

(June 12th, 1936)

The Relationship of Primary and Secondary Industry

BY HON. W. EARL ROWE.

COL. MESS:—Guests and members of the Canadian Club, one had only to open the daily papers two weeks ago to learn much of the activities and interests of our guest speaker—perhaps more than he knew himself. Many strangers to him, like myself, tried a personal summing up of his character, and I humbly present a man kind to his friends, feared by his enemies, loyal to his party, an enthusiastic sportsman, with all that that term implies, hard-working, able, and who knows where he is going, a man who could do some wonderful things for Canada.

I am tempted to take advantage of his presence and in front of those at the head table (who are here to do him honor), remind you members of the purpose of the Canadian Club of Toronto. Your constitution reads as follows:

“It is the purpose of the Club to foster patriotism by encouraging the study of the institutions, history, arts, literature and resources of Canada and by endeavoring to unite Canadians in such work for the welfare and progress of the Dominion as may be desirable and expedient.”

Undoubtedly our activities are somewhat enlarged from that since the war but, were our guest speaker in need of a motto, I feel that that paragraph could be adopted with very little change. In the toils of the last two weeks our guest speaker must have had much difficulty in lining up his address. He has chosen as his subject, “The Relationship of Primary and Secondary Industry.” If in the responsibilities which have recently been thrust upon him, he can either in opposition or in government alleviate some of our difficulties, I am sure he has the well-wishes of all classes,

not only in Ontario but in the Dominion. I have very much pleasure in introducing the new leader of the Conservative party in Ontario, Hon. W. Earl Rowe.

HON. MR. ROWE:—Mr. President and gentlemen, it has been a pleasant privilege for me to lunch with your Canadian Club today. For such a courtesy I thank you. I realize that for many years the Canadian Club has been a great medium through which public issues have been discussed. It is hardly necessary for me to reassure you that I am not going to make a political speech, and if I were to do so I would not begin with an attack on governments, strange as that might sound to you under my new responsibilities. It would not be consistent with the remarks that I propose to address to you.

We will not improve our present circumstances by negative and destructive attacks on governments. Indeed, when I think of their limitations in contrast to the great responsibilities, I feel that it is a challenge, more to our sympathy and cooperation, than to our criticism or condemnation.

In response, however, to a request that I should speak to you on the relationships between primary and secondary industries, I do so, conscious that the subject is wide enough to warrant much greater preparation than I have found time to give to it. It is not my purpose to glibly suggest a cure-all for our many ills, nor to seek a patent of authority for untried plans. However, I am satisfied that all of you, who are within sound of my voice today, have struggled in your private thinking, looking through a veil of difficulties, to find a safer and more permanent progress.

When we think of the relationship between primary and secondary industries our minds flash rapidly between the farm and factory, the forest and the mill, the mine and the smelter, the quiet individuality of the countryside and the powerful corporations of the business street.

We think of the enterprise of him who begins a basic production, and the skill of him who completes its processes. We think of the need of a better equalization of conditions between these two great forces of our national life. We think of the trade and credit of our nation and the employment and happiness of the individual.

Canada is indeed fortunate in many respects. No people

so few in numbers occupy a country so great in resources. Despite the many great natural blessings we enjoy as a country, many of our individuals endure great personal hardships, and each succeeding generation staggers under an ever-increasing national debt and burden of taxation. To lighten this burden both by broadening the basis of assessment and by eliminating all necessary costs of government, is essential at this time. With this must be coupled an effort to equalize the opportunities of those engaged in primary and secondary industries:

Now, no one for a moment should overlook the importance of manufacturing and other secondary industries in our communities. The province of Ontario has all the natural advantages of a great industrial community. Look at the map of North America and you will see that great area of some 240,000 square miles called the St. Lawrence basin, which traverses both the provinces of Ontario and Quebec, is separated only by a boundary line from the greatest industrial centres in the United States. We have all the natural elements for industry which they have except coal, and as a substitute for coal we have the magnificent Hydro-Electric power.

The most conspicuous evidence of the trend of our development in the direction of secondary industries is found in the changes in our rural and urban populations and production. In 1911 we had in the urban centres of this province 139,000 more people than in the rural communities. In 1931, the year the last census was taken our urban population was almost 750,000 more than the rural. It should be noted that this trend has been evident throughout the Dominion because when the 1931 census was taken, for the first time in Canada's history the urban population exceeded the rural.

As we turn to the trend of production, however, we find the value of primary production in 1914 was over *four hundred million dollars* greater than that of secondary production. In 1920 the value of primary production had risen to nearly *nine hundred million dollars* over that of secondary production. It is alarming, however, to find, in 1934, that this nine hundred million dollar increase had practically disappeared, the primary industries exceeding the secondary by only about *one hundred million dollars*.

The explanation is mainly to be found in the tremendous fall in prices of primary commodities while prices in the field of secondary industries have remained reasonably stable.

When primary production is recognized as the basis of purchasing power, employment and national solvency, it is more alarming to appreciate these greatly depressed values. However, it is futile to argue the claims of one branch of our development against the other. Primary and secondary industries are inter-related and, even more, inter-dependent. When you see a carload of ore from the mine, or a carload of raw grain from the farm you have not got to call on your imagination in order to realize that even behind such production many wheels of industry turned and many hands of labor toiled.

When we consider that the work of one primary producer automatically gives employment to four others in secondary industries and distribution services, we realize more than ever the basic importance of profitable employment in primary industries. This truth is even more particularly in evidence in the mining enterprise, where we have seen, immediately following the assurances of a mine's commercial production, the plans of a village, town or city brought into effect almost overnight. While the value of farming to secondary industries is less spectacular than in the case of mining, we should remember that on Canadian farms 750,000 families are supplying purchasing power, and off the total gross production of the farm a very considerable percentage of its cost goes into the making of machinery and farm equipment.

I might further add, as one who belongs to that great farming community, that I perhaps appreciate more fully than many of you, the opportunities for increased purchasing power of that class.

Without labouring the point may I remind you of this great number of farm dwellings less favourably equipped with modern conveniences than urban dwellings, and in many cases in recent years, living closely to the bare necessities of shelter, food and clothing. The enormous drop to which I have already referred, in value of primary production, is the chief factor in that loss of purchasing power that

has depressed business and increased unemployment all the way along the line.

I would like to drive home my point further by taking a few farm prices for May of this year and comparing them with prices in the same month prior to the Great War. For instance, the price of barley today is 22 per cent less than in 1914; oats, over 20 per cent less; rye, one-third less; wheat, nearly 20 per cent less; butchers' choice steers, over 1,050 lbs., sold last month for 38 per cent less than the same quality brought, twenty-two years ago. Even our bacon hog prices, which have been maintained at more stable levels since the Imperial Trade Agreements than at any other time in this country's history, are still lower by two per cent than they were in 1914.

True, we might find one or two brighter spots in the more perishable products. For instance, due to seasonal conditions, our present prices of potatoes are substantially higher. Our milk prices are today maintained at higher prices in some districts only by a more or less artificial arrangement.

Now, let me turn to wages, that are such an element in secondary production costs. We find the wages paid to secondary industrial workers in 1935 were 75 per cent higher than those paid in 1914. Even making allowances for increased cost of living, these may be said to be actually 45 per cent higher, having regard to purchasing power. It is also to be remembered that this increase in cost of living puts the farmer in an even worse position as a purchaser than the fall in his prices, which I have given you, indicate.

You may now ask—what remedy would I propose? Certainly I do not propose that we should effect equality by reducing wages. As you lower wages, you cut down domestic purchasing power and thereby cut down the home market, which is so essential to Canadian agriculture. In the past three years our home and British Empire markets saved the financial structure of this country because, if it had not been for them, the farmers would have been even less able to meet their fixed charges, and general national bankruptcy would have been inevitable.

What the farmer most urgently needs, is an increase in the commodity prices to which I have referred. The tax-

tion which he pays, direct and indirect, to the three governing authorities placed over him under the constitution, have reached the point, where it is becoming unbearable under such prices. If the upward trend in taxation continues with the present price level, instead of making him an effective purchaser of secondary products and a promoter of secondary industries and an agency to create employment, he will be reduced to serfdom by putting most of his normal purchasing power into the payment of public services, which he cannot afford. I think the farmer can be assisted in a constructive way. While I do not recommend any fantastic panacea, nor do I believe there is any trick practice of economy you can employ for speedy economic relief, yet I believe you will agree with me, from the evidence that is before our eyes, that our primary producers must be enabled to buy more of our secondary products. To achieve this purpose we must take a broad national view point and perhaps be ready to accept some of the practices which are proving effective in other countries.

Canada consumes a great percentage of her agricultural production. However, the small surplus exported automatically fixes the price in our domestic market. Merely to emphasize the principle of encouragement to primary production, may I point out that while Canada consumes over 95% of her meat products, that small surplus of five per cent, if haphazardly thrown on the world's depressed markets, may seriously affect the whole meat industry of Canada. It is, therefore, most evident today, that our efforts toward a more orderly marketing of higher grade products must be developed and higher standards of quality in export production must be substantially encouraged.

The requirements of these markets abroad must be more carefully and more thoroughly studied, in order that we may stimulate such demand by supplying what the purchaser wants in a more regular and suitable form.

Subventions and substitutes are not unknown in Canada, and I am not at this time going to question their soundness. I do believe that there is great danger and possible chaos in their indiscriminate application. What I recommend is that they should be more scientifically applied so as to promote the production of higher grade products and assist in

their orderly distribution. Any form of state assistance must be directed not to supporting the producer but to directing him into more profitable production so as to enable him to get a higher return for his better directed efforts. A comparatively small amount of money spent in improving our trade services abroad, with corresponding efforts at home in assisting more efficient production, will do more for primary producers than the expenditure of large sums of money on relief, public works and other more artificial means.

At another more opportune time I might even suggest reopening Ontario House in England.

In order to achieve the purposes I have outlined that are of such mutual interest and concern there must be, on the part of primary and secondary producers, a clearer appreciation of each other's problems. We must maintain confidence between these two great classes for our common national cause. We must then have regard for Canada's peculiar economic conditions and must avoid anything that might be likely to impair our credit in the investment markets of the world.

There is an increasing tendency in the disposition of the individual to turn to governments for everything. This is even evident in present investment policies, as there is very little improvement in ordinary commercial loans, while there is an increasing tendency to invest in government bonds. If we individually demand from the government relief from all troubles and have confidence only in government for sound investment, where are we eventually going to land? If we continue to think that governments are the only safe and responsible agencies to which to commit our savings, it is just as well to recall that governments themselves have been known to default their obligations.

The great need of the hour, in my view, is a re-establishment of confidence in ourselves and confidence on the part of others, that we are good customers of unquestioned integrity.

I noticed in the London *Free Press* an Associated Press despatch from Boston, dated June 9th. It reads, in part, as follows:

"Roger W. Babson, widely known statistician, to-

day advised guests at a luncheon club to have a small 'nest egg' in 'good Canadian securities' as a 'hedge against Fascist Government in the United States.' He suggested these securities be 'kept in a Montreal bank.'" I am sorry he didn't say a Toronto bank.

This is excellent evidence of the opinion from a well-known authority of the soundness of our country and the potential value of a good reputation.

In conclusion, I do not believe there is any easy road to recovery. We are born of a stock that knows not defeat and our achievements have been secured by the hard road of toil. We must give to our people opportunities to work profitably at home and we must re-establish abroad our national integrity which is a more substantial factor behind our credit than even the great gold resources of which we boast.

COL. MESS:—Mr. Rowe, we thank you very much for speaking to us. We regret that you took the advice of the Hon. Howard Ferguson in curtailing your speech. We could quite easily have listened for another fifteen minutes. We hope you will give us the opportunity of hearing from you again after you have assumed the big problems, taken over the big responsibilities which I have mentioned that have been showered on you already. We thank you very much indeed and wish you success in all your undertakings.