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## Canada's Way Out

BY REV. J. S. WOODSWORTH, M.P.

MR. ARSCOTT:—Gentlemen, this is Royal Winter Fair Week in Toronto and it brings to our minds among other things that our President, who has always looked forward and taken keen interest in that Fair, is still ill. I am very glad to tell you, however, that I was in communication with his office this morning and the report was very reassuring. They said he was progressing very, very favorably and that all it required now was time for rest and quiet, and we hope he will soon be out and about again.

Our guest today, J. S. Woodsworth, M.P., is so well known to you, such an able speaker, that I feel he requires very little introduction. I may say a few words, however, in order to give you probably a little more intimate knowledge of his earlier life. He received his primary education in the schools of Toronto, Brandon and Winnipeg. He graduated from the University of Manitoba in 1896 and received his degree of Bachelor of Divinity from the Victoria Faculty of Divinity in 1900, later taking up graduate work at Oxford. He has spent many years in mission fields of Western Canada and for six years was in charge of the All Peoples' Missions, an organization formed for the purpose of assisting immigrants. For three years he was secretary of the Canadian Welfare League, and in 1916-17 he held the position of Director of the Bureau of Social Research for the Governments of Manitoba, Saskatchewan and Alberta. He has chosen to speak to us today on the subject, "Canada's Way Out." I shall now ask him to address you.

MR. WOODSWORTH:—Mr. Chairman and gentlemen, I feel very thankful indeed with you to hear this good word

with regard to your president, Mr. Harry Sifton. I knew Harry Sifton when he was only a boy in Brandon and was very sorry indeed to learn he had been laid aside.

When I was asked to address your Club I was reminded of the fact that I had done so a number of years ago. The other day I looked up the record just out of curiosity and I found it was almost twenty-four years ago when I last spoke. I don't know where we will all be twenty-four years from now. But during the past almost a quarter of a century, I cannot but think of the vast changes which have come to us in Canada. Twenty-four years ago we were in the full tide of prosperity and expansion. At that time immigrants were pouring in to us by the hundreds of thousands. The world was rapidly opening. Here in the East there was a very great deal of activity, partly because of the construction work which was being carried on. Then two or three years after that there came a period of depression you will remember, followed by the war. After the war for a short time again a period of activity and then three years ago the beginnings of the depression in which we have labored ever since.

I think that no one can have passed through these last few years without realizing the necessity of a stock-taking with regard to the whole economic system under which we are at the present time existing and working. There has been for a good many years at least in many circles a sort of easy optimism that took the ground that this depression was of a very temporary character and that it was only a matter of months before things would be going in the same old way. We had only to have some little improvement in trade statistics to make some of us feel that again we were on the way to what we call prosperity. But I fancy that no real student of the economic system in this country or of the international arrangements but must feel very apprehensive as he looks to the future and must realize that we can never go back to the old position. I think we must feel, all of us, that the time has come when we shall have to blaze new trails if we are to find our way out. As one goes up and down Canada, and it has been my work for a good many years to travel rather extensively across the

country, one cannot but be struck everywhere with this fact. We have more goods than we can sell. We are producing more under this present system than we can find a market for. I think everybody would accept that statement. Further, you might say that we have now in Canada the plant equipment to produce manifold what we are producing at this time. As has been said so often in recent years the curious situation we live in now is one of depression, of hardship, in the midst of over-abundance.

Now, if under this system in which we are working we are to attain anything like normalcy again, we must sell our goods either at home or abroad. I think that is obvious. Now look at the foreign markets if you will. I am not one of those who believe that we can all solve our problems by trying to isolate Canada from the rest of the world. There is not much doubt that there has been a tendency to do that, at least in theory both in Canada and in other nations. In recent years we have been accustomed to the phrase "economic nationalism." It is one of the phenomena that has developed since the war. I do not believe that the world, constituted as it is, in the interactions which exist in the commercial, financial and industrial world, can ever return to the idea of nations as self-sufficient units. As we look about today we find there are not the markets which once existed. I think the Prime Minister of Canada, on his return from Europe, made one of the most profound statements and I think perhaps the truest statement he has ever made when he said, "There are no markets." If I were before another audience, I might say it has taken him rather a long time to find that out, but in any case I think that is true. Today the foreign markets in Europe have very largely vanished—very largely.

I speak with a great deal of feeling in this matter, perhaps because I live in Western Canada where we have an enormous wheat crop, where we have an enormous carry-over which we do not know how to dispose of. There is not the slightest doubt that the west has been built up on the principle of an export market almost unlimited in scope. Within recent years, since the war, we have doubled our

acreage in the west, because there was an outside market for our wheat. Now England has become to a certain extent self-supporting. France, Germany, Italy, are all trying to produce much more grain than they did in the past, which leaves Canada in a very bad position. It is not merely the west that is affected. I need not tell you men in the east that the manufacturers in the east can hardly prosper unless there is a market in the west. I was out a few months ago in British Columbia, where the same thing is true. They want new markets for their lumber. I think in recent years and months that problem has been partly solved by the export market which has developed in the United States owing to certain rulings.

But that is the trouble; our foreign markets in Europe have largely disappeared and I am inclined to think it is partly our own fault. I think very few of us have realized that, in modern conditions at least, any limitation of markets automatically involves a limitation of exports. We seem to find it hard work to get that through our hats. It ought to be axiomatic. It seems so simple when you come to think of it. If we breathe out we have to breathe in. If the breath flows out, it comes in again. It is the only way we can live. Trade is an exchange of goods, and if we refuse to let goods in, we thereby refuse to allow ourselves to export goods; and I think the failure to recognize that undoubtedly has accentuated and intensified the situation which we have at the present time. To go back to anything like economic nationalism in the sense of any country being entirely self-supporting, seems to me a backward and, I think, an almost impossible step, and every economist of any repute as well as the League of Nations have emphasized that fact. Most of us have not yet realized it.

I speak of Europe. We look to the United States. And again there has been rather the view that we should draw a line right across the country. Possibly it is because some of us come of the old U. E. Loyalist stock and we have looked across the other side of the border and we have thought we can run our own show in Canada. But I venture to say, without going into the political aspects

of the question too much here, that we must increasingly recognize that North America is a natural economic unit, and however we may draw our political lines, sooner or later our policies will have to be based on that fundamental and geographical trade fact. There is no use of us going against all natural laws any more than you can forever make water run up hill. The water finds its level. There are certain laws and we have to conform to them.

In our search for markets we go again to the Orient, and as one who has lived at the coast I would suggest we have not yet sufficiently explored the possibilities of the Orient. At the present time there are difficulties. In my judgment if we with other British Dominions had done as we should have done a year or two ago, and taken a stronger stand with regard to the Oriental situation, we might have had a larger measure of peace in the Orient today. We have inferentially maintained a more or less isolated attitude. Unfortunately, I think, we did not take the full responsibilities which we had under the League of Nations covenant, when we did not support or go to the defence of China at the time she needed defence. More peace in the Orient would have meant more trade in the Orient, and the export trade in wheat, which was already building up, would have been very greatly facilitated. I do not think we need necessarily say that the Oriental trade has been cut off. I merely mention this in passing, because I am not an expert in trade matters and do not propose to talk about them.

But I emphasize that today the world is more and more becoming essentially one great market place, an economic unit. It should be that. The political boundaries with their narrow political policies are interfering with the restoration of the health of the world, and it is at our peril that we in this country and other nations continue that policy. Canada's way out must involve as free intercourse as possible with other nations. But while I have said this, I do not want anyone to get the idea that the old-fashioned free trade idea will save us. I do not believe it will. I think we must beware of the fallacies and the fancies of free trade as it has been preached to us since we were children.

We have passed forever beyond the stage of *laissez faire* to competition. We live in an age of trusts and cartels and international arrangements of all kinds. We live in an age when such problems are perhaps as important as trade problems, when the peace of the world is even more important than that of trade policies, because they cannot hope to be successful unless we have world peace. Under these conditions we undoubtedly will have to revise our old ideas with regard to the opportunities offered of indiscriminate free trade.

We live in an age when most nations have already recognized the need of some sort of national planning which ultimately will lead to international planning, and Mr. Bennett himself has begun along this line by his policy with regard to wheat export and the quotas. I am not at all sure that the policy in itself is a good one, unless it has been accompanied by other changes in the way of price fixing and so on, but I would point out here that when a Prime Minister of the country, even without the consent of parliament, undertakes to fix certain quotas for Canada as to the export of certain commodities, he has entered upon a line of international planning which cannot very well stop there. It is the beginning. We will have to recognize that other countries have entered upon this. We all know more or less what is going on in the United States. We all recognize that Great Britain has to a considerable extent entered upon national planning. I was here a few weeks ago when a New Zealander said how New Zealand has entered upon national planning. We know what has happened in Italy, Germany, above all, perhaps in Russia, and when you think over the nations entering upon definite planning, I do not see how Canada can very well avoid doing something of that kind. Under those circumstances, then, the old ideas of free trade become obsolete. We must have interchange between the nations, but on an altogether different basis.

Now I said the great thing we have to look for is some sort of markets for the goods we are producing. What about the home markets? I think almost anyone recognizes today that what we need more than anything else

is greater purchasing power in the hands of the people. There are some people who still think that the great need today is a need for economy, a cutting down in the wage scales, and going down in services, and cutting down on behalf of the governments. I believe that is absolutely the wrong way of looking at things. I do not believe in wasteful expenditure, but I do say, looked at from the constructive economic standpoint, what we need today is not a cutting down but an expansion. We had in Ottawa a year or two ago a very excellent demonstration of what cutting down meant. The Civil Service was reduced ten per cent. Ottawa, as you all know, is a town almost entirely dependent on the Government pay roll. What did that mean? It meant simply there was ten per cent. less spending in the stores of Ottawa. I think as a matter of fact it meant a good deal more than that, because the Civil Servants got so frightened that for a while they did not spend anything. The merchants began to realize very clearly that cutting down purchasing power was the very thing that would still further intensify the depression.

I remember putting the proposal before an audience some years ago that we might increase our payroll twenty, thirty, fifty per cent., (one of the papers took me up as definite: I wasn't) I said, just supposing we did, what would be the result? Undoubtedly there would be a tremendous stimulus to buy. Most people spend most of what they get. Very little goes into savings. Immediately there would be a stimulus to the retail sales and manufactures. It would for the time solve many of our problems. I know from the economic standpoint there may come later on a rise of prices. I do not think there is a single manufacturer or employer of labor who is in a position to do that today, because we have the enormous overhead in this country which is everywhere with us. The debts, public and private — debts that have been brought about some of them by wasteful expenditure in the past, the enormous capitalization which we have in a great many of our concerns, a capitalization which includes in itself the very many wasteful expenditures in the past, to say nothing of a great deal of water that represents no

real investment at all. These mean a tremendous overhead.

I am speaking about the foreign markets. Before, we had an easy optimism that we were able to compete against the world. I venture to say we are going to find it increasingly difficult. It is easy to say Western Canada is the granary but I do not see that the facilities we have in Western Canada compare with those they have in the Argentine or some other wheat-producing countries. We have enormous overhead. When we hear tariff discussions at Ottawa we find manufacturers telling us they in Canada cannot compete with the mass production in the United States or with the low wages of industries in Europe. I am not going to say whether these statements or excuses are correct or not, but the fact is our Canadian manufacturers say it is going to be difficult to compete on even terms with people in the United States or Europe. There is our difficulty, enormous overhead of different kinds. And we have that, too, when we come to the home market, so I say I do not see how we can under the existing arrangements greatly extend the home market.

May I point out in this connection, we in Canada profited for many years very largely because in the opening up of the west, in the construction of our great transcontinental lines we had an expanding home market. That to a considerable extent has now ceased. I think we see that very clearly in the case of the United States. It took about a century for the United States to cross from the Atlantic to the Pacific and during that century there was being added to the population of the United States about a million people a year. So there you have an expanding frontier and an expanding home market and the States, during that period, were able to get rid of a great deal of the goods that were being produced under this present system. Now civilization has crossed to the Pacific. Now immigration is not being permitted to the same extent. There is not the same expanding home market, so the United States and ourselves are under the same difficulties at the present time. Talking a few months ago in Ottawa to one of the leading economists from Great Britain in regard to the World Conference, he admitted holding the

view the United States could not expect to have anything like the sphere of investment in the outside markets she had had in the past. We face an altogether new situation.

Now I would like to advance my own position at this point. I think very largely you will agree with what I have said hitherto. My position briefly is, that this present capitalist system is proving itself economically unsound. I have come to join with those who believe this present capitalist system is breaking up. Now I know that, in the ears of some people, that phrase is fraught with a great many dangers and misunderstandings. Some people have an idea that the capitalist system has always existed. Let me point out that the system is only one hundred and fifty years old in Great Britain. The capitalist system is one in which a comparatively small number of people own and control the greater part of the wealth of the country. It came in as a later development of the factory system, by which a few people owned and controlled the tools of production. It has a great deal to its credit, like the past expansion of our services, the expansion of industrialism in many parts of the world. I do not minimize the benefits of the capitalist system but I think it has reached the point where it is showing inherent weaknesses. You say why, after working for one hundred and fifty years, is it not working today?

Let me give you another illustration. Out in the west we were accustomed to the old real estate promotion where you sold your land for \$100 to Mr. B. and B. sold it for \$200, and C. and D. each sold it for \$300 and \$400 respectively, and we thought it would go on forever in that way. But at last it came to the end man and he could not unload upon anybody and it fell flat. It came to the time when it would not work any longer. So the capitalist system did, in that great capitalist country; she was the workshop of the world and produced enormous quantities of goods, much more than could be consumed by the working people of England. In the old days they made only what would be consumed. But when the factory system began the goods were produced in such enormous quantities they had to export them and England having ships

was in a peculiarly favorable position to export and grew wealthy, even though there are large numbers of poor people in England. But the next period came. The other nations entered the field and they too began to produce goods at a great rate and to ship in enormous quantities.

Then the next period came when these big nations were competing one with the other in the markets of the world. We know the competition between England, France, Belgium and Italy in Africa, how Africa was all carved up in the last quarter of the last century, these nations seeking sources of raw material and markets. We know how Africa was practically divided up into spheres of interest. We know how this thing went on with the world almost on the verge of war half a dozen times, because usually with the keen competition in these various foreign fields there came friction which might easily develop into war. And then came the world war, essentially economic in its basis. Germany wanted a place in the sun such as was enjoyed by other nations. It broke out because of the system under which each nation was trying to export goods, trying to have as fine markets as each could, the world over and with no regulation but an international anarchy that must result in friction and ultimately did result in world war.

Now the war saved the situation. Go back in your minds to the period I am speaking of, twenty years ago. We had a period of depression just before the war. The war came and temporarily saved the situation. It gave us markets—markets of the battle fields—because we had to ship grain, food, munitions, clothing, everything for the battle front. It was a great period of boom for those who remained at home. But after the war things settled back into the old position and with the enormous debts which had to be met, which only could be met by increased trade, and then we were all into the game of increasing our trade again. It went along very merrily for two or three years and then came the great slump of two or three years ago.

I submit this, and I think it is a matter every one will agree on; today all the nations have speeded up their production processes. Today we are all seeking export markets, all the great countries of the world, with Japan,

another great country, just getting into the game; with the United States with no longer a sufficient home market, also very desirous of getting into the game; and with all these enormous debts which prevent us doing the very things we ought to do. That is the situation, as I see it today, and under these circumstances, I submit, we have to recognise that the system, as carried on in the past, is not adequate to meet the needs of today. Some sort of change is necessary.

What will come? It seems to me in the first place we have to give up the hap-hazard way we have been doing things, producing goods when none were required, producing more goods than purchasing power requires. I think planning has to come. I was mentioning that Mr. Bennett was driven into the position of doing a certain amount of planning. I would like to quote from one of your own fellow-citizens, Mr. Massey. I heartily agree with him. Just a few sentences:

"It is a difficult world to live in. We are witnessing the very transition between the *laissez faire* implying ways of doing things and a planned state system. We have to plan our own recovery in this easy-going country of ours, our own reconstruction, our own relationship to this new world."

I agree with every word of it. Again he says:

"The primary conflict is not therefore isolation *versus* internationalism, but planning *versus* improvisation. And in this struggle, planning, I think, will be victorious. It must suffice for me to say national planning will have to be the foundation of Canada's international relations. Old conceptions of government must give place to new."

I wish that Mr. Massey's conceptions would dominate the Liberal party. Unfortunately I do not think they do. Now there is the beginning of it. I think we will have to have some sort of national planning. Most of us Canadians find it extremely difficult to get that through our heads.

I come of old Canadian pioneer stock and I think I understand the psychology and the mentality of most Canadians. We have been accustomed to going each in his own

way. That has developed some great virtues. We have stressed those virtues, that of independence, self-sufficiency, the power to hew our own way through our own difficulties, but I submit those virtues which were supreme in a happier day, which were desirable in an earlier day, are going to fail to carry us through the complex life of today. Those ideals and type of living of other days are not sufficient to meet the need of our day without the planning. I do not think we will go very far before we shall be forced to recognise the need of control and I think that must mean more or less of ownership of our great public utilities, all the key industries, if you will, in our modern life. If you are going to plan, you have to have a measure of coercion in that planning, or at least you have to be able to have the power to direct. There is not much doubt about that. You cannot let those who are producing goods go on producing goods any way. If you are going to have a real plan you have to have certain instructions from headquarters. It is the only way to do it. And here again we go contrary to the traditions of the past, but we are living in an age of "go as you please." We are already in a planned age, but the planning is done in my judgment in the interests of a comparatively small group in Canada and not in the interests of the great majority of the people of Canada. The alternative here again is not between the easy-going "go as you please" individualism on the one hand and state autocracy on the other hand. The alternative before us is between the controlled economy, controlled in the interests of a few and by those who are not directly responsible to the people, and on the other hand an economy that is controlled by representatives of the people, in the interests of the majority of the people of Canada. I think that is the alternative that is facing us today.

Now the very first thing in that it seems to me, is controlling our banking system. I am very glad that a Central Bank is being introduced. I have advocated for years a Central Bank, but I do not believe the Central Bank as suggested by the Commission is going to meet the needs. As I see it, it is essentially a bankers' bank rather

than a peoples' bank, and it may possibly be true that it is apparently a bank that will be amenable to the dictates of certain bankers outside of Canada, rather than to Canadians. That is a possibility. But in any case I do not believe it is one that will enable us to control the credit facilities of this country as they should be controlled. I will be very glad, if we can carry out the idea of a Central Bank in the issuing of money. I have never been able to see why we should turn over that valuable franchise to issue currency to any private firm or group of firms. If I may repeat an illustration which I used some years ago, I took out a dollar bill and I said some of the people who rather prided themselves on patriotism—you remember the old saying when they questioned the man of Nazareth many years ago, should we pay tribute to Caesar or not. He said, "Show me a penny." And they brought him a penny. And he said, "Whose is the image and superscription?" They said, "Caesar's." "Well," he said, "render unto Caesar the things that are Caesar's and unto God the things that are God's". I said, "Whose is the Image and superscription, whose is the head on the bill?" "The King of England." I took out a ten dollar bill and I said, "Whose is the head on that bill?" "The president of the Bank of Montreal!" In Canada the dollar bills are good enough for the King of England, but the ten dollar bills and those of higher denominations are reserved for our money kings. I said to my patriotic friends, "Gentlemen, will you unite with me in putting the King's head on every bill issued in Canada?" I think I am correct.

But when you have dealt with the currency as it may be dealt with in the report of the Banking Commission you have only touched the fringe of the case. I think we all recognize that the control of credit is much more important than the issuing of currency and whether that will be done under the present scheme remains to be seen. But in any case it seems to me we have to recognize that any planning for the future must include that of interest. We cannot go on.

Now there is another thing in planning that I think we shall have to recognize as a great need of the future, it

is that of supplying the needs of the men and women and children of this country. As I have watched the conduct of business in the House for the last twelve years I have been profoundly impressed with this thought, that usually it is money that talks, that usually when we have to decide which of two policies to adopt, we adopt the policy under which property is safeguarded even at the expense of the people. When we go to our estimates there are certain blocks of estimates that were called fixed charges. We say we cannot alter them. Payments on government bonds and so on. They are fixed, but in order to meet this need we are willing to cut down on the services of the people. Gentlemen, I submit in the last few years almost everybody has had to take their cuts, the working man in reduced standards of living and unemployment, the business man in reduced earnings. The man who has investments in real estate or industrials generally has had very decided reductions in his dividends, if he has been fortunate enough to get any. The one group of people who have not taken any cuts yet are those who owned the mortgages and bonded indebtedness of this country, and there is no reason why one group of the community should be exempt from the hardships that are being imposed on the country at large. That is a situation we shall have to face and I think it will be one that will have to become a matter of practical politics for us in the not far future.

But we say these expenditures, payments of debts, interest, debt charges and so on, are uncontrollable. We say we can control and do control the expenditures on services. As far as I am concerned, I intend to point out, at least to express my own conviction in the days to come, that the needs of the people must have priority over the so-called rights of capital.

The economic situation is this, that the giving of priority to the right of capital has brought us to the pass in which we are. It has dried up the very sources of supply, and capitalism is killing itself, strangling itself, consciously or unconsciously, and we cannot go on as we are today. It is only by giving the people more purchasing power that you are going to keep up even the medium degree of prosperity that we have at the present time.

I wish I could get back to fundamental matters, to the fundamental factors in the situation. I think we have to do it. The fundamental fact seems to me, that we have in this country abundant natural resources. No one questions that. We have equipment capable of utilizing those natural resources, an equipment capable of producing three or four times as much as today, and railways that can carry six or eight times the traffic of today. We have the man power, the skilled and unskilled labor; something like two hundred thousand of our young people going out today from our schools and universities into the labor market not knowing what to do, skilled mechanics and skilled technicians of all kinds. We have them all. What do we need outside of natural resources and equipment and labor, skilled and unskilled? I know of no other factor except you say finances, capital, and bankers say they do not know where to make their investments today.

I know nothing further and it does seem to me that we should have a collective insurance in Canada to meet the needs of the new situation to solve these problems. I know there are some countries that have drifted along until these things have gone from bad to worse, and they have had violent upheavals, and through these violent upheavals they have been able to wash the slate clean and start again and in some instances start on an altogether different basis. I am not one who advocates a violent upheaval. I belong to an organization that has deliberately set itself to try to bring about change in orderly fashion. I believe in my heart we can do it if we use our brains, the collective brains of the people.

But I want to warn my friends here. I recognize faces of prominent business men. I want to warn them it is absolutely impossible to return to things as they were. It is absolutely impossible to expect the old policies to solve the new problems that face us today. I am sure of that. We may blow up and blow up and blow up the balloon as we used to do as children, and keep blowing and blowing, but I want to tell you there comes a time when you either have to deflate or the whole thing goes up. If you will deflate—I am not speaking about monetary deflation—if

you will manage to take the losses now, if you will recognize the inevitable, if you will settle down to planning, if you will let this thing come in an orderly way, I think we can bring about the changes without chaotic forces that have been felt in many countries of Europe and which will be inevitable on this continent if we do not take a course somewhat along the line I am suggesting.

And my closing word! I believe we come of the old pioneer stock that pioneered in this new country of ours in the east and then in the west. And we were able to solve our problems. Our fathers were able to solve their problems. I am sure their children should have something of the pioneer spirit, and in the realm of economics and in the realm of international affairs we should be able to exercise the same virtues they exercised in their passing days and venture to make the changes necessary in order to make Canada a better place for themselves and for their children.

CHAIRMAN ARSCOTT:—Mr. Woodsworth, you will have observed your audience has listened with great interest to your remarks and they have expressed their approval in their applause. I should also like to say we appreciate the time you have taken for the preparation of this address and also for the effort you put forward in coming here today; and I express to you the thanks of the Club.