

(November 12, 1934)

What Have Our Inflation and Depression Experience Taught Us

BY MR. ROBERT J. MAGOR.

PRESIDENT JAMES:—Gentlemen, it is my privilege to-day to present to you as our guest speaker, Mr. Robert J. Magor of Montreal. Born in Montreal, educated through the public schools and high schools, Mr. Magor began his career in the Steel business at a very early age. He started in the job earning fifteen cents an hour. Since then he has worked his way steadily through to the top. Today he is the President and Chairman of the Board of National Steel Car Corporation. The experience of those early days and through the different branches, up through which he has worked, has given him personal intimate knowledge of every branch of the business.

Moved to the United States in 1915, as Assistant Manager of the American Corporation, he took a very prominent part in the production of munitions during the war and was one of those of that very select group who worked as a-dollar-a-year man. Since those days he has been one of the few really successful doctors to sick corporations, and while attending to the ills of others has been successful in keeping his own corporation out of hospital.

When there were difficulties some few years ago Mr. Magor was one of the first called in by the government to make a study of the railway and other public service problems. Being an able and willing worker it was not long before Mr. Magor also became virtual head of unemployment relief in Newfoundland. Two other interests took a great part of his time:—one the church, the

other athletics. As a church warden (and I believe that is equivalent to church manager) it is said that he adopted the same masterful tactics he displayed in business. In connection with athletics, a footballer himself in early days, he has kept up his interest, and today Montreal is largely thankful to him for the position which rowing now occupies in that city. To make a busy life complete, this year Mr. Magor has been selected President of the Board of Trade of Montreal. Experience gained from such an active life as this should qualify our guest especially well to deal with the subject, "What Have Our Inflation and Depression Experience Taught Us?"

MR. MAGOR:—Mr. Chairman and gentlemen, there are a good many things in the introduction which I did not recognize, so that whatever has come to Toronto from Montreal and elsewhere has been properly exaggerated.

Naturally it is a great privilege and honor for me to be standing here today as I realize the number of prominent guests which you have had. A good many of them have come from abroad and while many of us are prepared to sit and listen to wisdom from the other side we are not always so disposed to listen to one of our own and I am therefore particularly appreciative of your being here to-day to listen to one whose experiences and general business operations are so similar to practically all the rest of you. I am therefore very grateful and I only hope that there may be a few points in my address that will be of interest and from which perhaps some thought may develop in the future.

It is a little difficult to figure out just what should come under the heading of our experiences from the inflation and depression. I particularly ask that the title should be made rather broad as I have been out of the city and have not had a chance to really concentrate on any very definite line. There is one thing outstanding, however, and that is, that for us here in Canada in determining our position and looking back on any experiences so as to help us determine the line for the future, we must obviously be attracted to the experiences of the two other great Anglo-Saxon countries, the Mother Country, Great Britain, and our cousins

to the south. In any investigation of any problem the thing to do, at least from my own experience, is to get the history of the unit which you are endeavoring to improve and get the history of other units that are comparable, so I will quickly review certain things in British and American History of Government and Finance or business that might help us to gauge our position.

The first thing, of course, is the question of Government in its broadest sense and we realize that approaching that, as far as England is concerned, she started a great many years ago. I believe the Great Charter of King John and his Barons was perhaps, at least for our purposes, the furthest back of any instrument bearing on the present so there has been slightly over seven hundred years of experience which England has had in Government of one kind or another. I have felt that from that date up to the Elizabethan period, as far as Government development was concerned, it was more or less a period of determining a future procedure. The experience from the Elizabethan time on, I believe, formed the foundation of what is now the British Empire. Now look at England today and you will say how wonderful she is, and it is true, but if you look at her History she has been through all of the vicissitudes which any country could possibly go through. She had her dictator in Cromwell and has had her financial troubles. If you read the History of the South Sea Bubble you are just reading the history of a few year's ago, over again. If you forget the location of the people involved you have identically the same position and just as extreme fluctuation. The one hundred and ten pound shares went to one thousand and back again. There were all the ramifications of upsetting of Government that we have had. There were suicides and murders. There were restive conditions; there was relief for those who were suffering. England gained a lot of experience out of that. Anybody would. So that if she has, out of those experiences, gained the prominent position she has today, I think it is fair that we should review her history to see if we cannot take a leaf out of her book. All through that period she had her financial and business troubles; in fact

she had gone through all those score of years before the American Revolution. She was well away to her full development and expression of national life.

Compare that to our own situation. Around the time of our formative period, from 1858 to 1864, the men we knew as the Fathers of Confederation thought they were following the British practice and were particularly endeavoring to avoid the American practices. I think, as you know, we have just reversed that situation. We have followed the American practices and we have digrest from the British. Since then everything that has occurred in the interpretation of our constitution has strengthened the Provincial units at the expense of the Federal. In the United States the big criticism at that time—you will remember it was the time of the Civil War—at that time we were fearful of following their footsteps on account of the strong sovereign rights which the States possessed. So our interpretation through the courts, our own courts and the Privy Council, have increased Provincial rights, as I understand it. Some of my learned friends in the Law have assured me it is the case that with us the small unit has strengthened its position, whereas in the States it has been reversed. Now to give you an idea of what the feeling was in regard to our following the United States or the British, I will just give you a few extracts which I made some time ago in connection with the Quebec Conference.

On October 24th, 1864, Mr. T. H. Haviland, (Prince Edward Island), said: "I understand that the basis of our scheme, so as to avoid the difficulties of the United States, is to give limited powers to local Legislatures."

The Honorable John A. MacDonald on the same day said: "It would be adopting the worst features of the United States. We should concentrate the power in the Federal Government, and not adopt the decentralization of the United States."

Honorable Jonathan McCully, (Nova Scotia), said: ".....will land us in position of United States by referring matter of conflict of jurisdiction to courts. You thus set them (the Provinces) over the General Legislature."

We know that is exactly what we have done.

In reference to the question of expense on October 11th, 1864, Sir John A. MacDonal said: "A question or objection sometimes raised to the proposed union is that of increased expense. This, I think, will be comparatively small, in fact scarcely appreciable. Take the expenses of the Governments as they exist today, five in number. You will find that they aggregate a very considerable amount. With one general Government the expense would be very much less the expense of the subordinate Legislature will be small."

On October 19th, 1864, Honorable Jonathan McCully, (Nova Scotia), said: "One of the arguments that will be most useful to commend this project of Confederation to the people of the Lower Provinces is that it will not involve additional expenditure but decrease the expenses of the local Governments. I agree with Mr. Tupper."

And your outstanding statesman and politician Honorable Geo. Brown on October 20th, 1864 said: "As to local Governments, we desire in Upper Canada that they should not be expensive, and should not take up political matters."

There is your Provincial Government as from George Brown and obviously he is right and it just shows how far we have digressed.

Now you will realize, at that time they had a National Government for the purpose of doing this job. Perhaps history does not recount two individuals who had more dimetrically opposed ideas than Brown and Macdonald, and yet for this purpose they sank all their differences and did a job and a good one too. I think all the trouble has been probably due to our interpretation.

At the same time the Honorable Chas. Tupper, of Nova Scotia, said: "Nova Scotia will rely on the local Government for its royalty on coal, to meet its expenses." So that all they needed was a royalty on coal to cover all the expenses of the Province.

Now in regard to the subordination of local Government, this is what Honorable E. Whelan, of Prince Edward Island, said on October 12th: "We are forming a

constitution for a country larger than Europe in extent. There is an apprehension abroad in the Lower (i.e. Maritime) Provinces that Canada desires to swamp and extinguish their provincial character. Such ought not to be objected to. It is desirable that our mere provincial character should be lost and that we should form one great country."

Honorable E. Palmer, (Prince Edward Island), said: "Representation by population is not applicable when a certain number of provinces are throwing their resources into one confederation, and giving up their own self-government and individuality."

The Honorable Chas. Tupper agreeing with the general principles laid down by Brown, said: "I agree with the general principles laid down by Brown that the Governments should be as simple and inexpensive as possible. We should diminish the powers of the local Governments"

On October 24th, 1864, Honorable Chas. Tupper said: "Is the Federal Government to be one of mere delegates? We have provided for a Legislative representation and for the representation of every section of all the Provinces. Such a costly Government ought to be charged with the fullest powers If it were not for the peculiar condition of Lower Canada, and that the Lower Provinces have not municipal systems such as Upper Canada, I should go in for a Legislative union instead of a Federal. We propose to preserve the local Governments in the Lower Provinces because we have not municipal institutions. If conference limit the powers of the general legislature, I feel that the whole platform is swept away from us."

Now, gentlemen, that is the background of what we were trying to do and if I have time I will quote the address of Sir Wilfred Laurier on the British Constitution. It is really a gem. It shows just what it is and what we should be striving to accomplish.

Now summing that up you will realize that we have done two things contrary to the British Constitution. In the first place we have ten Legislative Governments and

England has one. That is a very definite difference and the consequence is that her Parliament as she has it is absolutely supreme and our Constitution is subject to our own courts and also the Privy Council on the other side.

Now as to the size of Government, comparing it to the United States. In the first place we have a Legislative Government for every million people. We have ten Legislative Governments and ten million people. The United States have forty-eight Legislative Governments for one hundred and twenty-five million people which works out at a Legislative for every two and a half million people, so we are worse off than they are.

Now in checking the development of the United States let us look back at their period. England has had, say four hundred years anyway in Government experience. The United States has had, say one hundred and sixty since the Revolution; and we have had sixty-seven. I would say we are progressing in just about that ratio as far as experience is concerned. Our experience and our development should be infinitely faster than theirs because at least as a background we have the British institutions and they are not nearly so complicated as the American, and when we formed ourselves at least there were no definite prejudices whereas, as far as the United States was concerned we must realize that, at the time of the War of Independence, they were fighting for independence presumably, and after it was over they naturally could not draft a constitution, and so they have a form of government which resembled in no respect what they had been fighting against, although many of them recognized the fact that Great Britain had worked out many problems and that it would be highly beneficial to adopt them. But they could not very well explain that to all of the people in the country, after fighting against a certain principle and then adopting it. So, realizing the fact that they felt that they had been fighting against the domineering tyrant, the only kind of government they could form was one where each part had constant checks on the other. They had no idea they were one day going to be the wealthiest country in the world. They were simply thirteen poor colonies. All they wanted was to be left alone.

So they started out and drafted this constitution which, as a result, has three branches of government. Two of them are subdivided. They have the legislative branch which is divided into the House of Representatives and the Senate, and you will realize how they staggered that situation because they appoint the Senate for six years but they are not elected for six years. A third of them are elected for two years and the House of Representatives are just elected for two years, so you have a six year period, three different changes in the six years in the Senate, and then you have the House of Representatives carrying on for the two year period, that is the whole House. Then, at the other end of the avenue you have an executive head who is elected for four years. He is, the meat in the sandwich, between the two, and he in turn appoints the cabinet. Then, set in the background is the Supreme Court, that can declare anything unconstitutional. So they have a highly involved constitution, the reason of which at that time was to guard against any possible combination of individuals or one individual in standing out to control the government of the United States.

Now in addition to that the United States history started at that time and since then they have had nothing back of the revolution, so the consequence is the succeeding generations have been educated to simply consolidating their own position and going through the ramifications that finally ended up in the Holley Smoot tariff, without going through the subsequent years and the Republican idea that the time had come where America could completely live unto herself. Now we have the opposite taking place when the Secretary, Hull, asked for forgiveness of the past, of the sins of the Republican Party so to speak, and now they were going to reverse it. They were going to buy a lot more apparently from the outside world. Now that just gives you a background.

We must also realize that in 1924 the United States was a debtor nation. We don't think of that today. So really all her national expressions, you might say, of organization, have been developed since that time. She has been experimenting, experimenting in many different

ways; and of course the most tragic thing after the war was the stock market situation. I have a sort of feeling that that was the center of the tornado. I think that was the real cause for our inflation; behind it was the transfer of money. Now in connection with that, wealth, of course, came over from the other side during the war and permeated the American industrial life. They had a highly developed industrial machine, but it had never had the fodder to live on. Now this money came from the other side, and built up this enormous machine and as the money permeated throughout the length and breadth of the country, it built up every community it touched. Consequently that was really the backbone of the public utility development in the United States because everybody was buying new homes and so on. That action had its reflex action in the big centers. Back in New York and elsewhere, because industries moved their headquarters to New York. The basis of the real estate movement was New York and the result was high expenditures, high taxes, and then, of course, it went down at the same time as the stock market because it was feeding on the market.

Now the banking situation down there is well known. They did have the national banks and state banks and private banks. Now their trouble some time ago was that none of these banks were tied up to anything, or the majority were not. You take in the small cities: why there was a bank president and board of directors and so on. The bank probably had a capital of fifty, sixty, or one hundred thousand dollars. Naturally there was no local politician who would dare touch a situation like that. There were many banks should have been closed up, but that would mean the president and the board of directors would have been out of a job. We, fortunately, have picked up the Scottish system and it was a good one which has developed, so I do not know whether as Canadians we can take any credit for our forefathers having done a good job. But of course the comparative situation is obvious. So in that respect we did not go to the same depths as they did in the United States.

Now with our bank situation coming through as it did,

with our British connections, and being able to adopt anything British without any prejudice, as I have illustrated, it means that we really should not make the same mistakes as they have in the United States. We should get further along. Touching England again, since the war, and back of it, all of her experiences have been of such a character that her institutions have become solidified with all the problems she has had to face, and now, after the greatest war in history, not one of her basic institutions has in any way been changed or become involved. She has been through everything from the South Sea Bubble to the present time. Due to the war her debt has gone away up. Her trade routes were disrupted. True, her enemies on the seas have been eliminated. She has had a general strike which in any other country probably would have been a revolution. But she has been through all the vicissitudes and yet that seven hundred years of experience from the time of the signing of the Magna Charta has been her background. Now, if this is so, having seen the shortcomings of the United States, it does seem to me that an absolute concentration by us on these particular questions involved should have our very closest attention. I would go so far as to say that in the things in which we digressed from the Mother Country we should follow her example in detail. I say that we should have one and *only one* senior legislative government in the country. In saying that, gentlemen, we are not departing from our principles. We are not weakening our provincial position, because the net result would be that the Provincial Governments would be stronger, and I am quite sure in an executive sense they would be much stronger and much more important. I think we become involved in these two questions, legislative and executive.

How would it be, to have all our legislation done at Ottawa, turning over to the provinces more executive work? We know perfectly well that is sound procedure in business, and surely it can be made so here. I am on record at the Winnipeg convention, that I did not see where it was really necessary to change our constitution. Surely it would be better to get the nine provinces togeth-

er and get them to agree to change that constitution than it would be province by province, on one question with one province, and maybe on another with another. The Federal Government could make greater progress; because the only things we are concerned about are the commercial phases of that situation. And it is so definite, at least in my layman's mind, of just what was meant in that constitution, that it seems to me it is just as important a document today as it ever was, if our interpretation were sane and sound. And I think I will supplement that by saying that in addition to what I have read in these quotations, isn't it rather odd that such great care should have been exercised by the Fathers of Confederation in laying out the scope of the Federal Government that when they came to the set up of the Provincial Governments, what did they say? In section 1 of, I think, article 91 it starts right off: you can make any changes you like in your government. That is all they thought of Provincial Governments. Why didn't the Provincial Government act? There is nothing in there to reduce them down. Why, they could eliminate their whole legislative government. That is in the act there anyway. They can change it as they wish. The legislatures can legislate themselves right out of existence, and nothing that I know of is against it. That may not be the point to go to. They can modify; they can change; but they can legislate themselves out of existence; they can certainly agree with the Federal Government on commercial questions, which most of us agree should come under the Federal Government and not under the provinces.

In making these remarks there is no question of personalities. We simply have to make Canada more consolidated, a greater nation. You take our Canadian anthem, "We stand on guard for Thee." We do not do that. We did during the war. If you can just visualize a situation where in our present problems we can get that same spirit you had in the war, unified action, just think of the results that would be secured practically overnight. It is really astonishing when you come to analyze these details. But see just what can be done if we have one thought only in our minds.

Now the British are no more capable individually than we are, or the Americans, but it is their background. Do you know it does not matter how radical any elective member of the government might be, when he becomes prime minister and when he gets in, his mind is used for the benefit of the country. His extreme views become immediately modified.

Talking as a business man there are three specific conditions which we have. One is the inefficiencies of our capitalistic system. It is the best that can be produced, or at least the best that has been, and the best we know of. But it has its shortcomings. It has its "libertines," those who feel their interest is paramount. We have the same thing in our political system. We have those we elect to office whom we elect for the purpose of governing, and they believe they are in there simply for their own self interests along any lines which they wish to treat. Then the third one is our social libertine. There are those of the "isms" who would come in and destroy everything which we and our fathers and grand-fathers have built up—all our institutions. So that there is no phase of our national life that is not attacked by some malignant disease. But the body corporate is sufficiently powerful to throw these off. There are many kinds of illnesses; they all have their particular germ, in business and politics. But first you have to isolate that germ before the patient gets better. Going over the history we can study to see what was done in the past, and what got results and what did not. But if we are bound to take the opposite course to that which experience teaches there will be just a babel of voices from one end of the country to the other—waste of strength, waste of effort. And if the proper effort was put forth in a concerted manner to build up this country the way it should be, our problem would be over in a year. But we are making a bad showing as senior member of Great Britain and Co. with unbalanced budgets from one end of the country to the other.

We have had these Cartier celebrations all over and I was up to my eyes in them. Perfectly all right! But in a sober moment I looked back and said we have to be

thankful for many things. We have the greatest country in the world, blessed with everything, away from disquieting influences on the other side. But what have we done about it? In four hundred years we have built up deficits and unbalanced budgets, and that is our appearance in peace times alongside Great Britain in trying to help the Empire and trying to assist in world-wide problems. And that is the kind of partner she really has. Fortunately for us, and not in any way thanks to us, we have such enormous wealth in this country that, if we concentrate, we can solve all our questions. You might say we have covered a lot of ground, and so on; but what do we do about it?

The solution of these questions is going to come through bodies like yours, like the Canadian Chamber of Commerce and other such bodies. You gentlemen are the ones who are paying the price and trying to build up Canada in a business way. You see all sorts of meetings, conferences and one thing and another. It does seem to me, if we can develop a congress of all the service clubs in Canada, that we could study each chapter, here in Toronto, in Montreal, right through to the coast, a specific problem, (of analyzing what I have tried to do in a few words) deciding what these problems are and trying to analyze our national questions, then submit them one to the other, and after we get a definite program, see if we cannot have a congress, either here in Toronto or in some other convenient place, some months hence, that will consider the straight national questions and business questions, the things that are attacking our business life, because certainly today we are paying the government enough money to regulate everything in the world. They are getting that income for it. We have everything, I know at my plant in Hamilton. The inspectors come in and tell me where I should have this machine protected and that machine, and what the sanitary conditions should be, and all the rest of it. Now we are paying the price for it and get nothing in return. If, after due consideration we can work up a non-partisan program that is fair and equitable, review it with the government of the day, and follow it through, so that we may assist and help in every respect,

and with no sectionalism and no politics, we shall be of great service to our country. Sectionalism and politics should be eliminated. You gentlemen belong to organizations from which politics are eliminated. Why cannot we have a citizens' congress that is going to deal with these questions? Thank you very much.

PRESIDENT JAMES:—May I on behalf of the members of the Canadian Club express our very keen appreciation of your extremely thoughtful and interesting address. Gentlemen, our guest speaker next Monday will be Right Hon. Lord Dorchester, the subject of whose address will be "Our Imperial Sanity."