

(January 21, 1935)

Our Economic Position

BY HON. ADRIAN KNATCHBULL HUGESSEN, K.C.

PRESIDENT JAMES:—It is a very happy privilege today to present to you as our guest speaker, Hon. Adrian Knatchbull Hugessen, K.C., of Montreal. We welcome our guest also as being immediate past president of the Canadian Club of Montreal. The Province of Quebec and the Province of Ontario have, I think, much more in common than any other two provinces. I think our speaker today has chosen a very appropriate subject, "Our Economic Position." With reform in the air and all about us, this subject is particularly appropriate. I have very much pleasure in calling upon Mr. Hugessen to address you.

MR. HUGESSEN:—Mr. Chairman and gentlemen, might I, in the first place, thank you sir for your kind words a few moments ago. I noticed and I was by no means surprised to notice that you had a certain amount of difficulty with my name. That recalls to my mind the first connection I had with this country. When a young schoolboy I was taken in England to see Mr. Hays, then general manager of the Grand Trunk Railway, and when he asked me my name and proceeded to put it down on a piece of paper, I had only got about half way when he looked up and said to me, "Surely part of that is the address, is it not?"

Well, Mr. Chairman, might I, at the outset, express my very deep appreciation of the honor which you have done me in asking me to address you today? In the first place, as president last year, as your Chairman said, of the Canadian Club of Montreal, might I take this opportunity to express to you, sir, and through you, to the members of this club, greetings of their Montreal fellow members. Our Canadian Clubs have an important function to per-

form in providing a forum for the expression of every variety of opinion, and a place where opinions may be freely expressed are not as common in the world today as they once were. During my term of office in the Canadian Club of Montreal we listened to almost every opinion on all sorts of political thought from one speaker or another, ranging from Fascism to Communism, so much so that every now and again while occupying the position which you, sir, adorn today, I would be seized by a lively terror as to what the speaker was going to say next. Well, Mr. Chairman, I hope you have no such qualms today, though the subject of my address, "Our Economic Position," is so delightfully broad as to permit of anything whatever being said. One thing, however, I wish to make clear at once, anything that I may say today is not intended either as a supplement or antidote to a certain series of evening broadcasts from Ottawa.

One feature of those broadcasts, that will be recalled by those who listened to them, was the not infrequent use of the first person singular, and if I may be allowed to follow that distinguished example I should like to open on a personal note. I have been a resident of this country now for slightly over 25 years with the exception of a period of absence on public business. In looking back over that period it seemed to me that it might not be uninteresting to attempt a brief survey in a general form of our hopes and aspirations in the past 25 years and how those hopes and aspirations have worked out in the light of our present-day position and problems and attempt to estimate our probable course in the future.

Well, gentlemen, 25 years ago we were all in the grip of unbounded optimism. That optimism might best be epitomized in the proud boast of Sir Wilfred Laurier that, while the 19th century had been the century of the United States, the 20th century was going to be the century of Canada. We were told that we would be the granary of the Empire. Our population was rising rapidly. Immigration for several years on end ran between 200,000 and 300,000 a year; and confident predictions were made that within 25 years—that is by today—the population of the

country would reach somewhere in the neighborhood of 25,000,000. It was anticipated that the capital of the Empire would surely be moved from London to Ottawa or some town in the Prairie Provinces. Our existing cities were expected to grow to colossal proportions and new cities were to rise over-night in places where the day before had been virgin prairie. All those of you who are old enough to have invested in town-site lots in those days will ruefully recall the hectic nature of the times. I well remember a friend of mine in Vancouver, to whom a real estate agent tried to sell some so-called town-site lots about twenty-five miles away from the centre of the city, when my friend remarked that if Vancouver ever extended that far, it would become as large as London. He was met by the indignant retort, "Do you think Vancouver is going to stop where London is?"

We dotted the country with provincial parliament buildings and provincial universities and constructed two additional trans-continental railways at immense cost, in addition to the one already in existence and then we sat back and expected all to get rich quick without further trouble or inconvenience. These rosy delusions, which had already begun to lose part of their pristine freshness, were shattered finally for ever by the outbreak of the Great War. But war or no war, they would ultimately have been shattered in any event, as they were inconsistent with the facts of the situation. Fantasy had outrun fact by a wide margin. An awakening was bound to come and bound to be of benefit, when it did come. The war, naturally enough, added a great deal to our national burdens and reduced our capacity to bear them. The war had one unfortunate effect—probably a necessary affect—in making us forget the years which had immediately preceded it. After, very soon after, its conclusion we again plunged into another frenzy of optimism and extravagance which had no foundation in fact and from which we are slowly and steadily recovering.

If one were to summarize the general economic history of our country during the last quarter century, one would be tempted to liken Canada to a young man engaged in a

series of glorious debauches, with the inevitable aftermath of low spirits and an aching head. The health of the patient luckily is not undermined. Fundamentally, he has a strong constitution.

Now, gentlemen, what is our present position in the cold light of actuality and fact? We have a population of ten and a half million people, which is increasing though never likely to attain the fantastic figures I mention a few moments ago, even though immigration should become as much as it once was. Our population is intelligent, active and industrious with roots firmly planted in the soil. What are our liabilities? We are burdened with an enormous debt, partly resulting from the war and partly from our policies but though heavy, it should not be beyond our capacity to bear, provided it is not further increased by unwise government expenditure. It is imperative we should balance our budgets, federally, provincially and municipally, at the earliest possible moment. The opposite policy of extravagance, government expenditures and deliberately unbalanced budgets, which our American friends have adopted, and which they optimistically refer to as priming the pump, is dangerous. This is becoming increasingly apparent to any student of affairs in the United States today, where only recently it was estimated that more than 20,000,000 people are directly depending for their financial resources upon the government of that country.

We are a country of British traditions. Let us follow the example which Britain has set us in the last few years and regain our financial equilibrium by our own endeavors and by our own self-sacrifice, without looking to governments to the south of us for dubious experiments, the results of which it will be impossible to foresee. Incidentally it is interesting to compare the national debt position at the present time with the national debt of Great Britain at the conclusion of the Napoleonic Wars. The national debt of the Dominion on March 31 last was slightly over two billion seven hundred million dollars and, if we add to that the same proportion of the funded debt of the C.N.R., we reach a total certainly not less than five billion

dollars. Now the national debt of Great Britain at the conclusion of the Napoleonic Wars reached almost the same figure—one billion pounds. Great Britain then had a population slightly in excess of 15,000,000 people. Now if we take into consideration the decrease in the value of money during the last century and the tremendously increased facilities for the production of wealth during that period, it can be seen that our present indebtedness should not constitute an impossible burden in the days to come. We can shoulder our present debt without marring credit or prejudicing the future, if our budgets are balanced and if we pay interest on our debt as it falls due. This we are not doing at the present time and I believe that fact is giving rise to a good deal of criticism, and even in a quiet way in London, which as you know is the most sensible and most sensitive money market in the world.

Let us not be led astray once again by the facile optimism which has caused so much trouble in the past—that facile optimism which is so apt to break out all over the country like measles. Let us not be like Mr. Micawber—always waiting for something to turn up. Increase taxes to the necessary amount. Our financial salvation is here. The experiences of Great Britain and Australia during the last few years show that it is worth while. It is true that our natural resources are enormous but their utility to us depends upon two very important factors. In the first place, we are a northern country and our resources are limited to those who claim permits. Unquestionably they are very much larger than our limited population can ever hope to consume and then in order to derive the maximum from our resources we must export a large proportion of the products we derive from them to the outside world. This is what we do. I do not intend to weary you with figures. It will be sufficient to remind you, in order to emphasize this point, that we happily export a much larger proportion of our products of the west than we retain for consumption at home. Of course, on the other hand, we have to import a large number of products from warmer climes, which we cannot produce or create in Canada, but which are necessary to maintain the standard of living to

which our population is accustomed. Our natural resources can only be estimated in importance to the extent that we can use them to trade with the outside world; and only in proportion to the extent that the outside world is able to trade with us, will we be prosperous or the reverse.

Canada is not one of these countries which can afford to turn her back on the rest of the world or indulge in experiments in self-salvation or economic nationalism. By reason of a great diversity of resources within its borders the United States is perhaps one of the few countries of the world which can make a success of living to itself alone. In fact from some points of view the whole history of the United States may be looked upon as a long-continued effort to achieve isolation both economically and politically. External trade is essential for us and our external trade is a measure of our prosperity. That fact has certain implications which are well worth examining.

We hear a great deal in these days about what is described as economic planning or planned national economy. Nobody, I think, will be found to deny that planning in a sense of organization is a good thing. Every individual, every industry and every government must so organize its affairs with respect to its present resources and liabilities and its possible future contingencies, as it can best do. The advocates of a planned national economy go very much further than that. They propose to set up measures of control to regulate and restrict the whole future economic life of the country with a view to bringing about the greatest degree of prosperity of which these are capable. They tell us that the remedy to present problems is restrained individual enterprise and that it is necessary to lay down definite national plans for every branch of trade, commerce and industry. Nobody here will dispute that the present system has been subjected to abuse—sometimes grave and sometimes flagrant. Remember our dependence upon foreign trade and try to envisage the sort of problems which a government body in charge of economic planning would have to face. They would have

to guess every year how much Canadian wheat would be used in the markets of the world and regulate the sowing accordingly. They would have to guess how much lumber would be absorbed by the British market. They would have to guess the domestic consumption of such articles as cotton, sugar, rubber, etc., and regulate the market accordingly. They would have to have an accurate knowledge of the affairs of every other country in the world which produces articles in competition with this young country—of every other country in the world that is a prospective consumer of Canadian products. In other words, the planning body would have to have all the knowledge and experience which every individual industry and trade applies in settlement of its own particular problems. Can you imagine any brain or any collection of brains adequate to cope with a problem such as that? Individuals make mistakes and in the long run they suffer for them, but under a planned system of government economy liability to make mistakes remains. If industry, under the direction and control of government makes mistakes and suffers financially that government would have to stand the loss. National planning of industry involves national liability in countless directions and results too terrible to contemplate.

You remember the attempts in recent years by different governments to regulate one particular industry in which those governments were interested, beginning with the British rubber restriction scheme. Every one of these attempts not only failed in the objectives it set out to achieve but has resulted in serious financial loss to the governments concerned. The trouble with all these schemes is that things won't just stay put. At the present time the United States is trying to restrict the cotton crop in the South and they are paying farmers a cash bonus to reduce their acreage on cotton; and I am informed that the farmers are using the cash to buy fertilizer to increase fertility of the remaining acreage.

I would draw a line of distinction between government regulation and government planning. In the first case, the government lays down the rules of the game, in the sec-

ond, the government steps down into the arena and engages in a contest which is foreign to its natural functions and outside the scope of its authority. I conclude, therefore, that while we must look forward to a greater degree of government regulation of trade and commerce, our dependence upon external trade and other factors will make any extensive scheme of government planning unlikely, and, if embarked upon, exceedingly dangerous. There is a second implication arising out of dependence upon external trade which we as a nation are only beginning to realize, that is, our vital concern with international affairs. Other factors besides that of trade are drawing us in the same direction. First there is our membership in the Empire with world-wide relations and responsibilities, which that membership entails. Second and more recent, is our membership in the League of Nations, which, for the first time, has brought us into contact, through our representatives on that body, with many of the great problems of international relationships. The third factor is of a different order and lies in the constant improvement in the means of communication between the different nations of the world. That improvement has been exemplified in more recent years in a very striking way when you contemplate the improvement that has been brought about by the radio, aeroplane, trans-Atlantic telephone and so on. The world is closing in on us and these problems are pressing upon us from every side.

Now what will be the effects of this constantly growing impact from the outside world upon our position and conditions in Canada, economically and otherwise? One thing will be certain. We shall play a larger part in international affairs than we have in the past and I for one believe that our role in these affairs should be both important and beneficial.

Mr. Chairman, at the beginning I volunteered to draw a parallel between Canada and a youth that indulges in a series of drunken bouts. That parallel should perhaps be followed a little further. Youth is the time of introspection, of golden dreams in the future. Perhaps the last thirty years or so may be considered in the light of our

national adolescence. We have had our golden dreams like youth. We have seen them die away and fade into the light of confession day. Now, if the parallel still holds good, we have attained our early manhood. We have found our place in the scheme of things by no means insignificant. If we avoid the errors of the past and the temptations of the present we may look forward to a long, active and useful life among the nations of the world.

THE CHAIRMAN:—Might I, on behalf of those present and also on behalf of the audience of the air, express to you our most sincere thanks for your interesting and carefully considered address. May I also thank you, on behalf of the Club, for the good wishes you brought from Montreal, which we most sincerely reciprocate.