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## A Western Farmer Looks at Business

By E. J. YOUNG.

COLONEL A. L. BISHOP, opening the meeting, said:— Since last we met the passing of the Sovereign has left a sense of loss in the minds of us all as for a very personal friend. Anticipating your wishes in this respect a message of sympathy and condolence was sent to the Queen and the Royal Family through the Governor-General, and it was duly acknowledged.

Today we have as our guest of honor, Mr. E. J. Young, Member for Weyburn, Saskatchewan, for ten years in the House of Commons. He was born in Winnipeg when Main street, Winnipeg, was known as a sea of mud. By hard work and an indomitable spirit he gained the benefit of an education and started out to teach school. Forsaking this for a wider sphere, he established himself in Saskatchewan as a farmer, and I may say that he became a very successful farmer. He went into public life and as to his success in that field, the fact that he was for ten years a member of the House of Commons speaks for itself. That he was defeated at the last election is a matter for very great regret. As the dissenting member of the Price Spreads Commission his report has caused considerable comment in the press and among all thinking people. His subject today is "A western farmer looks at Business," and as we know he was a successful farmer we look forward to a very interesting session.

MR. YOUNG:—Mr. Chairman, Gentlemen, I am going to speak today on Common Sense in Business. As one looks round this audience of business men, it seems like presumption for a Western farmer to come and talk to you about

how to conduct your businesses. But for many years—as far back as I can remember—business men have been telling us how to run our farms, so perhaps we can be pardoned if we take our revenge when opportunity offers.

When I speak of Common sense in business I mean that balance of faculties which enables its possessor to appraise everything in life at its true value. In his younger days Job was a man of common sense, but he was still more sensible after the Lord had taken him in hand and shown him what a very insignificant part of creation he was, that the universe was not created just to serve him and to make him happy, but that his happiness would be found in tuning himself to the larger purpose of creation, in adapting himself to the world as it was and submitting to Nature's Laws. Then he saw things in their true perspective. Then he was able to appraise things at their true value. Then he realized that there was a greater purpose and more important things in creation than his comfort.

Common sense in business required that we realize as Job did that the world does not exist for the sake of any one business. That is, it is not the duty of the Government to keep any man in business. That if a man wants to be in business, he must justify his right by rendering a service that the people want.

You will all agree with me when I say that the world does not owe any man a living unless he gives value for it; and when I say that the Government does not owe any business a living, I think you will agree with me again.

The opinion seems to prevail in some quarters that once a business has been established, it is entitled to perpetual life and that it is the duty of the Government to see that no new force arises to destroy it. This opinion was much in evidence during the Price Spreads investigation. Witness after witness, not from any one class of society, but from every class, came before the Commission and told how his competitors were driving him to the wall; and when asked what remedy he had to suggest, they all made the same request. Each asked it in his own way, but the substance was always the same, namely: that something be done to eliminate his competitors. What they really wanted was to

be able to continue their old occupations in their own way and, in order that they might not have to change their methods, they were asking that nothing else be allowed to change.

It is interesting to speculate as to what would happen if all these requests were granted, if the state were to undertake to see that no one is forced out of business by his competitors. We all cling to life and do everything we can to prolong it. If we could do so, we would eliminate death altogether. But if we did, what kind of a world would we find ourselves in then? Surely it would be a less pleasant world than the one we are living in. It would be a world of selfish old men who had succeeded in finding places for themselves and refused to make room for younger ones, even denying the right of a new generation to be born; for once man has succeeded in closing the exit for the world, he will endeavor to close the entrance also. In such a world there would soon arise a demand to re-open the exit and let people die as they used to. Common sense tells us that it is not desirable that we live forever on the earth, and we want to remain here, only so long as we have the vigor and the interest that enables us to keep ourselves constantly adjusted to the ever changing conditions of the world.

In the business world the same holds good. What kind of a world would we have if every business, once established, were sheltered and protected by the Government and its existence continued after the vigor, the life and the enterprise had passed from it. It would mean an absolute end to progress. The electric railway would be forbidden to compete with the horse car, the linotype machine forbidden to compete with the compositor, the steam-boat with the sailing vessels the aeroplane with either one, the 'bus with the stage coach. Well established business men came before the Price Spreads Committee asking for powers of self-government in industry, and when asked what they meant by that they replied, that they should be allowed to say whether or not any new competitor should be permitted to enter the field against them.

Look at our railways. Built in the first instance by public assistance, nursed through the years by kindly Gov-

ernments, enjoying a monopoly of the transportation business, protected in their charges by public authority, which gives them rates on a cost *plus* basis, shielded in every way from competition. They showed little sign of progress until the 'bus and the motor-truck appeared on the scene and threatened their solvency. The other day I travelled from Regina to Moose Jaw by 'bus and returned the same day by rail, on a train, specially designed to meet 'bus competition. There were four passengers on the 'bus, there were over thirty on the train. Both charge the same rate. Both left at the same hour. People preferred the accommodation of the train. Yet the railways never thought of giving that service, until the competition of the 'bus forced them to do it. If the state had interfered to protect the railway from the competition of the 'bus, that service would not be available to the public today.

Left to itself, every new invention, every improved process, every new competitor will either destroy the old or inject new life into it.

We all expect to pass away some day and we know that the day will come, when this human mechanism ceases to function properly. We do not resent that. We regard it as inevitable, and we know it is a wise provision of Nature; but when it is a question of the life of a business enterprise, we seem to think every casualty a crime, and we look to the Government to prevent it.

We are rapidly acquiring the habit of expecting the State to do everything for us. But if we want the State to do more for us, we must be prepared to give it the necessary power, and the more we expect it to do, the more power we will have to give it. Some people don't object to this. Some are willing to surrender all their rights to the State and they want the State to do everything for them. They are content to have no rights if only they are relieved of all responsibility. They don't want to be bothered ordering their own lives. But others do not subscribe to that view and many are beginning to wonder where this process of turning over everything to the State is going to end. Not only are some of us unwilling to surrender our liberty to the State in exchange for economic security, but we do not be-

lieve that the State could fulfill its part of the bargain and give us economic security if we did, even though it usurped every right we have. In this opinion we are supported by the experience of the world. Those nations, that have been willing to surrender their liberty, in the hope of gaining a greater measure of material prosperity, have not prospered as have the more vigorous nations, who insisted on maintaining their freedom at all costs. Look at Britain. Her people have steadily refused to surrender their independence, their right to order their own lives and run their own business, for any security the State had to offer, with the result that they have prospered above all nations. They prospered because they have stubbornly held to the belief that every man must take care of himself. The American people have inherited that opinion and have prospered in like manner. What business can a government run and run properly? People point to the Post-office as an outstanding example of successful government operation. But the Post-office is not and never was self-supporting. If it were made to pay its way we would not get our letters carried for three cents apiece.

So many people today are seeking popularity by offering some of the people something at the expense of all the people, that were it not for the constitutional obstacles standing in the way of these self-styled reformers, the private citizen would have no rights left. Our constitution may need reforming. In some respects it does. But much of the demand for reform comes from those, who want to rob their neighbors of their property or their rights as citizens. Thorough discussion in Parliament and in the press should precede the passing of any reform bill.

Admitting that it is desirable that the obsolete and incompetent in business be eliminated, the question arises: By what process should the elimination be carried out? Would you have it done by the Government issuing orders that Mr. A. cease and desist from business, while Mr. B. is permitted to continue? Or would you prefer to have it done by the old method of competition? If it is done on the orders of a Board, the question arises, who shall go and who shall be permitted to carry on? I say nothing of the

opportunity for playing favorites on the part of the Board or its inspectors. Let us suppose they are absolutely impartial in all their decisions, still every business man would be at the mercy of this Board and would be dependent on the judgment of a small group of men as to whether or not it was in the public interest that he remain in business. If on the other hand it is left to the forces of competition, the people he is serving will be the judges of whether they want his service or not. If they still want his service, they will patronize him, if they don't they will pass him by and he will soon be eliminated. The consuming public will eliminate him by the simple process of leaving him alone.

Which of these processes do you prefer? If you are incompetent, indolent, lacking in enterprise, you will prefer the former. If you are strong, vigorous, enterprising, you will prefer the latter. If we adopt the former, the success of every business man will depend upon his ability to please an inspector. Under such a system, competition would be eliminated, it would take a different form. Instead of competing for the favor of the public by rendering a better service, the business man would be competing for the favor of those in authority by means that the most of us don't understand. If we adopt the latter process, every man's success will depend upon his ability to please his customer, that is Nature's way and I think we cannot go far wrong in following her.

We are all in the habit of keeping our eyes so intently on the reward that we have come to think that the reward is the only thing that matters. Nature does not look at it that way. To her the important thing is the effort we put forth. Our purpose is to secure comfort for ourselves. Her purpose is to encourage us to greater efforts with the object of eliminating those who are not equal to the task. In this way she has raised us from what we were at the dawn of time to what we are today. The same process will go on in business if we permit it. But if we insist on perpetuating the obsolete, we can rest assured that progress is at an end. Neither man nor business has yet reached the point where we no longer require a struggle to bring out the best in us. To struggle is the condition of existence.

How to secure the best management in business is a problem. Left to the free play of economic forces, business refuses to be mismanaged. He who neglects or mismanages is soon eliminated by the relentless force of economic law. This may be a cruel process, but the only alternative is State regulation that will either hold the competent and the enterprising down to the level of the incompetent and the obsolete, or permit them to get away with enormous profits. We had some experience of this during the war years. Price regulation was tried and with what results? Officials tried to arrive at a price that was fair to every one, only to find that the price they fixed meant enormous profits to some and serious losses to others. A wide-awake business man is forever figuring out new economies in order to outdistance his competitors and increase his profits. Competition is forever forcing him to pass these profits on to the consuming public. Eliminate competition and you suffer in two ways. First, you remove the incentive to improvement and second, you enable those to make progress who keep all the benefit to themselves. Therein lies the danger of monopoly. It lacks the spur of competition which alone can keep it alert and progressive and which alone can be depended on to see that the benefits of progress are passed on to the consuming public.

"All economic questions should be studied from the standpoint of the consumer, for the consumer's interest is the interest of the human race." This principle, laid down by Bastiat many years ago, is being sadly neglected today. We are forgetting the consumer altogether. A witness appeared before the Price Spreads Committee and told us how beautifully they were arranging things in his line of business down in his Province. He said, "We got the manufacturers, the wholesalers, the retailers and the consumers altogether to work out a price-fixing arrangement. We asked the manufacturers what their costs were, and to these costs we added a reasonable profit. That gave us the manufacturer's price and no manufacturer is permitted to sell for less. Then we asked the wholesaler what his costs and expenses were and to that we added a reasonable profit for him, which gave us the wholesale price and no whole-

salers is permitted to sell for sell. Next we asked the retailer for his costs and expenses, we added a reasonable profit for him and that gave us the retail price. So you see," he said, "everybody gets a reasonable profit and no one gets too much." "But," I said, "you have not finished your story, you told us in the beginning that you also called in the consumer but you did not tell us what part he plays in the scheme." "Oh, the consumer," he replied, "he pays the retail price." In the minds of many people today, that is what the consumer is for. To pay the price. He is not asked what his circumstances are, or whether the price is fair to him? His function is to pay, yet in the long run the consumer must be the master. Might I quote from the dissenting report of the Price Spreads Commission, what is said about the consumer.

"It should not be forgotten that the test of efficiency in the production and distribution of goods is the price at which those goods can be placed in the hands of the consumer. Numerous efforts are being made to legislate in favor of the producer, and attempts are made to justify this kind of legislation on the grounds that we are all producers. It is true we are all producers—but we are not all producers of the particular article or articles about which we are legislating and therefore we cannot all benefit from such legislation.

"The only common ground on which we all stand is as consumers. The only legislation, that can be just to all, is legislation in the interests of the consumer. The man or the system that best serves the human race, is the one that serves the interest of the consumer. The test, then, of the efficiency of any merchandising system must be 'How does it serve the consumer?' And in this test the consumer, himself, will be the judge."

What better argument could be advanced in favor of leaving a man in business, than the fact that the public patronize him; what better argument in favor of putting a man out of business, than the fact that the public do not patronize him? No Government action is required in either of these cases, the consuming public will attend to the matter in its own way.

Owing to the fact that the exporting countries have been unable to sell their surplus products, they all have an abundance of some kinds of wealth for which their producers are offered prices not at all in keeping with the cost of production. Unable to get their production costs out of their products, these producers are unable to buy the products of other people. As a result less goods are being bought than the people can supply. Hence the cry of "poverty amidst plenty," and hence the demand to reduce the plenty. The truth is there is no plenty. There are not nearly enough goods in existence or being produced to supply the needs of the people. A careful investigation by the Brookings Institute revealed the fact, that America was never able to produce all the goods her people want to consume. If America cannot produce enough to supply the wants of her people, certainly no other country can. Yet this appearance of abundance has given rise to the demand to restrict production, to reduce abundance in order to increase prices.

Many schemes for restricting production are being advanced. Some even going so far as to suggest that goods should be destroyed. In considering this matter, we should never lose sight of the fact that though we sell our products for money and buy our requirements with money, in reality we are exchanging goods for goods. The farmer sells wheat for cash and buys fuel, clothing, furniture, etc., for that cash. His wealth is not determined so much by the dollars and cents he gets for his wheat as by the number of tons of coal, gallons of gas, suits of clothes, articles of furniture he can buy for what he gets for his wheat. In spite of the fact that we have an enormous surplus of wheat in Canada which we are finding it difficult to sell, every wheat farmer in the country is doing without many things he needs because he has not enough bushels of wheat to pay for them. Would he be able to buy more of these things if he had less wheat? Let us see. Wheat and coal are both produced in Canada. Let us suppose wheat is selling for 70c a bushel on the farm and coal at \$4.20 a ton (these are the approximate prices prevailing in the districts where both are produced) it would take six bushels of wheat to buy a ton of coal. Now suppose by reducing our acreage we were

to succeed in creating an artificial scarcity of wheat and thus force the price to 80c a bushel. Suppose at the same time we were to mine less coal and by so doing increase the price in like proportion to \$4.80 a ton. Both the farmer and the miner would be receiving a better price for their products, but when the farmer went to buy his coal, he would find that it still took six bushels for a ton. Would either of them be any better off? No, they would both be worse off, because the farmer would have less wheat with which to buy coal and the miner would have less coal with which to buy wheat.

Common sense instinctively rebels against these schemes and the experience of other countries tells us that common sense is right.

The opinion is widely held that the home producer is entitled to the home market. At first this opinion was confined to the Canadian producer being entitled to the Canadian market but opinions like that, once accepted, are frequently carried further than one would expect. One of the amusing things that came out in the Spreads investigation was the righteous indignation of the milk producers of one Province over the fact that a neighboring Province was shipping canned milk into what they consider their market. While at the same time the farmers of the other Provinces were complaining that the first mentioned Province was shipping butter into their market. Saskatchewan produces coal, but not so good coal as Alberta. Most Saskatchewan people prefer Alberta coal, but Saskatchewan producers claim a right to the Saskatchewan market and are urging their Government to see that it is reserved for them. Insofar as they are successful they are forcing the people of that Province to a less comfortable living. Even our cities are taking up the cause of the depressed industry as against the outsider. A few months ago a sort of a tariff war raged between Ottawa and Hull, the Council of one city decided that merchants from the other city should not be allowed to sell their wares within its borders. The Council of the other city passed similar By-laws with a result that was detrimental to the people of both cities.

By what right does the home producer claim the home

market? Nature has given him a natural advantage in that market by reason of his proximity to it. If he cannot hold it with that advantage and asks the Government to hold it for him he is asking the privilege of putting his hands into the pockets of his fellow citizens. If it is right for the home producer to ask his fellow citizens to pay a little more for his produce, isn't it equally right for the consumer to ask the home producer to sell to him for a little less than any one else? There is no more reason why a citizen should give Fellow Citizen a dollar than there is why Fellow Citizen should give Citizen a dollar and the sooner our legislators find this out, the better it will be for all of us.

Canada is essentially an exporting country. We produce a limited variety of products and produce them in large quantities. One-fifth of our people are entirely dependent on the export market. The other four-fifths are partially or indirectly dependent on it. The domestic price of our exportable products is determined by the world price of the same products. We cannot control the world's price, common sense demands that we accept the world price for our exports and endeavor to bring all other prices into line with it. Grandiose schemes are being worked out in order to artificially raise the price of our export products, on the domestic market above the level of the same products on the world's market and dump our surplus abroad. In this way it is argued our primary producers would get a better price for their products and we would still sell our surplus abroad, the Government making up the loss. In a country that exports as much as Canada does, this would be a tremendous burden on the taxpayers and what would be the result? We would be taxing our own people in order to furnish cheap food and cheap raw materials to other countries, which cheap raw materials would enable these countries to produce cheaper than we can, and they would thus be enabled to undersell us in the markets of the world. In effect we would be taxing our own people and using the money to bonus our foreign competitors.

There is a close analogy between doles to individuals and bonuses to industries. The claim we hear in some quarters today that the Government owes every man a liv-

ing can be traced to the doctrine accepted in the past that the Government owes support to certain industries. In granting such support in the past we were sowing the wind. Now we are reaping the whirlwind. Ask any soap-box orator who is telling the people that the Government owes him a living, on what he bases his claim and he will tell you that he has as much right to be supported by the State as any corporation that has received State aid in the past. He will tell you that he has been taxed for the benefit of other classes and it is only fair that in his hour of need, they should be taxed for his benefit. What answer can you make to that? None. We are coming to the time when we will have to do one of two things. Either the State will have to be Santa Claus to everybody or it will have to cease being Santa Claus altogether.

A certain town in Ontario had a factory which had been there for many years and of which its citizens were justly proud. With the coming of the depression, this factory found it impossible to sell its products and had to close down, throwing a number of citizens out of employment. A promoter arrived in that town and went to the Council with a proposition. He offered to start another factory that would employ so many men, but of course he wanted concessions, he wanted a free site, free water, free light, exemption from taxation and other things that men in his class generally ask. Before granting the request, the Council thought it wise to consult the ratepayers. A public meeting was called and the matter was laid before the citizens. They were asked to express their opinions. One by one they got up and expressed themselves in favor of the new venture. Here was a factory offering to come to their town that would employ the citizens who were unemployed because of the closing of the old factory. It looked as though the matter might go through unanimously. A friend of mine who happened to live in that town was sitting in the back of the hall saying nothing, when some one asked for his opinion. He got up and said, "Gentlemen, what we need in this town is not a new factory, but customers for the factory we have. What good will a new factory do us if it cannot sell its goods. It will close down

as the other did. It cannot possibly give employment to our people unless it can find a market for its products."

It would be interesting to go through this country from Coast to Coast taking a census of the industries that have been established by public assistance, and examine into their conditions at the present time. I am inclined to think that we would be surprised to learn of how little benefit they have been to the communities in which they are located.

The demand for some form of price control is quite insistent in some places. This demand comes from producers who feel that the price they receive is too low; and from consumers who feel that the price they pay is too high. Numerous witnesses appeared before the Price Spreads Commission asking for price regulation. Some wanted the Government to do the regulating. Others thought it would be better if the Government would give them the authority to do it. Of course, no one wanted more than a just price, no more than costs plus a reasonable profit. Witnesses came before the Commission urging that every one be allowed his costs plus a reasonable profit, but when the question was asked if you are going to give to every one, manufacturer, wholesaler, retailer, transport worker, his costs, plus a reasonable profit, what will you do if the resulting price is more than the consumer can pay? No one would face this question. Yet it must be faced for you cannot force people to pay more than we have. And how can any Board determine how much the consumer will pay for any given article. The only way is by trial and error. If an article will not sell at one price, try it at another price. Imagine the delays, the vexations and the losses if no merchants were allowed to adjust his price till he got authority from some central board. The dissenting report on the Price Spreads investigation says that the best adjustment of prices is the one at which the greatest quantity of goods will pass into consumption, for this adjustment places the greatest quantity of real wealth in the hands of the people and gives the greatest amount of employment to the workers in producing that wealth. Left to themselves and the law of supply and demand, goods themselves will determine the price at which they should be sold and

the less interference there is either by the State or by monopoly or other organization, the quicker that price will be found.

If I were asked to outline the philosophy for the business man, I would say:

1. Every man wishing to continue in business should establish his right to do so by rendering a service that the public is willing to pay for.

2. Every business should stand on its own feet and depend for its profit on what the public is willing to pay for the service rendered.

3. Business is more efficient and in a healthier condition when it has live competition that will force it to efficiency or to bankruptcy.

4. If business is going to run to the Government for favors, it cannot complain if the Government interferes with business and undertakes to control it.

5. A merciful Providence that removes a man from the world when he is no longer able to look after himself would be equally kind to business if we would let it.

Thanking the speaker, Colonel Bishop said:—Mr. Young, we are deeply grateful to you for the fundamental ideas you have very ably expressed, and your picture, of what can happen in business when we get away from fundamentals, is very much appreciated. In thanking you, I think the Canadian Club will welcome the opportunity to express through you our full confidence in Alberta, Saskatchewan, and Manitoba, and our deep sense of appreciation for the whole-hearted Canadianism they have shown in these times of economic pressure. We welcome this opportunity to express our appreciation to them.