

(February 13)

Governmental Problems of United States and Canada.

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ADDRESSING the Canadian Club on the subject, "Governmental Problems confronting both Canada and the United States," Hon. E. R. O'Malley said:

Mr. President and Gentlemen,—It is a pleasure to visit the city of Toronto and meet so many of its distinguished citizens. Your city is conspicuously known for the civic pride of its citizenship, and for the high standard of local government existing here. Buffalo realizes that it has a keen and a most worthy competitor as its neighbor on the north. We rejoice in the splendid progress Toronto has made. We realize that at all times there is much we can learn from you on how to govern ourselves. The relations between Buffalo and Toronto and their citizens respectively have always been close and friendly. May those relations continue to improve and grow stronger as the years advance.

It is a distinct honor to speak before the Canadian Club of Toronto. Your club can justify its existence. Any organization whose primary purpose is to foster patriotism, to encourage the study of a country's institutions and resources and to unite its citizenship in a common purpose for the welfare and progress of the nation, is engaged in the noblest of work.

In casting about for a subject for a brief discussion before your club, it occurred to me that there are many questions confronting both governments that are similar in their nature. There is a great similarity in our political institutions and in our laws. We have a common language. The sentiments and the traditions of the two peoples are not unlike. Our hopes and aspirations are along the same lines. In the main the governmental problems which both countries have solved in the past have been much the same. No doubt the future will

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find both peoples confronted with questions similar in their nature. I, therefore, thought that it might not be inappropriate to say a few words upon the general subject of Governmental Problems Confronting both Canada and the United States.

We are two great nations lying side by side, separated by only an imaginary line extending through three thousand miles in length across the continent. By geographical proximity we are close neighbors. These neighborly relations draw us together. Our commercial relations must needs be close and extensive. Our social relations must also be similarly affected. Many governmental problems like others, are no longer national, they are international. When our Federal Government deals with some problem demanding national action, we find generally the Dominion Government dealing with the same question under one form or another. State and Provincial questions have the same similarity. The governmental activities of each country are known thoroughly by the other. The successful solution of a problem by Canada is frequently of great profit to the United States. I presume you, too, find something of value in the work done by our government.

Just now both governments are giving serious attention to a question of supreme importance to the peoples of both nations. I refer to the proposed reciprocity agreement. This proposed arrangement has been negotiated by the executive branches of the two governments. It has been submitted to the representatives of the people and is now receiving the thoughtful and earnest consideration of the Dominion Parliament and the United States Congress.

I do not propose to enter into a discussion of reciprocity here. Like every other question it has its advocates and its opponents in both countries. That was to be expected. No change in the commercial or fiscal laws of a people was ever proposed that did not cause serious discussion. It was therefore inevitable that any proposal looking for closer commercial relations between the two governments would of necessity meet with some opposition.

There is one phase of this question, however, which is a cause for mutual congratulation. The negotiations for reciprocity were carried on by both governments in the spirit of the utmost fairness. There was no attempt by either to get undue advantage of the other. Surely no harm can come from a discussion of our tariff and commercial relations when conducted upon such a broad and generous basis. Even if nothing comes of attempted reciprocity, it will have been a great

victory. It will mark a new era of good-will between these two countries. It will make a lasting impress of friendship between Canada and the United States.

No doubt there are those here who entertain views on either side of this subject. I know there is diversity of opinion on this subject in the United States. But with all due respect to those who oppose reciprocity, whether they be Americans or Canadians, I believe that the ill-effects of reciprocity, if any, would be imperceptible. It would be much like having a tooth drawn by a dentist. The worst part of the pain and discomfort comes from the state of one's mind before the tooth is drawn. The general verdict of the dentists' victims is, that it was not so much of an operation after all.

In spite of tariff regulations our nations will have extensive commercial relations. Economic and commercial laws demand that such be the case. The close proximity of these two countries makes it imperative not only that our commercial, but that our social relations be more extensive than between peoples far apart. The proposed agreement may not be all that it should be. That is neither here nor there. The great question for both governments to address themselves to is, Do any tariff laws work a positive injury to both nations?

Closely allied to the question of greater freedom in trade between Canada and the United States is the question of high prices. We have had an era of high prices in the States; you have had a similar era here. There has been a general advance in the prices of articles of common necessity the world over. The condition is not local. It is a general one. There are many causes that can be assigned for high prices. Economic writers and students of this subject have attributed the present reign of high prices to many causes.

In the States I think combinations in restraint of trade and of monopoly are looked upon as one of the chief contributing causes. Investigations by the Federal and various State governments have been instigated. In addition we have had numerous prosecutions by the Federal government. Among these are the Standard Oil Co., the American Tobacco Trust, the Sugar Trust, and other combinations. Some of these prosecutions are under what is known as the Sherman Anti-monopoly law against alleged combinations in restraint of trade. The action against the Standard Oil Co. is a bill in equity to dissolve the Standard Oil Co., and to resolve it into its subsidiary companies. Some of the prosecutions are under what is known as the Elkins law. The latter have been chiefly against common carriers for granting rebates to shippers and

against shippers for receiving rebates. An example of the latter was the prosecution of the Standard Oil Co. before Judge Landis of Chicago, where a fine of \$29,000,000 was imposed.

Some of the State governments have also undertaken similar prosecutions. The State of New York successfully prosecuted the American Ice Co. That company was a foreign corporation, organized under the laws of the State of New Jersey. This prosecution was under the State Anti-monopoly act. This act prohibited the making of a contract or combination whereby a monopoly in the manufacture, production or sale of any commodity of common use is created. It also prohibits the interference with competition in the supply or price of any article. The remedies are two:

First: A criminal prosecution against the corporation or officers.

Second: A civil action to restrain and prevent the carrying out of such a combination and to restrain and prevent the doing of any of the acts declared by the statute to be illegal. In a criminal action this company was convicted of violating the provisions of the act. A civil action was also brought to cancel its certificates or right to do business in the State and to restrain it from carrying out its many agreements. The testimony upon the trial showed that this company first got control of all the ice houses and fields in Maine and permitted them to fall into disuse. The company also bought up practically all the ice interests along the Hudson River. It also drove out of business the independent dealers in New York city and finally got practical control of that great market.

In 1909 and 1910, as Attorney-General of the State of New York, I conducted an investigation into an alleged combination or milk trust in the city of New York. All the great milk dealers in the city were subpoenaed for examination before the court. In addition about thirty-five milk producers, each from a large dairy county, were called to testify. In addition to investigating the question of whether a combination to raise the price of milk had been made, we also investigated the cost of production of milk, together with the cost of transportation to New York city and the distribution in New York City. This investigation showed:

First: That the price of milk paid to the producers was fixed by the dealers. The producer had no voice in making the price which he received. The big dealers gave notice as to what they would pay for milk for the future, the period

being from one to six months. This price the producer was obliged to accept.

Second: To a moral certainty it was shown that an agreement was made by the dealers in New York city to simultaneously raise the price of milk from 8 to 9 cents per quart. The dealers all advanced the price of milk to that extent on the same day.

Third: That enormous profits were made by the large dealers. One company had a capital stock of \$25,000,000, of which \$15,000,000 was for trade marks, patents and good will. During a period of ten years this company paid an annual dividend of 6 per cent., and rolled up a surplus of upwards of \$9,000,000 in addition thereto. Another company showed a capital stock of \$500,000; \$200,000 was paid in cash and the balance was for good will, etc. This company paid a 12 per cent. annual dividend. In 1909 it paid 22 per cent., and rolled up a surplus of about \$1,000,000.

Fourth: That individual dealers were not making undue profits at 9 cents per quart.

Fifth: That the producer was receiving in the neighborhood of from $3\frac{1}{2}$ to 4 cents per quart, and that it cost him about that to produce it.

These investigations show that the middle man reaped the profits, that the producer made a bare existence, and the consumer paid exorbitant prices. These conditions present a difficult question for solution. It was supposed that unlimited individual effort would prove the panacea of human ills. The conditions which I have described, however, are the abuses of individualism. Organization, combination and concentration are a simple matter to-day. The prices and the supply of any article of common necessity can be easily made and controlled. Milk and ice are necessities of life. A condition which lessens the supply or raises the price of these articles or places them beyond the reach of the poor, creates an intolerable condition for which a remedy must be found. The so-called anti-monopoly laws have been enacted to remedy conditions of this kind. They were intended to restrain monopoly, and prevent interference with competition. To a great extent these statutes have not brought the relief hoped for. They are easily evaded. A so-called "gentlemen's arrangement" or "understanding" can be had by which prices will be advanced, but no formal agreement verbal or written can be proven. This can easily be done when a few individuals or corporations control a certain commodity.

It is a question whether such laws are wise. Effective organization or community of effort can produce or distribute any article of common consumption cheaper than individual or scattered effort. One company can produce and distribute the ice consumption to New York city cheaper than many companies or individuals. The same is true regarding the distribution of milk. Organization should, therefore, be a good thing for all, if the consumer and the producer were both permitted to share in the benefits. It is the abuse of organization that is the real wrong. When the supply and distribution of a necessary of life is under control, the temptation is great to raise the price to the consumer and lower it to the producer. Abraham Lincoln said if there were no selfishness, there would be no need for laws. But it is the selfishness of mankind that has to be controlled. The remedy, therefore, in my judgment, must be something more than the average anti-monopoly law. The law of supply and demand will not always regulate it. It has been suggested that the State might regulate the profits which such a combination might have, and if this proved unsuccessful, great municipalities like New York, should be permitted to distribute such articles as ice and milk to their own citizens. It is a troublesome question, but one that will have to be met in some way. It will not do for the United States government, or the Canadian government, or any other government to sit idly by and let someone get control of articles of common necessity, like coal, wheat, milk, meat, and ice so as to place them beyond the reach of the masses of the people, and make everybody in the community pay an unreasonable penalty. The old maxim "competition is the life of trade," is now regarded as untrue. In the business world competition is to-day considered the greatest curse of trade.

In such cases the honest men are made to suffer. The great majority of business men are honest, and don't want laws interfering with them. In New York city there is a very large Hebrew element in the population, and also a very large Italian element. Now, certain men make a business of selling tickets to their countrymen, and incidentally they let them know that they can send money for them to the home lands. These transactions are not always honest, and Jacob Schiff has said that the stealings from poor people reached \$2,000,000 a year. To remedy this evil, the Private Bank Act was passed in 1910, which provides that before any person could take money for deposit he must file a \$50,000 bond with the Controller of the City of New York, to answer in damages if he

fails to repay any money deposited. They had to except express companies, and other people who were doing a legitimate business: but the first thing we knew we had about 250 express companies organized in the city of New York. Then there came the question whether in such a case as that of Macy's great store with its deposit credit the law should apply to them. That was another illustration of where a good honest man has to suffer because his neighbor will violate the law; you have to reach both.

This is one of the questions confronting the world to-day. I believe a solution will be found. I have supreme confidence in the ability of the people of Canada and the United States to solve all questions confronting them. I believe they will all be successfully dealt with. I don't believe there are any more serious questions confronting us to-day than there ever were. There has been no time in the world's history when there were not great questions, nor will there be. The United States has had its share of them. We have had questions of all kinds up for solution. This day has been set apart to honor the memory of the greatest statesman our country ever produced. Abraham Lincoln was the chief Executive of the Republic during the most troublesome time of its existence. There was more of worry, more of care and sleepless nights crowded into his life in four short years than into all the lives of all the Presidents who have succeeded him. Yet he brought us successfully through that most trying ordeal.

The world realizes Canada's greatness. The progress you have already made, your possibilities of future growth have challenged the admiration and respect of all. You have capacity for government and will contribute your share to the solution of the questions of the future. You are entering upon your period of greatest power and strength. You have already made a great contribution to the United States. The sturdy men and women who have gone there from Canada have done their share towards the upbuilding and greatness of the Republic. Just now the pendulum of immigration is swinging towards you. I feel confident that your returning newcomers, consisting as they do of the rugged manhood of our great Middle and North West, will prove a valuable asset to your population, and will make an equal contribution towards Canadian greatness.
