, and which are, in any event, twice as large as are required for the purposes of the Eastern Division."

The writers advising railway nationalisation have passed over this stage of the country's experience as if it were unimportant as compared with platitudes and doctrinaire arguments. I am well aware that in nearly one-half of the country these statements are believed to be political moonshine, but probably the Average Citizen will agree that in the other half they are believed to be true. This is another peculiarity

of public business. A thing is blue or red, the business is good or bad, according to our party proclivities. But for the purposes of my argument, it makes no difference whether the findings are true or not. If true, then the construction commission was inefficient and dishonest; if untrue, then the commission of investigation designed a staggering blow at the country's credit. The Average Citizen might well ask himself: What assurance is there that better results will be obtained by government commissions in future railway nationalisation?

We are now in a position to draw some conclusions as to commission administration of national affairs. In a democratic country, government commissions must be appointed by, and continue responsible to, the representatives of the people; and for the railways, this means, in Canada, either the Provincial Legislatures or the Federal Parliament. Parliament and the Legislatures are supreme within the limits laid down by the British North America Act, and cannot shelve their responsibilities. They are the trustees of the people and cannot divest themselves of their trust by creating bodies beyond their own control. What they do, they are necessarily able to undo.

The people have chosen to elect their representatives to the Legislatures and to Parliament by a system of party politics, and in actual practice the party in power is the sovereign of the day. Parliament is at the bidding of the party in power, and all its creations are at its biding. If someone thinks of a body appointed by Parliament which has not succumbed to the bidding of the people's sovereign—the party in power—I venture to say it has been in existence so short a time that the seeds of partyism have not had time to germinate, push their stems above ground, and bring forth natural fruit. If it were otherwise, the very principle of responsible government would be destroyed, the commission would cease to be the agent of a free people.

A people cannot be protected against themselves and still preserve their freedom. Honest, capable, public administration, is obtainable in democratic countries only if the electors make this kind of administration the paramount issue at the polls. In new countries, and especially countries with an Anglo-Saxon population, such as Canada, men always put the emphasis on the individual rather than on society,

and there is no magic in a commission to ward off the results.

The people get out of the government, cabinet, or commission, just what they put in, and nothing more.

CHAPTER IV.

THE VALUE OF EXAMPLE

Successful state-operation of railways elsewhere, is a natural and a legitimate argument for state-ownership in Canada; but the Average Citizen will not regard it as conclusive. He will want to know the circumstances that have made for success or failure in the different countries, before deciding the value of example for this country. He will realise that the conditions of railway operation in the old settled countries of Europe are quite different from those existing in Canada.

Germany has been the most successful of countries in state operation of railways. This is not much of an initial recommendation; but it would be indeed foolish to reject a lesson merely because we do not happen to like its best teacher. It would be even more foolish to accept the lesson as applying to ourselves, without investigating the particular conditions which

have made it successful, for there is none so bold as to gainsay what Germany has done, Canada might not care to attempt.

The suggestion of railways came first to Prussia through the action of private initiative. When it was proposed to build a railway from Berlin to Potsdam, the Prussian Postmaster-General of that day ridiculed the project as mere waste of good money. "A stupid business!" said he. "Here I am sending several diligences to Potsdam every day and nobody uses them, yet they are going to build a railway in addition!" Before the war more than 300 trains ran between Berlin and Potsdam during every twenty-four hours.

But, once proved commercially feasible, it was only natural that railways should be undertaken by the State in Germany. It is essential we remember that the German railways are not owned and operated by the German Empire, but by the several states making up the empire. The Teutonic States being regarded as the personal properties of their ruling princes, the princes naturally assumed the task of providing railways.

W. H. Dawson, in "Industrial Germany"—

and Dawson is now the recognised English authority on Germany—states:

"Unquestionably the profits are swelled by the comparatively low wages paid to the inferior grades of labour, and perhaps to some extent by the fact that the railway service employs so many females, and it may be unsafe to conclude that the present return will long continue. The daily wages of labourers on the Prussian State Railways, in 1909, ranged from 2s. 6d. to 3s. 3d. a day, and those of artisans from 3s. 3d. to 4s. 9d., the hours varying from nine to twelve a day. These rates, low as they are, were 17 per cent. higher than in 1905. It is easy to see that even a moderate increase of pay in the case of a staff now numbering 488,000 servants of all grades, would make a serious inroad upon profits."

It must be remembered that Mr. Dawson was writing for England,—where general wages, and particularly railwaymen's wages, are much lower than in Canada,—when he spoke of a "serious inroad upon profits." Grant to the employees of the German state-owned railways the Canadian scale of wages, and the inroad would eat up all the profits, and seriously affect, if not destroy, the stability of the organization. "The wage question in Germany," states Daw-

son, "is a source of great soreness, and of as much agitation as is possible under the rigid regulations applying to this branch of the state service which makes strikes impossible."

The Average Citizen will conclude that these German labour conditions should not, and could not, be enforced in Canada. He must realise that Canadian railway men would not submit to conditions where to strike is accounted treason punishable by death. Nor would he ask them to. And yet the economists agree that low wages and the military terms of service, are the main causes of the success of government-operation in the States of the German Empire.

It is impossible to go fully here into the question of rates. They are complicated in Germany, as in other countries, being divided into innumerable classifications and subdivisions. Yet this fact stands out sharply: the average ton-mile railway-rate for Canada is only a little more than one-half that for Germany. I had expected, and probably the Average Citizen would have expected, to find railway rates in Germany lower than in Canada, as they ought to be, irrespective of ownership; for railway rates are largely regulated by density of traffic, and

density of traffic depends mainly upon density of population.* In 1910, Germany had five and three-quarter miles of track to each ten thousand inhabitants—Canada had 34 miles to each ten thousand inhabitants. There is no discount to be made from this greater density of population; it ought to have ensured for Germany reduced rates as compared with Canada.

The essential feature of Prussianism, the crucible in which individual efforts have been melted, is now too well known to require much explanation; but since it is the key, and the master-key, to success in state-operation of railways, it deserves a place in everything that is written on railway nationalisation.

Prussianism has favoured state-industrialism. There are government-owned and government-operated farms in Prussia, government-owned and government-operated mines and factories in Prussia. In the year 1907—and statistics from Prussia are far from up-to-date—only 23 per cent. of all persons following occu-

*Too much emphasis must not be placed upon this disparity in an argument against government-ownership, for the length of haul, which influences the rate per mile, is greater in Canada than in Germany. However, if German railway rates do not offer the basis for an argument against public ownership, they certainly offer none in its favour.

pations for a livelihood in the state, were independent. There is even state-ownership of public sentiment in Prussia, through the press.

When these things are considered, there is small room for wonder that state-operation of railways has been pronounced a success in Prussia, and there is even less room upon which to base an argument that state-operation will be successful in Canada.

If we travel to other parts of Europe in search of evidence relating to conditions of state and company-owned railways, we immediately meet with conflicting conditions. State-ownership in Austria is said to be a failure. State-ownership and operation in Russia was not a conspicuous success in peace, and apparently has been a dismal failure in war. The Italian state-owned roads are declared to be badly administered and to lose money. From France, where there is state- and private-ownership, the writers for and against apparently draw equal comfort. None save an unprejudiced commission could determine to what extent state-ownership and operation of railways in Europe have been successful, and to what extent the methods which have made for success are applicable to Canada; and such a

commission, for obvious reasons, could not investigate just now. That the results would prove of value to Canada, even if it were possible to investigate, is doubtful.

This much has been determined, and I use the words of W. M. Acworth, an English authority: "The further a government departs from autocracy and develops in the direction of democracy, the less successful it is likely to be in the direct management of railways. Belgium is far from being a pure democracy; but compared with Prussia it is democratic, and compared with Prussia its railroad management is certainly inferior."

CHAPTER V.

THE RAILWAY A MEANS TO AN END

But what of Australia? Its form of government is similar to our own, and it has been successful with railway nationalisation! So we are told, at any rate, by the advocates of Canadian government-ownership. I am not sure that it has been, for many eminent writers have said otherwise; but even if it has been, although an argument, it is not conclusive. The kangaroo lives well in Australia, but that is not an argument that it will live equally well in Canada. However, I do not propose to go now into the argument of the degree of success of the state-operated railway in Australia. There is something more important to be gained by a study of Australian conditions.

The Average Citizen will probably agree that, after all, the real question is not: Does the state-operated railway thrive in Australia? but rather: Does Australia thrive under the state-operated railway? For the railway, in the

final analysis, is only a means to an end, and bearing in mind the platitudes of the government-ownership advocates, that their doctrine "seeks only the welfare of the many," it might be just as well to find how far seekers have been finders in Australia. This line of argument forced itself upon me the other day while reading an article about Australia in the National Geographical Magazine. The author, Herbert E. Gregory, tells us: "Australia is disappointed that of the four large areas which offer congenial homes for people of European blood—namely, Australia, Canada, United States, and Argentina—Australia alone is passed by, while the other three favored regions are receiving Europeans by hundreds of thousands. She sees the United States receiving in one year (1913) 1,197,892 people from abroad, more than the entire net immigration to Australia for the past fifty-three years, and in another year, (1910) enrolling four times as many people born in the United Kingdom as were living in Australia. The stream of immigrants has been not only small but remarkably fluctuating for individual States and for the Commonwealth, and at times has ceased altogether. For the five years, 1896-

1900, the net immigration was only 2,487, and the five years following showed a net loss of 16,793. Since that date net immigration has again increased, and in 1913 reached 55,000."

Let the Average Citizen take this sad record of immigration, and compare it with the showing of our own country. In 1897, when the first colonisation railway of our New Era came under operation, the gross immigration into Canada totalled only 21,716. For the five years, 1897-1901, the gross immigration amounted to 171,-203; for the next five years, 661,404; and in the one year, 1913, the immigrants into the Dominion numbered 402,432.

But what part did the company-owned railways play in Canada's successful era of immigration? the inquiring Average Citizen may ask, after this comparison of Australian and Canadian immigration returns.

It will be remembered that throughout the active period of immigration between 1896 and 1913, our transcontinental railways had their agents in the United States, in the United Kingdom, and everywhere suitable immigrants were to be had. Nor was this all. The Government's interest in the new settler practically ceased

when he left the immigration sheds, and only momentarily revived if, perhaps, a few years later, he took out his naturalisation papers. But the Canadian railways followed him. If necessary, they selected his land, of course, always as close as possible to their own lines. Profit and Service were team mates. The motives were not philanthropic, call them mercenary if you like, but the result was a great practical benefit to the newcomer. The railways not only tried to keep him on the land, but contributed not a little to his success as a Canadian citizen. They organised the village in which he was to live, if he refused to be a farmer. They took part in all the various activities which go to make his community life. Doctors, merchants, hotel-keepers, and others required in the organisation of urban communities, were to be had upon request to the railway's industrial agent. When lumber was required for building purposes, the railway informed lumber merchants of the fact; when coal was required, it was the business of the colonisation end of the railway to see that coal-merchants and coal-yards were provided for the community. The railways took part in the opening up of Western coal

areas. Term the incentive a desire for profit, if you please, but the result was fuel for the farmers on the treeless prairies. The colonisation agent, a railway official, was in daily contact with the company's traffic official, and pleaded the cause of the settlers before him when rates were being made. Supplies, accordingly, were usually directed from the nearest and most suitable sources.

Nor was even this all. The Canadian Pacific went into the ready-made farm business. It provided houses, barns, wells, fencing, and in some cases cultivation; it loaned the settler money for live-stock—cattle, sheep, and hogs—after he had been on the land for a year; it gave him twenty years within which to repay the loan and fixed the interest at six per cent., a lower than current rate. Let me repeat: these transactions were neither philanthropic nor paternal; they were Simon Pure business for the railway and for the colonist too, and they succeeded on that account.

Australia is solidly under government-operation of railways, and she is "passed by" in preference for Canada where 89 per cent. of the mileage is under the company system; for

Argentina where 75 per cent. of the mileage is under the company system; for the United States where practically all of the mileage is under the company system. And yet the platitudinarian nationaliser says "Service and Profit are an ill-matched team."

Australian wheat commands the highest price in the world's markets. Australian wheat yields a whiter flour than any other wheat, and more flour from the bushel than any other wheat. I wonder if the Average Citizen of Canada knew this? I feel sure he would have known if the Australian railways had not been government-owned. If he thinks this a far-fetched conclusion, let him remember the well-equipped publicity departments of the three transcontinental railways in Canada, producing literature by tons, setting forth the financial, agrarian, and industrial merits of Canada and best of all attending to its distribution throughout the world.

Because the railways are state-owned in Australia, there are not the two incentives to publicity, and the work is confined to state action; in Canada the country has the benefit of the publicity issued by the State and the further inestimable advantage of the publicity issued by the railways.

Australian agriculture has lacked more than publicity; it has lacked service, the kind of service given by the railways of Canada. There are no grain-elevators in Australia. The farmers are compelled to ship by the old-time bag method. How far could Canada have gone in grain-production without elevators? And it must be remembered that Canada's railways led the way in supplying the convenient grain warehouses that dot the prairies, as well as the huge terminal elevators, the largest in the world, at the head of Great Lakes' navigation. It is true that dry weather makes the bagging and stacking of grain more feasible in Australia than in Canada, but a big grain trade without elevators is impossible. Huge losses have resulted in Australia from the stacking of grain in the open.

But dry weather affects the growing of grain in Australia. Australia's rainfall is insufficient for cereal production, remonstrates the Average Citizen.

He will say this doubtfully, if he be a cautious Average Citizen; for, with the average lack of knowledge about Australia, he will not be sure of the facts.

Mr. Gregory tells us that there are "nearly

300 million acres in the temperate zone receiving over 20 inches of rainfall—land like that of Tennessee, Nebraska, and Oregon," and in these states good crops are grown. Mr. Gregory made his comparisons with American States; but when we remember that Alberta has a total precipitation, rain and snow included, of 16 to 18 inches; Saskatchewan, 13 to 19 inches; and Manitoba, 17 to 21 inches; we realise the extent to which Australia has capacity for agricultural production. It is true there are years of abnormal drouth in Australia, but there are years of drouth in Canada, and huge variations in yield from year to year. Canada has only a third more arable land than Australia, and yet the annual value of her field crops is three or four times that of Australia's.

But what about live-stock? asks the Average Citizen.

Australia has an annual production of live-stock greater in value than her field crops. But does this really help the cause of government operation? In fact, it would appear that the proportion between cereal production and animals on the hoof, is a rather significant tally against the nationalised railway. The Can-

adian railways converted the cattle ranges of Western Canada into populous farms, and the world called it progress. The state-operated railways have failed to much more than disturb the ranges of "Lonely Australia." The herding of cattle is conducive neither to an equality in the distribution of wealth nor to population. Gregory tells us that "the average size of pastoral holdings in the Northern Territory is 275,000 acres. In West Australia one hundred people own together 40,000,000 acres, and Fraser speaks of a Queensland 'cattle king' who held 60,000 square miles—an area nearly as large as all New England." And the doctrinaire advocate of Canadian nationalisation assures us that his theory applied to this country would bring about equality in wealth!

The state-operated railway has only partly shown its efficiency in Germany where the tertiary stage of industrialism had been reached at its advent; the state-operated railway in Australia has shown its inefficiency to properly speed up the progress of a country in the making. Australia is still pastoral; and until herding gives way to soil-cultivation, it cannot become as populous and as prosperous as it de-

serves to be. Pastoral activities are those of primitive agriculture. The Good Book says that "Esau took his wives, and his sons, and his daughters, and all the persons of his house, and his cattle, and all his beasts, and all his substance, which he had got in the land of Canaan; and went into the country from the face of his brother Jacob. For their riches were more than that they might dwell together; and the land wherein they were strangers could not bear them because of their cattle." Permanent homes and real citizenship cannot develop until the land is under systematic cultivation. The cattle range must yield to the tilled farm in the course towards civilization.

But we must not blame the old patriarchs for their backward condition. Canaan had no choice. But if Australia were to exchange state-operation for a system in which Service and Profit are mated as a team for the public good, then the chances are that its vast, sparsely-populated ranges would be converted, as were those of Western Canada, into cultivated fields, supporting a large population of home-loving citizens.

CHAPTER VI.

INTRODUCING THE NEW ERA

By the last Canadian returns, there are 33,256 miles operated by the companies, 3,849 miles operated by the Federal Government, and 329 miles operated by a Provincial Government. These figures are *prima facie* evidence that governments in the past have considered the company-system of construction and operation as in the best interest of Canada.

Common sense bids us inquire into the circumstances through which this vast mileage came under company-control, before pushing headlong into wholesale nationalisation. To relate the entire story of railways in Canada from the 21st of July, 1836, when the first train ran between LaPrairie and St. Johns in the Province of Quebec, is beyond both the capacity and purpose of this treatise. For our purpose, the beginning has this significance: that Canadian railways were born in the company-system, born by the mating of Service and Profit. The origin of the problem out of which arises the main agitation for nationalisation, may be

traced to 1896, for it was then that the first colonisation-railway of the New Era was constructed in Western Canada—the parent of the Canadian Northern and the forerunner of the Grand Trunk Pacific.

The conditions of that time become all important in our study; and if the Average Citizen, whose memory is proverbially short, will go back twenty years with me, we shall find important evidence bearing on the present situation. We shall find why colonisation-railways were built in Western Canada, and why they were built and operated under the company-system with state-assistance rather than under Government-ownership and operation; and a knowledge of these things is essential to an understanding of our railway problem of to-day. Later we will examine the results upon the economic life of the country.

CHAPTER VII.

WHY MORE RAILWAYS WERE NECESSARY

It should be remembered that in 1896 we were a people considerably less than five million in number, occupying a territory 3,729,665 square miles in extent. It was a favourite boast—and Canadians are not above a little boasting now and then—to compare our area with that of the United States which, leaving out Alaska, is a full half-million square miles less. But the United States had more than sixty million people; and, when it came to a comparison of population, we were silent, or turned the conversation to a discussion of undeveloped resources. What Canadian school-boy had not heard of the great natural resources of his country? The recitation of their greatness became a sort of national anthem in prose. We found comfort in the simple exercise of dividing the known resources by the population and thus calculating the wealth of the average Canadian.

And there was little difficulty in making out a good case for ourselves. We were wealthy, very wealthy, in comparison with other nationalities. But our wealth consisted, mainly, of potentialities with capacity for production, but actually unproductive, and there grew up a desire, that in time became irresistible, to convert these potentialities into dollars and cents spendable by that generation. It gradually dawned upon the public mind that what had been the pardonable boast of an immature colony, was a reproach to a people ambitious to be considered a nation.

The last census (1891) had been disappointing. There was an increase of less than 12 per cent. in population; in the same period the United States gained over 25 per cent. But the worst was yet to come. After 1890, things went from bad to worse: in 1896 only a paltry 21 thousand immigrants came to Canada; thousands were leaving each year. Production was stagnant. The Dominion of Canada was in a state of retrogression.

Nature had distributed her gifts to Canada over an explored area comprising 700 thousand square miles and, in addition, had planted un-

known riches in the lands of the Farther North. In Western Canada, a plain approximately a thousand miles long and at least several hundred miles in width, rich in plant food, presented no impediments to cereal production, save one—inaccessibility. Only 2½ per cent. of the arable area of this vast plain, was under cultivation in the nineties of the nineteenth century. Vast quantities of plant food were wasted each year through lack of use, and might as well have been stored in far-off Patagonia, for they provided no sustenance to Canada or the Empire. The land needed no clearing. Even to sow upon the first broken land, meant crops of considerable value.

But there were few sowers in Western Canada.

And, within hailing distance, just across the border—far nearer than Eastern Canada—were men and women with experience in prairie cultivation, and capital with which to conduct it, men and women inured to prairie life. Several decades before, the United States had received into its north-western country large numbers of Europeans, many of them hardy Norwegians and Swedes that had learned the English language and how to farm prairie land.

Not being attached to the United States by the strong national ties of the native-born, when their families grew up and the farms had to be divided, they or their children were not unwilling to make a change, if it were a change for the better. They had heard of Canada's prairie wealth and sent spies over the line to investigate; the spies returned to report that the country was indeed a Promised Land exceedingly rich in fertility and vast beyond measure—but lacking a satisfactory railway service. If milk and honey had been the staple products of the country, it might have been different; but the staple product was grain, and grains are bulky. They cannot be carried long distances without railways that give efficient service at reasonable rates. No one knew this better than the men of Minnesota, Wisconsin, Nebraska, Kansas, and the Dakotas, who turned down without hesitation the free offer by the Government of Canada of 160 acres of rich alluvial soil, because it was not accompanied by an assurance of a cheaply reached market.

Men from Eastern Canada and from the United Kingdom, went west, lured by tales of the fertility of the plains. All they had heard,

they found to be true; but in course of time many of them packed up their belongings and trekked to the Dakotas. Fertility meant nothing to Western Americans, to Eastern Canadians, or to Old Country men, without market accessibility.

Canada then had to choose between two courses. Sometime or another the population of the United States and the more developed countries, would overflow and gradually drift across the frontiers of Canada. The railways, assured of traffic, would follow as a matter of course, and the country would be opened up without material public sacrifice. The alternative was to build railways as a means of colonisation, pushing the lines of steel into the richest of the unsettled lands and, in the meantime, through the active co-operation of government and railway, organising for settlement.

The first plan contemplated building the national plant after the labourers were ready for occupation; the second, completing the plant and inviting the labourers to inspect and use it when satisfied.

And while Canadians thought of these things, there were events overseas which bade, for Im-

perial reasons, a forward course in Canadian development. The increased demand for food, by the growing population of the British Isles, was being met by a corresponding growth of imports. The United Kingdom was either incapable or unwilling to feed itself. So long as ships were dependent on wind and weather for making port, England looked primarily to Europe to satisfy her needs; and in the middle of the nineteenth century no less than 78 per cent. of the total imports came from European countries. The development of steam navigation widened the areas from which food supplies could be commercially drawn; and at the commencement of the twentieth century, no less than 87 per cent. was drawn from non-European countries.

Canada's contribution of wheat to Great Britain at that time, was comparatively small, amounting to less than ten million bushels a year. The demands of the steadily growing centres of British industry were apparently insatiable, and the increasing dependence upon foreign sources for food was the occasion of no little alarm in the United Kingdom. In the nineties of the last century there crept into

the political atmosphere a feeling that back of Germany's aggressive commercialism lay something more portentous than peaceful commercial rivalry, and suspicion of the German Empire was confirmed by the growing strength and efficiency of its military machine and the enormous expenditures made to build up and strengthen its navy.

Speculation was rife as to what would happen when the Great War came, and a writer of popular economic literature tersely summed up the situation as follows:

"It will be a war not of armies and navies, but of nations; and, while it lasts, no nation involved in it will have much energy for cotton-spinning, cloth weaving, and the ordinary process of industry. The position will be that of a ship at sea in the old days, when the command went out 'All hands to the pump!' A close, hard, bitter, desperate, struggle to keep afloat, to keep alive; a frenzied throwing of every atom of the national energy into the work of defence and of counter-attack—that will be the state of Great Britain if she is called upon to fight a European rival. Under these circumstances, raw material—except such as was needed for munitions of war—could come in or stay out until the crisis was over, victory won or defeat

admitted, without any very great effect on the issue. But all the while the people would have to be fed. They might cease some of their usual work. They could not cease eating."

It was regarded as inevitable that several, possibly many, nations would be drawn into the struggle; and it was recognised that allies in the British line-up, supplying food-stuffs, were as necessary as allies providing ammunition and men for the trenches. While Englishmen, Scotchmen, the Irish and the Welsh, were manning pumps—substantial assistance in the front lines from Canada and Australia, was not then thought of—who were more capable of feeding them and the millions of food-dependents within the British Isles than the Canadians, Australians, and South Africans? India's supply of food-stuffs available for export, although normally large, for political and climatic reasons was not then considered as dependable as it has proved to be; Argentina and the United States were countries without British responsibility, and could not be counted upon as assured sources of supply in the time of war.

Under what new and strange conditions would the war be prosecuted? Would any of

the neutral nations prohibit the exportation of munitions or food-stuffs? What sea-courses would be kept open, if perchance Britain found herself opposed by two maritime nations? These and similar questions were asked in a fruitless effort to anticipate the conditions that would prevail under the Great War.

A new Imperialism spread over the Empire as a new Nationalism became current in Canada. The two ideas were harmonious; and the new Nationalism, meeting the new Imperialism in Canada, accepted as its ideal, "A Nation Within the Empire."

The men of these two schools were not mere visionaries, content with dreaming of a Greater Empire; they set out to make the dream come true. Canada's plain duty to herself and the Empire, lay in the direction of the development of her natural resources, and first of these, the plains of Western Canada.

It was clear from the start that the real difficulty in the way of building railways with which to colonise the plains, lay in the fact that the railways had to be built ahead of needs, ahead of population, ahead of traffic, and ahead of net earnings out of which to pay the interest

on the investment. The Average Citizen knew this at the time; and only those who do not think, or who have forgotten what they thought, are muddled when they learn that to-day some of our railways are long on mileage and short on net earnings.

Money was to be had for railway construction, or for that matter for anything else, only on the reasonable assurance that it would be returned and its use paid for. Railways with the prime object of colonisation are not, in the proper sense of the term, commercial transactions. There was only one way of assuring the investor in the colonisation-railway a return of his money and payment for its use, and that by state-assistance. This involved national sacrifice, and Canadians determined to make the sacrifice.

CHAPTER VIII.

WHY THE NEW RAILWAYS WERE NOT BUILT UNDER NATIONALISATION.

If perchance my reader is a nationaliser, he will certainly consider that it was then the unpardonable sin was committed, and that if the State had to assist the railways the State should have paid the bills in full and owned the railways.

But I hope the Average Citizen will not form his conclusion so hastily. It is a fairly safe rule which, by the way, the nationaliser wholly disregards, to accept that which has been done as having been done wisely, until the contrary is proved. Let us then endeavour to find why the colonisation-railways of the New Era were built and placed in operation under the company-system with state-assistance, rather than under government-ownership; incidentally we may discuss the wisdom of this action.

It must be remembered that in 1896 the Can-

adian West had railways. A railway line had been carried across the southern part of the plain; two trunks had been constructed into the Northland; and several branch lines built. What is now the three Prairie Provinces at that time had 3,242 miles of railway.

For several reasons these railways had not been successful in colonising the western country.

The late Sir Richard Cartwright in 1887, speaking on the floor of the House of Commons, in favour of a policy allowing "railways to be constructed free throughout that part of the country where they can be constructed," said:

"I say that those companies would be the best of all colonisers, and would aid us more materially in developing the Northwest. . . . Has the honourable gentleman forgotten that having started five years ago with a population in Old Manitoba of some sixty thousand souls, the returns we have before us show that in the same old Manitoba there are hardly ninety thousand white people to-day, and that if you deduct the natural increase from that, the total increase in five years would barely amount to 22,500 souls or scarcely more than 4,500 families added to our population there in five years."

Ten years later, as shown in the preceding chapter, there was still stagnation, and a demand for relief. The men of Western Canada, with unanimous and insistent voice, blamed the backward condition of the country upon the monopoly under which their railway service was conducted. By bitter experience they knew the meaning of the word monopoly, had fought in the eighties with might and main to throw it off, threatening, if it were not broken by the Parliament of Canada which had imposed it, to pass out of confederation.

On the night of May 26, 1887, an historic mass-meeting was held in Winnipeg, there being in the audience twenty-five mayors and reeves of outside municipalities, besides, the Prime Minister, Leader of the Opposition, and Members of the Legislature. Here are some of the telegrams, read at the meeting, which give the spirit of the province:

From Emerson—I consider railway monopoly detrimental to progress and prosperity of the province. Will assist in any way we can to have same done away with.

From Douglas—Should like competing railways by all means.

From Portage La Prairie—Monopoly is a

curse to this province. We cannot get competition too soon.

From Pipestone—Trust our province will withstand all monopoly pressure.

From Lansdowne—Dead against monopoly. People are a unit on the question.

From Deloraine—There can be but one opinion in reference to railway monopoly, and that is that it is a curse to the country and should not have been tolerated as long as it has.

The mass-meeting, the combination of both political parties and all economic interests declared itself in favour of:

"Free competition in railways for the cheapening of the necessaries of life to the settler, the lowering of freight rates for carriage of our wheat and other products to the seaboard, and, above all, the removal of the bar monopoly which frightens foreign capital and immigration from our lands."

If, perchance, my nationalising reader has continued with me thus far, he will probably contend that this was the monopoly of the Canadian Pacific, and that state-ownership is a monopoly held for the people and seeks the good of the many, not the wealth of the few.

We are now at the marrow of our subject, for in the unchangeable spirit of monopoly lies the

essence of the objection to railway nationalisation. We shall find other objections, many of them, to the construction of the colonisation-railways by the State; but the dread of monopoly was first in the minds of the people —at least first in the minds of those most interested, the people of Western Canada.

To the nationaliser that urges the benevolent spirit of state-monopoly, I must reply: Clothe monopoly in what garb you will, it is still monopoly—autocratic, tyrannical, and unbending. Whether of private capital or of state capital, the effect upon the individual, upon the country, is the same. In an old country, where things have settled into routine, as in Germany, railway monopoly may not be fatal; in a new country where competition is the breath of progress, railway monopoly is disastrous. As we have seen, Australia practically ceased to grow, remained stunted, in the very years during which Argentina, the United States, and Canada, under competitive railway service, forged ahead in population and production.

Monopoly, whether of private capital, or of the state, is bad; but of the two—and I hope my nationalising reader will not be shocked—the

monopoly of capital is to be preferred, for we have learned how to control it, and such control is the legitimate function of the state. As yet, we have devised no check to keep state-monopoly in order, nor are we likely to, for its very nature places it beyond check.

Within recent years, combinations of private capital, performing public service, whether under monopoly or otherwise, have been placed under the control of commissions of regulation appointed by the State. Very properly these commissions are free from technical and formal procedure, so that the Average Citizen, and even the humblest in the land, may plead his case freely before them.

The railway crosses a farm, forming a barrier between barns and meadow-land, and the owner complains to the commission. Forthwith there is an investigation, and if the charge be well-founded an order is issued and amends are promptly made.

Merchants of Hamilton contend that the railway has given their competitors in Toronto an advantage in rates to Western Canada. Another investigation, another order of the Commission, and the wrong is righted.

The inhabitants of an out-of-the-way place on a branch-line, submit that the service provided by the railway is unsatisfactory, the road-bed unsafe, the trains irregular, the cars cold and dirty. More investigations, more orders; the service is made right.

The secretary of a local branch of the Grain-Growers, writes that the railway-line is congested and wheat cannot be moved to market. The delinquent is compelled to divert the surplus traffic to a line that has cars to spare.

These are but illustrations of the everyday work of the Railway Commission at Ottawa and in the provinces where public utility commissions have been established. The rights of the Average Citizen are made secure. Private capital can make no invasion upon his property or rights that the commissions or the courts cannot repel. But public-ownership is subject to neither commissions of control nor the courts. The Intercolonial Railway is not, like other railways, under the Railway Commission at Ottawa; nor is the Hydro-Electric under the public utilities commission at Toronto. And if it were suggested to give the Average Citizen, that may come in daily business contact with

the workings of these institutions, the right to appeal against their injustice, the answer would be: It is idle to make the State subject to the control of the State. Thus public-ownership necessarily becomes arbitrary in its action.

It has violated contracts and redress in the courts has been denied. But the contracts were made with capital; and capital,—much of it from Great Britain and the United States,—only was lost; the public mind was not disturbed. But once give power to the man at the head of a government monopoly and he does not hesitate to outrage the rights of capital. Unbridled, he goes further. I know of farmers in Ontario whose lands have been invaded by the monopoly of the State, and for two years they have been denied redress. But they are only a few, as compared with the many within the province, and their sufferings have excited little indignation in the public mind. But there was a day when it was thought to be a fundamental principle of democracy, that every man—the high and the low—should have even-handed justice. "British fair play," we termed it. Deprived of the protection of the courts, a despairing appeal is made to the head of the state-mon-

opoly. He strikes an attitude varying from patronising benevolence to dignified hauteur, as the spirit moves him and protests:

I am the trustee of the people. It is for their good I act. How can I be wrong?

So asserts Kaiser Wilhelm, and every tyrant who has come into the possession of arbitrary power. We wonder why the Germans tolerate their tyrant; why they are deluded by his specious words; yet, under public-ownership, we create tyrants and arm them with cudgels to flay our own defenceless backs.

I work not for capitalistic gain, remonstrates the dictator of our Ontario state-monopoly.

So says Kaiser Wilhelm also, and no one doubts either. That both obtain huge incomes from the people, may influence their actions but does not affect our argument. Both would work probably with the same energy without financial remuneration, rewarded only by the gratification that comes from the realisation of power. But that also does not affect our case, for the love of power has worked infinitely more iniquity in the world than love of money, and always will.

In brief, under public-ownership the State

defends monopoly as against the Average Citizen, and under capitalistic systems the State defends the Average Citizen against monopoly.

Yesterday the rights of capital were attacked by state-monopoly; to-day the occasional citizen; and to-morrow it will be the Average Citizen, the mass of the people. And why do we submit? Why do honest men preach the abolition of competition and return to a monopoly?

De Tocqueville tells us:

"Every man allows himself to be put into leading-strings, because he sees that it is not a person or a class of persons, but the people at large that hold the end of his chain. By this system the people shake off their state of dependence just long enough to select their master, and then relapse into it again. A great many persons at the present day are quite contented with this sort of compromise between administrative despotism and the sovereignty of the people; and they think they have done enough for the protection of individual freedom when they have surrendered it to the power of the nation at large."

The fear of monopoly—even of state-monopoly—and the overwhelming desire for competition, in the nineties of the nineteenth century, were proved to be not ill-founded in the

first years of the twentieth century in the Province of Manitoba. "In Manitoba," says Professor Mavor, quoting from the Winnipeg *Telegram,* "Government telephones is now denounced as 'one of the most iron-clad monopolies imposed on any people,' and complaint is made that the rate should be 'cut in two,' the identical language employed eight and nine years ago during the agitation against Bell rates."

Western Canada, by deliberate choice, after years of suffering under monopoly, called for competition in railways, out of which it firmly believed would come an improvement in service, a cheapening in cost of transportation, and a protection of the rights of the Average Citizen. We shall, in a later chapter, find that this faith was justified by experience.

CHAPTER IX.

MORE REASONS WHY THE NEW RAILWAYS WERE NOT BUILT UNDER NATIONALISATION

If we turn to that bit of Imperial legislation which sets forth what the Dominion and Provinces may and may not do, we shall find that both have jurisdiction over railways. Ten state-organisations in Canada have the right to aid, regulate, own, and operate railways. That this jurisdiction is not merely theoretical, is shown by the fact that Ontario has a railway which she herself owns and operates, while the Federal Government owns and operates several railways.

Provincial rights are jealously guarded and not often willingly surrendered; and, as far as I can remember, it has not been even suggested that the provinces should surrender to the Dominion their rights in regard to the railways. Dual jurisdiction there has been in the past, and probably will be in the future.

Bearing this in mind, let us remember that Federal and Provincial affairs are in reality managed by one of two great political parties, and in the varying fortunes of politics it often happens that the party in power in the province is not the party in power at Ottawa, is not friendly to the party in power at Ottawa, often the bitter enemy of that party. At present, this is true of every province lying between Ontario and the Pacific Ocean.

Which party was to have within its grasp the immense prestige belonging to the power to direct railway lines here, there, and elsewhere, over the new country under colonisation? Which party was to have the tremendous patronage of appointment, of spending the hundreds of millions of dollars required yearly for materials? Which party, the one in power at Ottawa, or the one in power at the provincial capital, was to be placed in a position to swap wage-increases for votes? That this was not illusory is shown by the fact that one out of ten voters in the Dominion is a railway employee, and the proportion was probably one to five in the days of active construction; the voters, be it remembered, having ballots equally effective in Federal and provincial elections.

Companies may waste substance in a struggle for economic advantage—and so may states. The main difference is in the scale of the conflict, the intensity of the conflict, the vastness of the destruction. When under nationalisation, states fight for prestige, to strangle the economic life of a people becomes the aim of each combatant.

The Average Citizen may be incredulous of the suggestion that under nationalisation the Provinces of the Dominion might use their railways to injure each other. He may argue that we are all part of the same body politic—the Maritime Provinces, Quebec, Ontario, the Prairie Provinces, and British Columbia—that we are all working for the common cause of Empire; and that it is impossible that we would use our government-owned railways to injure our kinsmen. So it might have been said of the Australian States, if unfortunately the several states of Australia had not for years engaged in a series of wasteful rate-wars. Mr. Gregory tells us in his article on "Lonely Australia," from which I have quoted:

"Victoria built railroads to and along the border of New South Wales and agreed to carry

wool and produce of New South Wales' origin to Melbourne at nominal cost. New South Wales also made ridiculously low rates for freight from Victoria points to Sydney, and Queensland and South Australia were likewise industriously engaged in cutting their neighbors' throats at public expense.

"The submergence of national to local interests and the desire to build cheaply and rapidly have resulted in a condition of railway gauges which makes interstate traffic impossible without reloading. New South Wales has a gauge of 4 feet 8½ inches; Victoria, 5 feet 3 inches; Queensland and West Australia, 3 feet 6 inches; South Australia, 5 feet 3 inches, 4 feet 8½ inches, and 3 feet 6 inches. The gauge of the new transcontinental railway is 4 feet 8½ inches. A passenger landing at Brisbane, destined for Perth, must change to a different type of car five times, and even between the two large cities, Sydney and Melbourne (582 miles)—the distance from Omaha to Denver—no through-cars can be operated."

And this under government-ownership! Under the kindly polity which seeks "only the welfare of the many, not the interest of the few!"

Nor was it at all plain in 1896, that the economic interests of the several provinces of the Dominion were so harmonious that conflict with

rails and rates as weapons, was beyond serious consideration. And it is not much plainer today. The economic interests of Canada are distributed more or less geographically by provinces. Manitoba, Saskatchewan, and Alberta, for instance, are essentially agrarian, and always will be. It might well have been that their transportation interests, under provincial-nationalised roads, would have come into conflict with the other provinces, or with the remainder of the Dominion. It is even said upon good authority that rates are regulated on the Intercolonial Railway, Federal-owned as it is, to the advantage of the cities of the Maritime Provinces, as against the cities of the other provinces.

In Australia there is no outside interference in the affairs of the railway, no rail contact with foreign lands. But in Canada for three thousand miles our railways lie beside those of the United States, and a large portion of their traffic is received from, delivered to, and influenced by, the railways of the United States. In 1915 commodities to the value of $215 million were shipped from Canada to the United States, and commodities to the value of $469 million were car-

ried back. If in Australia, under railway nationalisation, kinsmen set upon each other in an effort to establish economic supremacy, what are we to expect, under railway nationalisation, if we are called upon as a country to settle the affairs of this huge business with aliens?

If I want to ship from Montreal, Ottawa, Cornwall, Hamilton, Welland, St. Thomas, or a host of other points in Eastern Canada to Fort Frances, Winnipeg, Portage la Prairie, Vancouver, or another host of points in Western Canada, I may do so by using railways owned and managed in the United States, and numbered among the strongest of the great American railway systems. We cannot settle our railways problems and leave out of account the railways of the United States. American companies own about 2,000 miles of track in Canada. And, curiously enough, the nationalisers that would have us take Australia's nationalisation as a pattern have, as far as I know, avoided this at least important difference between the conditions of the two countries.

Nor is this the worst of our international railway complication. If the Canadian Northern Railway, for instance, had been built under pub-

lic-ownership, what would have been the relation of its builder and owner to the United States? Map of Canada in hand, it will be seen that this railway crosses a part of the State of Minnesota, south of the Lake-of-the-Woods, and if it had been otherwise the important Rainy River District of Ontario would have been shut out of its service. With the map still in hand, it will be seen that each of the other two transcontinental railways have lines in the United States, the Grand Trunk actually having its Atlantic winter port on the American seaboard, and the Canadian Pacific running 200 miles through the State of Maine to its winter port at St. John. There are other American lines—thousands of miles—owned and controlled by the Canadian railways, and contributing substantially to their revenues.

Is Canada to own and manage railways in the United States? Will the United States permit it? And if it should, what would be the result in international relations? As it is, the railways of Canada have every day quarrels with the railways of the United States; bitter rate-wars were not unknown before the day of commission regulation in both countries, and are not impos-

sible to-day. Place a huge transcontinental mileage in the hands of the Canadian Government, and what will be the result? Every act of the railway is an act of the Government of Canada; quarrels with railways of the United States become international conflicts. The subterfuge of management, through commission, will deceive no one, and least of all the keen, aggressive American. That the Intercolonial has not got us into trouble with the United States, is no guarantee that the danger does not exist; the Intercolonial is the one big railway in Canada by geography free from American entanglements.

CHAPTER X.

THE NATIONAL AND IMPERIAL RESULTS

Canada sought population and production in assisting the railways of the New Era, and Great Britain sought an enlargement of the Imperial Breadbasket in providing the finance. To what extent were these objects obtained?

The answer involves figures; and, believing that the Average Citizen has little liking for figures, I will try to present them as clearly and as briefly as possible, bearing in mind the necessity for accuracy; and I shall also make liberal use of diagrams for those that prefer this method of dealing with statistical questions.

Canada a little more than doubled its mileage within the two decades following the beginning in 1896, of the first colonisation railway in Northern Manitoba. There were built 19,312 miles of railway, and several hundred more miles completed and under operation, but

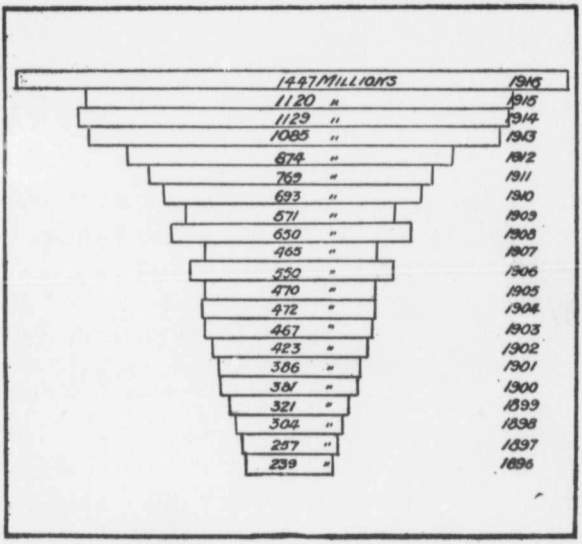
not appearing in the 1915 Dominion Government report.

What have these 19 thousand miles meant to Canada? They have stayed the backward movement of a country. That is a creditable something, but not enough. How far have they sent the country forward? That is the question, and without an answer the fog that clouds the mind of the Average Citizen, will not lift.

The foreign trade of Canada is measured each year, and in 1914 it was five times greater, and in 1916 six times greater than at the beginning of the New Era of railway construction. Put into the form of a diagram, the country's foreign trade in this period looks like a pyramid upsidedown, a monument to the steady progress that carried Canada from obscurity into a respected place among commercial nations. Clearly this growth is evidence, if not conclusive proof, that the railways have justified their increased mileage.

Unfortunately, there are few accurate statistics available as to the annual growth of domestic trade; however, the census has been taken twice during the period under review and contains interesting evidence of the growth of the nation's industries.

The lumbermen increased the value of their products from $51 million in 1900 to $170 million in 1910. And in the official government records it is set down to the credit of the rail-



ways of the New Era that one of them, that has been built up since 1896, carried, in 1915, 34 per cent. of the aggregate lumber-products shipped by rail. The buildings required for the million or more people who followed the

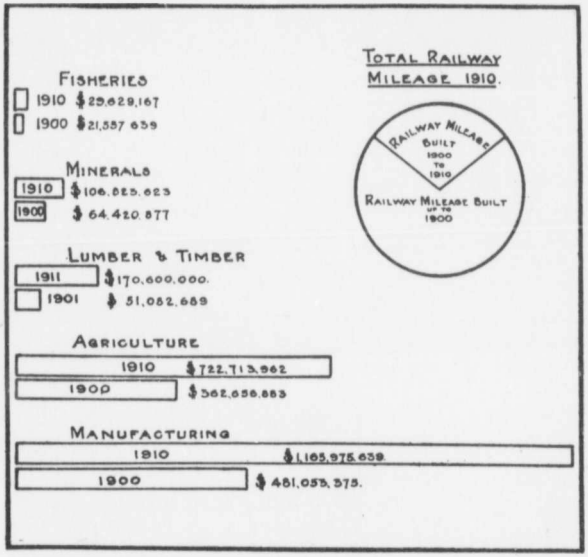
railways into the plains of Central Canada, account for a substantial part of the increased business; while even in the cities and towns of Eastern Canada the building activity must be credited in part to the beneficent influence of the Western markets.

The manufacturers increased their output from $481 million in 1900 to $1,166 million in 1910, or 140 per cent. This meant an increase of 176 thousand in the number of persons employed, and an increase of $128 million disbursed in wages and salaries each year. Montreal increased in manufacturing importance 146 per cent., Toronto 243 per cent., Winnipeg 482 per cent., and Vancouver 695 per cent. Every manufacturing centre in the Dominion of Canada felt the impetus that came from the railway construction of the New Era; and it is significant that the Western cities made the more conspicuous gains, for the new grain fields of Western Canada opened by the colonisation-railways yielded the increased demand for goods "made in Canada."

Mineral production increased from $64 million in 1900 to $107 million in 1910, more than 65 per cent.; and more than half of the increase

came from territories along lines of railway that were not in existence in 1896.

The value of agricultural products in 1900 was $363 million, and in 1910 it had increased to $723 million, or had nearly doubled. The



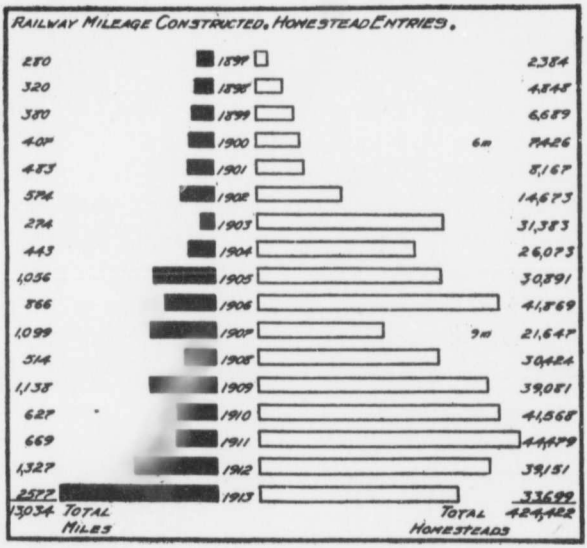
agricultural products of 1915 were valued at $1,000 million. The increase, as will be seen later on, came mainly from the West—from the new lands brought under cultivation through the construction of colonisation-railways.

The figures of the preceding paragraph do not adequately express what this widening of the fields has meant to Canada, for agriculture has a wider place in the national foundation than that of a profitable pursuit. It is the breeding ground of the nation. In those states that have reached industrial greatness, that have built huge workshops and count millions within their city boundaries, agriculture is still essential to their permanent national existence. Rider Haggard, in his interesting book on "Rural Denmark and its Lessons," states "that the retention of the people on the land should be the great, and even the main, endeavour, of the Western nations. Nothing can make up for the loss of them—no wealth, no splendour, no foreign investments, no temporary success or glories of any kind. At any sacrifice, at any cost, all wise statesmen should labour to attain this end."

I wish the Average Citizen would pause here for a moment; for it is here, in the agricultural field, leaving out of consideration for the time being all other activities, that the railways of the New Era have justified their existence, have compensated the people of Canada for their sacrifices. The social gain to the nation in mak-

ing the land accessible for hundreds of thousands of thrifty farmers, is incalculable.

The railways of the New Era have had a chance to prove the worth of their services only



in Western Canada, for they are too new in Ontario and British Columbia to prove their capacity for national service. It is to the West, then, that we must look for the evidence that ties up this increase in national prosperity with

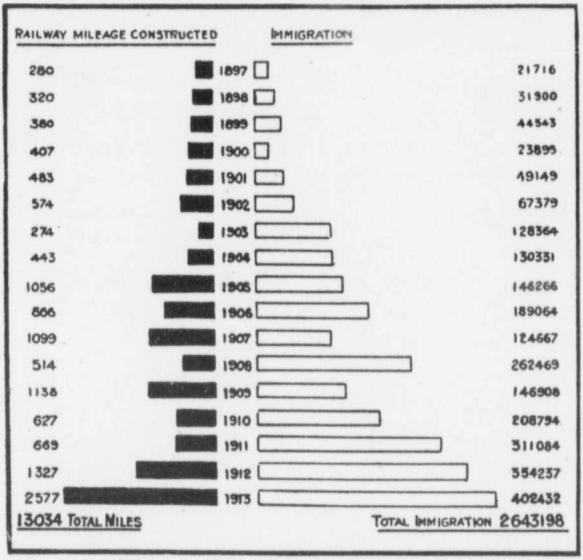
railway construction. In 1897, the first year in which the Western colonisation-lines were operated, 2,384 quarter-sections were homesteaded in Western Canada. In the following year the number of homestead entries doubled; and, as the years passed, they increased until the entries in 1911 were eighteen times, and the entries in 1913 more than fourteen times, the 1897 figure. During the whole period, the wages earned on the railway dump, in the borrow-pit, or other places in connection with railway construction, went to tide-over the first years of the homesteader and provide capital to be used in farm production. The diagram shows an interesting relation between yearly homestead entries and yearly construction, which it is reasonable to assume is more than a coincidence.*

There is necessarily an intimate connection between production and population, and in Canada between population and immigration; and, finally, as we shall see, between immigration and railway construction. Railways are at one end

*Homestead entries of one year are usually the result of the previous year's railway building, and if the mileage increases for 1912 and 1913 do not bear out the lesson of the diagram, the difference is explainable by the fact that the construction of these years was largely confined to the connecting-up of lines in districts either not open to homesteading, or open only to a limited extent.

of the chain and production at the other in a new, undeveloped country of vast size.

Within the ten years covered by the 1911 census, the population of Canada increased 34 per



cent., instead of less than 12 per cent. in the decade preceding the resolve to assist the colonisation-railways that brought about the New Era. There was a net gain of 1,825,328 in the population of the country. If the Average Citi-

zen will study the diagram, tracing in parallel columns the blocks of immigration into Canada and the blocks of railway mileage built in Canada since 1896, he must conclude that the wonderful growth in production and population during this period is directly connected, as effect and cause, with the new railway construction. Population and production were called for when the State assisted the railways and the railways "delivered the goods."

To what extent did the Empire realise the benefits it expected from the New Era? The new Imperialism that believed and prophesied that Great Britain before long would have to fight for existence, was right. The crisis came in 1914; and with it speculation gave place to reality.

Through the foresight of the men in London that had diverted money from foreign channels into the construction of the prairie railways the Imperial breadbasket was enlarged. Not only were its contents required, but, as it turned out, it was fortunate for financial reasons that the breadbasket lay within the Empire. Reality produced some conditions which were little thought of, practically overlooked, in speculation.

Mr. A. D. Hall, a member of the committee on food production, presided over by Lord Milner, describes the situation which actually developed after the war and its relation to the Empire. I quote from his work:

"Under peace conditions we pay for our imports of food and raw materials by our exports, i.e., by the labour put into the conversion of raw materials into finished goods, e.g., cotton goods and machinery, or by raw materials of our own, e.g., coal, or by our foreign investments. A European war like the present considerably reduces our manufacturing for export, but though we can cut off automatically the imports required for that purpose, we cannot cut off the food nor the increasing volume of materials that are wanted for war purposes. In war, the balance of trade must go against the nation: exports cease to pay for imports, which have to be bought upon credit, and that credit becomes the more strained the bigger the import bill." . . . "It may be more profitable in peace times to buy food and pay in manufactures, but when war comes and we can neither make nor sell the finished articles though the food bill has still to be incurred, then so large an annual debit as £167 millions becomes a serious item in depreciating the Empire's credit."

Thus, we now clearly see that money spent by

British people for food in Canada, is merely a change of sterling into dollars and cents. It is a case of Peter and Paul over again. The money passes from one pocket to another, and both of the Empire. The credit of the Empire is undiminished by the transaction. It is not only the business of trade routes and of possible embargoes by neutral countries, that urges the Empire to become self-feeding. It is mainly a question of maintaining the credit of the Empire —and Imperial credit is vital to success in war.

The extent to which Canada has contributed to the food supply of the United Kingdom without impairment of Imperial credit, is indicated by the following table prepared by the Department of Trade and Commerce, of Canadian food exports, most of which went to Great Britain after the declaration of war:

	1914	1915	1916
Agricultural Products	$127,122,783	$230,644,063	$364,605,703
Animal Products	68,216,972	94,513,460	117,909,753
Total	$195,339,755	$325,157,523	$482,515,456

It is impossible to say what Canada's contribution would have been without the maligned

railways; but, clearly, if we had remained as we were in 1896—when we were standing still, and had been for some time—we would have been of negligible assistance in feeding the Old Country.

It may be urged that quantities, rather than values, would be a better gauge of Canada's contribution, especially in view of the enhanced prices during war days. I have given values, not with any desire to misrepresent the situation, but for the sake of compression. To have given quantities, would have entailed the publication of a too formidable list of items. The situation in quantities may be gathered from the fact that one railway, not in existence as a carrier in 1896, carried 132 million bushels of grain on its Canadian lines in 1916, or 95 million bushels more than the total grain production of Manitoba and the Northwest Territories in 1896. Reducing to flour the wheat carried (4½ bushels to a barrel) and adding the flour carried, the supplies obtained from the territory served by this railway —which, be it remembered, was not in existence in 1896—would be sufficient to supply each of the 45 million inhabitants of Great Britain and Ireland with Lord Devonport's ration of four pounds of bread a week, for more than six months.

As stated, it is impossible to estimate what the contribution would have been if Canada had not built her railways as generously as she did. That the contribution would have been curtailed, is beyond doubt; that it would have been curtailed to an extent which would have meant suffering and hunger in the United Kingdom, is certain. And thus we have a new sense of the values of the railways of the New Era,—the substantial measure of relief to the hungry within the Mother Land from the territory made productive by the service of the new railways. National needs and the means by which they are satisfied, are not subject to measurement by monetary standards. That is clear as Mr. Hall says:

"It would be cheaper to dispense with the Navy and Army if we could ensure peace; but as that is impossible we accept the burden of maintaining the Services, and the question we have to consider is whether an enhanced agricultural output, such as can be attained at some price or other, may not be a part of the national defence so necessary that it has to be paid for, cheaply or otherwise."

Nor were foodstuffs the only contribution to the United Kingdom traceable to the New Era

which was brought about in Canada by the expansion of its railway system. We have seen that the manufacturers increased their output by 140 per cent. in the first decade of the New Era. This expansion in trade was naturally followed by an increase in size of factories and shops and an increase in the skill of the workmen. As a result the manufacturers were able to adapt themselves in a serious way to the making of munitions and increase their exports from a value of $69 million in 1914 to $151 million in 1915, and $440 million in 1916. In other words, the factory and shop plants, enlarged to meet the demands, and the anticipated demands, for Western Canada, were in the fortunate condition to be utilized to serve the Empire's need for munitions.

CHAPTER XI.

THE COST OF THE NEW ERA.

Deep down in the heart of the Average Citizen lies the feeling that private fortunes have been built out of the assistance granted to the railways.

This feeling is probably held more of the men behind the Canadian Northern, because they are a definite number of Canadians and not a shadowy group of far-away alien shareholders. The feeling that the contents of the public purse should be conserved, is natural, because, all having to contribute to it, we are anxious to see it stretched as far as possible in supplying our national wants. The feeling that the Canadian Northern Railway has been over-subsidized and the men behind it more than generously rewarded for their labours, is all the stronger because some of our politicians, some of our journalists, and certain old-time railway men have said so. Usually their say-so has been in vigorous words, without figures, or with figures so jumbled and juggled as to be beyond recognition.

I have previously expressed my opinion of the Average Citizen's aversion to figures, but the figures of railway assistance bear a relation important enough to our present problem to warrant serious study, and set forth as they really are, may be readily understood by even those who have no aptitude for bookkeeping.

The Canadian Northern and its subsidiaries, have been assisted in four ways, according to the Government Bureau of Railway Statistics:

Cash Subsidies:	
From Dominion Government	$31,286,720
From Provincial Governments	6,821,724
From Municipalities	765,704
Total	$38,874,148
Land:	Acres
From Dominion Government	4,002,848
From Nova Scotia Government	150,000
From Quebec Government	402,860
From Ontario Government	2,000,000
Total	6,555,708
Guarantees:	
By Dominion Government	$104,613,247
By Alberta Government	18,950,361
By Saskatchewan Government	14,762,546
By Manitoba Government	25,501,865
By Ontario Government	7,859,997
By British Columbia Government	39,953,124
Total	$211,641,140

Loans:	
By Dominion Government	$858,166
	10,000,000
	15,000,000
Total	$25,858,166

These are all the items appearing against the Canadian Northern and its subsidiary companies. In explanation of them, and as the Canadian Northern is so closely associated with the names of Sir William Mackenzie and Sir Donald Mann, it is only fair to point out that for roads constructed under their management, they have received only $28 million of the subsidies; of this only $84 thousand came from municipalities. The remaining amount, $10 million, was apparently paid out to railways that, like the Central Ontario, Great Northern, Quebec and Lake St. John, came into the Canadian Northern by acquisition after the subsidies had been received and construction completed. It was these roads which received all but a few dollars of the subsidies from municipalities; for, with the exception of Vancouver where special circumstances existed, the Canadian Northern Railway, under the Mackenzie-Mann régime, neither asked nor received substantial favours from municipalities.

As the Average Citizen reads the items, even with this explanation, he will probably think them enough and wonder if the statesmen in charge of the country's affairs were swept off their feet by a tidal-wave of generosity. But, after all, figures are important only in relation to the circumstances. The Canadian Northern has provided nearly 10 thousand miles of railway as a result of this assistance, and without the assistance we could not have had the railways, could not have had the population and production which followed their construction. Railways cannot be run into new and undeveloped countries without state aid. That much is certain. That the aid granted may have been more than was sufficient for the purpose, was the danger; so let us examine our subject from this aspect.

We have precedent in the case of the Canadian Pacific, and while its lessons are not conclusive, they are interesting and will, at least, show what progress, if any, the State has made in its task of securing railway service with the least possible disbursement from the national purse.

The Canadian Pacific Railway and its subsi-

diaries received, according to the Government Bureau of Railway Statistics:

Cash Aid:	
Value of Railway Constructed and handed over	$37,785,320
Cash aid	30,289,343
Cash aid to subsidiary companies	13,129,873
Cash aid by Provincial Governments to main line	412,878
Cash aid by Provincial Governments to sub. companies	12,016,257
Cash aid by Municipalities to C.P.R.	464,761
Cash aid by Municipalities to sub. companies	4,632,422
Cash paid for land bought back from C.P.R.	10,189,521
Total	$108,920,375
Land:	Acres
Land Grant to C.P.R. from Dominion	21,634,190
Land Grant to C.P.R. from B.C.	6,388,995
	28,023,185
C.P.R. received from lands and townsites to June 18, 1916	$123,810,124
C.P.R. Value of Unsold Lands	109,259,000
Total	$233,069,124
Loan:	
From Dominion Government (paid back)	$40,000,000

Now for comparison!

Of cash, the value of which is not in doubt, the Canadian Northern Railway proper re-

ceived $28 million, and with acquired lines $38,874,148 in all. The Canadian Pacific with acquired lines received $108,920,375. The Canadian Pacific figures include a railway built by the government, valued at nearly $38 million, and given to the company. In cash grants the governments clearly drove better bargains with in the New Era than in the old days. And the difference is even greater than appears, for the original contract with the Canadian Pacific Railway contained a clause which provided for "free import of all steel rails and fastenings, fences and bridge material in wood or iron, for original construction, and telegraph wires and instruments for first equipment."

Further, the Canadian Northern Railway had to pay last year more than three-quarters of a million dollars in taxes, and it does not require unusual mathematical ability to realise that at this rate the State is speedily taking away that which it has given. The Canadian Pacific received from the State tax exemptions that have meant additional subsidies amounting to millions and do not appear in the tables submitted by the Government of the aid granted the railway companies.

Of lands, the Canadian Pacific received from the Federal Government 21,634,190 acres, and the Canadian Northern 4,002,848 acres. In addition, the Canadian Pacific had 6,388,995 acres from the British Columbia Government; and the Canadian Northern 150,000 acres from Nova Scotia, 402,860 acres from Quebec, and 2,000,000 acres from Ontario. The Canadian Pacific's land grants are valued at $233,069,124, and the Canadian Northern land grants $43,599,771. The Federal Government gave no lands in the New Era; and those the Canadian Northern Railway received from it were acquired through the acquisition of charters previously granted.

CHAPTER XII.

THE REAL ASSISTANCE FROM A GUARANTEED BOND

The contrast in amounts of cash and lands given to the companies, is startling and is explainable only by the fact that the railways of the New Era were mainly assisted by the State with guarantees of securities. It thus becomes important to determine the nature and value of this form of assistance.

There has been a strange confusion between subsidies and bond guarantees, that must be cleared up before proceeding further in determining the extent to which the railways have been assisted by the State in Canada. Adding together the amounts of the face value of the bonds guaranteed by Provincial and Federal Governments, the total has been presented to the public as so much government-assistance. Adding together cash subsidies, land grant values, and the amounts represented by government-guaranteed bonds, comparisons have been

made between the amount of assistance received by this company and that company. The result of these operations in mathematics, has about as much value in uncovering the real situation as if the items added together and compared had been chalk and cheese.

Even government statisticians, knowing well the radical difference between bonds guaranteed and cash subsidies, have compiled tables in which the two are represented as comparable forms of assistance. The journalist has followed the practice; and, needless to say, the nationalisers directing their shafts principally at the railways assisted in this way, were only too glad to accept a method of calculation which, although erroneous, had the advantage of being established by precedent. Writing with prolific hands, the nationalisers have made confusion worse confounded.

But, as we all know, general practice is not always sound practice. After all, a bond is only a promise to pay, and remains a promise to pay even after a government-guarantee has been attached to it. With this fact in mind, we are in a position to appreciate the difference between a cash subsidy and a guaranteed bond, and

to recognise it as the same sort of difference as that between a dollar owned and a dollar owed. The casual reader might be misled, but never the men who own and owe. Nor was there any confusion in the mind of the bookkeeper, for he put the cash subsidy with the assets on the one side of the ledger, and the bonds—not overlooking the guarantees—with the liabilities on the other side.

Why then the confusion of honest men that have more than casually investigated the question of Government assistance? The explanation lies in the fact that there is an element of assistance to the railway company in the guarantee of the bond; the annual interest to be paid is less, and the capital amount to be repaid is less, with the guarantee than without it. Thus it becomes plain that we must separate the value of the guarantee from the value of the bond, if we want to find the assistance. Clearly, the company did not receive assistance to the amount of the face value of the bond—not by a "jugful"; the amount of assistance was only the extent to which the selling price of the bond had been enhanced by reason of the guarantee: Or to put it in other words: the difference in the selling

prices of two forms of securities, one guaranteed by the government and the other not guaranteed by the government.

A few moments' reflection will convince the Average Citizen beyond all doubt that the assistance rendered the railway companies by a guaranteeing of their bonds, is properly measurable in this way. But, as a result of those few moments of reflection, the Average Citizen will have to revise his whole idea of the extent to which the railways of the New Era have benefited from the public purse; for where hundreds of millions have been charged, we shall find the real assistance counted in tens. I realise that he, believing for years that the railways of the New Era have had hundreds of millions in assistance from guaranteed bonds, may look askance at my statement. He may think I have forgotten my promise to be constantly on guard. I am remembering that I live in a glass house, and I challenge the closest scrutiny of my presentation of the facts of the assistance received by the railways as a result of the state-guarantees attached to their securities.

Guaranteed and unguaranteed securities have been marketed in large quantities by

the railway companies, and it should not be difficult, by a comparison of their respective prices, to establish the extent of assistance received under the guarantee principle. In June, 1912, there was a public issue of Canadian Northern Perpetual Consolidated Debenture Stock, which yielded 91 per cent. of the par value; in January, 1912, there was a public issue of Canadian Northern Railway securities guaranteed by the Saskatchewan and Alberta Governments, which yielded 96.8 per cent. of the par value. These two securities both bearing the same rate of interest, 4 per cent., were disposed of in the same market, in the same year, and the results may be fairly said to indicate the difference in selling price between unguaranteed and guaranteed securities. There was a saving of 6 per cent. because of the guarantee. It must be remembered also that the guaranteed securities had the further advantage of possessing the security of first mortgages on the property.

Here, then, is a definite basic figure with which to work in calculating the amount of assistance received by the company from the $212 million of guaranteed securities. The $212

million worth of securities have not all been sold; but if they had been, the saving would have meant $12 million to the company by reason of the guarantee. Is not this conclusion startling in view of the common representation that the $212 million consisted of assistance to the Canadian Northern Railway Company?

I am prepared to hear the nationaliser remonstrate that a guaranteed bond constitutes a liability of the State to the extent of the amount guaranteed; that it may be, that the benefit received by the company, is only a fraction of the value of the bond; but that the public's real interest lies not in determining what the company has received, but what the State has given.

Let us, then, scrutinise the guarantee under this light. The nationalisers—and the statisticians too—that continue to argue that the State has given the railway companies assistance to the face value of the bonds, must have eyes closed to the existence of security. But this will not do; for security there is, and with the exception of $45 million in the case of the Canadian Northern, the $212 million is secured by first mortgages on the undertaking. We are now in a position to check our estimate

of the assistance received by the company, with the liability incurred by the State. If the real liability of the State is merely the difference between the amount guaranteed and the amount of the security, then, as the security in the case of the Canadian Northern is greater than the liability, there has been no subsidy. The results of the two methods of calculation need not be exactly the same, for it is quite conceivable that the Company benefited by an action of the State that has involved no permanent sacrifice on the part of the State. This is, of course, true only if the Canadian Northern is an undertaking of value to the State, and we have seen that it has been of value in the past, and is indispensable to the present and the future. Further than this when the value of the railway is measured as so much land and steel, the severest test, it is found that the State holds far more than a dollar of security for every dollar of debt guaranteed.

Whether viewed from the angle of assistance received by the company, or liability incurred by the State, the old-time method of calculating the total amount of railway debt guaranteed as so much subsidy, is wrong, radically wrong, and in writing the guarantees down to their real

value, it will be found the railways of the New Era have had in reality only a fraction of the amount of the public-assistance charged up to them by public opinion.

This question is so important and the distinction to be made between guarantees and other forms of assistance so vital to a proper appreciation of the business in hand, that I ask the reader to undertake with me a simple mathematical calculation which ought to settle it forever. By reference to our tables of assistance in the preceding chapter, we find that the Canadian Pacific has had in cash and the equivalent of cash $108 million, and land grants to the value of $232 million, or total free gifts to the value of $340 million. Assuming money to have an earning power of four per cent., this means a subsidy of $13,600,000 each year. The Canadian Northern has had $38 million in cash, and land grants to the value of $43 million, or total free gifts of $81 million. The Canadian Northern has had bond guarantees to the extent of $212 million. Again assuming the earning power of money to be four per cent., the free gifts would yield an annual revenue of $3,240,000. But the guaranteed bonds require an

annual payment on the part of the company of $8,480,000, so that the Canadian Northern is compelled to pay nearly $5 million a year for its subsidies. If the nationaliser—and he is an obstinate fellow—continues to refer to bonds guaranteed as so much railway subsidy, I hope, out of deference to Truth, he will at least speak of them as subsidies that have to be paid for.

The government-guarantee of bonds is but the application of an old everyday business practice to the relations between State and railway. If the Average Citizen, being a business man, had a favourable opening for the expansion of his plant, and was incapable of proceeding with the expansion for lack of capital, it is not unreasonable to expect that those who would benefit substantially by the expansion, would assist in securing it by an endorsation of the Average Citizen's paper. Such is the credit system, such the transactions of daily business. The Average Citizen would be grateful to the endorsers. But he would not regard the transaction as an act of charity; he would not look upon the endorsers as philanthropists, nor upon himself as a mendicant. He would, as a matter of fact, not unfairly consider himself entitled to a measure of

their gratitude, and expect every consideration from them in the future; especially if much of the expansion had been effected at the request of the endorsers, if he had protected their liability by first mortgages on his property, and if through the transaction their business had been doubled, trebled and, finally, more than quadrupled.

And this is practically the position the railways of the New Era occupy to-day in relation to the Dominion and Provincial Governments that have guaranteed their securities.

Curiously enough, the Canadian Pacific Railway, which to-day has no bonds guaranteed by governments, was the first to receive them; such, at any rate, is my reading of the history of railway aid in Canada. In 1887, after the Canadian Pacific had surrendered the monopoly clause of its charter covering certain parts of Western Canada, an arrangement was made for the guaranteeing of certain of the company's bonds by the Government of Canada, partially, at least, as consideration for the surrender. On page No. 308 of "Canada—Statistical Record —1887," the digest of the bargain is set forth as follows:

"The Government agreed to guarantee the

payment of interest for not longer than fifty years from date of issue on bonds of the company, to an amount not exceeding $15,000,000, such interest to be at the rate of three and a half per cent., per annum, the bonds to be secured on the unsold lands of the company, estimated at 14,934,238 acres. The net proceeds of the sales of such lands to be from time to time paid over to the Government to constitute a fund for the payment of the principal of the bonds, the interest, at the rate of three and a half per cent., on the money so set-apart to be applied towards payment of the interest on the bonds."

A few years before, the Government had agreed to guarantee a dividend on $65 million of the common stock of the Canadian Pacific. But the principle of guarantees was not applied generally to the Canadian Pacific, and these first efforts to apply it were not rewarded with financial success.

The Canadian Pacific wanted subsidies owned, not subsidies owed; and after a brief experience dropped this form of government-assistance, as a boy drops a hot potato. From the railway standpoint, the bond guarantee has the fatal weakness of consuming the best security upon which finance is to be obtained. As we have seen, the governments demanded the

protection of a first mortgage on the properties, the bonds of which were guaranteed; and, as a result, the companies were forced into the market with junior securities, for further funds. We found a difference of only 6 per cent. between the prices at which the railways of the New Era could sell their guaranteed and their unguaranteed securities in normal times. But in the war markets, with finance unsettled as never before, the railways of the New Era having mortgaged their assets for the protection of the Government, found their guaranteed bonds—carrying the mortgages—a bar to self-dependence in finance.

From the standpoint of the public, the results have been satisfactory. Remember that the National Transcontinental does not furnish an example of the bond guarantee principle, for it was a government-built, government-financed road. The guarantee principle furnishes a double check upon the plan of the railway; for, unless there are fair prospects of permanent success, the company does not want a form of assistance, the use of which it must pay for annually, nor does the Government want to give the guarantee. It is infinitely better than cash

subsidies and land grants—better than loans—for companies have had to do the financing of the bonds guaranteed by the government.

The Government loaned the Canadian Pacific Railway $40 million to satisfy the needs in early days, and has loaned the Canadian Northern Railway $25 million for similar purposes. When it is remembered that the Canadian Pacific repaid the loan and that the Canadian Northern has larger gross earnings after its first 20 years, than the Canadian Pacific had within its first twenty years, there can be little doubt that history will repeat itself and that once more the State will be reimbursed.

I make the comparison between the assistance to the Canadian Northern Railway and to the Canadian Pacific Railway, not in criticism of the latter railway, but to clear up a misunderstanding that has arisen as to the comparative aid granted the two railways. None of us can be honest and deliberately underestimate the services of the Canadian Pacific Railway to Canada; they were needed at the time and it may be its huge aid bill was necessary. But, I do maintain that the State policy in reference to the railways of the New Era, has been

wiser and less costly—to the State. It requires very little exercise of hindsight—a common heritage—to realise that if the Canadian Pacific had been financed as were these railways, Canada would to-day be many millions of cash and land ahead, and would not rest under the shadow of liability.

CHAPTER XIII.

PARALLELISM

The nationaliser says money has been wasted under the company-system in the building of parallel roads, and asserts with emphasis: This would have been avoided under government-ownership.

The Average Citizen can see parallel roads from the car-window; not understanding the economics of their existence, he is apt to accept this part of the nationalisers' argument at its face value. The nationalisers have made the most of their opportunity; by adroit manipulation of the cry of parallelism, they have succeeded in concealing the natural way out of our difficulties. The invasion of the territory of one railway by another, has been treated as parallelism; for, in the natural order of things, nationalisers are firm believers in monopoly and scoff at the idea of competition in railway service. Their professed hopelessness of finding a solution under present conditions, reminds me of

Berkley's quaint phrase: "We have first raised a dust and then complain we cannot see." The truth about several things in the present railway situation has been found in a study of history. So, let us, as briefly as possible, find why the railways did not, after the manner of combines, divide Canada into "no-trespassing" zones.

Again we may, with profit, go back to the Canadian Northern. In the year 1902 it had carried its lines to the head of the Great Lakes and established at Port Arthur a connection with navigation. As the price of assistance in finance, Manitoba obtained a rate reduction ranging from 7½ to 20 per cent., according to the class and character of the commodity. Naturally, the competing railway was compelled to follow, and the reduced cost of transportation to the public became general. The results were exactly what the people had learned to expect and to calculate with almost mathematical precision.

The year before the first grain-train moved over the new rails to Port Arthur, elevators holding ten million bushels had been sufficient to house the products of Manitoba's fields, and two years afterwards elevators holding nineteen million were insufficient. The year before the

movement of that first train, Manitoba had 52 chartered banks, and four years afterwards 104, or exactly double the number. I give these figures of elevators and banks because they form even more stable gauges of production than crop yields, which vary with climatic conditions.

Was growth in production and population related only by accident to the widening by the Canadian Northern Railway of the highway to the seaboard? The people on the ground certainly did not think so and gave, with only here and there a dissenting voice, the credit to the railway that had finally broken the monopoly.

Population came in tidal-waves. Manitoba received 11 thousand immigrants the year before the line was opened between Winnipeg and Port Arthur, and 39 thousand after it had been in operation for two years. The wave passed over Manitoba into the Territories. The year before the extension of the Canadian Northern Railway to Port Arthur, the North-West Territories received 14 thousand immigrants, and two years later 43 thousand in 12 months. Manitoba cried for railways and more railways, and remembering the disheartening days of monopoly under the Canadian Pacific, the old timers who

had retained the leadership in public affairs, asked the Canadian Northern, which first brought effective relief, to build them. In 1905 the Territorial organisation gave place to two new provinces, Saskatchewan and Alberta. These also followed the Manitoba lead.

By 1905 the Canadian Northern had extended its main-line until it reached from the Great Lakes to the foothills of the Rocky Mountains, had built branches into the richest of the prairie-fields, having in all 2,400 miles under operation. Paying each year, by careful operation, its operating expenses and fixed charges, it was classed as a highly prosperous Middle West granger system.

What has this to do with parallelism?

We shall now see. With the growth of the Canadian Northern, there came a new and disturbing problem in marketing. The only connection that railway had with Eastern Canada, was at Port Arthur with the Great Lakes navigation, and for at least four months in the year the lake ports were frozen over. An all-year-round outlet became imperative—if the railway was to continue to serve the public.

The company was still prosperous, each year

paying its way out of earnings, and setting aside small but substantial surpluses. But there was danger in sight. The company could not go on building—and yet the Western Provinces were still demanding more service and offering further guarantees—unless it was in a position to furnish an all-year-round outlet for its east-bound traffic, thus filling its empty returning grain-cars. As things were, for a part of the year there was more than an abundance of employment for cars and men, and for the rest of the year unemployment for both—unless the cars were used for storage, and there is no money in a standing car. The labour-problem was serious. When 1,000 trainmen and yardmen were employed in moving grain-trains in August, 6,500 were required in October. Such was the lack of balance of labour-employment. Railway men had to live, even when the harbours on the lakes were closed with ice. Growing population and production were all very well for the Provinces, and growing traffic for the company; but with them came responsibilities which had to be faced.

A survey of the situation disclosed three ways out of the impossible position of "letting-well-enough alone."

Arrangements could have been made with one of the several American lines tapping the Western Provinces, and leading through the United States to Atlantic or Gulf ports. The American railways had recently improved their grain-carrying facilities. Before 1904 the bulk of the grain had moved from Chicago by water to the coast. After that year the railways began to carry the bulk and now carry all but the peak of the load. Galveston is about the same distance from Winnipeg as is St. John, Canada's nearest all-year-open port. When it was suggested that the traffic of the Canadian Northern should be diverted south to the American lines, there was a storm of protest.

The cars will come back filled with American-made goods! exclaimed the manufacturers in Eastern Canada, adding that many of the settlers that had gone into the West were Americans only too ready to continue their former trade relations. And backing up their views, the manufacturers and merchants, through their Boards of Trade and other organisations, petitioned the Federal Government to bring the Canadian Northern and the advantages of its Western connections, East. Who will say the manufacturers were wrong?

Statisticians said that next to the business of growing grain, that of carrying grain leaves most money in the country. A Saskatchewan grain commission worked out figures proving that $346 is left within the Empire for every thousand bushels carried by an entirely Imperial route from the prairies to the United Kingdom.

The statesmen said: Canada must not be made an economic dependent of its powerful American neighbour. Even now we are too dependent upon the United States in transportation. Let us seek to decrease, rather than increase, our dependence. Who will say the statesmen were wrong?

Mainly for these reasons, an alliance between the Canadian Northern and the American lines leading into Western Canada, was rejected. Such an alliance would not have required a dollar of capital expenditure by either the Canadian Northern or Canada, but there were national disadvantages, considerations for the future that more than offset the immediate disadvantage of parting with credit and capital.

The second way out, lay in double-tracking the existing all-rail route between West and

East Canada. There were capable men that advised this course. And it too was rejected, but only after a careful weighing of the relative facts of the case.

East and West is separated in Canada, generally speaking, by the country lying beween the Georgian Bay, Lake Superior, and the Hudson Bay. There are two water-basins in that land, that of the Hudson Bay and that of the Great Lakes. Strangely enough, the Great Lakes basin is very narrow along the shore of Lake Superior, and is in fact a narrow rocky ridge. Upon this ridge the Canadian Pacific Railway had been built. The historian tells us that one stretch a mile long on that division, cost that company $750 thousand. Costly to build, its grades and curvature could be improved only by a huge additional money-expense; a second track beside the first one, meant an original blunder perpetuated. The possession of sufficient right-of-way, be it remembered, was not a factor in cost; for right-of-way land was to be had for nothing.

But cost of construction was not the deciding factor.

Within the Province of Ontario on the Hudson slope, lay idle arable lands, to the ex-

tent of 16 million acres—more land than was under cultivation in Old Ontario—its annual productivity wasted through inaccessibility. There was timber wealth: 270 million cords suitable for pulp, the property of the province, for most part unmarketable by water because the rivers ran away from civilisation. There were water-powers in abundance to turn the wood into pulp and paper, but again the railway was required. Now and then fires raged across the forests destroying more wealth than would have built a couple of 500-mile stretches of rails. Wood, in the natural order of things, springs to life, grows to maturity and begins to decay. Every year the value lost to the province through decay would have provided the payment of annual interest on several railways.

In all this territory, larger than "the States of Massachusetts, Connecticut, Rhode Island, New Jersey, and Delaware combined," there was scarcely a furrow turned. It was, in fact, a wilderness, which, as the West grew, separated Canada into two parts, differing in pursuits, and each day growing apart in political sentiment. The Dominion and the Provinces decided to aid the Canadian Northern Railway across this

stretch of land; and the Federal Government built the National Transcontinental Railway in addition. The nationalisers call this parallelism.

The railways were built, firstly because the admitted pressure of traffic demanded at least one additional track between East and West; and secondly because colonisation required more than one additional track—if it were to be carried on with requisite energy. The Clay Belt runs from East to West a distance of 500 miles, and thus it was possible to build both roads for the dual purpose of through-traffic and colonisation; they were built an average distance of fifty miles apart. It is safe to say that the man who terms the location of these railways "objectionable parallelism," either does not believe in colonisation or never travelled through Northern Ontario.

Farther east in Old Ontario, two or more railways lie side by side. The lines between Montreal and Toronto are frequently cited as unnecessary "parallels."

For years the towns along the old Grand Trunk cried for competition, and urged the Canadian Northern Railway to provide it. The Canadian Northern did so. And then came the

Canadian Pacific Railway, in the same direction, serving much the same territory—in a spirit of spite, adds someone. But let us look at the facts before passing judgment. The Canadian Pacific Railway had a line from Toronto to Montreal a few miles north, but it was a single-track line and often congested. It was in the shipper's interest that the Canadian Pacific Railway should enlarge its facilities to handle the through traffic between these two great cities; and the company, believed, in the interest of local traffic, that the enlargement should be made by a new line several miles, instead of several feet, away from the old track.

Now the Grand Trunk has two tracks, the Canadian Pacific two, and the Canadian Northern one, between Toronto and Montreal, although the last is not yet in full operation. But what of that? There are eight railway tracks between Kansas City and St. Louis, cities 282 miles apart. Kansas City has 330 thousand population, and St. Louis 687 thousand population. The railway lines between Canada's two largest cities, will all be needed; they must carry the bulk of the import and export trade of the country, steadily increasing; they serve a score

of industrial towns and cities that have taken on new life since the advent of competition in transportation.

For good measure in the argument, it may be added that the Canadian Northern did not build all its mileage in Eastern Canada. One-third if its mileage in Ontario and Quebec, was acquired by purchase.

In the West there has been paralleling, and much of it unavoidable under nationalisation or any other form of monopoly operation. If the Average Citizen will look at a map showing the Canadian Northern in Western Canada, he will see that its lines resemble in shape a hand, with the wrist at Port Arthur, the palm in Winnipeg, and the fingers stretching into the broadening prairies. With this formation, which is more or less characteristic of the general railway situation in the West, the companies were compelled to parallel the lines of each other, and not infrequently were compelled to parallel their own lines, to prevent congestion. In entering New York, the traveller is impressed by the large number of railway tracks running side by side for miles. All are owned by the New York Central. All "parallelism" is not folly.

When it was proposed to take up steel and send it to the Allies for use "somewhere in France," there was a storm of protest, and when the controversy was transferred from the newspapers to serious conferences at Ottawa, the public found that there were people dependent upon these tracks for their daily needs. The railways were required to serve farmers, merchants, manufacturers; to carry on the business of the country. The test was, what is not at present needed; the result slight disturbance of right-of-way.

Toronto newspapers, several thousand miles away, advised that one line of track between Edmonton and the Mountains could be spared; but the Edmonton papers as vigorously protested that it could not.

What of the situation between Edmonton and the Yellowhead? It is most often cited as an illustration of paralleling under the company-system. In 1907 the Canadian Northern Railway was in operation west of Edmonton, with the end of track pointed towards the Pacific Coast. Two years later the Grand Trunk Pacific came along—headed for Prince Rupert. The Canadian Northern Railway

extended its mileage to the port of Vancouver, as a terminal. Prince Rupert is nearly as far north of Vancouver as Hudson Bay is north of Toronto. There was, at any rate, no objectionable paralleling of Pacific Coast terminals. Both lines, after leaving Edmonton, had "to make" the Yellowhead Pass, for engineering reasons; and for practically 300 miles are only a few miles apart. The greater part of the country between Edmonton and the foot-hills, is arable, and will soon be traffic-producing, but for some miles, in river canyons or in bending towards a favourable river-crossing, the lines are in sight of each other, and this makes the parallelism more spectacular than real.

Common use could have been made of one track, it is urged, and frankly admitted—for the present. But our railways have been built, designedly for the future; and, if in the first days, we have two tracks where one would have been sufficient, surely it is pardonable, and may yet be great good-fortune. If Vancouver and Prince Rupert succeed in becoming winter ports for the products of the prairies, through the instrumentality of the Panama Canal, then two

tracks from Northern Alberta and Central Saskatchewan to coast ports, will be needed; and, at the present rate of the money-market, a second track could not be built for anything like the original cost of the Canadian Northern Railway. To accept this view, involves only a belief in the reasonable future of Western Canada. The Canadian Pacific and the Canadian Northern are not many yards apart from Kamloops to Vancouver, a distance of 258 miles; and yet there is no "parallelism" in a traffic sense, for they are on opposite sides of a rough-running, for the most part unnavigable river.

CHAPTER XIV.

WHAT'S WRONG WITH THE RAILWAYS OF THE NEW ERA.

Several things might have been wrong with the railways in Canada. Investigation will show that every country, no matter what the form of ownership, has a railway problem; many have more than one; and seldom are the problems the same. It thus becomes important to investigate the several highways and by-ways in which troubles are apt to lie. To investigate these is not the quickest way of arriving at the answer to our question, but it is the surest. We may have to retrace some steps and even travel up dead-end lanes; but the nationaliser will not be surprised at our zig-zag course, for he has charged us with having awakened with a headache, after an orgy of railway construction. Labouring under this accusation, we cannot exercise too much care in our efforts to finally land in the right house.

The knowledge of other countries' railway

troubles might well have directed us to our own. Comparisons, we must make, for in most things of this world we are well-off or badly-off only as compared with others. Before the war, Germany had a railway problem—labour. Dawson has told us that the low wage scale under which railway employees were compelled to work, excited great dissatisfaction, and he warned us that a crisis was in sight. The success of government-ownership was imperilled; for, even if the low wages paid in England were to be given to the railway employees of Germany, the result would be a serious depreciation of the profits of the best-conducted government-operated railways.

Fortunate, we are, that Canada's railway problem is not one of labour; for nothing so seriously affects the welfare of any nation as a vast discontented body of underpaid workers. There are at least one million people in Canada—employees, their families, and purveyors—dependent upon the wages paid for railway labour; or, in other words, one out of every eight constituting the "we" who must decide whether the railway situation is good or bad. The Canadian railways are to-day paying wages up to the world's best average. Only in two other coun-

tries—the United States and Australia—are wage-schedules comparable with our own. The benefits of public-ownership to labour, have been emphasised but only in the Autralasian States does labour draw a yearly income approaching that in Canada. The average annual income paid in the railway service of the Australasian States—ranging in 1914-15 from $790 in Western Australia down to $674 in New Zealand, and to $412 in South Australia—is not as good as $727, the average income of the Canadian railway employees in the same year. In Queensland, with more mileage than any of the other states, the average wage was $649 in that year. It must not be forgotten that labour has been for many years, a dominant factor in the politics, and therefore in the railway situation, of the Australasian States.

In Germany the average income of labour (1913) was only $409, in Belgium (1911) $256, Switzerland (1913) $368, Austria (1912) $330. Comparison with other state-owned roads, is equally futile.

The nationaliser may protest angrily against the use of these figures, as having no bearing upon government-ownership; and yet he has

filled columns of newspaper space with the net earnings of the railways of these countries, and has attempted to compare them with the earnings under company-management in Canada. Labour absorbed 45 per cent. of the gross earnings of the railways of Canada in 1915, and is a deciding factor in the general railway situation, particularly in comparisons made with other countries.

The railways of the New Era, whatever their financial perplexities and need of money, have not "taken it out of" the railway employee and those dependent upon his earnings for a living. They do not pay less to the employee because of this paucity of net earnings; as a matter of fact, they pay more than the Canadian average.

The public comes in direct contact with the railways because they are institutions delivering a certain amount of transportation service in return for a definite amount of money. We have already briefly investigated costs and found that while the railways of Canada carry the Average Citizen's ton of goods one mile for three-quarters of a cent, under nationalisation Germany exacts one-and-a-half cents, and Australia two cents, for the same service. No less an author-

ity than W. M. Acworth warns us to expect higher rates under nationalisation than under the company-system. In his book, "The Railway and the Trader," he supports Professor Hadley in saying:

"It is a mistake to expect lower rates or better facilities from Government than from private companies. The actual results are just the reverse. The State is more apt to tax industry than to foster it; and when it attempts to tax industry, it is even less responsible than a private company. State management is more costly than private management, thus much capital is wasted. State management is demoralising, both to legitimate business and to politics."

This is the generally accepted view of economists. This was the view of statesmen that, in the years since 1896, have preferred railways built and operated by the company system rather than by the Government.

Thus we would hardly expect to find the home of our troubles in the Cost Lane, and indeed it does not lie there; for the Canadian railways sell their transportation wares at less cost than the railways of any country in the world, except the United States. The difference between the ton-mile costs on American and on Canadian

railways (1915) was less than a tenth of a mill—practically nothing. And this in spite of the fact that the railways of the United States had 389.8 customers, and the railways of Canada had only 242 customers for each mile of track.

It has been well said that "the social welfare is more dependent upon cheap and unfettered transportation of commodities than upon inexpensive and speedy means of travel." And yet, how seldom does the Average Citizen reflect upon the cheapness with which the commodities used in his daily life are carried from one end of Canada to the other, or give credit to the railway service which has made this possible. But, after all, it is only human to dwell upon our ills and take our "wells" as a matter of course.

Again, a country is dependent upon railways for its development. In an old settled country, the lack of frequency of trains might retard progress. But this is not true of Canada; for out of the mouth of the nationaliser who shouts parallelism and duplication of service, the railways are exonerated from this charge. "Too much service" instead of "Too little service," is the cry. Excess of any kind is not good. But a perfect balance is seldom found, and I assume

the Average Citizen will admit that of the two evils, we are fortunate in having the lesser.

In a new country, failure to build in the out-of-the-way places, will certainly retard development. Under the company-system, or under nationalisation, railways must be operated by man, and it is only human to gravitate towards the "fat" of the land. But in Canada, the out-of-the-way places have not been left for "the other fellow," and I turn again to the nationaliser to support my contention. He charges that too many miles of railway have been built in unsettled country. And it is true—for the present. There are thousands, millions, of acres of arable and timber land served by the railways that must await the end of the war for development.

Here, then, we have a clue that leads into the Lane of Revenue, and may be expected to direct us to the seat of trouble.

Canada has realised her main object in assisting the new railways, namely, increased production; and the United Kingdom has obtained, as a result of British finance, a reduction of dependence upon foreign and alien countries for food suppplies. This much we have proved by

the books at Ottawa, in which are recorded the business activities of the country. We have seen also that it is manifestly unfair that the railways contributing to this end, should be valued entirely by their present earnings. It was, of course, hoped these objects could be accomplished without too great an economic sacrifice; confidence in the country and its future, led men to believe that in the course of a few years traffic would make the railways self-supporting.

In dealing with this phase of the business it must be borne in mind that railway results should not be judged by the last two or three years' experience. In that time, unusual things have happened. Canada has passed through a severe depression, the result of an unparalleled combination of circumstances; a periodical recession in credit, the conclusion of several large money-spending and labour-employing works, a partial but serious crop-failure in the West, and then—or I should say, now—the Great War.

May I ask the Average Citizen to recall the first period of Canada's experience under the Great War. He will remember that while we were singing "Business as Usual!" our hearts were not in the song. We well knew that busi-

ness was not as usual. As a matter of fact business was most unusual. The building-trade collapsed the day after war was declared, and carried with it, in course of time, a host of subsidiary and dependent industries, which in turn affected the general commerce of the country. Merchants were afraid to buy, manufacturers afraid to produce, and bankers afraid to lend. The circumstances had never been known before; the wisdom of the wisest was as so much scrap.

Where is the bottom? asked the business man.

Is there a bottom? was not unusually the reply.

Terrible uncertainty was the seat of the trouble. A shrinkage in the freight tonnage and the passenger traffic of the railways, was inevitable. It affected the gross earnings of all railways, the strong and weak alike, but naturally was harder upon the weak because they had little or no margin of reserve out of which to draw net earnings. The Average Citizen recognised the real conditions and refused to judge the adequacy of railway mileage by the traffic of those years. But there were men who "chalked up" the railway losses of that period to the building of parallel lines, and the constructing

of railways in out-of-the-way unsettled places. In the same way, they might, with equal sense, have accounted for the decreased earnings of the street railways of Montreal and Toronto.

In 1914 the net earnings of the steam-railways were $2,081.77 per mile of railway, and in 1915 $1,464.56 per mile of railway. The 1916 figures are not, as yet, issued by the Government. There was a sharp slump in railway revenues from which the use of moneys invested had to be paid for, and the apparent difficulties of the present situation are due to the fact that it was in that period, the most unpropitious in the world's history, that two new transcontinental railways in Canada were thrown on their own resources and expected to make a living. Because they have not done so, it is said the railways have been built without reason.

The man who had always said Canada was going ahead too fast with its railways, had his best innings in 1915; but he was unfair if he pushed his conclusion too far, for, obviously, the records of 1914 and 1915 prove little as to railway requirements in Canada, or for that matter in any other country. It will be recalled that in the United States in 1914, there was also a serious

shrinkage in traffic, although the building of new lines there had for years proceeded at only a modest pace.*

Nor are the earnings before the war, a fair gauge for the future, because the new companies had not come into their earning power; but they are a fairer gauge than those of the last two or three years, and show results that do not bear out the claims of the ubiquitous pessimist. The gross earnings of the railways of Canada increased nearly fourfold between 1896 and 1914, although the railway mileage built within the same period scarcely equalled that in operation in 1896.†

In 1896 there were net earnings of $952.85 for the average mile of railway in Canada, and in 1913 there were net earnings of $2,548.80 for the average mile of railway in Canada. The net

*The extent to which the American railways suffered by the trade shrinkage, may be illustrated by the New York Central's reduction of $18 million in 1914 earnings.

†The fact that the Canadian Pacific has, since 1896, double-tracked its railway to the extent of 1,136 miles, may be taken as an indication that much of the mileage has been constructed through pressure of business. It is also interesting to note that this double-track mileage is widely distributed, being in part between Fort William and North Bay, Fort William and Winnipeg, Winnipeg and Swift Current, and some of it in British Columbia. The new line between Toronto and Smith's Falls was in the nature of double-tracking, as it was designed to relieve the pressure of the original line between these points.

earnings per mile, in 1913 would certainly have been more if so large a proportion of the new mileage had not been built in unsettled and undeveloped country; but the fact that there was an increase of $1,596 in net earnings per mile, is a conclusive answer to those who would misrepresent the character of railway-building within the last several years, especially when it is realised that every year, production, in the new countries, will grow with cumulative force.

From trade depression, whatever the cause, the railways will in time recover, as will general business. As it is, things have been "on the mend" for more than a year. The low point in railway earnings was reached, apparently, in 1915, and since then improvement has taken place. Some think the railway business of 1916 good; but, taking the Canadian Pacific Railway figures as representing normal traffic conditions, the gross earnings of 1916 were 4.7 per cent. behind those of 1913, the year of highwater mark.

CHAPTER XV.

WHAT'S WRONG WITH THE RAILWAYS OF THE NEW ERA.

(Continued)

But the war struck the new railways in a more vulnerable spot than net earnings. Unfortunately, when it came, the new railways were nearer completion in construction than in finance. The Canadian Northern Railway had many millions of unfunded securities. The men that invested in the railway in the early days and followed its fortunes from an insignificant little road in Manitoba to a granger road of prominence covering the three provinces, with an outlet at the head of the Great Lakes, and finally banked on its usefulness as a transcontinental system, were at one stroke rendered helpless to further assist—to protect their investments by further investments. The road had been financed mainly in the United Kingdom, and in the early stages of the war the British Government gave

notice that the money of its subjects in the United Kingdom was required for home use.

The railway then had to find new friends—new partners—had to go to a new market with its securities, and this at a time when there was only one market open. The railway had to go to New York to men that knew little or nothing of its past, or of the plans that had been devised for its future, and had to go to them at the time when all the world was bidding for their money, and bidding "high." The work of establishing financial connections had to be done all over again.

The immediate effect of the situation was delay. Until new finance could be secured, work had to stand, or proceed under greatly reduced pressure; and this meant expense, for the interest on money invested in partly-completed work, had to be paid in spite of the fact that it had no earning power. The Canadian Northern, was set back at least two, probably three years from the date when it was expected it could pay its way out of earnings.

The securities which the company finally carried to the only market open, were sadly out-of-joint with the times. They called for a rate of interest from 25 to 40 per cent. less than the

current rate for this class of security, and substantially less than the strongest governments were bidding for finance. To make matters worse, the securities were taken to New York in 1914 and 1915 in face of falling revenues.

This was an opportunity not to be missed by the interests that in 1896 had seen, in the laying of rails on right-of-way they did not own, the beginning of the end of their monopoly in Western Canada, and had been forced through the will of the people to stand aside and watch a rival grow in strength and another, the Grand Trunk Pacific, enter the field. Somebody once said, "Everything comes to him who waits," and the Canadian Pacific Railway "waited" nearly 20 long years for a chance to deal what looked like a death-blow. I do not mean that during all these years, the Canadian Pacific had been idle, Micawber-like, expecting something to "turn up;" as a matter of fact every move for Canadian Northern expansion was opposed, but under normal financial conditions and under normal political sentiment there had been no opening to deliver a final blow at the new railways such as was then presented.

On February 4, 1915, Baron Shaughnessy

(then Sir Thomas) gave an interview to the press—of New York—in which he is reported:

"The only threatening feature in Canada now, is the situation resulting from the wild and stupid railway policy which has been pursued there, exemplified by the construction of two additional transcontinental lines, almost entirely under the auspices of the Government, many years in advance of their time. I do not fear any ill-effect upon the prosperity of the older lines, but there is a possibility that the Governments, both Federal and Provincial, will have a considerable load to carry for some years to come, by reason of their guarantees."

Little did it matter to Sir Thomas that, while in New York he deplored overbuilding in Canada, his Company's annual report showed 1,200 miles under construction. Little did it matter when Sir Thomas spoke in New York of paralleling, that his own road had, through pressure of traffic, built huge stretches of double-track, and had "paralleled" the line of the Canadian Northern Railway from Toronto to Sudbury, and both the Grand Trunk and Canadian Northern from Toronto to Belleville. Little did it matter that the Government of Canada had constructed and owned nearly two thousand of the

miles of railway which he attacked and was even then watching New York to secure finance with which to prosecute the war.

Baron Shaughnessy has, on more than one occasion, proved his love for Canada, has made the supreme sacrifice of a father for his country; but when in 1915 he carried tales to Wall Street reflecting upon the credit of his adopted country, even patriotism was laid aside; nothing else mattered as long as the Canadian Pacific Railway's strongest rival was wrested from those who had forced rate-reduction, from those who, when the war came, were preparing even keener competition for the future. But it was not Sir Thomas Shaughnessy, the man, who thus spoke to New York reporters in the critical days of 1915; it was the spirit of monopoly imbibed by the Canadian Pacific in its infant days, which still survived and belched forth its ungoverned rage at competition. True it is, that monopoly, whether of capital or of State, is arrogant, and cannot brook competition.

The nationalisers were as bitter in their attacks on the new railways, incessantly bombarding public opinion through the press, with distorted statements of the condition of the rail-

ways of the New Era. But their field of operations was confined to Canada, their object political.

The men behind the Grand Trunk were discouraged. As we shall see elsewhere, Mr. Smithers, speaking for the Grand Trunk Pacific, wrote to the Premier of Canada, "We are at the end of our tether." The men behind the Canadian Northern Railway struggled on, sustained by an indomitable will to succeed, and enduring faith in the inherent worth of their undertaking, its permanent earning power and capacity for service. But as a result of these attacks they were powerless to succeed without further government endorsation.

CHAPTER XVI.

AFTER THE WAR.

When the war is over—and it must some day come to an end—there will needs be a gathering of forces, a knitting of strength for the strenuous days of reconstruction and solidification of Empire. If there were National and Imperial incentives to speed up production in 1896, there will surely be an incentive, in the nameless year of the cessation of battle, for still greater production. If speculation before the war indicated the need of a great breadbasket in Canada out of which the people of the United Kingdom might be fed, reality has proved it vital to the continued existence of the Empire.

The great shortage in the food-supply of the United Kingdom, is in the fundamental food—wheat—which fortunately Canada can grow in abundance. Of wheat and wheat flour, the Old Country produces little more than one-sixth of its total consumption upon the basis of values, and one-fifth upon that of quantities. From

Canada, India, and Australia, nearly 40 per cent. of the quantity required to be imported is obtained; and of this amount Canada contributes approximately one-half.

In spite of the vast increase in the quantity of food produced during the last twenty years, there remains ample room for expansion. Canada, without any exhaustion of land, and merely by an application of more labour and capital, can replace in great part the supplies drawn from alien countries by the United Kingdom.

In the "Journal of the Board of Agriculture," Rew gives the following:

COMPARISON OF IMPORTS AND HOME PRODUCTION (1910-14)

	United Kingdom Per Cent.	British Empire Overseas Per Cent.	Foreign Countries Per Cent.
Wheat	19.0	39.3	41.7
Meat	57.9	10.7	31.4
Poultry	82.7	0.2	17.1
Eggs	67.6	0.1	32.3
Butter (including margarine)	25.1	13.3	61.6
Cheese	19.5	65.4	15.1
Milk (including Cream)	95.4	0.0	4.6
Fruits	36.3	8.3	55.4
Vegetables	91.8	1.1	7.1

Canada is even now well prepared for the reconstruction days after the war. She is in the strong position of being able to say: Here is a huge plant, ready-made, capable of carrying the

products of farm and factory to market. The national pride has been quickened, national responsibility deepened, and love of the Empire strengthened by the Great War. She will not relapse to the lethargy of the days before the New Era. She cannot go back, she cannot stand still; she must go ahead, and she cannot go ahead without colonisation. And in this lies the kernel of the railway problem of the present and of the future.

After discussing the railway situation at some length with a man the other day, he asked with a look of incredulity, if I maintained that Canada's railways were not overbuilt.

If you mean by "overbuilt," ahead of present needs, yes, was my reply. If you mean ahead of the requirements of the country for the immediate future, no. Germany built her railways to the frontiers of Russia, Belgium, and France, years ago, as a measure of preparedness for war. Canada built her railways out into the virgin soil and through uncut timber-lands. They have served in the war, and served well, and stand today capable, necessary instruments for the economic war that is to come. Germany sought to conquer others; Canada sought to conquer herself—and in both cases, railways were required.

But we over-did it, my friend muttered.

We could not have built our railways for many years if we had delayed, was my reply.

The New Era during which Canada's railway mileage was built, was a period of comparatively cheap money. The funded securities of the Canadian Northern Railway bear less than 3.9 per cent. interest, and to-day the strongest governments are paying 5 per cent., and more, for their needs.

It must be remembered that colonisation is the key to a Greater Canada; and the practical men engaged in the business of issuing the annual prospectus that is to attract immigrants to the country, argue that Canada is the land of opportunities, because it has transportation facilities. Of Manitoba, the foreigner seeking a home in a new land is told:

"Railways have anticipated the future, so that few farmers are more than eight or ten miles from a railway."

And for fear that Manitoba's attractions may not allure, the Government's immigration advocates point out that in Saskatchewan:

"The province is so well served by the Canadian Pacific, Canadian Northern, and Grand

Trunk Pacific, that few of the established settlements are more than 10 to 20 miles from transportation; new settlements do not have to wait long for railway advantages."

For Alberta and British Columbia, the argument is the same—railways to carry the settler to the lands, and railways to haul his grain and other farm-products to market. In other words, to use a salesman's expression, railways are the "talking-point" to the outside world, and loom large in the reasons why Canada is "The Land of Opportunity."

The Average Citizen may have followed my argument that there is almost infinite room for railways in Western Canada, and may have agreed with me; but, bearing in mind the speeches of the politicians, the magazine and newspaper articles written on the railway situation, he may ask: Is it, then, not true that Western Canada is supplied with railway-mileage which, in the ordinary course of events, will not be required for many years?

Let us examine this phase of the business, for it has real bearing upon the immediate burden which the State must assume in connection with the railways.

There are two gauges usually accepted by economists for measuring the proper railway mileage within a country, namely, mileage as compared with area, and mileage as compared with population. These gauges, as with most thumb rules applied to economic questions, can be used with satisfactory results only in the light of the knowledge of the special conditions of the territory under consideration. As we shall see, there is a third measuring rule—not generally used, but probably better than the two I have mentioned—by which to measure the transportation needs of Canada West. By applying the three gauges, we ought to arrive at an understanding of the situation.

Statistics are mainly valuable for purposes of comparison, and it will be admitted that comparisons can be made, with value, only between countries having somewhat similar conditions. To compare the railway mileage and area of the Prairie Provinces with the railway mileage and area of the United Kingdom, would be useless. A comparison with the several States bordering on the Canadian western frontier is near the mark even if conditions are not exactly the same. The following table, based upon 1914 returns, gives the number of miles of line for each hun-

dred square miles of territory in the three Western Provinces of Canada, and the three contiguous States of the Union:

Miles of Line per 100 Square Miles, 1914			
Manitoba	1.61	North Dakota	7.35
Saskatchewan	2.02	Montana	3.32
Aberta	.99	Idaho	3.30

Clearly, the first gauge does not show a condition of over-building in the Prairie Provinces. In fact, it reveals that, area considered, the supply of railway tracks in Western Canada, is subnormal. But the case cannot rest here. We must apply the other gauges before we are in a position to decide.

The relation of population to railway mileage within the Western Provinces, has been cited frequently as evidence that railway construction within these provinces has exceeded all reasonable requirements. But the people of Canada, by deliberate intention expressed over and over again at the polls, decided to build their railways for the purpose of securing colonisation, and thus ahead of population. Naturally, there is an extent to which that policy might have been carried with disastrous results. A comparison between population and miles of railway in Western Canada, with that of the United Kingdom or of continental countries, would lead to

the conclusion that this had been done. But, when comparison is again made with the States bordering on these provinces, it becomes apparent that either railway mileage has been overbuilt in the western States, or that Canada has kept its own western mileage within the bounds of reason. The comparison:

Population per mile of Line

1915		1914	
Manitoba	124.5	North Dakota	132
Saskatchewan	118.2	Montana	88
Aberta	155.0	Idaho	142

Here again we find the railways of the Western Provinces not overbuilt to the extent usually contended.

But we are thinking, in this study, of men in their capacity to produce traffic; and, since grain is the standard traffic product of the West, the following table is pertinent. It shows that, with the exception of the "off" crop year of 1914, the ratio existing in 1910 has not been impaired by the largely increased railway mileage:

RAILWAY MILEAGE AND CEREAL PRODUCTION OF MANITOBA, SASKATCHEWAN AND ALBERTA:

Year	Railway Mileage	Total Bushels	Bushels per Mile of Line
1910	7,641	228,388,020	29,889
1911	8,081	422,562,500	52,290
1912	9,171	504,179,000	54,975
1913	10,856	500,111,000	46,067
1914	11,710	318,419,000	27,192
1915	12,999	723,664,206	55,670

It should be noted, in drawing conclusions from this table and making comparisons with, say Eastern Canada, that the farmers of Eastern Canada are factory-farmers, manufacturing their bulky raw-material into beef and dairy products and shipping in the form of concentrates; while the farmers of Western Canada ship grain in bulk and are, therefore, incomparably better traffic-producers. Not only in quantity of production for shipment, but in length of haul of shipment, the Western farmer is a better patron of the railway than the Eastern farmer. In Eastern Canada the farmers market large quantities of their products at near-by consuming points, and only a small portion becomes traffic for the railway. In Western Canada, farmers are mainly engaged in producing Canada's principal export commodity—wheat—and ship even their coarser grains long distances by rail.*

It is not often that over such a large area any single commodity—the production statistics of which are so readily obtainable—is a governing factor in railway tonnage.

*The average revenue from each car of wheat (1,100 bushels) shipped on the Canadian Northern in Western Canada (1915) was $132. The average revenue of general grains, including wheat, amounts to $120 per car. In Eastern Canada the revenue is not greater than $32 a car.

Of the three forms of comparison to railway mileage—area, population, and production—it is apparent that under the conditions peculiar to the West, the comparison with production gives the truest indication of earning power.

We have heard much in the past two or three years, of territory won and lost, of the extent of land within the Central Powers, and the extent of the colonies that have passed from German to British hands. Mere possession of land means nothing. It is in its settlement and development there comes the reality of power. There are in Manitoba, Saskatchewan, and Alberta, more square miles of territory than in the three Central Powers: Germany, Austria-Hungary, and Turkey. It is true there are unproductive lands in Canada's Western Provinces; but there are lands within the domains of the Central Powers, for which no use has been found after several hundred years of occupation.

The word "home" is the testing gauge of permanency in population. Within every zone of the Provinces of Manitoba, Saskatchewan, and Alberta, people have lived, weather records have been kept, and temperature conditions are well-established. In latitude and the duration

of sunlight for ripening crops, Winnipeg is about one degree north of Paris, Edmonton about the same as Liverpool, Calgary almost identical with London, while the northern boundary of the three prairie Provinces is almost exactly on the parallel passing through Christiania, Stockholm, and Petrograd. Are we going to rest content with a million and a half people in this territory?

There are 215 million acres in Manitoba, Saskatchewan and Alberta, according to government estimates, with capacity for cereal production: more than double the acreage under cultivation in Germany, Denmark, Norway and Sweden, combined.* Only 9.5 per cent. of western Canadian arable land has "come under the plough." Are we to be content with this lack of cultivation while the United Kingdom has to depend upon alien countries for 40 per cent. of its fundamental food?

To the east, north, and west, of the treeless prairies, lie vast supplies of coal and wood, supplies that go a long way toward making the country self-sustaining in the neces-

*The worked-over lands of Germany, Denmark, Norway and Sweden, support an exclusively agricultural population of approximately 24 million people.

saries of life. The Conservation Commission is responsible for the statement that within the three Provinces of Manitoba, Saskatchewan and Alberta, and the Eastern part of British Columbia, are 95,598 square miles of coal lands with 1,234,269 million tons of coal in reserve.

We brought some of our arable lands under cultivation, and the world said we did well; but in truth, compared with our vast opportunities, we made only a beginning. From coal areas that yielded no fuel to civilized man in 1896, we are to-day taking several million tons a year. But let the Average Citizen return to the figures of our coal possessions, and he will see that, again, we have only made a beginning.

And so it is with our national resources throughout the country. Some men would have us believe we are at the end of our tether; but, wonderful as our progress has been these last twenty years, we are only on the threshold of development.

CHAPTER XVII.

CONCLUSION

The main facts are on the table. What's the move?

The nationaliser, with blind unreasoning faith, calls for his shibboleth. We have looked through his rhetoric, and found it platitudes; we have examined his theories, and found them fallacious. Even were they meritorious, they would not outweigh the value of experience in a matter of business—and the matter in hand is essentially business.

It is significant that the nationaliser does not seek to prove his case by relating the achievements of public ownership in Canada, although there is material at hand. In the New Era, begun under the company system, public ownership has been given a fair and an extensive trial.

The Hudson Bay Railway was located and is being built under public ownership from The Pas on the Saskatchewan, to Port Nelson on the Hudson's Bay; the National Transcontinental Railway was located and built under public

ownership from Moncton, N.B., to Winnipeg, Man.

Such are the lines designed under government ownership in the New Era.

The main contributions of the company system to the New Era are: The Grand Trunk Pacific from Winnipeg, Man., to Prince Rupert, B.C., with branch-lines over the grain-producing prairies; and the Canadian Northern Railway, extending from Quebec, on Atlantic tidewater, to Vancouver on the Pacific Ocean, with main-line, trunk-lines, and branches, serving 75 per cent. of the aggregate population of the cities and towns of all Canada having 5,000 inhabitants or more.

Such are the lines designed under company system in the New Era.

The State put almost $200 million, cash, into the line from Moncton to Winnipeg, and owns its 1,804 miles of railway outright. The State assisted the Canadian Northern Railway by cash, land, and guarantees, to an amount equivalent to $94 million, and owns a 40 per cent. interest in its 9,702 miles of railway.

The line from Moncton to Winnipeg, without intermediate terminals in any town or city

of considerable size, without payment for right-of-way over most of its length, has cost twice as much a mile as the Canadian Northern Railway. The direction of the line from Moncton to Winnipeg was decided by the Parliament of Canada; its building was directed by government commissions—the practice advocated by the advanced apostles of government ownership.

Let us lay aside all antagonisms for corporations, all sympathies for theories, and for a while look at cold hard facts.

Last year one of the railways under the company system—the Canadian Northern, carried 7,574,500 sacks of flour, nearly 132 million bushels of grain, nearly 2 billion feet of logs and lumber, in addition to live-stock, coal, and miscellaneous freight. One of the railways under government ownership—the Hudson Bay line—has been five years in the building, and although it is only 424 miles in length, is not yet available for public service. The other railway, although completed, is a negligible factor in public service, and did not earn enough last year to pay the costs of the fuel and labour consumed in its operation.

Which railways—those designed, built, and

managed under public ownership, or those designed, built, and managed under the company system—have contributed most to the prosperity of the New Era?

Which railways—the Hudson Bay and the National Transcontinental under government ownership, or the Grand Trunk Pacific and the Canadian Northern under the company system—are the more capable instruments for the days of reconstruction, best designed to aid Canada into its own as a strong, self-reliant, nation within the Empire?

But the railways of the New Era, under the company system, require further assistance, says the nationaliser. I meet this statement by accepting it. And I add that the railways under government ownership also need aid. The conditions that make this aid necessary, are unusual; are not of the making of government ownership or of company ownership. They are entirely aside from the issue.

The war has effected a revolutionary change in values, and the railways have been hardest hit; for, as we shall see, everything with them has gone up, except the price of what they have to sell. The price of materials has gone up.

Before the war, $25 paid the coal-bill in moving a freight train a hundred miles, and to-day $60 is required in performing the same service. Box-cars cost $900 each before the war, and $1,500 each now. Car wheels and brass fittings have doubled in price, and thus through the long list of materials. Labour has gone up; and, as we have seen, the railways were already paying—with the exception of those in the United States—the highest wages in the world.

And all the while the railways of Canada have been carrying goods for the people of Canada at the lowest rates in the world—except in the United States—and, density of population considered, at the lowest rates in the world, without any exception.

The Average Citizen may be a business man. If so, he has had to pay higher prices for material and labour; and if he be an Average Business Man, he has made the consumer help him meet the rising costs of producing their service. Transportation is the cheapest thing produced in Canada. This is a strong statement, and I believe a true one. Let the business man ask himself if he can pay Canadian duties, Canadian wages, and Canadian material costs, and under-

sell the world. He could not do it, and live. Nor could the government take over his business, do it, and make the service live out of revenues.

These rising costs have made a situation in which the railways cannot continue without help. But strong reasons as they are for assistance, there are others stronger.

The Canadian Northern Railway, for instance, in spite of high costs of material and labour and low tariffs within the year during which was opened its transcontinental service, and with its transcontinental line only a few months in operation, earned enough to pay its fixed charges on the lines actually operated—all but $250 thousand. Its net earnings were within 2½ per cent. of stretching the full distance.

Good! Very good! the Average Citizen must say—and yes, the nationaliser must say it also. But where then is the problem? Surely the road is near enough to a self-sustaining basis to finance its own way!

The pith of the whole situation lies in this: when the war came the Candian Northern Railway had treasury securities issued and unsold to the extent of more than $100 million. These

securities, arranged for sale in happier days, called for three and a half, four, and four and a half per cent. interest.

On November 17, 1914, Great Britain, three months after the outbreak of war, made an issue of £350 million bearing 3½ per cent. interest, subject to an income tax. On June 21st, 1915, Great Britain issued to the public, securities to the extent of £600 million bearing 4½ per cent. interest, subject to an income tax. On September 30, 1915, the Anglo-French External Loan was made in the United States for $500 million, bearing 5 per cent. interest and non-taxable. The net price secured from the latter was 96.25 or yielding to the investor 5⅞ per cent. revenue.

With these conditions in mind it becomes plain that, to dispose of Canadian Northern securities except at ruinous prices, was impossible, although one half of them had the backing of federal or provincial governments and the other half had been issued upon the mileage of the railway, upon the company's land, and upon its terminal undertakings.

The governments had given their guarantees to the company's securities for the purpose of securing the construction and service of its rail-

ways. The railways had been built, the country had received the service, but by reason of the unusual conditions, fully one quarter of the total amount of the company's securities became commercially unsaleable.

I have called this the pith of the situation; but add to this that the company was delayed two years in the completion of its transcontinental line, had to finish 2,500 miles of railway and important terminal undertakings under war conditions, all the while paying interest on investments of millions unproductive through delay, had to face the stringency of traffic in the months immediately following the outbreak of war, had been, in fact, set back at least two, probably three years, from the date of the expected completion of its system, and you have the whole situation.

There is nothing here that indicates either a weakness in the company system, or a superiority in government ownership; nothing that would lead us to believe that the company system has been wrong in the past or will be wrong for the future. After all, it is the present and the future which most concern us, the preparation that must be now made for the econ-

omic struggle which will follow the end of the Great War.

Make no mistake: there are strenuous days ahead of the men that devote themselves to public life.

Our relations with the Empire are to be reconsidered; if not immediately, then at the close of the war.

IMMIGRATION, COLONISATION, NATIONALISATION; so far these three words bring to mind a vision of a series of big tasks for the public men of this country. We must have immigrants; and, securing them, we must colonise them, we must nationalise them. Our old haphazard method—or lack of method—of leaving the immigrant to shift for himself, must be abandoned. It is the duty of the State to lay out definite plans for the economic and social life of the newcomer. The State, which is now called upon to nationalise its railways, has failed to nationalise its citizens. There are thousands and hundreds of thousands of men, women, and children, in Canada, that speak neither of the two accepted languages of this country, know little or nothing of its history and ideals, even call themselves Canadians only

with a hyphen, and are in reality Canadians only by possession of suffrage. We have not suddenly come upon a knowledge of the need for the nationalisation of the peoples living within Canada. The State tried to do this work, and failed; the task was apparently beyond its capacity. But we cannot afford to fail in the restless days when families from the devastated fields of Europe will seek, by the hundreds of thousands, new scenes, new homes, new occupations, in far-away lands. We cannot continue to fail and still remain a nation within the Empire.

There are economic problems to be determined by public men: the diversion of many plants from the making of munitions into productive work of peace; the direction of agriculture, the basic industry of the country, into more profitable ways; a readjustment of our mining regulations; the protection and reforestation of our woods; the stay of the course of our fisheries towards depletion; and the construction everywhere of highways for vehicular traffic.

The tariff adjusted to meet the abnormal conditions of war, will have to be readjusted to meet the conditions of peace.

The war has entailed debts that must be paid, and annual charges for debt, and pensions that must be met out of revenues.

There will be incentives for production such as did not exist in 1896 when the country was brought out of stagnation by the vigorous transportation service under the company system.

Our public men will have heads full of worry, and hands full of work. Are so many offering themselves for public service that we can throw the additional burdens of railway administration upon the State and feel that our transportation will be better handled than in the past?

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