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R.J. Deachman, M.P. Answers
McCullagh's Radio Addresses

OTTAWA, April 25.—George McCullagh of Toronto Globe and Mail has closed his radio addresses—finished his arrangements and sent out his printed coupons asking members of parliament to forget party advantage and cooperate for the common good.

Personally I am glad that he made these addresses. It is no easy task to make five speeches—one a week, for five weeks! Grinding out a connected story, thirty minutes long, is a tough job—I know, I have done it myself. Even if his speeches had been worthless he would have deserved a knighthood for the effort—and, in my humble judgment, they were worth the price.

Debts and Facts

Let us now put a few facts if for no other reason than merely to find an anchor to reality. It would be scant honor to Mr. McCullagh if we attempted to discuss these issues without knowing the background. Our national debt in 1914 amounted to \$335,996,000. It was mainly the result of railway expenditures.

In that year we went to war. Here is the story of war costs to date:

Direct War Expenditure, \$1,698,619,000; Pensions, 770,563,000; Soldiers' Civil Re-establishment, 285,750,000; War Graves, 4,811,000; Soldiers' Settlement (administration), 28,055,000; Interest 2,153,465,000; Estimated Loss Soldiers' Settlement, 100,000,000; Total Costs of War to end of 1938, \$5,014,263,000.

We now have these two items—Let us state them in round figures and put them together. Pre-war Debts, \$336,000,000; Costs of War, 5,000,000,000; Total \$5,336,000,000.

Taxes and War

We did, however, collect a considerable amount under the War Tax Revenue Act. These taxes were applied to banks and trust companies. They covered also excess profits, income and sales and stamp taxes. From 1915 to 1938 the total amount 000,000. Deduct this amount from the \$5,000,000,000 of war costs and we have in our debt of today \$1,732,000,000 due to the war.

There is another item in our debt pile—it amounts to \$924,000,000.

Where does it come from? It represents the cost of the depression. Revenues fell off—costs went up. Money was spent on relief, railway deficits and other things. It had to be borrowed—it was added to the debt.

Let us now sum up in one brief table the whole story of our debt including one item still to explain which amounts to \$1,099,000,000.

Debts and Its Cause

Old pre-war debt \$336,000,000; Debt due to war, 1,732,000,000; Debt due to depression, 924,000,000; Debt due to "other causes" 109,000,000; Total debt March 31st, 1938, \$3,101,000,000. This item is marked as "other causes"—it represents expanded services—things the nation added to the debt.

What are we to do with these debts? The total charge on debts today including interest, cost of management, discount and exchange amounts

to approximately \$137,000,000. Total expenses of governments in pre-war days (1914) was \$186,000,000. Are you surprised that costs of government have gone up when interest charges take so much money.

Mr. McCullagh has not told us what we should do to cut down these debts—neither has any other public man. I intend to discuss it at the close of this article. But I would like your opinion—the opinion of the man or woman now reading this article. What should be done to reduce the debts of the Dominion of Canada?

Costs and Economy

In the light of all the facts is there wild extravagance at Ottawa? The mere existence of the debt does not constitute proof. No one defends extravagance. But there are many who attack expenditures without considering the cause. We reason only from intelligent comprehension of what has happened.

We must examine facts—exclamation marks will not get us very far—hasty conclusions are dangerous. If we compare the figures of government expenditures for 1914, the last pre-war, with 1938 they appear astounding. Here they are:

Total Federal Government Expenditure year 1914, \$186,000,000; year 1938, \$534,000,000.

Why so vast an increase in twenty-four years? The previous chapter gives some idea. Here are the details of increases and new items of expenses added since 1914.

1. Interest and Management on Public Debt, \$123,293,000; 2. Pensions, Military, \$1,000,000; 3. Treatment and Aftercare of Returned Soldiers, 12,152,000; Unemployment Relief including drought relief, 68,532,000; 5. P. O. Expenses (Offset by revenue increases), 20,900,000; 6. Old Age Pensions, 28,653,000 7. Maritime Freight collected by this means was \$2,268,000; 8. Air Services 2,961,000; 9. Militia and Defence, 20,000,000; 10. Government Annuities to maintain reserves, 8,941,000; 11. R. C. M. P., 5,400,000 12. Special Grants to Provinces, 7,475,000 13. Subsidies to Provinces, 2,455,000; Total of Increase and New Items since 1914, \$345,944,000.

Losses on Canadian National Railways not included in this list because the total expenditures on railways in 1914 were almost as great as in 1938.

Can these items be cut down? The interest on the debt must be met—our obligations to returned soldiers must be faced. Relief under present conditions is essential. People cannot be allowed to starve. We are now face to face with the practical problem. What items of this list would Mr. McCullagh eliminate? The question is not answered by exclaiming—"something must be done." Until there is more definite information we have no idea of his intentions. But the query is not addressed to Mr. McCullagh alone—let the business man speak—what has he to offer?

It has been suggested that provincial governments should be eliminated. It could not be done. It would save little if it were done. Historically they are a part of our system—it would take a revolution to move them. In practice it is impossible. It is so remote from the possible that it is hardly worthy of serious comment.

But suppose in some way we could cut expenditures by \$100,000,000—something which could not be done by any government—would it solve the problem of today? It would not. Such suggestions are merely pills for Vesuvius—they skim around the surface of the problem. They do not approach even remotely the fundamental facts of the situation.

What do we Need?

The two things primarily needed in the Dominion of Canada today are, an increase in the national income and a more equitable distribution of the total wealth produced.

In 1926 the total income of the people of Canada was \$4,330,000,000. In 1933 it was less—approximately \$3,000,000,000. Last year, 1938, it was roughly \$3,900,000,000.

What we need in the Dominion of Canada is the restoration of the national income to, at least, the 1926 level. Under a sound economy, the application of which would be opposed by probably two thirds of our businessmen, this would be possible. We cannot do it by cutting the expenses of the Federal government \$100,000,000. If that can be done—let's do it—tell us how! What we need is an increase in the national income to \$1,500,000,000 above the level of 1933, or an amount, above the 1933

Informer In
McKesson-Robbins
Case Passes

NEW YORK, April 25.—Julian F. Thompson, treasurer of McKesson & Robbins, Incorporated, whose personal investigation of the corporation's affairs led to the exposure of F. Donald Coster as Philip Musica, ex-convict, died late last week at his Park avenue home.

Thompson, who would have been 51 years old on Sunday, had been ill for several weeks of influenza. A native of Newton, N. J., he had been connected with McKesson & Robbins for 10 years.

level, equal to the entire expenses of the Federal government.

I am not condemning economy of administration. The Gladstonian tradition has a firm hold upon me, but I do say that cheese paring is not enough. The great problem is to increase the national income. That carries with it increase of purchasing power, elimination of unemployment and relief—the restoration of our railway to solvency and buoyancy in the national revenue. It means situation and start money moving into the channels of business. It settles the whole range of problems which darken the economic horizon—all save one—war—and only God can tell what will happen there.

Poverty and Progress

But coupled with this there is the problem of more equitable distribution of the wealth of the nation. Only 217,000 people out of Canada's 11,000,000 paid income tax in 1937.

Only 921 farmers had income which brought them into the income tax class. One thousand two hundred and fifty-nine people paid more than half of the entire personal income tax.

This mal-distribution of wealth, far more than the expenses of the Federal Government, constitutes a great task for the people of Canada, whether be Grit, Tory, C. C. F., or members of Mr. McCullagh upon this question. Neither Mr. McCullagh nor the Globe and Mail has dealt with it in recent years. I am not suggesting socialist policies which are far too often veiled attacks on the pocket-books of the poor. The income tax story reveals the power of privilege. The figures are a challenge to democracy—a barrier to business progress. We cannot have a true democracy unless, at least, the opportunity to acquire a competence is open to all.

The Real Remedy

Then beyond that there is the great problem of so ordering our economy that we may no longer be faced with the problem of unemployment and all its concomitant destruction of life and hope.

Is that possible?

The answer is "yes, it can be done."

It cannot be done by governments—they may help but they cannot do it alone. It is a problem of industry but industry tries to run the government instead of facing its own tasks.

Progress in the solution or unemployment will come when industrial leaders who control the great industries of the nation recognize that only by a thorough reorganization of their own business can national confidence be restored. In this task labour must aid capital or the workers will continue, as he does now, to walk the streets in idleness.

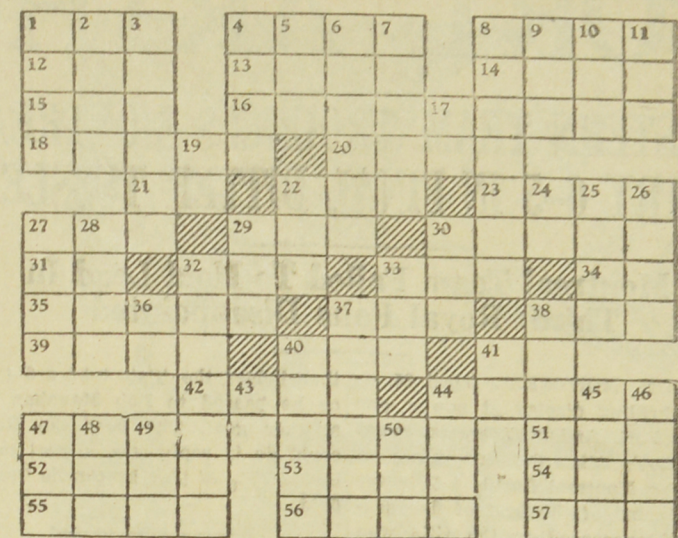
Industry has triumphed in the fields of production. We have the capacity to produce. Industry and labour have succeeded in blocking the channels of exchange so that the purchasing power of the producer is restricted—the basis of industrial expansion is lost.

Man, with his machines has triumphed only to find that, by reason of his own selfishness, victory is ashes in his hands. All the technical and mechanical advances of the ages should have reduced the cost of production, lowered the selling price of goods, increased the purchasing power of the people.

Why is more machinery employed in factories. Because the application of improved machinery, though it throws men out of work, lowers the cost of production. But the manufacturer does not lower the selling price of his products. If he did there would be no decrease of employment. Sometimes he cannot. Labor in control may take for itself the full saving brought about by mechanical change, thus throwing into the discard, workers who have lost their jobs. In plain straight language, the problem of unemployment is up to industry and labour. They have created it—they alone can cure it. It is, and I say it quite frankly, beyond the power of government. Oh, for a combination of the mind necessary to

No. 4475

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HORIZONTAL

1 Small lump
4 To throw
8 Noisy play
12 Card
13 Beyond
14 Arrow
15 Wrath
16 Contingent
18 Bristles
20 Placed on mound
21 Chinese measure
22 Vehicle
23 Flimsy
27 Part of "to be"
29 Beverage
30 Purport
31 To run
32 Label
33 Offer
34 Preposition
35 Precinct
37 Small drink
38 To stitch
39 To appear
40 Container
41 French conjunction

VERTICAL

1 Platform
2 Land measure
3 Insect
4 Set of rules
5 Hall!
6 Dividing wall
7 Large plants
8 Filled with holes
9 Number
10 Humans
11 Favorite point
17 Compass
19 Sloth
22 Insect
24 Preposition
25 Speck
26 Stem of ship
27 Oriental titles
28 European capital
29 Rodent
30 End
32 Building
33 Large woods
36 To exist
37 Inherited
38 Expressed
40 Deduct
41 Tautonic deity
43 Concerning
44 Gong
45 Small mark
46 Truck
47 Badly
48 Born
49 Feline
50 Along

Answer to Yesterday's Puzzle

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E V E R T E D T E N
C O T E P E R I S T I
U P S O P Y E A I N
T U P R E T R A S E
E S S A S O C I A L
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"Man was not made for the State.
The State was made for man."—Anthony Eden.

drive home these facts.

Manufactured products today are wholly out of line with the prices of basic products. This condition is driving people off the land—it is forcing farmers on relief. If reductions in costs, which are natural fruits of improved methods, had been passed to the consumer in a lower selling price of products instead of in higher wages and increased profits, there would have been no unemployment, no problem of government finance, no swelling tide of debt.

Great leaders in some fields of industry have realized these facts. Some of them today are attempting, to their eternal honour, to carry it out. They are the real leaders seeking new and ever expanding frontiers of effort. There are others who concentrate their lives on attacks upon governments, failing to realize that they are themselves responsible for the situation they condemn. The remedy lies with industry and labour. The men who have created the problem are best able to provide the cure.

If only the leaders of industry and labour could realize these facts we might indeed achieve what we desire, we would not be on the road to recovery, recovery would be an accomplished fact. Will industry speak? Will it act? Has it the driving power? If so, the nation marches forward—nothing can stop it—nothing except war.

The output of central electric stations in Canada during February amounted to 2,213,938,000 kilowatt hours, the highest February output on record.

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