

(March 8, 1934)

Our Mission—Sound Public Finance

BY SIR HENRY L. DRAYTON.

CHAIRMAN ARSCOTT:—Mr. Premier, Sir Henry, Gentlemen, there are two factors which go to make a success of a meeting of this character. The first is a subject commanding general interest and one that is of immediate concern to the public. Secondly and more important, is a speaker, who knows his subject and who is well and widely known. In both these instances today our success is already assured. Sir Henry has just completed a very successful lecture tour throughout the West, accompanied by F. B. Gundy who, by the way, was first president of the Canadian Chamber of Commerce, and by Mr. Clarke, of Montreal, Secretary of the Canadian Chamber of Commerce. As this is a joint meeting of the Board of Trade, the Empire Club and the Canadian Club, and as we have Mr. Macdonnell, newly-elected President of the Board of Trade and Mr. J. H. Brace, Vice-President of the Empire Club, I am going to ask them to participate in the formalities. I shall not indulge in any further remarks but ask Mr. Macdonnell to introduce the speaker.

MR. MACDONNELL:—Mr. Chairman, Mr. Prime Minister, Gentlemen, it is unnecessary and it would be verging on impertinence for me to attempt to introduce Sir Henry Drayton to any Toronto audience or indeed to any Canadian audience. It is not necessary and I hope it will not be impertinent to say a word to Sir Henry and to you, to express the thanks of the Board of Trade and the Chamber of Commerce for what Sir Henry has done and for what he is going to attempt to do. When the Chamber of Commerce set up a National Economy Committee, it was

of primary interest to get as chairman of it a man who by his prestige, character and ability would command respect from coast to coast. But perhaps it was necessary to have something more essential than those things, a man with a sense of public duty without which our democratic institution will not work at all. I think you will agree that we were doubly fortunate in getting Sir Henry. We knew of the work he had done in his church. We know he had carried to a successful completion there the great Restoration Fund. I trust it is not fanciful or imaginary to hope that in this effort that has been made he may be the means of bringing certain restoration. He has come from a most successful speaking tour of the West and I think the presence of this representative audience here today is some indication of the fact that you already believe what Sir Henry has done was well worth doing. I like to think your presence here today will be an encouragement to him to feel it is worth going further with the great task which he has taken up.

SIR HENRY:—Mr. Chairman, fellow Canadians, it is an awful thing to have a reputation. It is terribly hard to live one down, it is terribly hard to live up to one when one's friends are unduly optimistic. I have always found it difficult. I find it doubly difficult today, coming back home among you.

Well, Gentlemen, I suppose you are all very very interested in how we are getting along, how the country is getting along, whether it is functioning properly or not. We have heard a great many claims made of the West. I am going to tell you that the West is not half as bad as a lot of people paint it. I am going to tell you the West is only waiting its chance to again function. I am going to tell you that conditions in Vancouver are infinitely better this year than last. Why Vancouver has cleaned up its ordinary business without a deficit and with a cash balance of \$60,000; and the mayor and the rest of them are absolutely sure that Vancouver has turned the corner and is going to show the rest the way back to prosperity. Well, Gentlemen, be that as it may, there is one thing you must rest absolutely sure of, the spirit of the West is there, the

determination of the people is there, and, given anything like proper conditions, some little help here and there from the burdens of taxation, the West, instead of being a heavy liability to Canada, as some people talk, is going to be a great and tremendous asset to our country.

Well, gentlemen, what is the message now that I have? I am not going to give you many figures. You must have some. I want you to have some figures in your mind, something that will show you what our fellow-citizens are doing. Now, today in the West, the people are realizing the absolute necessity for the strictest conservation of our resources here, there and everywhere. What does economy mean? Economy means management, management and nothing else—management in our government, revising of expenditures that are not absolutely necessary and, if expenditures have to be made, seeing that for every dollar spent we get a hundred cents value. I just want you to carry in your mind a few figures. Why for the year 1930-31, municipal, provincial and Dominion, those expenditures amounted to the sum of \$920,000,000. That expenditure, vast as it is, is an expenditure for ordinary purposes, the ordinary cost of government administration. What does it mean? It means this: Here we are, an agricultural country, very, very largely, yes, our future depending on it, nevertheless, in that year 1930-31, if you take the value of our field crops from one side of Canada to the other, from the Pacific to the Atlantic, you will find that their total value is less than half of the sum spent by our governments in one form or another for that year. This is the sort of thing that brings home facts and truths to the people. You can visualize that. You know what that sum really means in toil, effort and work here, there and everywhere, on every farm right over this great country.

Some people are asking, "Well, we have lots of people with money in this country; why should they not pay some of that money for the needs of others, supposing they were called upon to do it?" You know our assessors get after it pretty well—the inspectors are pretty busy. They are on their job but, nevertheless, all the assessable

incomes in that year in all Canada only amounted to the sum of eight hundred millions and you are away short. But that is not all. These are ordinary expenses. In that year the government spent altogether one billion and fifty two million. That was inescapable expense. That was the expense thrust upon us as thrust upon every civilized nation in the world, certainly every Christian nation in the world that recognizes the want and the suffering of their fellow citizens, an inescapable burden, the burden of looking after those who through no fault of their own cannot look after themselves. Yes, duties and obligations come to nations as well as to individuals. Put yourself as an individual—some relation of yours suffers misfortune, somebody who has some right to come to you for assistance. Well, you take it, you assume the burden and, as one assuming that burden, what do you do? You immediately proceed to reduce your budgets and cut off each and every possible expense that can be cut off and your house carry on. You recognize the obligation but also the limitations of your income and you act accordingly.

Well, gentlemen, there have been lots of that sort of thing found everywhere in Canada, I have found it in the West and I know it is so in the East. People today are carrying on, on a very different scale of living as compared with the scale before the crash. It is general. It is practically everywhere invading almost every home. Who has done this and carried on, yes carried on? The Canadian Housewife! Economist! Do you know where the word comes from? It comes from the old Greek word, expressing good housekeeping and good housekeeping practised by our Canadian women has enabled their homes to carry on without very great shrinking value. Yes, times are getting better here, there and everywhere. Times are getting better, but how and why? Simply because the same economics, the same necessities and the same urge to do without anything and everything that can be done without are observed. Yes, factories and places of business that have been carrying on for years in the red are in the black. Why? Certainly not as a result of a lessening of any burden of taxation here, there and everywhere but despite

it. How and why? Simply because the situation has been faced and inescapable economies have been put into effect.

One of the best things I got in the West is this. I ran across a farmer I had known before and he said to me, "The West. Why give the West, only two years with anything like decent crops and wheat at seventy cents, and in two years time the West will be absolutely on its feet." I said, "Now, hold on. Wait a minute. I have been out here before, I have heard people before in conferences here, there and everywhere, say if freight rates could be so adjusted to leave a bit more of the farmers' earning. You always told me this that the farmers' earnings, farmers' costs, per bushel were in the neighborhood of seventy cents. Well you tell me you can get the West on its feet if it can only get seventy cents for an ordinary crop. It cannot be done." "Oh, but," he said, "it can be done. You do not know what you can do until you have to do it. You do not know what economies you can make until you have to make them." I want to tell you that the farmers of the West are recognizing that situation and have so cut their costs that the cost today per bushel, instead of being seventy cents, is nearer thirty-five, given an ordinary harvest. Think what that means in devotion, in work, in planning, to cut costs from seventy cents to thirty-five cents. The effort, the sustained effort, the immeasurable hours of work, the changed conditions on these farms. What do we ask here today? We are asking today that governments should do what the housewife has done that the Canadian home may carry on, what the farmer has done so that the Canadian farm may carry on and the business man so that commerce and business can again carry on in our country. That is what we are asking the government to do.

I know that governments are starting to economize. I hope it is only a start. It ought to be only a start. I was very, very happy to see here in Ontario the government are starting a movement of economy in cutting down members. You know all over the West the whole idea is; let us get rid of members. Let us have less talk and more work. Let us have less talk and less expense. Some peo-

ple who are in favor of heavy memberships in governments all over, some people say. "Well, after all, the amount paid out in salaries and indemnities is nothing very great." Now, I have been in politics. I know a little about it. You gentlemen know how long it takes to get rid of our speech from the Throne. Did you ever notice how after the gentleman on the right, the leader of the government, makes his statement, and the leader of the opposition makes his statement, how many times the same thing is said over and over again, in a different form, with a little different shading, but generally without a single new thought of any real use to the country. Repetition after repetition. And out in the West they are of the opinion that one man saying that black is not white is a statement as good as if it were repeated by everyone of his supporters, who was going to vote for him anyway. As I say, I was glad to see a start made here. All we can do is to start things. Anything of any real success in a crusade like this must be done by the people for the people. They themselves have to do it. You cannot expect politicians to commit *felo de se*. It might be a tremendous benefit to the country but you cannot blame them for not doing it.

They in the West think there are too many Dominion seats. Take Saskatchewan, there are twenty-three Dominion seats in Saskatchewan. They start to think this: We used to have sixty-three saying "Yes" and "No," so many times over. What did they do? They cut those down. They cut the representation from sixty-three to fifty-four. They made a start. Then they said, "How would it be, if we were to save ourselves all the costs and preparations of voters' lists and adopt the Dominion list? The Dominion is there. They are doing the work. Let us adopt the Dominion list so that we would only have, instead of fifty-four constituencies as we have now we would only have twenty-three, and then if we really seriously think that twenty-three men cannot sit long enough and talk often enough, let us have two members for each one of those constituencies and save a lot of money." I do not know if the people would be able to do it but they are keen to do it.

As I have told you, I have had something to do with politics. They used to say I was caught too late. I dare say I was. I will tell you one thing you can notice everywhere. Every man knows it. Cost does not depend so much upon the number of your men but upon the demands made on the treasury and on the government by each and every one of the men you have got in the House. That is where it comes in. We have never got away in Canada from parochial ideas, from provincial ideas. We do not think yet quite nationally. Why if we were thinking nationally, for example, we would never have ten bosses looking after the same business as we have. We would not do it. Up to date I do not know the reason except that we are accustomed to paying out more money than we should. Perhaps we like it. We have gone on doing it. Yes, here, there and everywhere, admittedly, Canada, is of all countries the most grotesquely over-governed and we do nothing whatever to try to stop it. I shall say something about that later on.

As I have said, governments are starting to economize and the whole idea of our campaign is, to see they do and to help them to do it, making it popular for governments to economize instead of squandering money. It is a great change in our orientation. Can we do it? I think we must do it, but can we, will we do it? I am trying in this campaign a lot of chief offenders that are on the penitent bench. In the past the great function of Boards of Trade has been to go down to Ottawa with petition that this work should be done which they think is going to help in their own immediate district and that that work should be done. Did you ever hear of a deputation of Canadian citizens or associations going to any government, anywhere, and saying, "For Heaven's sake, stop spending money?" It is a tremendous change for us to make. You know it has always been popular—why today we are spending more than a million dollars a week, simply because we indulged in that very pleasant job, while it is going on, of keeping up to the Joneses and beating the Joneses out in the railway business. But every government that did it was acclaimed for doing it. People never

got the idea into their heads, as today we now know too sadly, that there is nothing any politician can do for you in connection with public works or public expenditures that you do not pay for, and pay for several times over, because those have always been done on borrowed money. Can you change? Let me tell you, gentlemen, that the future of the Canadian farm, the future of Canadian business, depends upon that question: Can you change? Will you change? Will you forget local interests? Will you forget everything except one thing, the general good of Canada as a whole and the burdens, the crushing burdens, of the Canadian ratepayer? It is a big change. Can you do it?

Do you know what happens with government? It is a fortunate thing it cannot happen to us. It is a very unfortunate thing it can happen with governments. You and I live within our incomes or we are either with the sheriff or in the breadlines. It is either one thing or the other. You cannot go on over-spending. Governments, unfortunately, can. Let me give a little picture. For the last twenty years our municipalities, our provinces and the Dominion, together (put them all together) for every \$100 worth of income received by Canadian governments, in one form or another, have spent \$134, and you are now paying for it and you don't like it. When that was going on the going was good; we never said one word against it. What is the result? The result is—there is, for each man, woman and child, yes, infant in Canada, a resultant capital debt of \$600.

Gentlemen, we want no more public debt. Governments are not balancing their budgets when they talk about ordinary expenses and insuing new bonds. It is popular among politicians today to say the cost of interest is too high and that it must come down. Who has put the cost of interest up in this country? What are the reasons that are freezing up credit in this country? Think of it, in the year 1933 governments, in one form or another, took ninety-seven per cent. of all money subscribed, for all bonds issued in Canada. Imagine! Imagine! Cheap money, essentially! We want expenses everywhere cut down. The Dominion

has had two very successful refunding loans, making a considerable saving. I hope the provinces will be able to make a good many more, but the way for governments, as for anybody else, to obtain cheap money is to balance their budgets and stop borrowing new money. It is the only way to do it.

This country in many ways is in a very fortunate position. Take one thing: the spirit of the people. There is no question about Canada carrying on. But there are other things. Take, for example, the position of the people of this country who have provided funds so that the country can carry on. I refer to the depositors. In the country to the south, President Roosevelt is considering, yes, he is committed to spending approximately four billion dollars. For what purpose? For the purpose of helping the depositors whose money has gone. A very heavy load on the country. He is assuming the responsibility because he wants to restore purchasing power and let out these poor people who, through no fault of their own, find themselves where they are today. What a different picture in Canada! In Canada we have deposits of one billion eight hundred million dollars (I used round figures) placed at the disposal of commerce and governments. Why governments? Because governments are using them. They have been placed by four million four hundred and sixty thousand people. It is true they are not all Canadians. Strangers have thought very, very well of the solidity of our institutions and strength of our banks. They are not all Canadians but the great mass are Canadians and we have an average bank deposit of \$413.40. Well, there is no assistance for those people but, on the other hand, some seven hundred million dollars of depositors' money are today helping governments to carry on. They are today represented in government bonds, securities and government loans. O, yes, we are in a very much better situation in very many ways, than our friends to the South.

I said something about duplication. When I was out in the West there was a farmer who came to me (he had a chicken ranch, I think he called it) and he said, "I wrote a letter to Ottawa. I had some difficulty about my chick-

ens. I got back a very nice letter, no delay at all, telling me what I should do. Well, just about that time I got a publication from the provincial department of Alberta." And he said, "I thought I would write them and try to get confirmation. I did so and got entirely different advice. The only thing I could see was really certain was, that I, with other Canadians, was paying for both sets of jobs, and I wondered if it were not possible for them at least to get together so that they would not give different advice."

That set me thinking. I got together a little information showing how we have duplication of activities in that one great Department of Agriculture. There are a lot of things in agriculture—a whole lot of them. You have a lot of overlapping in the Dominion of the activities of the provinces. We have ten departments and ten deputies and all the rest of it. They have all to be paid too. Now, the Dominion and nine provinces are looking after dairy, livestock and field husbandry; the Dominion and five provinces look after horticulture; the Dominion and four provinces look after experimental farms.

You know, I have an idea, certainly after talking to that farmer out West, that if anyone knows anything about farm economies it is the Canadian farmer. If we have any proper lectures on farm economics, we will have on the one hand, the Canadian housewife, and on the other the Canadian farmer. You know I am a little bashful about telling the farmer how to save money. There is only the Dominion and two provinces that give the farmer economics.

There is some of the over-lapping in connection with the Dominion. Let us see what is happening in the provinces. To start with Nova Scotia. Nova Scotia has thirteen fields of activities, three of which are agricultural. New Brunswick has eleven. Ten of these eleven absolutely duplicate Nova Scotia activities. Quebec has sixteen—nine of which duplicate New Brunswick. Ontario has fifteen, twelve of which duplicate Quebec. Saskatchewan has nine, five of which duplicate Manitoba. Alberta has sixteen, seven of which duplicate Saskatchewan. British Columbia has twelve, nine of which duplicate Alberta.

What do you think, gentlemen? Is there any management there at all? Is there the slightest evidence of any co-operation there? Why, agriculture is our chief hope. It is the great thing we want. Agriculture is the one thing that is important, the one thing to which every effort should be strained, striving to hold the export markets for our produce at proper prices. What do you think of that? It is not only that. This was given to me by a farmer. It is the same in companies. The old question of provincial rights is always raised. Translated into real terms what does "provincial rights" mean? "Provincial rights" simply means the right to pay additional taxes in one form or another. It always comes down the same way. The provinces say, "We are making money out of that." They say, for example, "The Dominion has got a magnificent department looking after insurance." You won't get insurance companies kicking. You and I are paying for it. The insured always pays these things. Yes, it is a magnificent department down there. It costs fifty or sixty thousand dollars a year to run it, but shove up the rates. Who is paying it? You!

Take another illustration, brought up in the West again—the question of mortgage loans. Take the biggest concern we have—the Canada Permanent Mortgage Company—not so many years ago the whole taxation of the Canada Permanent, on its net earnings—I am not speaking of land taxes but net earnings—was 1.4 per cent. Well, you know, since governments have been looking everywhere to see where they can raise another dollar on the side, quietly without anybody knowing it, with less trouble. What have they done? They have multiplied the taxation of the net profits of the Canada Permanent Corporation more than *fourteen times*. Today, the percentage is over twenty-one per cent. and you wonder why you cannot get cheap money. Who is paying for that? Where does the Canada Permanent get its receipts? It gets its receipts from each and everyone of you. You cannot get away from it. It is there, everywhere.

Time is passing. One other thing I want to talk about: Education. People have been going after me about edu-

cation. You know every now and again you have people who are educational spenders. They are the greatest Dianas of the Ephesians. But you know on this crusade, because crusade it is, you cannot very well worry about those things. In 1913-14 this country spent on education \$44,000,000. In 1930-31 we spent \$178,100,000. Do you see anything for it? I remember back in 1913-14 we thought pretty well of ourselves. Illiteracy was very rare. The standing of the professional men was very good. We had only one complaint about education. We could not absorb it. I remember the trouble we had in Ontario. Here we were at great expense, educating wonderful men—wonderful men for whom? For the United States. That is where they were going, the largest percentage of them, all the time. We could not absorb them. You cannot breed race horses. This country needs work-horses today. He is an asset, not your theorist. I see, on the one hand, Mr. Leacock says one thing; others say others. I notice Mr. Leacock says real universities are made by the souls of men and not luxurious buildings. I now say, very well, this country could have saved many millions of dollars if Mr. Leacock had been a little sooner in giving voice to these opinions.

It was said, at the same time, by these gentlemen, "O, we are doing these things cheaply because you see the dollar has dropped. Now, if you put in equivalent dollars, we are really showing a saving." I never thought for one minute that the expense of education consisted in buying things in terms of gold. It is perfectly true that the gold standard is down. We have a discount of forty per cent. Do you find these dollars any easier down here? I never did. Don't you find it just as hard to get these dollars today as when they were at gold parity? Yes, and don't you all realize also the one thing that has been tried to be done, in the United States in particular by President Roosevelt, is to make that dollar of less value? Why? Because commodities are down, everything is down that makes expenses in education. Instead of the dollar having depreciated for the purposes of educational costs, it is the contrary. It is much more expensive.

If you take the figures compiled by the Citizens' Research institute you will find that when the dollar was at par, that is the gold dollar before we had gone off in 1929, when that was at par, commodities were so high there was no premium on the dollar so far as purchasing power was concerned. In 1933 when these learned gentlemen were making compilations, that dollar in terms of Canadian commodities, instead of being worth one dollar, has become worth one dollar and thirty cents.

Gentlemen, I am afraid time is up. Can I just leave one thought with you? It is this: no country can exist, no country does exist decently and properly, unless it is full of happy, contented homes. After all, the home is the one real justification for all we are trying to do, so people may live happily by their own efforts, looking after their own property. Will you get in the trenches for that home? It is Canada's great asset. It is threatened here, there and everywhere by taxpayers in one form or another. Can we not resolve now to think in terms Canadian, to insist on economy, to insist on a reduction of representation here, there and everywhere, to insist on proper up-to-date amendments to the British North America Act? So far, I think, the only public man who has had the courage to say that it is necessary is your own Premier (Henry) here. He just said one thing I did not agree with. I want to tell him plainly, "If you do not get it done now, you will never get it done." What do you want to do? You want to try and leave industry, commerce, farming, every one of your activities, subject only to one taskmaster; only one set of people to make reports to, instead of sending reports all over the country. These amendments, I am quite sure the Prime Minister would agree, would be amendments to place in the hands of the Dominion activities from one side of the country to the other and reserve to the provinces the right to look after, untrammelled, their own business—even to the extent of taking away that old clause saying any work done in a province of Canada should become Dominion work.

Will you remember that this job can be done only by you and others like you, exerting all the influence you can

with your representatives everywhere? They want to do what you want them to do. That is why they spent money in the past. If these people gather to the defence of their homes and remove the burdens of taxation that today are oppressing that progress which goes on in spite of them, you will all do a wonderful day's work for Canada.

MR. ARSCOTT:—I shall now call upon Mr. Brace, Vice-President of the Empire Club, to make response on your behalf.

MR. BRACE:—Sir Henry, Mr. Premier, and gentlemen, the address to which we have just listened comes to us from one who is actuated by no selfish prejudices. It comes to us from one who can speak with authority gained from the experience of a lifetime devoted to public service. I think the message is timely. Sir Henry has developed thoughts which should be the thoughts of all our countrymen. We all require relief from the burdens of taxation which are weighing so heavily upon all of us. It is essential that governments should balance their budgets as private businesses balance their budgets. Sir Henry has pointed out that the responsibility is ours. Unquestionably, governments will act with prudence and thrift when they recognize that the citizens of this country ask for prudence and thrift. We, on our hand, must realize that with prudence and thrift we must expect only such public services as are essential. I think we also have a responsibility to future generations. It is unfair to mortgage the future. We have a responsibility to our children and to our children's children.

I have very much pleasure in moving a hearty vote of thanks to Sir Henry Drayton for the inspiring message he has given us today.