

Prosperity in Agriculture Essential, Says E.W. Beatty

Chairman and President, Canadian Pacific Railway

Owing to the outstanding urgency that citizens from coast to coast should be supplied with all possible information on the nation's vital problems, and in response to a number of requests for its general publication, the address delivered by E. W. Beatty K.C., LL.D., Chairman and President, Canadian Pacific Railway, before the Toronto Canadian Club on May 20th, is herewith published.

Mr. Beatty spoke as follows:—

"In no country is there a more useful chain of societies than that of the Canadian Clubs in this Dominion. The success of democratic government depends on the efficiency of the means provided for the discussion of public affairs. Societies whose object is to encourage the discussion of public questions perform a service of great value. No one will doubt that the Canadian Clubs are the leaders in this field.

"I am becoming, against my will, and from what I have thought to be a sense of public duty, only too regular in my appearance as a speaker in public. Speaking, as I have felt I must, on questions arising out of the difficulties of the times, I find myself exposed to criticism which sometimes becomes acrimonious, and often misrepresents the views which I have expressed. I presume that your kind invitation, and the courteous hearing which I know that you will give me, are but the preludes to fresh criticisms of what I say. For this reason I commence by appealing to you for careful study of what I have said on a matter of public importance, and of some of the rejoinders made by those who disagree with me.

In a series of addresses of which the last was made in this city somewhat more than a month ago, I have tried to offer a solution of a major problem facing this country. I trust that many of my hearers today have done me the honor of listening carefully to what I have said, or of studying the copies of my addresses which have been circulated, or at least the summaries which have appeared in the press. I trust also that you have read what has been said against the proposal.

"PUBLIC ENEMY No. 1"

"If you have you will have learned that I have protested against the continuance of a railway policy which has added three billion dollars to the obligations of this Dominion. You will have learned that this earns me the title of 'Public Enemy Number One.' Perhaps the members of Parliament who thus describes me believe that waste of public funds is a proper function of government, and that we should proceed to waste more billions on railway experiments. My conscience would not permit me to accept this theory even if it would make me popular with the gentleman in question.

"You may also know that I have suggested an end of waste by a plan of operating the two great railways jointly and as efficiently and economically as possible. In its comments on my last address, a prominent Western newspaper, which clearly does not agree with me, describes my plan in these words: 'The plan, to put it baldly, is to put the Canadian National in charge of Mr. Beatty and his officers; and to saddle on this country a railway monopoly managed by parties whose prime concern would be to see that Canadian Pacific interests are given the consideration due to the elect as against those of that unregarded individual, the taxpayer.' As the traditions of Canadian journalism do not permit the deliberate misstatement of fact as a method of controversy, I am convinced that the writer of these words had not at that time read the address which he criticized, nor any of my previous addresses on the subject. In all discussion of the railway problem, I have argued that the ownership of the Canadian National should remain vested in the Government, and that any savings obtained by joint operation of the railways be divided fairly between their owners. If this is not a method of obtaining relief for the taxpayers of Canada, it can only be that joint operation of the railways would not be the most economical method of providing railway service to the country. This extraordinary idea has been expressed recently by an officer of the National Railways. If it is correct my plan is useless. I leave it to you, as ordinary men of intelligence, to pass your judgment on this point. I shall wait patiently for a retraction of what must have been an unintentional misrepresentation of what I have said in plain language.

DISCUSSION ESSENTIAL

"These two criticisms of my recent address should show how important it is that the citizens of this country should inform themselves fully of the facts of our national problems if they are to be in a position to deal wisely with them.

"It is today more than ever vital that we should have discussion of the problems of the nation and that it should be as public as possible. If I have suggested a plan of railway management which would rob the taxpayers of the benefit of the Canadian Pacific, you should know it. If I base my case on erroneous figures, you should know it. If, on the other hand, those who criticize my plan use personal abuse as argument, or base their criticism on intentional or unintentional misreadings of my statements, you should know those facts also.

The Farmer and His Wheat Basis of Our National Life

Canadian Pacific President stresses the importance of basic industries and the fundamental necessity of Railway unification — Answers Hon. R. J. Manion and poses two vital questions for national consideration.

"Other critics disagree with my plan, but do not so flagrantly misrepresent my position. Speaking in this city recently, the Minister of Railways, for whom I have much personal regard, discussed, in his usual dashing way, the railway problem. As on other occasions, he opposed unified management of the two railways, and concluded by challenging the supporters of the plan to answer twelve questions which, by inference, embody his objections. As the one who has had the privilege of presenting the plan to the Canadian people, I may be permitted to regard the invitation as extended to myself.

"If the Minister will read my speeches on the subject with the same care which I have given to all his public statements, he will find that I have already answered the objections which he has advanced.

TOO MUCH PARTIZANSHIP

"Even the most good-humored controversy with the Minister of the Crown in this election year might end in making the railway problem a party issue. The railway mess has been very largely resulted from too much partizanship, and I plead that, in considering what I have suggested to deal with it, you treat the question as one transcending party boundaries.

"With this introduction, I shall answer the questions which the Minister has asked. He first enquires whether the amalgamated railways are to be under private or Government control. Each is, in my plan, to remain the property of its owners; the combined system should be managed by a private company, since our experience with management by a company under direct control of the Government has not been satisfactory. Government control of rates and service—as complete as needed—would continue.

"His second question asked how much saving can be made by amalgamation under present traffic conditions. I have said that it would take five years to complete bringing the railways under unified management which, not amalgamation, is what I suggest. After that, I believe that we can save \$75,000,000 a year on a normal traffic volume, taking the year 1930 as a normal traffic base. The Minister in his address certainly predicted a return to that level. As we have not yet even begun the process of bringing the railways under unified management, it would be useless to attempt to relate the predictable ultimate economy to present conditions. The details of the economies on which I have based the estimate are spread on the records of the Royal Commission, and cannot be successfully assailed. The Minister is wrong when he says that most of the possible savings have already been made. The reductions in expenses of the two systems have been ordinary savings due to reduced traffic, and economies to meet depressed business conditions. The savings by unified management still remain to be made.

"His third question enquires about the division of the savings to be made by amalgamation. The savings made by unified management, after each property had paid its owners net earnings equal to those which would have resulted if the properties continued to be operated independently, would be divided on an agreed basis, with at least one-half going to the owners of the National Railways.

"His fourth question is: 'How much capital expenditure will be necessary to effect the physical union of the railways, such as the uniting of terminals, and how will this be raised?' Capital expenditures would be made only where adequate savings would result. These would offer a valuable temporary method of absorbing materials and labour released by unification. The method of financing these expenditures—which would not require much new money—would be a part of the unification agreement.

NOT PART OF PLAN

"The fifth question begins 'If the Canadian National is to be absorbed by the Canadian Pacific, how much of the present deficit of 50 million dollars is the Canadian Pacific ready to absorb?' Any idea that the Canadian National is to be absorbed by the Canadian Pacific is not a part of my suggestion, so I need not answer this question.

"The sixth question requires what guarantees are to be given the owners of Canadian Pacific securities if the Canadian Pacific is brought under Government ownership. Neither Government ownership of the Canadian Pacific nor guarantee of its securities is a part of my plan, so I need not answer the question.

"The seventh question asks if in case of amalgamation will the Canadian Pacific put in all its assets (such as steamships, express, hotels and land) or only part of them? Amalgamation is not a description of my plan. The earnings which each com-

pany would draw out of the operated property would depend upon the assets and earning power which would be put in. The less the Canadian Pacific would put in, the less proportion of earnings they would draw out. I have already stated that we would be prepared to put in all those assets which now form part of our transportation system, subject to such modifications as might be mutually agreed upon.

"The eighth question is 'What is to be done about settlers and industries, and towns and terminals, on lines to be abandoned? Are they to be compensated? Are they to be moved? If so, where?' The answer is that care will be used to avoid any grave hardship. Abandonments would not be considered which would deprive communities of reasonable access to transportation service.

"The ninth question deals with loss to those who have located at railway terminals, shops or towns. After time has permitted us to assess the true loss, compensation should be made in individual cases on their merits. Lasting economic relief by solution of the railway problem, will far outweigh its minor and passing bad effects.

"The tenth question is, 'As the estimated savings necessarily must be made out of railway operating and maintenance expenses, and as from 60 to 65 per cent of such expenses are made up of labour, what provision is proposed to provide for these displaced wage-earners until they can be absorbed into other industries?'

"I have repeatedly said that the ordinary turnover of railway labour would, in a short time, take care of most of this, even without the increase in business which the Minister foresees. If necessary, some of the savings of unified management could be devoted to compensation for labour displaced. The improvement in the general economic condition of the country as the result of an end of the present period of absurd waste would be a most effective method of providing for labour displaced on the railways.

WOULD STOP PAST TROUBLE

"Question eleven asks 'Should not these questions be answered, or are we to decide on amalgamation, unification, first and get the answers, good or bad, afterwards? Or are we to be stampeded into doing something—anything—anything—going somewhere—anywhere? Has not that been our trouble in the past? Our trouble in the past has been pretending that it did not matter how much money Governments poured into railway experiments. Let us stop that. I have suggested a plan. Has the Minister a better one? Or is he advocating a continuation of 'going somewhere—anywhere', which means, in plain words, into national ineffectiveness?'

"The last question is 'Finally, is this the time—at the bottom (or near it) of the financial crisis—for a final decision on this very important question? We are—I hope—past the bottom of the world economic crisis. We in Canada are far from being at the bottom of the financial crisis if the Minister's plans of Pollyanna optimism is to prevail. This is a far better time to tackle the problem than after a few more years of compounding deficits and increasing national debt.

"I have answered the Minister's questions. I had answered them before they were asked. Will he answer two of mine?

1. "Can labour, or others dependent on railway operation for their existence, be assured of employment, of stability of earnings, or of their present standard of living, if the industry on which they depend is unable to earn a return on the money invested in it?

2. "Will a country like Canada prosper if one of its major industries, supporting one-seventh of the population, can be kept alive only by subsidies derived in the final analysis from general taxation?

"I am charged with being an alarmist over the railway situation, and the Minister seems to feel that he is an optimist. Is this right? I say that the railways of Canada can be made to run with a great reduction in the cost of the Government—even in these hard times. The Minister says not, but that we must wait for a boom to solve the problem. Who, in reality, is the pessimist?

"I have appealed for the tangible suggestions of others as to a railway policy for this country. The Hon. W. D. Buler displayed a willingness to discuss the problem in the light of realities, and sketched the outline of a possible alternative to my proposal. The country, I believe, would like to have him pursue his exploration of the subject, and to have the benefit of his final conclusions.

"The only other suggestion recently advanced is that we might overcome some of our difficulties by breaking down the two railway systems into three units, with autonomous control in different sections of Canada. This would do away with competition between rival systems, but apart from the practical difficulties of framing an arrangement which would permit the most economic use of existing equipment, facilities and staff, and of making a fair distribution of the financial overhead, it would seem inevitable that such a division would have a tendency to cause the diversion of traffic from existing channels, would interfere with operation of national trade policies, and would ultimately threaten the transportation set-up on which the development of the country during the past half century has proceeded. If Canada is to remain one nation in an economic sense, it would seem necessary that those who initiate and apply our railway policies should have more than a provincial loyalty and more than a regional responsibility.

"Today, however, I do not propose to deal primarily with the railway problem, I feel a certain relief. It is pleasant for once to avoid the charge that I am a representative of a greedy group of capitalists conspiring to rob the people of Canada of a priceless national possession. In addition I shall on one occasion be able to say that I spoke of something less depressing than a series of national errors which have imperilled the future of our country.

CRITICISM EXPECTED

"I do not expect that what I say today will escape criticism from those who do not agree with me, but at least I shall have the pleasure of speaking in terms of optimism, for my subject today is the opportunity which lies ahead of Canada.

"It is unnecessary to review the economic history of this country in detail. You all know of the steady growth which followed the physical completion of Confederation by the construction of the original transcontinental railway; the hectic and unnatural activity of war-time years; and the great period of expansion which followed the hesitancy of immediate post-war days.

"It is yet too soon for us to see the happenings of the years 1925 to 1929 in true perspective, to decide how much of the growth of this country's activities in those years should be regarded as legitimate discounting of the future, and how much as unwise expansion. Whatever the truth, there can be no question that the great break in the security markets of 1929 commenced a series of events which brought the economic progress of the nation—indeed of the world—to a rude and sudden halt.

"During the years which have followed, courageous individuals have continued not merely to carry on their accustomed activities but to seek unceasingly for new outlets for their energy and skill. Too much of the national effort of the past few years, however, has been concentrated on attempts to relieve distress by measures which are, in essence, the mere distribution of charity: too little has been given to real consideration of what this country might do in the years to come.

TIME HERE TO ACT

"The time has come to turn our thoughts to what we in Canada can do to revive the enthusiasm and optimism which were always the distinguishing characteristic of our national life. I shall attempt today to describe in broad outline the basis of my faith in this country and its future.

"We speak of the great change in the world's economic life which commenced early in the 19th century as the industrial revolution. Actually it had its origin in such an expansion of the world's arable area by discovery and settlement as to justify the statement that the revolution was agricultural. It is not necessary to remind a Canadian audience that the growth of this nation in the years from Confederation to the Great War had its origin in a vast process of settlement and development of the fertile plains which Confederation and the construction of the Canadian Pacific Railway made accessible to the world. Those were the years of real growth. Experience justifies me in saying that the later period of expansion which succeeded the War, although it was partly based on a renewal of the era of agricultural expansion, contained too great an element of development not based on such sound foundations.

"It is not my intention to speak as though agriculture were the only occupation legitimate for the people of this country. One geographical situation and the distribution of our natural resources make it necessary to maintain a complex economic system.

The harshness of our climate, which has contributed no small benefits to our people, has imposed on us the need of maintaining certain standards of living. Our location on the northern border of the wealthiest nation in the world has forced on us the creation of an economic system not too much unlike that of our neighbors, if we are to hold our place in competition with them. This cannot be a country of peasants.

"Not in Canada alone but throughout the world economic progress is essentially dependent on the development of that industry which is basic in its importance to human civilization. England and other small areas of Western Europe; the great industrialized area of the Eastern United States, may appeal to us as cases of great economic advance not based on agriculture. Not a little of the progress of these communities has come from their trade with great and growing communities of agriculturists in distant areas.

"The economic progress of the world during the great century and a half has been largely the result of a period of great agricultural expansion. I suggest to you that one of the most potent factors in checking this progress has been the cessation of agricultural expansion in recent times. A resumption of economic progress must be preceded by a return of the spirit which sent settlers to occupy the unused lands of the world.

"Believing this, I feel faith in the destiny of Canada. This country, still possessing great areas of untitled fertile soil in a climate suited for the white races, can only fail to progress if it utterly fails to realize its opportunities.

PRODUCTION OF WEALTH

"In these days we spend too much of our time in discussing the division of wealth and too little in planning to increase its production. With certain doubts as to the advisability of many measures now being advocated—especially those tend to increase governmental interference in business—I am willing to accept the need and the possibility of some measures intended to improve our methods of distributing wealth. It still remains a fact, however, that the production of wealth is the basic method of improving the material position of our people. Nothing is more vital to this country than that we should consider our opportunities for an increase in the primary form of wealth production—agriculture.

"Too many people speak of agriculture as though it were a dying industry which could only be maintained by recourse to elaborate plans to relieve its distress. For some years the farmers of this country have faced conditions which might well discourage them. The price of what the farmer sells has fallen faster and farther than the price of what he buys. It has taken an increasing quantity of his product to meet the cost of those services—such as transportation—which he must continue to employ. The difficulty of paying his debts has increased as rapidly as the price of his products fell.

"Despite these facts I see no signs that agriculture in Canada faces final disaster. It has taken courage on the part of our farmers to continue their operations in the circumstances which have surrounded them. They have shown that courage and it will be rewarded. The capital and labor employed in the basic industry of humanity must receive rewards at least as great as those of other industries if our system of society is to continue. The correction of the conditions which oppress the farmers is today already on its way, and I believe that it will be automatic and not long delayed.

"I suggest to you that the primary essential of recovery in Canada is recovery of our faith in agriculture, and that time has come for us to consider plans for the further expansion of our basic industry.

LAND SETTLEMENT NEEDED

"The most urgent need in this country is a definite plan to land settlement. Almost alone among the nations of the temperate zones, this country is a definite plan of land set-aside fertile soil. Although the rate of increase of the world's population seems to be slowing down, the League of Nations economic survey for 1934 points out that world population is still increasing while world production of food has remained unchanged since 1929. In a world where these things are true the nation best adapted to increase its agricultural production is to me the nation with the brightest future—and as far as I know that is Canada.

"I go farther; I suggest that when we have assessed our opportunity to increase the agricultural production of this country, we should renew our effort to attract to this country those immigrants fitted to aid in its development. Let me put it this way. Of the unemployed in Canada only a percentage can be considered as suitable to become farmers. The majority are people of the cities, many unfitted to share successfully in a 'back-to-the-land' movement. All those unemployed workers in Canada who could conceivably become successful agriculturists should be encouraged and aided in efforts to establish themselves on the soil. When we have done what we can in this way, we should proceed to seek abroad those who by

(Continued on Page Six)