

(November 8th, 1937)

This Business of Government

HON. GORDON CONANT.

T. D'ARCY LEONARD, Chairman:—My Lord, Gentlemen. In introducing the Hon. Gordon Conant who is to address us today on the subject of "This Business of Government" I desire, first of all, to say that the Canadian Club takes this opportunity of congratulating Mr. Conant on his appointment as Attorney General, and as one who has had the privilege of knowing him for some years, may I be allowed to express the opinion, that the Province of Ontario is to be congratulated also.

It is fitting that we should have with us on this occasion the Chief Justice of Ontario and as this is the first opportunity we have had to congratulate him personally on his appointment as Chief Justice, I would like to express to his Lordship the great pleasure we all feel in his having received this great honor—an honor so well deserved.

The position of an Attorney General is unique. Not only is he a minister of the Crown, but he is the guardian of the rights of the public. Mr. Conant comes to the position with a record that promises well in regard to those rights. He is an outstanding member of the Provincial Cabinet, and sacrifices many personal interests in the public service. In his own city of Oshawa Mr. Conant has served in almost every department of Civic Government, charitable and welfare work, and now he has entered into a wider sphere in which he can continue his record of service of the people.

MR. CONANT:—Mr. Chairman, My Lord, Gentlemen. May I first take this opportunity of thanking you in all sincerity for affording me this opportunity of speaking to you, and your chairman for the very kindly references he has made concerning me, and I can only express the hope

that I shall be able in some measure to justify what he has said.

Having been all my life, up to less than a month ago, just a country lawyer, more familiar with the homelier and simpler things of life, I found it rather embarrassing when I was asked to address a gathering of this kind. That embarrassment was somewhat relieved when I found that it was a tradition with the club that the new Attorney General should be asked to address the organization. There should not, of course, in a speech of this sort be anything of a political nature, but having been steeped in politics for the last six weeks or so, I may find it somewhat difficult to avoid a lapse.

In discussing the business of government with you, I have no new formula to present. The business of government with us is linked with the maintenance of British institutions, as opposed to the "isms" and experiments which are offered as panaceas for all ills. We have seen, in recent years, marvellous progress in scientific discovery and invention, but as we survey the world scene, we are conscious of retrogression in the science and business of government.

It used to be said that "Westward the course of Empire takes its way". A modern adaptation would read, "Westward the course of democratic government takes its way". In eastern, southern and central Europe, peoples are under the sway of absolute monarchies and dictatorships. In Western Europe, the British Isles and in America, democratic governments still prevail. In a general way, the clash of ideals today is between the democracies of Western Europe and America and the dictatorships of Central and Eastern Europe. Undoubtedly, democratic governments achieve the greatest good to the greatest number. In all states which are under dictatorship, social and economic conditions are far more serious and far more strained than in those which are under democratic forms of government.

In some respects, dictatorships may be advantageous. The maintenance of law and order in purely domestic affairs is more sure and certain, although more ruthless. From the purely business aspect, a dictatorship or absolute monarchy is the more economic form of government. There is less waste and less duplication, because in the administration of

the dictatorial form of government the necessity for the expenditure of public funds as a matter of political expediency is removed.

This leads us up to the pertinent and serious question of the cost of government in democratic countries. True, we of the British Empire are not in the hazardous position of some of the other democratic countries. One calls to mind the situation in France, where, on account of the multiplicity of parties, governments change almost overnight, with resultant waste and impaired efficiency.

As the late Will Rogers used to say: "When I am in London, I go every day to see them change the guard; when I am in Paris I go to the Quai D'Orsay to see them change the government."

In the British Empire, and particularly in Canada, we are confronted with the problem of reducing the cost of government. Under our democratic system, the interests of the state, as a matter of practical administration, must be reconciled with political requirements. Success or failure, the continuance or breakdown of our democratic institutions, depends on the extent to which we make the interests of the state supreme. A few striking and relative figures will indicate the problem which confronts us in the Dominion of Canada.

The business of government is the biggest business in Canada today, involving an annual turnover in excess of one billion dollars. It has the largest payroll of any business in Canada, and the greatest number of shareholders. Considering only our federal and provincial parliaments, it has 850 elected directors, whom we dignify with the title of members of parliament or members of the legislative assembly, to handle the affairs of eleven million people. In Great Britain, on the other hand, there are only 630 directors to handle the affairs of a population of 45,000,000 people. We in Canada have one director, or member, for every 12,000 people. In Great Britain, there is one member for every 73,000 people. Canada has approximately 28,000 governing bodies, including municipal councils and school boards. In Great Britain, there are 16,000 governing bodies of all kinds and in Australia only about 1,100.

With the federal parliaments and the provincial legislatures, each jealous of its constitutional rights and presumably anxious to exercise them to the full, we have ten departments of agriculture, ten departments of health, ten departments of justice, ten departments of lands and forests, ten departments of mines, and so on almost *ad infinitum*. When one considers what these facts mean in relation to the financial and economic position of the country, one may well ask the question as to whether we are over-governed. Nor is this merely a matter of theorizing. The finding of some solution or means of readjustment is a matter of stern, dire, emergent necessity.

As I have previously said, the cost of government in Canada, including, of course, all services rendered to the public, is over \$1,000,000,000 a year, and the net public debt, including federal, provincial and local administrations, exceeds \$5,800,000,000, or approximately \$533 per capita of our population.

Admittedly a considerable part of our indebtedness and annual expenditure is uncontrollable. It results from the vision of our forefathers, who conceived a structure of government, of railways and of public services generally, sufficient for a population of at least 50,000,000. We, the present population of 11,000,000, are the posterity who must find a solution for the over-optimism of our forefathers. We must find it in decreasing our expenditures of the irreducible minimum, if our democratic form of government is to survive. It cannot be accomplished by increasing taxation, which is always subject to the law of diminishing returns, and which jeopardizes the industrial, commercial and economic structure of any nation. As an exporting nation, we in Canada are limited in the extent to which we can increase taxation, because we must meet competition in the markets of the whole world.

The essential and primary business of government is no different from that of any other business. The first necessity of any business which hopes to survive is that it shall balance its budget, and its management, if competent, must always have in mind the annual balance sheet, with a view to avoiding deficits. No business, no household, can long survive if its expenditures exceed its income. It may carry on

for some period on its resources, actual and potential, but eventually it will meet the fate of all institutions which neglect this vital principle, and terminate in chaos and bankruptcy.

The balancing of the budget in private enterprise is less difficult in one sense than in the case of government. Private enterprise can ignore every consideration other than the direct and immediate welfare of the business. Governments, however, must meet the conflicting desires and demands of the whole people. The state is composed of taxpayers and of beneficiaries of the government services. The welfare and progress, and the very continuance of the taxpayers must at all times be reconciled with the demands, often most insistent, of those who labour under the impression that the government is the source of all wealth, and can, by a wave of a magic wand, produce the wherewithal to meet their demands. But governments have no source of revenue other than the taxes of the taxpayers whose trustees they are. Governments cannot, by acts of parliament or legislatures, produce wealth. Attempts to do so always have failed and always will fail. We in the province of Ontario, regardless of what may be done in any other province, will never attempt to do so.

That we have in recent years succeeded in a very large measure in reconciling the position of the taxpayers with the demands of the beneficiaries, is indicated in the 1937 budget of the province of Ontario. In order to remove from this discussion any semblance of political propaganda, I take the liberty of quoting from the issue of September 18, 1937, of the *Financial Post*, a journal which I believe to be politically independent, where it says:

"Ontario is the first province to achieve a properly balanced budget, and within recent months tax reductions to both industry and individuals have been obtained.

"The balanced Ontario budget is evidence of sound finance . . . and that provincial taxation will tend to decline, rather than to rise.

"Only one of the senior governments has balanced its budget, and that is the Ontario Government. . . . It has shown the largest surplus ever reported by a provincial government. . . . This debt reduction of \$33,000,000 is the

first reduction in gross debt to be reported by Ontario in more than twenty-five years."

It is the policy of the present government of Ontario to continue the practices and principles which resulted in the budget of 1937, to the end that this favourable position may be maintained or further improved, and so that this province may be placed on a sound, stable and prosperous basis.

That concludes what I have to say regarding the business of government, strictly speaking, but of equal importance, I believe, to the group which I see before me is the question of the government of business. It is my firm conviction that the less government interferes with business, the better it is for business and the better it is for government.

We have seen, in a neighbouring state, an attempt at the veritable regimentation of business, and I have only to mention some of the regulatory bodies set up in recent years to bring to your mind how undesirable such resulting regimentation would be in this province. Without hoping to exhaust them, I need only mention the Securities and Exchange Commission, which is charged with supervision and regulation of stock exchange transactions; the Federal Trade Commission, which regulates competition and prices; the Interstate Commerce Commission, which regulates transport operations; the Social Security Board, with wide powers of interference with and dictation to, the major industrial and business concerns; the National Recovery Administration, the Agricultural Adjustment Administration, which not only interfered with the agricultural industry by controlling farm production, but also collected taxes from those engaged in the processing of farm products in order to pay compensation for crops plowed under and live stock destroyed; the National Labour Relations Board, the Federal Surplus Commodities Commission, the Commodity Credit Corporation, the National Resources Committee and the Works Progress Administration, all efforts to mould business in accordance with the desires of the government and to restrict business operations.

I suggest to you that the results achieved have, in many cases, been actually harmful—at the very best, the benefits have been almost microscopic as compared with the impairment of business and industry.

Undoubtedly, however, modern developments in economics and finance and achievements in transportation, communications and all the ramifications of business activity, have made necessary some governmental concern with the conduct of business. The old and almost elemental maxim that, "Competition is the life of trade" and the ancient law of supply and demand must be subjected to some modification, and we have found it necessary, in the best interests of all people, to enact such legislation as

The Industrial Standards Act.
 The Workmen's Compensation Act.
 The Factory, Shop and Office Building Act.
 The Minimum Wage Act.
 The Corporation Securities Registration Act.
 The Insurance Act.
 The Loan and Trust Companies Act.

and a number of minor statutes which touch on the problems of individual industries. I think it will be quite generally conceded, however, that all of these laws and the administration of them are protective in their purpose, and have been enacted and administered solely with a view to the greatest good to the greatest number.

These acts are designed for the mutual benefit of all of the three partners in business, capital, management and labour. They do not regulate or control the functions and policies of management of business. They exist for the protection of both capital and labour, and of the investing public, and have helped business by stabilizing wages and labour conditions, promoting better working conditions in industry and more safety in the conduct of business.

They are designed to ensure for labour a fair share in the profits of industry. Amicable relations between industry and labour cannot be maintained unless labour enjoys a fair share in the profits of industry. Our various legislative enactments and their administration have been set up with this very necessary and vital object in view.

They are also calculated to promote the maintenance of law and order, always a matter of first necessity. Without law and order, no state can survive, much less prosper.

The main object of these laws of Ontario is the protection of all classes of the community, rather than the restriction of business for the sake of restriction. And that is as far as we in this province should go,—to regulate business where and to such extent as may be necessary to meet modern conditions, to maintain law and order, to ensure for labour a fair share in the profits of industry, maintaining, at the same time, private business and private enterprise on a sound and stable basis. But there should be no regimentation of business. Our people, as a people, will not tolerate regimentation in their private lives or in their business activities.