

BUSINESS GOVERNMENT:  
PARTY POLITICS AND THE BRITISH COLUMBIA  
BUSINESS COMMUNITY,  
1928-1933

by

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## ABSTRACT

The term business government describes the principles of public administration which the Conservative party attempted to implement between 1928 and 1933 during its tenure as the government of British Columbia. In general, business government meant that the province's elected officials would apply the same principles in attending to the public's financial business that a private enterprise would employ in its affairs. Implicit, too, in this notion was the Conservative commitment to emphasize those policies that served the interests of the province's business community at the expense of social welfare programs. The purpose of this thesis is to describe the elements in the Conservative business government philosophy and to assess its impact during this period.

Analysis of the relations between the Conservative government, its business clientele, and the Liberal opposition is crucial in order to understand and assess the impact of the business government program. Chapter I therefore describes the attitudes of influential businessmen in Vancouver and Victoria towards the economy and the government's legitimate responsibilities in relationship to it. This is followed in Chapter II by a similar discussion of the Conservatives' business government philosophy as reflected in actual government policy, and an assessment of the somewhat

different philosophy concerning the role of government espoused by the Liberals. Chapter III relates the financial difficulties which the Conservative government encountered as a result of the depression, and the nature of the business government remedies offered in response to the slump. Chapter IV outlines how a coalition of the corporate business elites in Vancouver and Victoria successfully agitated for the appointment of a businessman's inquiry into the public finances, the Kidd Commission, and through it pressed for the implementation of a more extreme version of the business government solution. Finally, Chapter V analyzes the fragmentation of the Conservative government after the Kidd Report, the coincident rise of the CCF as a socialist alternative to business government, and the victory of the more moderate reform Liberalism of T. D. Pattullo in the election of 1933.

The main conclusion of the thesis is that business government, as articulated by the Conservative government and the prominent business spokesmen of the period, was acceptable to the electorate only so long as the economy remained buoyant. Once the depression became pronounced the weaknesses in the business government approach became manifest, especially to those who were most in need of government assistance. According to the tenets of business government philosophy, governments could play but a limited role in stimulating recovery, and therefore they should restrict their activities to balancing the budget through ruthless economies in order to preserve the province's credit. The election of 1933



indicates that the electorate rejected this business government response in favour of the platforms of the Liberals and the CCF which promised a more interventionist state to provide more generous social welfare benefits and the experimental monetary and fiscal policies that appeared necessary to induce recovery.

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## INTRODUCTION

This thesis concerns the relations between the British Columbia business community, particularly the Vancouver corporate elite, and the two major provincial political parties during the administration of Simon Fraser Tolmie, from 1928 to 1933. The Tolmie years witnessed both the triumph and the demise of a philosophy of public administration known as "business government". The Conservative party, returned to power with an overwhelming majority in the election of 1928, pledged itself to implement the tenets of this doctrine. In so doing it identified the public interest with the aspirations of the province's businessmen, and committed itself to subordinate government activity to their needs. Unfortunately for the Conservatives, the political acceptability of the business government program was dependent on the maintenance of continued prosperity. In the later years of the Tolmie administration business government doctrine was the victim of depression circumstances for which it had no politically satisfactory remedy. The repudiation of those candidates championing business government philosophy in the election of 1933 signalled its eclipse.

Two recent interpretations of British Columbia history have dealt with the business government phenomenon in general terms. Margaret Ormsby's chapter on the Tolmie period in her British

Columbia, A History, (Vancouver, 1958), however, relies heavily on the judgments of the Leader of the Opposition, T. D. Pattullo. Through him she asserts that it was the metropolitan influence of Vancouver, and in particular its business elite, that engineered the Conservative victory of 1928, and that "the business men expected reciprocal favours." Commenting on the Kidd Report of 1932 she states that although it was very unusual for any government to allow outsiders to intrude into its affairs, the Tolmie administration relied on the big interests, and in its hour of financial need fell back on an independent businessman's inquiry for advice. Unfortunately for the premier and his colleagues in cabinet the tone of the Report acted as "an indictment of representative and responsible government: by implication it was a specific indictment of the Tolmie government." The major thrust of the Ormsby thesis is that the Tolmie government was uninspiring and weak, dependent on the goodwill of a business elite arrogant enough to attempt to impress its own narrow interpretation of proper government policy on the electorate as a whole. Once this influential body of support was lost to the government, its authority rapidly withered to the degree that it posed no challenge to a rejuvenated Liberal party in the election of 1933.

Despite political sympathies divergent from those of Ormsby, Martin Robin's conclusions regarding the Tolmie period, articulated in his Rush for Spoils, The Company Province, 1871-1933, (Toronto, 1972), are markedly similar to hers. He also characterizes the Conservative regime as a "business government: the exercise of

power by and for businessmen." Effective leadership was not, however, one of its strong points. Tolmie himself was an "ineffectual outsider" and although "a good sort" was "not overly intelligent". Nor did the premier's cabinet colleagues appear to compensate for his deficiencies. Robin's verdict is that the government was incompetent, and therefore incapable of handling the economic crisis brought on by the depression. The Kidd Commission was a tacit sign that the government was in difficulty and relied on its business support for aid and advice. The unexpected criticism voiced in the Kidd Report effectively destroyed the Tolmie government, its basis of support withdrawn. Where Ormsby sanctions the victory of Pattullo's Liberals, however, Robin regards them as the party of expediency, offering the only stable alternative to an electorate frightened by the forces of progress organized in the CCF.

Both these interpretations are uncharitable to the Tolmie government and the province's business elites, perhaps inordinately so. Ormsby and Robin imply that the Conservatives and the business community were only concerned with power politics. They neglect to analyze business government philosophy in detail, preferring instead to dismiss it as a reactionary doctrine of public administration. The purpose of this thesis, then, is to examine the thought and actions of the Tolmie Conservatives and the provincial business community, particularly its Vancouver elite, in order to understand better what the term business government meant to whom, and how it operated in practice.

Tolmie's government consistently supported business government doctrines, but encountered serious difficulties implementing them once the depression became acute. The province's corporate business elites, situated in Vancouver and to a lesser extent in Victoria, were equally concerned that governments practise the doctrine, especially in times of economic disturbance. In time they grew to distrust the Tolmie government's capabilities. They organized themselves into a lobby in order to ensure business government solutions to the depression. The Liberals were the political beneficiaries of the disruption in the links between the metropolitan business community and the Conservative government that resulted from the Kidd Report. The significance of this factor in the outcome of the 1933 election should not be underestimated.

Of more long-term importance, however, was the different political philosophy the Liberal party espoused. Traditionally, Liberalism in British Columbia had not adhered closely to business government philosophy. Under the leadership of Pattullo the Liberal party moved even further away from the business government orientation, responding to the depression with a platform incorporating more comprehensive social welfare legislation to provide relief to the needy, and a commitment to a more positive, interventionist state role in the local economy to stimulate recovery. Thus, the later years of the Tolmie government, after the advent of the depression, may be interpreted as a struggle between these two perceptions of government, Conservative business doctrine

versus the Liberal welfare state, with business government philosophy the ultimate loser.



## CHAPTER I

### THE BRITISH COLUMBIA BUSINESS MIND, 1928-33

This chapter will deal with the attitudes of the province's businessmen concerning the nature of the provincial economy and the impact of government upon it. It is important to establish the business community's views at the outset, since they formed the underlying rationale for business behaviour throughout the period under scrutiny. Essentially, these attitudes connoted a sense of weakness, of anxiety on the part of most British Columbia businessmen derived from the heavy dependence of the local economy on export sales of primary products. The importance of market factors beyond his control meant that the local businessman believed his prosperity to be precarious at best. This was true whether the businessman in question was a large exporter, like H. R. MacMillan, or the small-time retailer who serviced the large interests. Much of the business comment on government and the economy before the depression, then, as well as the tenor of business behaviour after the slump began, can be explained by the business community's search for greater security, or the "protective impulse" as one student of the Canadian business mind has called it.<sup>1</sup> Owing to this impulse, by the end of the 1920's local businessmen had developed a common set of views concerning the way the government should conduct itself in order to protect and encourage business. These came under the general

rubric of business government principles.

In his book, A Living Profit: Studies in the Social History of Canadian Business, 1883-1911, Michael Bliss defined businessmen as "the owners or operators of enterprises risking capital in the hope of profit."<sup>2</sup> There seems little reason not to employ this general description for the purposes of this study. However, there were certain specific characteristics of the British Columbia business community that should be mentioned. The principal basis of the provincial economy lay in the primary production of lumber, minerals, fish and fruit. For the most part these extractive industries were organized into heavily capitalized corporations, owned in eastern Canada and abroad. Some of these corporations combined ownership and control in head offices outside the province. This was especially true of the largest mining ventures, the major railroads, and utilities like the British Columbia Electric Railway.<sup>3</sup> Most of the province's lumber and fish canning concerns, as well as the smaller mines, had their head offices in Vancouver, however, and although ownership in many cases lay outside the province there is evidence that the directors and managers who resided in British Columbia exercised considerable independence in handling the affairs of their concerns.<sup>4</sup> Although a minority, entrepreneurs like H. R. MacMillan, owner-operator of one of the largest lumber exporting firms in the province, were also represented in the ranks of big business in British Columbia. Men of his ilk had fashioned substantial ventures without sacrificing control or ownership to

outside forces. In addition, there was a host of smaller wholesalers, brokers, shippers and retailers who serviced the needs of the large extractive industries as well as the other sectors of the provincial economy. The point made here is that despite its diversity there was a distinct, self-conscious business community in British Columbia, composed of men who controlled businesses both large and small, men rooted in British Columbia, who shared common concerns about the nature of the British Columbia economy, who voiced them in their trade periodicals, and who joined forces in 1932 to press their views once their livelihood appeared threatened by depression and by the provincial government's response to hard times.

Favourable economic circumstances following the First World War ushered in a period of growth that British Columbia was to enjoy for most of the 1920's. New demands for materials which British Columbia possessed in abundance, combined with new transportation routes and cheaper shipping costs improved the economic climate considerably. As a result, throughout the 1920's British Columbia enjoyed a rate of economic expansion few other areas in the world could match. Some of the new growth stemmed from new extractive techniques which rendered many domestic resources more economical to produce, but the major factor in stimulating the boom was the opening of the Panama Canal to full commercial traffic after the war. The immediate effect was to

reduce the price of many British Columbia products in the lucrative markets of Atlantic America and Europe. In the case of lumber, for example, the high cost of transportation before the opening of the canal had effectively excluded it from foreign markets and less than one fifth of total output had been exported. The industry had been almost entirely dependent for its health on sales in the prairie provinces. By the end of the 1920's, however, increased use of the canal had created export markets for about half of a lumber output that had doubled since the war. Sixty percent of these exports went to the United States, where they were admitted free of duty.<sup>5</sup>

This shift in the economic focus of the province had profound implications in terms of the relationship between British Columbia exporters and the larger Canadian economy. Before the war British Columbia was integrated into the Canadian economy by the National Policy. In the postwar period, however, most of the new growth was related to the performance of British Columbia's products in foreign export markets, with which many local businessmen had only recently made direct contact. While this did not mean that British Columbia businessmen could ignore the economy of the country as a whole, the degree of interdependence with other regions of Canada had definitely declined. During the 1920's indications that the province would enjoy a separate economic destiny from the rest of the country served to isolate many British Columbia businessmen from their counterparts east of the Rockies.<sup>5</sup>

The provincial metropolis, Vancouver, was the city that benefited most from the new export orientation, and it was here that the British Columbia business community was most heavily concentrated. Dr. Ormsby's description of the city during this period as an "eager, grasping, acquisitive community,...extending<sup>6</sup> its economic power until it held most of the province in fee," is not overstated. Since its inception as the Pacific terminus of the Canadian Pacific Railway, Vancouver had grown by leaps and bounds, first as a port and later as a supply centre for its growing hinterland, providing services for the primary extractive resource industries located in the interior. Throughout this early period the politics of railways, the vital transport links binding the industries of the hinterland to their metropolis, monopolized public discussion. After the war the influence of the canal, and the fact that assiduous efforts on the part of the provincial government had resulted in the lowering of freight rates throughout the decade, meant that by 1929 the city's hinterland for grain shipments extended into Saskatchewan. During the course of the decade the shipments of wheat through this port to Europe rose from 4.5 million bushels to 61.1 million annually. In 1929 Vancouver accounted for 76.3 percent of the province's exports and 82.5 percent of its imports. Bank clearings in 1928 reached \$1.1 billion, up from \$655 million in 1919. But the effects of the boom were most clearly demonstrated in the city's population, which grew in the period from 1921 to 1931 by 50 percent, to a level of 246,593 in the latter year. British Columbia's population as a whole increased by less than 20 percent and in 1931 Vancouver

and its environs accounted for nearly half the population of the province. Vancouver's Board of Trade, with 1,400 members, was by far the largest and most prestigious in the province. All the other major business organizations operating in the province had their offices or held annual meetings there, and the important trade journals published there as well. By 1929 Vancouver had grown to become the third largest metropolitan centre in Canada. 7

Superficially at least the heady optimism stimulated by the boom left little room for gainsayers. As Robert McKee, outgoing President of the Vancouver Board of Trade, observed at the Board's annual meeting in 1928:

...our Prosperity is so broad, so sound, and so hopeful for the future that our people generally have a new confidence in their Country. For years we have heard of the era of Prosperity "just around the corner," but seemingly destined never to arrive. Today it is here, and is so general that it is being felt by the great masses of our people. 8

But despite their boosterism and high hopes, many businessmen recognized that British Columbia's prosperity was precarious, dependent largely on export markets over which local producers had little control. "The life blood of the province is...foreign trade," remarked H. R. MacMillan. "Not having much accumulated wealth, our power to purchase and consume depends upon continuity of this production for export." 9 This was no idle concern. The decline in the province's coal mining industry since 1914, for example, clearly illustrated the dependence of British Columbia industries on world conditions. Coal production in the province had been developed to serve larger export markets than were now

available owing to the competition of newer, more economical fuels, above all, oil. Throughout the 1920's British Columbia coal suffered from excess capacity, and many producers operated for only part of the year, while other collieries closed. The lesson of coal forced many observers to conclude that British Columbia's prosperity, based on the sale of raw materials abroad, was fleeting at best. As the British Columbia Miner commented:

The position of the mere hewer of wood and drawer of water is necessarily a subordinate and unprofitable one, and in our case we are paying a heavy premium merely for the privilege of holding that job.

10

The protective mentality, resulting from the British Columbia businessman's awareness of the province's economic vulnerability, permeated the local business milieu. For example, one can see this attitude in the comments of many businessmen regarding the heavy capital requirements of the primary extractive resource economy, which had to be funded in large part by investors outside the province. Local producers were concerned, therefore, that capital investment in British Columbia be encouraged. As a consequence, many of them were very conservative in their attitudes to stock market speculation. This was particularly true of mining. Severe fluctuations resulting from the activities of gamblers in stocks only exaggerated the failures that were bound to occur in such a high risk industry. Speculation might be an interesting diversion for those lucky few who did not have to work, but carried to an extreme its consequences were dangerous.

Prudent businessmen should not indulge, while their more daring<sup>11</sup> counterparts should be held in check.

One intriguing aspect of the business press during the late 1920's, illustrating the fundamental unease of many businessmen,<sup>12</sup> was the attention dedicated to the enemies of industry. For example, the bane of the lumberman was the conservationist, whose sensationalist newspaper articles predicting the rapid end of British Columbia's forests, it was thought, served only to provide free sales material for the wood substitute manufacturers. As the British Columbia Lumberman commented, the industry would probably never be free from these pests:

We are inclined to think...that no matter how truthfully the facts may be presented to the public there will be no suppression of the active little band of hardboiled pessimists with whom it is as little use to argue on the matter of our forest resources as it is with a fervid Calvinist on the subject of predestination. In spite of all that can be pointed out to them regarding natural reproduction, our mature stands, (and) the value of the lumber industry to the Province,...they will continue to write to the papers and address community organizations on the importance of preserving virgin timber for aesthetic contemplation by posterity or by the raw material of our expanding tourist industry.

13

For its part the mining industry was often incensed with public officials in the federal or provincial parks departments who placed promising mineral properties inside ever-expanding park reserves, and prohibited prospecting or mining in such areas. Mining men believed that the land existed to provide employment and generate wealth. Progress and the destruction of wilderness areas therefore went hand in hand. As the British Columbia Miner editorialized:



The real issue lies clearly before us, for if we are to envisage the obliteration of nature's message, we may claim also that such work of destruction carries with it the evidence of industrial progress, and we, as the apostles of mining development, would not unnaturally look askance at aught that might form let or hindrance to the onward march of our basic industry.

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Less colourful than the caustic comments directed against industry bogies, but probably of more ultimate significance in illustrating the protective mentality of many British Columbia businessmen was the high level of concentration which existed in local industries. In agriculture, for example, the flight from competition had resulted in the formation of new producers' marketing agencies such as the Fraser Valley Milk Producers' Association. Mining, particularly, demonstrated that the old days of frontier individualism were over. By the 1920's most of the high-grade deposits had been worked out, and only large corporations possessed the capital resources that would have to be invested if a mine were to turn a profit. Much of British Columbia's mining production was in the form of low-grade copper, but even if other important metals are included only five mines accounted for 90 percent of the province's production in 1930, while the remaining 10 percent came from one hundred and twenty-five producers. Fish canning too experienced a period of further consolidation in the late 1920's. In view of the increased competition and underselling of Russian and Japanese fishermen economies of scale, resulting in lower prices, were essential if British Columbia were to maintain its competitive position in foreign markets where 80 percent of the pack was sold. In 1928

a number of the larger canneries merged to form British Columbia Packers. The new company controlled over half of the British Columbia salmon pack and shareholders of the original companies were pleased that competition in the industry had been relieved.<sup>15</sup>

Even retailing, traditionally one of the most individualistic of trades, witnessed a degree of concentration into larger units. This was particularly apparent after retail chain stores began to make an impact in the late 1920's. By 1929 independent retailers in Victoria had come to fear the activities of large outlets like the Hudson's Bay Company and David Spencer Ltd., with their big department stores in the city and sophisticated delivery systems all over Vancouver Island. In grocery merchandising, stores like Piggly Wiggly were constantly making inroads into the 70 percent of the market still controlled by independents, while it was rumoured that Safeway was considering the possibility of breaking into the market. Local retailers objected strongly to what they considered the unfair competition of chain stores, which, through their control over large segments of the retail market were able to arrange preferential treatment from manufacturers eager to acquire large orders. As one independent put it, the dominating competitive power of chains nurtured "the temptation to crush weaker competitors by brutal means. Moreover, as the grocery chain store business becomes largely concentrated in a relatively few giant chains, as it tends to do, and interchain competition increases, there will be the further temptation to act in combination to overthrow competition and to regulate and control markets."<sup>16</sup>

Ironically, as many independents soon recognized, self-preservation required that they copy the techniques developed by the larger stores. Increased management efficiency, reduction of overhead, and the economy made possible through volume purchasing indicated that retail mergers were necessary. By 1928 forty independent retailers in the Lower Mainland had formed the Consolidated Grocers Co-operative Association of British Columbia as a bulk buying and advertising group to fight the chains. A year later eleven district grocery stores in Victoria followed suit, forming an organization known as the Canadian Service Stores. Both organizations reflected the desire to avoid the perils of unfair competition, and alleviate unpalatable conditions through the efficiency provided by larger units.<sup>17</sup>

Curiously, although first in dollar value of production, the lumber industry had avoided the process of consolidation to a marked degree. Dominated by the small, independent logging and sawmilling firm, the industry had undergone significant growth during the postwar decade, despite the replacement of wood by substitutes in many areas of construction, and the discrimination against the industry's product by fire underwriting associations. Still, the industry had not been as prosperous as the rising production seemed to indicate, and by the end of the 1920's it was generally agreed by industry spokesmen that the structure of the industry precluded the profitable exploitation of the province's timber resources. On the whole, individual firms operated efficiently, having cut production costs to the bone. The major

problem was that the market price for lumber had declined with the increased production and the profits accruing to the industry were therefore low. As the British Columbia Financial Times commented in 1928, lumbering was "an industry still active but feverishly driven by fear of a sheriff lurking in the background."<sup>18</sup> The difficulty in resolving the problems of the industry lay in the fact that there were too many producers, most of whom were highly competitive, individualistic, and unwilling to co-operate with others in the industry. Frequent bankruptcies confirmed the marginal existence of many firms. According to informed business opinion of the time, the industry required an effective marketing organization, inclusive of all operators, that would maintain the current level of production but seek an increase in price. Marketing agencies such as the Wheat Pool and the British Columbia Fruit Growers' Association were referred to as models, and by the late 1920's eighteen independent lumber companies at least had formed the British Columbia Wholesalers Lumber and Shingle Association to check over-production and improve the methods of merchandising lumber through more efficient distribution. Nevertheless, the problems of the industry remained largely unresolved, which left individual producers in a precarious position at best while good times continued, and extremely vulnerable to the kind<sup>19</sup> of market decline brought on by the depression.

While the trend toward concentration in most of the major industries in British Columbia indicated the local businessman's negative attitude toward competition, the postwar preoccupation

with technical research and scientific thinking as aids to more efficient production and sale, and modern advertising to promote the sale of the province's resources, also testified to the belief that local industries must take advantage of every new device in order to remain competitive in the international market. The Vancouver Board of Trade's decision, in 1928, to organize a Better Business Bureau for the purpose of deterring fraudulent advertising and securities was based on the notion that the goodwill and confidence of the buying public were vital to the businessman. Retailers were becoming aware of the fact that "scientific retailing", involving the study of costs, turnover, and profit margins, as well as sales promotion campaigns, were essential if businesses were to remain solvent in the modern competitive jungle. Beginning in the late 1920's the lumber industry organized market extension campaigns in Australia and New Zealand, while early in 1930 the province's fishing interests announced plans for a massive advertising campaign to sell British Columbia canned salmon in the domestic market as well as in other Commonwealth countries.

Mining, however, was the industry that demonstrated most clearly the importance of new technologies. Dr. Charles Camsell, Deputy Minister of Mines in Ottawa, explained the debt Canada owed to its research metallurgists in a speech to the Vancouver Canadian Club late in 1929:

Were it not for the successful efforts of these men, some of the most outstanding increases that have recently taken place in our mineral output would never have materialized, and some of the largest developments that are now being pushed forward could not have attracted a dollar of capital. One might almost say that the prospector is the Santa Claus of the mining industry, and the metallurgist its magician.

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Chief amongst those firms that took the progressive approach towards new technology was the Consolidated Mining & Smelting Company at Trail where new techniques in the refining and smelting of non-ferrous metals had brought world recognition, especially for the company's vice-president and general manager, Selwyn G. Blaylock, a metallurgical engineer, who had won many prizes for his pioneering work.

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To ensure that the British Columbia mining industry remained competitive by keeping abreast of new technical developments the British Columbia Miner advocated the production of more mining university graduates from the University of British Columbia, urged mining firms to spend more money on their research departments, and called upon them to avoid placing big names in other business fields on their boards of directors for prestige when they should be appointing technically competent mining men instead. Essentially, these demands indicated concern that unless British Columbia's entrepreneurs marched with the times and adopted new technology quickly they would fall behind and lose their competitive position in the foreign markets on which they depended so heavily.

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What these examples tend to demonstrate is that many British Columbia businessmen were acutely aware of the vulnerability of the local economy and eager to neutralize the apparent disadvant-

ages of doing business in the province. Unfortunately for them, the conflicts of interest which often separated the various sectors of industry from one another usually prevented a united approach. This was the ultimate weakness of the British Columbia business community. As a consequence, lobbies representing its interests as a whole in the political sphere rarely appeared. Only exceptional circumstances, as in the case of the depression, could alter this. In normal times industry organizations like the Mining Association of British Columbia, the British Columbia Loggers' Association, and local Boards of Trade played major roles in formally representing business interests. At the same time, however, major corporations like the British Columbia Electric Railway often preferred to lobby through the informal links they had established with prominent elected officials and civil

<sup>24</sup> servants. Usually the competition between the various economic sectors was keen. For example, with the increased mobility that accompanied the rise of the automobile, affording new prospects for travel, British Columbia retailers increasingly importuned the provincial government to expend large sums in road construction and advertising to attract tourists. The mining industry bitterly opposed this type of expenditure as long as many profitable new mining properties remained inaccessible. For the miner it was "far more important that a man and his supplies should be assisted to reach his work of development without undue hardship than that the way of a sightseer, domestic or alien, should be made

<sup>25</sup> prematurely comfortable." On occasion, lumbermen had to fight before the Provincial Water Control Board the applications of

British Columbia power companies to dam rivers and lakes, and so flood thousands of acres of profitable timber lands and expensive logging roads. In these instances they were often joined by fishing interests who objected to the damming of spawning rivers. On other occasions, however, fishermen criticized lumber mills that dumped their sawdust into rivers and so created a pollution hazard for the fish stocks.

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Aside from inter-industry rivalry there was often conflict of interest between regions in the province. Recalling the struggles of earlier days, Island businessmen complained that too many tax dollars, collected primarily from Island timber industries, were being used to develop areas on the Mainland, while the potholes in Island roads remained unfilled. Similarly, hinterland Boards of Trade, eager for development, constantly importuned Victoria to spend money in their districts, usually on roads. Invariably, they requested works not merely of a local nature, but major trunk roads spanning whole sections of the Province. City business organizations like the Vancouver Board of Trade, receiving requests to endorse such projects before delivery to the provincial government, normally refused to do so, passing them on without comment. It appears that the Vancouver Board did not appreciate these requests, probably because the great majority of taxes to fund these projects would have to be collected in the heavily populated Lower Mainland.

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Business, then, rarely, if ever, presented itself as a



monolithic force in the affairs of the province. This is not to say that businessmen did not share views in common concerning business values and the role of government. Quite the contrary, they often did. Individual businessmen, however, were concerned primarily with the affairs of their separate businesses, secondarily with the condition of the industry as a whole, and vaguely with the health of the provincial economy in general, which they considered only as it affected their own field of enterprise. Lobbying with government on an industry-wide or regional basis was often difficult. While some interests were more influential than others direct negotiations with government often involved competition with other equally powerful groups. Major industries represented by organizations like the Mining Association of British Columbia maintained full-time lobbies in the capital, and expected to be consulted on any legislation affecting the industry, but most of the time their effectiveness in influencing government policy was limited to formal demands for a particular kind of action or threats at election time.<sup>28</sup> Normally, businessmen were relatively secure in the knowledge that capitalist free enterprise enjoyed the support of most British Columbians, and that government would therefore not implement policies likely to harm local business gravely. As we shall see, attempts to influence the character of governments were usually concentrated in efforts to elect persons to office who were businessmen themselves, men who would run the affairs of state along what came to be known as business government lines, that is, sympathetic to the needs of British Columbia producers and in the interests of

continued economic growth. Only under circumstances which were seen to endanger the business ethic in general could businessmen be counted upon to mount anything approaching a unified campaign of action. But the circumstances were to be grave indeed before the consciousness of businessmen would rise above their narrow concerns. The depression provided the kind of upheaval that resulted in at least a temporary mobilization of an influential segment of provincial business opinion, the corporate business community in Vancouver and Victoria.

Prior to the depression the business community's attitudes toward government were still heavily influenced by nineteenth century laissez-faire economic orthodoxy. Nevertheless, while most businessmen were wary of any new intrusion by Victoria into the private sector, they did accept as legitimate certain regulatory functions that clearly benefited production in the province and protected local producers from dislocation. For example, the mining industry advocated more vigorous government regulation to protect honest investors against unscrupulous stock promoters and so ensure "that the good name of the industry and of the country shall not again be besmirched by a parasitical crew trading on public ignorance and credulity."<sup>29</sup> Normally, this demand for government action was limited to requests that the Department of Mines supply correct information through advertisements, but sometimes the bad publicity that accompanied fraud

resulted in the suggestion that the government censor all mining advertisements before they appeared in the press.<sup>30</sup>

In another instance the British Columbia Miner demanded similar government regulation to ensure that power companies could never refuse service to important producers. This sanction for government intervention occurred in response to a situation where the West Kootenay Power & Light Company, wholly owned by the Consolidated Mining & Smelting Company, had refused to renew its contract with the Granby Company, a major copper producer, to supply power to that firm's operations because the Granby Company had decided to discontinue smelting its raw product at Consolidated's facilities at Trail. In order to prevent this the province's mining journal pressed for the implementation of the necessary regulatory legislation:

After all, the water powers of the Province are the natural heritage of the people, and it is in the highest degree essential that when individuals or corporations are privileged to exploit them for gain, reasonable governmental control should be exercised to ensure that the public interests shall be safeguarded against the imposition of excessive charges or against arbitrary actions or decisions affecting the service to the community.

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British Columbia had no public utilities commission in 1929. However, the Water Act of 1909 had empowered the province to create a Board of Investigation to regulate the rates charged by hydro-electric power companies. Responding to the dispute between West Kootenay Power and Light and the Granby Company over power, the Conservative government in Victoria passed an amendment to

the Water Act during the 1929 Legislative Session extending the jurisdiction of the Board of Investigation to include the distribution of power as well. In this way the government found a satisfactory solution to this particular question but refrained from establishing a full-fledged public utilities commission to regulate all the activities of provincial power companies. The British Columbia Financial Times praised the government's action:

We think that this is the best manner of handling the matter. The Water Rights Board is a thoroughly competent body, fully familiar with the water power resources of the Province and in many cases the Board is possessed of knowledge for the best manner of proceeding with its development. Adding to it powers for regulation and control, particularly with regard to distribution and rates, will add to the responsibilities of an organization which is already in being and well qualified to act. We feared lest a fully powered public utilities commission would be imposed upon the Province with wide powers of regulation at considerable annual expense and which might be tempted in order to justify its existence to a meddlesome policy, and ultimately result in a tendency to restrain development.

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Business attitudes to government regulation in the utilities field were therefore somewhat equivocal. Suspicious of government intervention on principle, some businessmen were willing to accept it, indeed even to encourage it, in certain well-defined instances. They wished to preserve the private development of power resources in the province, but with the public interest ensured. In British Columbia there was no equivalent to the well-organized group of progressive Ontario businessmen who rallied behind Adam Beck in support of public power.

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Aside from necessary, if limited, regulatory functions such as these, government was expected to provide statistical and

research data for the major producing industries in the province. Business journals lauded the annual reports of the provincial mines department, especially the contributions of the district mining engineers who provided authoritative records of mining developments of interest to the potential investor, as well as technical information useful to the prospector. The provincial Forest Branch received similar praise for its surveys of British Columbia forests and classification of productive land. For British Columbia fishermen it was a major responsibility of government to ensure sustained yields of the raw product, usually by means of regulatory measures based on definite scientific information. The activities of both federal and provincial biological stations in documenting the life cycles of salmon and halibut, experiments in the tagging of fish to discover their migratory habits and therefore determine which areas should be closed at what time of year and how fleets should be deployed to fish most efficiently, documentation of the relative efficiencies of natural versus artificial propagation and the transplanting of eggs to depleted areas were all designed with this end in mind. Indeed, so important were the technical services provided by government deemed to be that industry often criticized the government for not paying its technical personnel enough, with the result that many experienced men had left the public service in search of better wages in the private sector.

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Businessmen expected government support in other areas as well by the late 1920's. Road-building, to provide links to new

producing areas of the province, was a frequent demand of many Boards of Trade. H. R. MacMillan, the province's largest lumber exporter, attempted to arrange a federal ship subsidy for his Australia British Columbia Shipping Company in order to break into the Australian market now dominated by his American competitors. Expecting higher tariffs against Canadian lumber in the United States and Japan, lumber exporters also wanted the federal government to arrange a treaty favouring the British Columbia product in the Australian market. Mining men urged the provincial government to press Ottawa for more satisfactory freight rates, and on one occasion demanded that the province provide bonuses and tax rebates to justify the establishment of a copper smelter<sup>36</sup> on the Coast they thought the industry required.

Despite the fact most businessmen had much to thank government for in terms of programs designed to benefit them, some government activities met with a negative response. Chief amongst these was the high level of provincial taxation. True, the businessmen who commented on this subject probably should not be taken completely at their word. Still, the evidence shows that the business community was continually agitated on this point and frequently petitioned Victoria to alleviate the burden. In this regard, businessmen saw the provincial government as the prime culprit since taxes in British Columbia were usually many times higher than elsewhere in the country. In addition, by the late 1920's, the principal sources of provincial revenue were income taxes, timber licenses and royalties, and motor licenses and gasoline

taxes, sources that many businessmen felt discriminated against the upper classes of successful and wealthy producers, men who had built the province and invested in its future, while a large body of lower income earners shared only slightly in the financial burdens of the province. The business community's primary concern was that the extent and incidence of provincial taxation would discourage the investment of capital in British Columbia, on which the province's industries depended so much for their prosperity. Export industries also feared the steady erosion of their competitive position in the international market if provincial taxes continued to rise. In 1928, the Foreign Trade Bureau of the Vancouver Board of Trade addressed a letter to Victoria complaining that the provincial profits tax discriminated against British Columbia exporters in favour of their American competitors who were not obliged to pay any such impost. It suggested that the government either tax foreign exporters operating in British Columbia, exempt resident exporters from the tax, or watch British Columbia exporters move their operations to Seattle or Portland where they could operate on the same footing as their competition. 37

Coincident with the problem of taxation, and often offered as a reason for the heavy tax burden British Columbia industries had to bear, was the large public debt which the province had accumulated. In 1929 it stood at nearly \$108 million on a revenue base that barely exceeded \$21 million. 38 Many businessmen considered that such a large debt constituted an unnecessary burden on the productive resources of the province. More important, however,

was the fact that much of the debt appeared to have been avoidable, resulting from what businessmen considered to be extravagant expenditures on the part of government. As a report on provincial finance submitted to the annual meeting of the British Columbia Bond Dealers' Association pointed out late in 1929:

Certainly the creation of public debt as a result of the capitalization of over expenditures can rarely be justified, and it seems apparent that a very significant proportion of our present...debt has been created in this manner.

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According to the Bond Dealers' Association, borrowing was justifiable if it encouraged "legitimate development". In British Columbia the two projects that qualified in this regard were the completion of the Pacific Great Eastern Railway and highway construction. Even here, however, the Bond Dealers advised caution, stipulating that,

...any policy which may be laid down in regard to them should be very specific and definite, and follow upon most thorough examination of the conditions....Beyond these two questions no immediate necessity for large borrowings seems to be on the horizon, and it is felt that under normal conditions the revenue of the Province should cover all of the expenditures consequent upon a normal and satisfactory growth.

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Much of the increased expenditure of the provincial government after the war had resulted from the implementation of new programs based on social welfare and labour legislation. Many businessmen regarded legislation of this type as unproductive of economic growth and therefore unnecessary, if not dangerous. Correctional institutions, hospitals and charities, pensions and asylums all contributed to the growth in government social service



expenditures during this period. By the end of the postwar decade the per capita cost of education in British Columbia was nearly twice that in other provinces.<sup>41</sup> A business community that was chronically anxious over the province's international competitive position did not appreciate the trend. In its eyes these new expenditures did not aid the province's major industries directly, and indeed, had resulted in over-expenditure and increased debt in the public finances, which could only lead to higher taxes and further erosion of the competitive edge of industries primarily geared for export. As for the experimental labour legislation, the Minimum Wage laws and provisions for Workmen's Compensation that the province introduced in the decade after the war, many businessmen expressed concern that the new measures would only raise the cost of production in British Columbia and so handicap many important local industries.<sup>42</sup> There was a psychological cost connected with social welfare and labour legislation as well. As one business organization put it, the province was rapidly "sacrificing to a measurable degree the characteristics of thrift and sturdy independence which for generations past have developed the outlying portions of the Empire."<sup>43</sup>

In summary then, the spokesmen for the province's major export industries often expressed concern that the government balance its budget so that higher taxation or increased debt would not threaten their international competitive position. If government intended to spend, it should do so only in areas that would aid directly the growth of British Columbia's industries and

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not constitute a burden, as social welfare and labour legislation tended to do. In the main, this attitude reflected the protective mentality of most British Columbia businessmen, resulting from the uncertainty of world markets that was a condition of doing business in the province. Insofar as the statements of businessmen can be taken at face value they believed they needed all the help from government they could get.

The onset of the depression after 1929 served to exaggerate and harden the traditional attitudes shared by the majority of the province's businessmen. The collapse of world trade and the concomitant tendency of many nations towards economic nationalism affected the export industries of British Columbia profoundly. In this sense, the rapid decline of the provincial economy after 1929 merely confirmed the anxiety over the precarious nature of British Columbia's prosperity that underlay much of the apparently optimistic rhetoric of local businessmen during the period in the later 1920's when times were relatively good. The value of primary production in the province was more than halved in the period 1929-32, declining from \$246 million to \$105 million.<sup>44</sup> All the major export industries, agriculture, forestry, mining, fishing, were affected by the downturn. The curtailment of primary resource production in turn crippled the wholesale and supply industries of centres like Vancouver which were dependent on healthy mines, mills and canneries for their own prosperity.

The port facilities of Vancouver also experienced hardship as foreign orders for the province's natural products and prairie wheat disappeared.

By the winter of 1930-31 local businessmen had begun to realize the true significance of the event. Superficially, the public statements of prominent businessmen exuded confidence and invited calm. Indeed, on some occasions they even denied that a depression existed at all. As R. D. Williams, the President of the Vancouver Board of Trade, explained early in 1931, the current period was one of "quiet times" only, and although one would be foolish to say that the immediate prospects were bright the present situation should be likened "to a firm taking stock, clearing its shelves in preparation for a newer and bigger volume of business which is to come."<sup>45</sup> Privately, however, businessmen expressed a growing uncertainty concerning the possible effects of a protracted slump. Late in 1930, for example, members of the Vancouver Board of Trade Council betrayed their anxiety by resolving "that a letter be sent to the principals of the three daily papers asking them to tone down the present pessimistic stories and feature on the other hand the optimistic side of Vancouver's present and future."<sup>46</sup>

Increasingly, businessmen began to fear that the deepening depression heralded the end of capitalist free enterprise. Dr. Victor Dolmage, Chairman of the British Columbia Division of the Canadian Institute of Mining and Metallurgy, stated the problem

clearly in his address to a joint meeting with the Mining Association of British Columbia late in 1930. There was a sense of urgency in his remarks:

The most serious consequence attendant on this depression is not the temporary loss to business, nor even the suffering of the people, but the influence that it is having on the minds and thought of the people regarding the soundness of this system. Will they lose faith in it entirely and demand a change to some other method for the distribution of wealth? I would judge that the present business and financial leaders have only a limited amount of time in which to vindicate themselves and their system.

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Editorials in business periodicals weighing the possibility of social upheaval as a result of the depression, and condemning the activities of communists who seemed to feed on the dislocation, provide evidence that the business community was frightened.<sup>48</sup>

Early in 1933, for example, the collieries at Princeton and the Granby Company's Anyox mine were struck. The British Columbia Miner declared:

The trouble is certain to spread. Are we calmly going to allow it to do so? Professional labor agitators, who with nefarious intent, deliberately attempt to aggravate the social difficulties of the times by promoting unjustifiable strikes are the enemies of society, and the enemies essentially of the sane and responsible element among the workers who are the victims of their designs. They are dangerous criminals and should be treated as such.

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The business community's commitment to individual initiative and private enterprise, however, prevented it from formulating any dynamic solutions to the current difficulties that might involve thoroughgoing social change. The responses in most industries usually involved more vigorous activity in areas developed

before the advent of the slump, particularly advertising and market extension campaigns.<sup>50</sup> Business efforts to confront the problems associated with the growing numbers of unemployed were clearly of the stop-gap variety. Often the first response of employers to the deflation was to reduce wages and shorten working hours in order to distribute employment more equitably. The solution of the Victoria Chamber of Commerce and the local branch of the Canadian Manufacturers' Association to the problem of unemployment included recommendations that employers hire white labour instead of Orientals, that they fire married women who had husbands earning an income, that civic governments supply public works, and that regular conferences representing employers, employees, city and provincial governments be held "to discuss the problem". In Vancouver the Board of Trade organized a city-wide campaign to have property owners pledge a modest amount weekly for odd jobs and repairs that relief recipients might perform around the house. Thus, many businessmen did make an attempt to respond positively to the economic downturn. To a certain extent they recognized an obligation to look after the people who worked under them. As the depression deepened, however, it became clear that such measures would never provide any permanent solution to such a severe crisis.<sup>51</sup>

The principal difficulty facing British Columbia businessmen was that, as a rule, they had very little that was innovative to offer as a solution to the depression. Aside from the modest attempts to alleviate the distress of the unemployed, and their

efforts to advertise British Columbia products abroad, most businessmen usually preferred a cautious policy of waiting out the bad times. As Harold Brown, the new President of the Vancouver Board of Trade, preached early in 1932: "We must be good Romans; wear the toga; see it through."<sup>52</sup> This is not to say that businessmen were paralyzed; it merely means that their response to hard times consisted more of determined efforts to avoid the mistakes of the past than to implement progressive new measures. Predictably businessmen had come to the conclusion that the postwar period of growth had taken place on unsound foundations. The Retailer asserted that the current dislocation was a period of "corrective adjustment" due to:

...economic principles which the world seems to have lost sight of during the past five years under an impression that the age-old rules had become obsolete. A study of economic history over a period of centuries shows that depressions come in cycles, and the recent depression has only repeated the course of history.

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What was required, then, was a return to the old business values of thrift, balanced budgets, and the avoidance of waste and extravagance. Only with this kind of effort could the foundations of a new and more stable prosperity be laid. New social experiments to alleviate the dislocation the depression had caused would only retard this process, particularly in a new and essentially immature economy like British Columbia's. Early in 1932, Mayne D. Hamilton, the President of the Vancouver Board of Trade at the time, articulated this point of view in his address to the Board's annual meeting:

Notwithstanding the many doctrines suggested for the immediate righting of the situation, Canadians have wisely adhered to the old-fashioned remedies which have served them so well in past years and during periods much akin to the present. Steadfast hope, coupled with honesty and hard work, are qualities which this young country is displaying in sharp contrast to some other lands. It is only too true that with us governments, corporations and individuals have been living beyond their means, following too closely perhaps a newly rich neighbour and forgetting that as a younger people we should abide our time for the luxuries they enjoy....The rich resources which we possess and which the world will need in abundance will bring back prosperity to Canada. Until then we must be content with expenditures completely within our means and if every organization and individual will balance their respective budgets for the coming year we will have gone a much longer way toward the return of prosperity than we have achieved in the past two years of trial.

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As the economic downturn became more pronounced, so also did the demands the business community made on the provincial government. Many of the major business organizations located in Vancouver, particularly the city's Board of Trade, paid closer attention to the activities of the government in Victoria after the arrival of hard times. Issues that might cause friction were now much more likely to do so. As a rule, businessmen responded to the depression with a heightened desire to ensure that the provincial government followed business government principles by providing services to aid British Columbia business in its quest for security, and implementing "sound" financial policies. For example, as economic reverses multiplied, businessmen representing the lumber and fishing industries became increasingly importunate of government to supply money and support for their advertising and market extension programs. British Columbia manufacturers wanted the provincial government's purchasing department to favour local

products in its orders, while mining men petitioned the government to provide free airplane transportation to prospectors in the northern portion of British Columbia and in the Yukon, and to provide grub-stakes of food and equipment as well. That some businessmen regarded government assistance to help industry along the road to recovery as a matter of right is suggested by the howls of protest which erupted from many business journals whenever the government announced cuts in the budgets of the Department of Mines or the Forest Service. "From the viewpoint of the industry....," the British Columbia Miner asserted,

the contention may be justly advanced that in times of depression a basic national asset requires fully as much, if not more, stimulation than it does when things are on the boom. There are limits, of course, to possible expenditures, but unless it can be shown that a curtailment in technical guidance is adopted as a last resort only in the justifiable attempt to balance budgets, there is no excuse whatever for assuming that what is recognized as a necessity at one time, may be jettisoned as a luxury at another.

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Clearly, parts of the business community, despite their cries for economy, felt some expenditures to be vital, but only if they worked in the interests of businessmen.

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The depression sharpened business criticisms of the government's expenditure on social welfare programs. Instead of reducing the allotment for the province's Forest Service, the British Columbia Lumberman complained, Victoria might be better advised to curtail some of its "pet experimental ventures" which only hampered industry in its efforts to bring about recovery. With growing frequency business journals pointed out that British Columbia was

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still an "immature" pioneer economy, "the least able to afford to  
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assume such handicaps" of any Canadian province. As the British  
Columbia Financial Times analyzed the problem:

We have...a short industrial history....We are borrowing heavily from outside sources funds for our own exploitation.... We are not deeply entrenched to sustain burdens as in older countries buttressed with investments, whose interest returns help in considerable measure to sustain the country. We are almost entirely dependent upon production and development to carry on. Hence the need of a strong, individualistic type of administration, which will leave as largely as possible to private initiative the carrying on of our business affairs. Hence, the danger of socialistic legislation involving heavy expenditures, which can be defrayed only from the processes of production and development and that means heavy business taxes.

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Business comment concerning the ever-increasing costs of government relief programs reflected this mentality. In keeping with their concern over government expenditures that were not of direct benefit to industry a few businessmen claimed that high relief allotments would attract unemployed drifters from all over Canada. Fear of higher burdens on industry as a result of heavy expenditures and borrowing to pay for relief induced the Civic Bureau of the Vancouver Board of Trade to demand that government limit such spending to provide only the necessities of life and that the scale of wages paid be low enough to discourage anyone from applying for relief who could hope to acquire even a pittance elsewhere. On another occasion the Board expressed concern that the province was spending large amounts transporting transients riding freights to Oakalla where they were housed and fed at public expense. "While riding freights was a problem that should not be encouraged," the Board decided, "at the same time it

cost the country nothing." <sup>60</sup> Granting that the government should provide relief, most businessmen also stipulated that it should take the form of a wage for labour on government public works such as the construction of new mining roads. This, they said, would avoid keeping men in morally debilitating idleness and might stimulate recovery as well. Here again the conviction that government expenditures should always assist industry came to the fore. <sup>61</sup>

Underlying the businessman's demands that government only spend money in areas that would foster economic growth while avoiding unproductive social welfare expenditures was the belief that government should conduct itself like a private business firm. Many businessmen believed that social welfare schemes were always more costly to implement than the programs they called for. In addition, business spokesmen remained unconvinced that social welfare programs provided an adequate economic return to the province. During the depression their concerns were confirmed by the financial crisis the British Columbia government experienced, chiefly due to high relief expenditures. Unlike politicians, however, most businessmen did not feel that government deficits were beyond effective control. Speaking before the annual meeting of the Vancouver Board of Trade, early in 1933, outgoing President Harold Brown boasted that in spite of declining revenues and a shrinking membership the Board, through skilful management, had emerged with a balanced budget and even a small surplus. "I heartily commend this outstanding example to all governing bodies

at home and abroad," he trumpeted. In confronting the depression governments should economize like everyone else, especially since their activities affected the performance of industry significantly. British Columbia's financial difficulties during the early years of the depression forced the government to increase an already large debt through borrowing, and to raise taxes. Many businessmen were not pleased. These measures, they said, could only damage the province's credit rating, place new burdens on its productive capacity, and so retard recovery. As the provincial economy plunged into a protracted decline, therefore, the issues of rising debt, rising government expenditures to pay for increased social services under heavy pressure due to the depression, and rising taxes to pay for both of them severely strained business patience with the government in Victoria. In time corporate businessmen in Vancouver particularly came to believe that the government was acting irresponsibly. As the British Columbia Financial Times concluded, late in 1931:

The common experience since the war and before has been to apply to the financial markets for the sale of securities to defray the cost of public improvements, and most of these loans have been used for the purpose of public improvements without adequate relation to their revenue-producing possibilities and not always arising out of public necessity. The interest and sinking fund charges on these loans are bearing heavily on the business interests and increasingly so when business becomes reactionary. And this is not all. The administrative costs of government are steadily increasing. We are steadily increasing the activities of government through commissions and boards and other forms of political interference. The treasury has been severely drawn on to finance special interests, and in the last few years we have paid severely for this governmental interference. It is continually being pressed on the businessman that he is paying the taxes and he can pay taxes only out of the profits of business operation. Taxation is a direct charge on business profits, it prevents business expansion and industrial progress, which is so needful in a new country like Canada. The average citizen in carrying these burdens is increasingly

leaning toward the Jeffersonian doctrine of "He governs best who governs least".

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Fear that the depression would cause social upheaval, combined with a growing conviction that government was not performing its role in the manner prescribed by businessmen resulted in a growing hostility amongst Vancouver big businessmen particularly to the political process as it operated in Victoria. This is not to suggest that these city businessmen made the provincial government a scapegoat, but it does mean that the pressure of the times prompted many of them to be much more critical of government and to demand that it perform according to rules set by the business community. The fact that Victoria was unable to live up to the business community's expectations meant that gradually a number of prominent businessmen, centred mainly in Vancouver, but supported by Victoria business organizations as well, were prepared to unite and take action. After the Legislative Session of 1932 these business interests were able to pressure the Tolmie government into appointing a commission of businessmen to analyze the province's finances and suggest ways that the tenets of business government might be more effectively implemented. The far-reaching recommendations of that commission, known as the Kidd Report, underlined the apprehensions of the most powerful within the business community, whose chronic anxiety had been augmented by the slump. The Report also confirmed their

determination to prevent a more significant role for government in society except on terms which they sanctioned.

FOOTNOTES: CHAPTER I

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8 Vancouver Board of Trade, Minutes, Annual Meeting, Vol. 48, March 13, 1928.

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- 22 Who's Who in British Columbia, 1933-34, (Victoria, 1934), pp. 21-22.
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- 25 British Columbia Miner 1 (June 1928).
- 26 British Columbia Lumberman 13 (June 1929); BC Fisherman 1 (September 15, 1930); Ibid. 1 (November 15, 1930).
- 27 Victoria Chamber of Commerce, Minutes, Board of Directors Meeting, November 23, 1928; Vancouver Board of Trade, Minutes, Council, Vol. 9, January 3, 1929.
- 28 British Columbia Miner 1 (May 1928); In 1928 Famous Players in Vancouver informed Premier MacLean that unless his government reduced amusement taxes the theatre chain's head office would work hard for the election of the six Conservative candidates in Vancouver during the coming election. Pattullo Papers, Vol. 24 file 12, J. R. Muir to J. D. MacLean, March 13, 1928.
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## CHAPTER II

### LIBERALS AND CONSERVATIVES

In 1928, the province returned Dr. Simon Fraser Tolmie and his Conservatives to power after twelve years of Liberal rule. Tolmie's administration called itself a business government and sought to conduct itself according to the tenets of that doctrine. In order to understand the response of the business community to government during the depression it is necessary to differentiate between the attitudes and policies of Liberals and Conservatives regarding the notion of business government. In this respect, an examination of the election of 1928, the program and policies emphasized by the Conservative government during its period in power, and the response of the Liberal party under T. D. Pattullo while in opposition serve to illustrate what the theory of business government meant in practice.

Liberal government between 1916 and 1928 was not business government as the term was understood at the time. True, the Liberals committed their government to policies that would encourage economic growth through private enterprise. These included reduced taxation to induce capital investment, land settlement schemes to

open up new productive areas in the province, trunk road construction, and advertising for local products in foreign markets. Despite this assistance, however, the Liberals did not consider it their responsibility to work in the interests of the business community alone. Liberal philosophy encouraged the party to be responsive to the needs of all sectors of society. This Liberal commitment caused strains in the government's relations with influential segments of the business community, and much of the rhetoric of Liberal politicians during the period demonstrates the trend. This was particularly true of the statements made by Thomas Dufferin Pattullo, Minister of Lands. Liberals of the Pattullo type were wary of the business community. In one of his speeches the Minister of Lands explained that modern society demanded a more significant role for government if the interests of all the people were to be considered. This in turn meant that enlightened governments would have to defend themselves against the moneyed interests who invariably opposed progress in this direction:

...in our complex society it is necessary for the state to intervene from time to time in the interests of the general whole. I believe in the individual ownership of property and the opportunity to exercise individual initiative and individual development, but these must always be consistent with the general public welfare. The forces of reaction are powerful. They generally have the money to back up their influence, and anyone who does not see eye to eye with them, or who advocates any measure with which they do not agree, even though that measure is designed for their benefit as well as for the benefit of others, they do not hesitate to undermine his influence.

1

The large body of labour and social welfare legislation which

the Liberals implemented during their period in power demonstrates that their commitment to govern in the interests of more groups in society than the business community alone was no mere campaign pledge. One of the first acts of the Liberals on their coming to power in 1916 had been to establish a Department of Labour in British Columbia, the first province in Canada to do so. Legislation to implement workmen's compensation, the eight hour day, a minimum wage, and new safety regulations for industry had followed. Dr. J. D. MacLean, the Liberal Minister of Health and Education, augmented the government's social welfare role by piloting legislation through the House which dealt with new public health measures such as the Tranquille Sanitorium for tuberculosis victims and free clinics for the prevention of venereal disease, a Boys' Industrial Home in Coquitlam, a home for the deaf and blind at Point Grey, and a mothers' pension scheme to assist widows with young children. In 1928 the Liberal election manifesto described MacLean as the principal architect of the province's social legislation.<sup>2</sup> This was significant for the party's image during that campaign, especially as MacLean had succeeded John Oliver as Premier after the latter's death late in 1927. MacLean's speeches manifested the social welfare orientation the Liberal party proudly exhibited in 1928. "With regard to the social and domestic welfare of our people," he remarked on one occasion, "it may be truly said that we look after them 'from the cradle to the grave'.<sup>3</sup>" Pattullo promised the Nanaimo Liberal Association that the government would never economize on schools or hospitals in order to reduce taxation, and that this "integrity of our purpose

and desire to do right by all the people, and not a few, will bring general endorsement at the next elections."<sup>4</sup>

The Liberal emphasis on social policy did not sit well with much of the provincial business community. Primarily businessmen complained that the government had its priorities reversed. Spokesmen for the lumber industry, for example, felt that the people of the province should pay more proportionately for forest protection and so ensure the health of the industry that generated much of the province's tax resources. "The people of this Province," the British Columbia Lumberman commented in June, 1928, "receive annually about three and a half million dollars or more as their profits in the forest industries and they pay back about one-tenth to protect their equity. A more liberal expenditure of forest receipts on forest policies could easily be afforded."<sup>5</sup> Social welfare and labour legislation prevented the allocation of public funds businessmen preferred. Not only that, it hindered the development of industry in British Columbia because of the higher costs of production it entailed for business through increased taxes and debt charges as government sought the funds to carry such programs. As T. A. Lamb, president of the British Columbia Loggers' Association, warned in March of 1928:

British Columbia has very advanced social legislation which while excellent in many respects naturally adds to the cost of production. Our lumber has to be sold in distant markets in competition with lumber producing regions that are not subjected to the same legislation and we are therefore handicapped to that extent.

6

The higher taxes which resulted from the Liberal government's

increased expenditures on social welfare programs also irritated members of the business community. During the later 1920's the Liberals had reduced income and property taxes markedly but new taxes on industry in 1927 and 1928 did much to alienate businessmen. Particularly irksome was the provision to tax company profits on the sale of timber, mines or mining property, and water rights. Many businessmen protested the new impost, presenting the usual arguments that it would interfere with the industrial progress of the province and discourage the development of natural resources and the exploration of potentially profitable new properties.<sup>7</sup> During the 1928 Session a delegation of mineral and timber property owners approached Premier MacLean and asked that the government abandon the tax, but he refused to consider the request. The British Columbia Lumberman was disappointed at the decision to maintain the tax, and in response it issued a warning to the Liberal government:

Suffice it to say, that another unjust and inequitable burden has been placed upon the timber industry, upon which thousands of workmen in this Province are dependent for their daily bread. Surely the government will discover that there must indeed be a day of reckoning for those who since their inception into office have cast such a mass of oppressive legislation upon our major industry.

8

The business community's critique of Liberal social welfare and tax policies prepared the ground for the platform the Conservative party took to the electorate during the election campaign

in the summer of 1928. The main thrust of the Conservative attack focused on the Liberal government's alleged financial mismanagement, which had resulted in provincial businesses having to pay high taxes in order to compensate for Liberal extravagance. "The financial record of Liberalism in office," the Conservative election manifesto stated, "shows reckless prodigality in ill-advised expenditure, pyramided taxation and alarming augmentation of the public debt." <sup>9</sup> References to the public accounts in the manifesto attempted to demonstrate this. Since 1916, the last year of Conservative government, taxation revenue had risen from \$6.2 million to \$21.8 million in 1926. True, the increase was as much due to a larger population as it was to higher taxes implemented by the Liberals, but, as the Conservatives continually emphasized, this still made British Columbians the highest taxed people per capita of any province in Canada. The reason for this high rate of taxation, the Conservatives said, was that the Liberals could not live within their income, that they had been spendthrift, expending public funds wastefully on programs that brought no return to the public treasury. Despite rising revenues, in only two years since they had come to power had the Liberals managed a surplus on current account. These accumulated deficits, together with a penchant to spend lavishly, had forced the government to borrow in order to achieve a balance and the gross public debt had increased accordingly from \$23.2 million when the Conservatives left office in 1916 to \$97.3 million in 1927. As a result, the annual charges to service the public debt had risen from \$1 million in 1916, or 15.8 percent of revenues, to \$6.1 million in 1927, when

these payments accounted for 29.8 percent of the revenues<sup>10</sup> collected.

What the Conservatives urged the voters to do was elect a Conservative business government. In their speeches they likened the Legislature to a Board of Directors in a large business, where the cabinet ministers were managers and heads of departments, and the taxpayers were the shareholders. Using this model the Conservatives argued that the Liberal government, through its financial bungling, had forfeited the confidence of the shareholder electorate. "The country's financial shewing must be the barometer of its managers' success or failure," the Conservative election manifesto argued, and,

unfortunately for the [Liberal] Administration,...analysis of the Government's record in the conduct of provincial affairs can result in but one conclusion to the taxpayer-shareholder: That by all the standards of business, mismanagement, incompetence and extravagance have been so general, so serious and so persistent that, for their own protection, the electors must at the first opportunity replace the present administrators by others with a broader grasp of public policy and greater capacity or determination to direct the country's business on sound business principles.

11

The Conservative strategy during the 1928 campaign, therefore, was to liken the election to a corporate stockholders' annual meeting. Only the shareholder electorate could decide whether the present Board of Directors had conducted the business affairs of the government properly, and vote accordingly:

In the last analysis, provincial business is in the people's hands. They are the shareholders. They have the voting power. By them must their managers be continued in their posts or dismissed for cause.

12



Naturally, the Conservatives attempted to convince the public that their candidates were better able to run the government enterprise than Liberals who had been found wanting. In Vancouver, particularly, they responded by nominating six millionaire businessmen as candidates. A campaign advertisement placed in a Vancouver newspaper urged the voters to return the six:

6 of Vancouver's Prominent Business Men -  
aggressive, enterprising, the type of men who have  
made Vancouver what it is today - men concerning  
whose business qualifications there is no doubt  
Business Men - Not Politicians You Want a Business  
Government

THEN VOTE CONSERVATIVE

13

The fact that the Conservative slate in Vancouver was composed entirely of very wealthy men aroused much comment in the local press. But the Conservatives felt this worked to their advantage. William Dick, a candidate who had made a fortune in men's clothing, asked, "is it a crime to be successful? If the men on the Conservative ticket have made a success of their own business that is all the more reason why they can make a success of your business at Victoria." <sup>14</sup> The Conservative pitch seemingly reaped dividends, for all six of their candidates in Vancouver were returned.

The core of the Conservatives' campaign was the promise that their Board of Directors would be more business-like and efficient than the Liberals had been. Much of their platform was expressed in sweeping aphorisms that pronounced: "It's time we took a lot of the politics out of our politics and substituted Business <sup>15</sup> Principles." While somewhat trite, these slogans were useful in explaining what type of government activities a Conservative

administration would emphasize if returned to power. Dr. Simon Fraser Tolmie, the Conservative leader, made repeated references to the fact that the province had made some progress in the last decade, but not nearly as much as it should have. He promised that a Conservative government would emphasize the development of the province's natural resources, and encourage domestic manufacturing and land settlement to increase the population of the province in order to alleviate the pressure on the local economy caused by its dependence on foreign markets.<sup>16</sup> In effect, he was saying that the job of government was to ensure that the business community in the province remained prosperous and expanding.

"In addition to ordinary administration," his campaign pamphlet explained,

a government in British Columbia, to be really effective, must be keenly alive to the necessity for greater development of its resources and increase in population. It should be ever on the alert to take advantage of all opportunities to increase business within the Province, so as to provide work for our people at home, and to make business and living conditions so satisfactory as to attract others to our shores.

17

Aside from this general commitment to the business community, Tolmie's campaign pamphlet also pledged that a Conservative government would attempt to reduce taxes, or at least to maintain stability in taxation in order to encourage the investment of capital in British Columbia and the development of the province's untapped natural wealth. Conversely, the pamphlet's statements regarding labour and social welfare legislation were vague and non-committal. Certainly, the Conservatives did not want to

alienate the large numbers of voters who would benefit from these programs, and accordingly they came out in support of investigating the possibility of plans for state health insurance, as the Liberals had done. Still, they made no firm commitment to implement such a scheme. They promised generous provisions for mothers' pensions, but significantly, only "as provincial finances will permit". Benefits to labour would accrue through the Conservative policy of encouraging home manufacture, their manifesto predicted, while it pledged that a Conservative government would introduce new legislation to improve the conditions of labour in the province. But again, the latter promise was qualified with the proviso that new legislation could only be implemented "when and as such conditions require and the prosperity of the province warrants." 18

The results of the election of July, 1928, indicate that the Conservatives' views had some currency. Liberal representation in the Legislature was halved, from twenty-four to twelve, while the Conservative ranks swelled to thirty-five members, up from seventeen. A single Labour member rounded out the new Parliament.

Heading the new Conservative government as Premier was Dr. Simon Fraser Tolmie, a native son whose parents were among the first British immigrants to settle on Vancouver Island with the Hudson's Bay Company. Educated in Victoria and at the Ontario Veterinary College, he had been elected as an M.P. for Victoria

in 1917 and had served as Minister of Agriculture in the short-lived Conservative administrations of the 1920's before accepting the leadership of the provincial Conservative party in 1926. A genial sort, Tolmie was not a fierce partisan, and he had liked it in Ottawa where he had an efficient deputy minister to run the department while he did what he loved best, attending country fairs and mingling with the farm folk. Tolmie doted on agriculture, and rural metaphors often made their way into his speech material. After the 1928 victory he reportedly said:

Because I weigh less than a ton on the hoof, am beefy, but well sprung, have a good top line and a deep chest, I am naturally of a bovine temperament. I never go off my feed or start pawing dirt and bellowing in the political field.

What more could the voters ask of the leader of the Conservative herd?

19

Tolmie was indeed beefy. He weighed close to three hundred pounds, and a special chair had to be constructed for him in the Legislature to house his bulk. Simple, direct, down-to-earth, his common touch and rural humour made him an appealing campaigner. His personal popularity contributed much to the Conservative victory. Depression circumstances left him floundering, however, and he does not appear to have been particularly well-suited to lead during hard times. Tolmie was not an innovative thinker. The Vancouver Sun summed up this flaw, crediting the Premier with a "Pickwickian disposition," but also, alas, a "crinoline mind".<sup>20</sup> He also did not enjoy good health, and his habit of catching colds or experiencing long bouts of nosebleeds which kept him confined to bed had serious consequences during the worst days of the depression when the province required a strong man most. In 1928,

at sixty-one years of age, he was the only member of the new cabinet who had experience as a minister of the crown.

Viewing the results of the election the British Columbia Financial Times expressed the satisfaction of the Vancouver business community. Along with Tolmie, the journal said, "there has been elected a strong group of representative business men from whom the new premier will have no trouble in picking out capable administrative officials. Business in British Columbia can rely with entire confidence on the business ability and the common sense possessed by those who will compose his government." <sup>21</sup> In particular, Tolmie's choice for Finance Minister, W. C. Shelly, met the Times' expectations in this regard, and the journal was well pleased by the appointment. <sup>22</sup> Shelly had come to British Columbia in 1910 and organized Canadian Bakeries Ltd., one of the largest baking chains in western Canada. Later his financial interests had expanded to include an office building named after himself, grain exporting, commercial securities, real estate, and the development of Grouse Mountain as a scenic resort. A member of the Vancouver Board of Trade and the Canadian Manufacturers' Association, he was one of the most prominent businessmen in Vancouver before being elected at the head of the poll for the city in 1928. The men chosen for other major cabinet posts were well-known businessmen as well. Nelson Lougheed, the new Minister of Public Works, and future Minister of Lands, was the owner of one of the largest logging firms in the Fraser Valley, "an ideal choice" for cabinet the British Columbia Lumberman said. <sup>23</sup>

W. A. McKenzie, the new Minister of Mines and Labour, was a Penticton builder and contractor, while R. W. Bruhn, President of the Council, and future Minister of Public Works, was a successful logging and lumber operator from Sicamous.

The primary concern of the Tolmie government was to encourage economic growth, and a major contribution it felt it could make in this respect was to open up the frontier areas of the province. In 1930 it successfully negotiated the return of the railway belt and Peace River lands to the province from the federal government. A comprehensive road building program was inaugurated in 1929, with special attention given to the needs of this new district. The new government also entered into an agreement with the two national railways to survey jointly the natural resources and topography of the territory served by the Pacific Great Eastern Railway and the country north of Prince George with a view to future settlement and development. As time passed, and particularly after the depression began to provide the cities with a surfeit of idle manpower, the government initiated land settlement programs to populate the uninhabited areas of the province. Although settlement was clearly to be on a subsistence basis only, at least for the first while, the government received applications from many families willing to go, and farms were established along the Pacific Great Eastern, near Prince George, Vanderhoof and Burns Lake, as well as in southeastern British Columbia and the Fraser Valley. Nelson Lougheed, the cabinet minister who administered the program, was proud of the government's efforts, arguing that land settlement would re-establish

the self-sufficient family farm that was the backbone of pioneer society. While the government would have to support the settlers for a time, it was cheaper than keeping them on direct relief and it provided the province with a valuable asset in the struggle to develop new frontiers.<sup>24</sup>

This emphasis on programs such as land settlement did not compromise the Conservatives' commitment to the primacy of the private sector in developing the country, however. Conservatives believed that governments could assist in bringing about prosperity, but only if their policies did not interfere with the businesses on which the major burden for growth continued to weigh. Soon after accepting office Premier Tolmie spoke for this principle before a sympathetic audience at the New Westminster Board of Trade:

Remember, it is a very difficult matter to overcome the law of supply and demand, and we cannot hope to bring about prosperity by enacting drastic legislation. Too much interference creates uncertainty and instability which is fatal to sound business methods. We must not have too much government in business.

25

Conservative rhetoric during the early years of the Tolmie administration mirrored a deep reverence for successful businessmen and their contribution to the development of the province. Government spokesmen praised their performance and promised to assist them in their efforts. Tolmie expressed this position clearly in a speech before the British Columbia Division of the Canadian Institute of Mining and Metallurgy at the Hotel Vancouver in November, 1929:

Last year it was my privilege to see something of the Pioneer and Lorne Mines in the Bridge River Valley. I was struck with the courage and enterprise of men who could scale those mountains, make their roads and drive their tunnels and shafts out there in a rugged wilderness. No wonder that men of such spirit achieve great things. But you are going much further than that. There are places in this province of ours which the white man has yet scarcely penetrated, and in some of these it is safe to prophesy that in years to come you gentlemen will again prove the true pioneers you have always been by opening treasures and establishing camps which will be the nucleus of a new civilization. To assist you in such work will be the privilege as it should be the pleasure of the government of a Province which already owes so much to your enterprise.

26

According to the Conservatives, the government role in assisting industry was to be a supplementary but by no means passive one. For example, towards the end of the 1920's local business periodicals were beginning to recognize the potential bonanza the growing tourist traffic might entail for the province. The Greater Vancouver Publicity Bureau reported that in 1929 alone tourists had left \$35 million in the Vancouver area.<sup>27</sup> The Retailer advised that if local merchants would only invest a little extra money in publicity to attract tourists their investment would be realized many times over.<sup>28</sup> The Tolmie government soon perceived the financial benefits that would accrue to the province's small businessmen if it catered to tourists, and it responded by creating a Bureau of Provincial Information to turn out publicity booklets liberally embellished with colour photographs of the British Columbia scenic spots, and information on the province's recreational facilities.<sup>29</sup> In the summer of 1930 the Bureau arranged for the Premier and members of his staff, together with representatives of government and industry in the United States,



to take a motor caravan journey from Vancouver to Hazelton in order to publicize the tourist facilities and natural resources of the province and draw attention to the proposed construction of an Alaska highway.<sup>30</sup> The major fillip which the government attempted to give the tourist industry, however, was the program of road construction it initiated upon taking power. During its first two years the Tolmie administration borrowed \$15 million for this purpose. The new roads were expensive to build since it was the government's policy to eliminate curves in order to provide a saving to the motorist in gas, and lessen the danger of driving in the province's mountain ranges. Nelson Lougheed, the Minister of Public Works, stated specifically that the priority of roads of this type was part of the government's plan<sup>31</sup> to attract tourists to British Columbia.

Conservative assistance to the fishing industry took the form of regulating producing in the interests of the big canning companies, at their request, and at the expense of the individual fishermen. During the last few years of the 1920's over-fishing and the growing competition of fishermen's co-operative canneries had affected adversely the profitability of the big canning enterprises. Late in 1929 the Canned Salmon Section of the Canadian Manufacturers' Association British Columbia Division approached S. L. Howe, the Provincial Secretary, and requested that the government limit the number of canning licenses to those plants operating or licensed in 1928 or 1929. Ostensibly, the big canning firms had requested government regulation in order to

stabilize the industry, conserve the supply of salmon for the future, and enable fishermen to make a living wage while canneries got an adequate return on their investment.<sup>32</sup> Howe and the government agreed to implement the necessary legislation in the 1930 Session. The province's fishermen, however, objected violently to the proposal, arguing that it was designed to curtail the development of the canning co-operatives fishermen had planned to organize in order to break their dependence on the large canning corporations. As one irate fisherman wrote to a Vancouver newspaper:

It would seem that the Provincial Government had decided to cure the ills of the fishing industry at the expense of the fishermen. If the new regulations are enforced it will be a sorry day for the fishermen of British Columbia. One would almost think that Hon. Mr. Howe had let the cannery men draft the new regulations for him....Isn't it too bad we can't take the well-known phonograph advertisement and have the voice of the packing combine issuing from the machine with Mr. Howe sitting in front with his head on one side, or course leaving the well-known slogan, 'His Master's Voice'.

33

The government ignored the petitions of the province's fishermen's associations and carried the new regulations through the House,<sup>34</sup> much to the satisfaction of the large canning firms.

Mining, too, received assistance from the sympathetic Conservative government. Early on, the Tolmie administration notified the businessmen in this industry that it would inform them well in advance of any proposed legislation affecting mining so conferences could take place to avoid hasty and ill-advised laws that would handicap the performance of the industry.<sup>35</sup>

After the onset of the depression this sympathetic attitude became even more pronounced. On one occasion the Minister of Mines,

W. A. McKenzie, told the annual dinner of the British Columbia Division of the Canadian Institute of Mining and Metallurgy that his department would not formulate any policies without the endorsement of the majority of operators in the province. <sup>36</sup>

McKenzie believed that the Department of Mines existed to serve the industry and facilitate its growth. His New Year's Message to the industry for 1931, printed in the British Columbia Miner, reflected this commitment, and the nature of a business government's responsibility to mining firms:

Each of these enterprises means millions of dollars expended in wages and supplies; it means the creation of new markets for the farmer because it brings population, and that is what we in British Columbia need....When one hears the cry raised: close this, that, or the other large region to the prospector, keep the miner out for he will mar the natural beauty of our mountains and our forests, one is tempted to ask: do we fully realize the importance to us of such an industry as that of the Britannia Mining and Smelting Co.,...? Do we understand how quickly the withdrawal of such an industry would react on that sensitive nerve which controls our pocket books?

Let me say it again: the economic march of British Columbia, which always has been forward since the middle of the last century,...has been hastened or retarded in the same ratio that mining has been speeded up or slowed down. In other words, mining is one of the chief, if not the chief, of our great industries. Nothing should be done to interfere with its progress; everything reasonable and practical should be done to assist it.

37

During the government's early years, from 1928 to 1930, much of the public aid to mining consisted of policing dubious stock promotions, encouraging capital investment, and spending record amounts on the construction of mining roads, not as a political expedient to appease local party members, but on the advice of the province's mining engineers, in areas previously inaccessible. <sup>38</sup> The major government aid to mining, however,

went to the province's languishing coal industry. Imported American oil and new hydro-electric power had cut deeply into coal's domestic market since the First World War and production had declined significantly.<sup>39</sup> The Tolmie government enacted a tax on fuel oil in the 1930 Session to stimulate the consumption of coal but owing to constitutional difficulties and the opposition of the large oil-consuming railway and steamship interests the law never became effective.<sup>40</sup> As unemployment became an ever graver problem in 1930, however, the government intensified its efforts to encourage the use of coal. Whenever it was learned that a factory, public institution, apartment block or office building was considering changing from coal to oil heat an official of the Department of Mines would make representations on behalf of the continued use of coal, explaining that new techniques had rendered it a more efficient and economical fuel. This campaign proved at least partially successful, and new public buildings like the Canadian National Institute for the Blind in Vancouver, the Tranquille Sanatorium, and the Essondale Mental Hospital were expected to use coal.<sup>41</sup> Throughout this period the provincial government sent a carload of coal by rail to Ottawa each week for experimental purposes, and subsidized a coast shipping firm to experiment with pulverized coal in its tugs.<sup>42</sup> In August, 1930, Minister of Mines McKenzie chaired a conference representing government, the coal mining industry, and rail and steamship lines, which attempted to convince the latter that they should revert to coal-fired engines.<sup>43</sup> In December, the British Columbia Miner considered the year's work, and praised the Conservative

government for its efforts on behalf of the industry:

...during this year more initiative has been displayed, and more real constructive effort put forth by producers to overcome the disabilities of their position consequent on the successful competition of fuel oil, than ever before. And the credit for this more energetic disposition is in the main due to the Minister of Mines, Mr. McKenzie, who, by both precept and example, has proved an inspiring influence.

44

For the remainder of the Tolmie years the exigencies of the depression dictated the attitude of government to mining. Primarily this meant that the government implemented no new legislation that would further harm an already prostrate industry. At the same time, government aid to mining during 1932 and 1933 coincided with the need to provide relief for the unemployed. As the numbers of unemployed rose and the attractiveness of placer gold mining induced many of them to try their luck at prospecting, the government decided to create a number of placer mining training camps at public expense for any unemployed who demonstrated an aptitude and interest in mining. The government would supply food and equipment for those who wished to prospect outside the camps and the men could pay back their grubstake out of their earnings.<sup>45</sup> While this was certainly a modest gesture, the incentives for placer mining were designed, as in the case of the land settlements which the government sponsored, to provide productive work for the unemployed at minimal cost while aiding the development of frontier areas in the province and stimulating economic growth. Under the circumstances the British Columbia Miner condoned the paternalism the government program involved, and lauded the fact that, for a number of the able-bodied unemployed, the relief camps

would no longer inculcate the habit of loafing.<sup>46</sup>

The Conservative government's support for tourism, fishing, and mining was substantial, but it was the province's largest industry, forestry, which received the greatest portion of public assistance. During this period government aid consisted of technical research, royalty considerations, and the initiation of a vigorous market extension campaign. For a number of years the Liberal government had carried on scientific research into growth rates, seeding, and forest management, as well as studies mapping forested lands to show the size, age, and species of stock, all for the purpose of establishing a sustained annual yield without depletion.

The Tolmie government continued these programs.<sup>47</sup> Regarding taxation, before the Liberal government had left office it had enacted legislation that provided for an automatic increase of 25 percent in timber royalties on January 1, 1930. Responding to the requests of lumber delegations, the new Conservative government, during the Session of 1929, decided that timber royalties would remain as they were. Championing this policy, R. W. Bruhn, President of the Council, and himself a lumber manufacturer in the interior of the province, explained to the House that it was more desirable to stimulate the lumber industry than to collect additional revenue from increased royalties.<sup>48</sup>

With the coming of hard times, however, men in the industry deemed this deferral of increases insufficient to coincide with its needs and throughout 1930 importuned the government for a reduction in royalties. The 1931 Session brought reward for their efforts as the Conservatives

agreed to lower the public charges on timber. Still, as the slump deepened the industry again found its contributions to the public treasury too onerous and pressured the government for relief. Accordingly, in 1932, amendments were brought down to liberalize the requirements for payment of penalties and back fees on timber licenses, while in 1933 the Conservative administration introduced legislation providing for a general reduction of 15<sup>49</sup> percent in timber royalties, and 25 percent in ground rentals. These reductions are especially significant as the government was experiencing acute financial difficulties throughout this period, and they indicate clearly where the sympathies of the Tolmie administration lay. This is particularly true when one considers that most other taxes were rising at this time.

The market extension publicity program for lumber which the provincial government initiated in response to the economic downturn was also indicative of Conservative priorities, and the nature of a business government's responsibilities to private industry. Prior to the depression, lumbering constituted the main support for over a quarter of the work force in British Columbia.<sup>50</sup> However, with the rapid decline in prosperity most of the sawmill capacity in the province was shut down for want of markets. The government quickly became aware of the significance of this disaster and worked diligently in its attempts to alleviate the situation. This was particularly true after Nelson Lougheed, himself a prominent lumber manufacturer, became Minister of Lands after the cabinet shuffle late in 1930. While

government retrenchment in expenditure was carried out with a vengeance in other departments, Lougheed and his colleagues were agreed that no expense should be spared in efforts to resuscitate the local economy by seeking out new markets abroad for the province's largest exporting industry. As the Premier explained to the government's market extension representative in Australia in January of 1931:

We never needed markets as badly as we do today. We find in the administration that the revenues from many of our chief sources including timber, mines, and incomes, have been seriously curtailed as the result of the bad business conditions world wide. This should be met by the strictest curtailment of expenditures, and we are proposing to apply this remedy which seems like the only one. Curtailment of expenditure in an effort to secure wider markets would not, in my opinion, be economy. If we are going to get revenue, we must sell.

51

Each year the Legislature voted special funds to be made available to the lumber industry for the purpose of sharing the cost of trade extension activities. These included the maintenance of a British Columbia Lumber Trade Commissioner in Australia and New Zealand in 1930-31, the maintenance of a Commissioner in Britain from 1931 to 1933, the sending of a delegation of representatives from the lumber industry to the United Kingdom in 1932, and the preparation of briefs, together with the sending of a trade delegation to the Imperial Economic Conference at Ottawa in 1932.<sup>52</sup>

The Conservatives spent a great deal of time on the market extension program. Premier Tolmie himself led the government delegation providing a send-off to the industry representatives as their boat left for Australia early in 1930. The Premier also personally attended the Imperial Economic Conference in Ottawa



during the summer of 1932 to support the British Columbia lumber deputation in their efforts to secure preference in the British market for the province's forest products.<sup>53</sup> And considering the economic circumstances, the government's attempts to assist market extension, while aided by the Imperial agreement of 1932, were surprisingly successful. Between 1929 and 1932 lumber exports to Empire countries rose by 50 percent; exports to Australia alone rose from 14 percent to 92 percent of that market's consumption during this period. Still, the collapse of the industry's traditional markets was a blow from which it did not recover, even with the aid of a sympathetic government. Before the slump the domestic market for British Columbia lumber, located primarily on the prairies, had accounted for 55 percent of local production but by 1932 this level of consumption had declined by 70 percent. The tariffs of 1930 and 1932 in the United States had virtually closed that market to the British Columbia industry which had depended on it for the sale of almost 30 percent of pre-depression production. By early 1933 over 80 percent of the province's sawmill capacity lay idle.<sup>54</sup> Nevertheless, that 20 percent of the industry which still remained in production owed much to the work of the government in obtaining secondary foreign markets in the face of fierce competition and absurdly low prices.<sup>55</sup> Industry spokesmen throughout this period were generous in their praise for the Tolmie administration's efforts. "Whatever criticisms may be directed at the work of the present provincial administration," the British Columbia Lumberman asserted early in 1933,

it must be acknowledged that it will go down to history as the one that has done most to initiate and to encourage the expansion of the overseas trade of British Columbia's leading industry. In spite of the numberless difficulties that the prevailing world depression has created, in spite of the necessity of ruthless economizing in the expenditure of public funds, it has never lost sight of the importance of assisting the market extension work of our lumber associations, and most thoroughly have its efforts been justified in the results obtained.

56

The priority which the Conservative government gave to programs assisting the province's major industries reflects its commitment to act as a business government. Aid to the business community was implicit in the government's attitudes to public finance and social welfare expenditures as well. For the Conservatives good government meant government that was financially responsible. The chronic deficits and mounting public debt characteristic of the Liberal years demonstrated that the former government did not view matters in quite the same way. Once the Conservatives achieved power, balanced budgets and more careful borrowing, they said, would be the order of the day. The Tolmie administration was concerned that the high public debt caused by unbalanced budgets would damage the province's credit rating in the eastern and foreign financial capitals it depended on to invest in new industrial development. The Conservatives were opposed to raising taxes, since this too would hinder domestic industries by increasing their cost of production, and so a balanced budget would have to be achieved through curtailed expenditure. Retrenchment in government expenditure and prosperity were therefore indissolubly linked in the Conservative mind, and so, conversely,

was government extravagance and waste associated with stagnation and decay. "The one great thought I wish to convey during the course of my remarks," the Conservative Minister of Finance explained in his government's first Budget, "is the fact that the policy of this Government is the practice of the utmost economy commensurate with efficiency in order to encourage in every way industrial and agricultural expansion, thereby attracting in ever greater measure capital and with it an industrial and progressive population."<sup>57</sup> If anything, the onset of the depression merely served to harden the Conservatives' resolve in this respect. In his speech before the annual meeting of the British Columbia Conservative Association at Nanaimo in 1931 Premier Tolmie asserted that prosperity would return only if the province remained attractive to capital. To facilitate this, he pledged that it was "the avowed intent of this Administration to drastically curtail those expenditures and services responsible for the top-heaviness in the fiscal programme and adverse to expansion in production and trade."<sup>58</sup>

Analysis of which expenditures the Conservatives considered to be the ones that accounted for the "top-heaviness" in government spending serves to illustrate again their business orientation. In the Budget Address of 1929 Finance Minister Shelly explained that from the point of view of his government, public expenditures were of two kinds, (a) "exhaustive" spending, which simply absorbed the province's resources without appreciable financial return, and (b) "productive" expenditure, which generated new

income and augmented the community's purchasing power. Shelly stressed that in a new and developing country such as British Columbia the government had a responsibility to the taxpayer to ensure that public money was expended in such a manner as to create new means for growth and development. Similarly, borrowing could only be justified to finance capital assets that were permanently productive of new economic growth, such as roads.<sup>59</sup>

The Conservatives' idea of what constituted productive spending was demonstrated in their passion for programs that assisted industry directly, of the type already described. Social welfare spending, on the other hand, accounted for much of the "exhaustive" burden that had been placed on the public treasury. In his first Budget Shelly made reference to the disturbing increase in social legislation implemented by the Liberals during their time in power. A survey of government expenditures for hospitals and charities, pensions and asylums between 1916-17 and 1927-28 revealed that their net yearly cost had increased by 267 percent of 170 percent per capita. Even provisions for education, which Shelly admitted involved "a far more direct marginal utility accruing to the contributor of Provincial revenue....," were soaring beyond reasonable expectation, he said.<sup>60</sup> Figures indicated that the aggregate cost of these social welfare services, education, and the debt charges associated with them, had amounted to 35 percent of the total provincial expenditure in 1927-28, and Shelly warned that this misallocation of revenues could not continue:

In view of the figures and comparisons cited, and the alarming increase in cost during the past twelve years, together with the further expenditures to which we are now committed, it is my duty to point out to the people of the Province to view with caution and concern any further

proposals of a paternal nature devolving on the Province especially so as it is mostly this Government which has the task of directly promoting a rapidly increasing purchasing-power and industrial development among its people. 61

As the decline in economic activity accelerated after 1929, however, the demand for social services became acute. At the same time, the slump brought about a decline in tax revenues which forced the Tolmie government to cut back on all its expenditures, even those that appeared to offer an economic return. Under these circumstances the Conservatives' hostility to social welfare spending became even more pronounced. The comments of J. W. Jones, Shelly's successor as Minister of Finance, concerning old age pensions, education, and mothers' pensions, delivered during the worst days of the depression in 1932, captures the temper of the Conservative attitude:

It is easy to begin a new service; it is extremely difficult to prevent it becoming firmly fixed on the shoulders of the people, and becoming heavier year after year....[S]ocial services are excellent in principle, but the scale on which they are carried out may be so extravagant and have so little relation to the means available as to exceed the capacity of the taxpayer to support them without seriously encroaching on the funds derived from him for the promotion of those very enterprises the prosperity of which would minimize the need for such social services.

Having initiated old-age pensions, we are asked to lower the age at which they become payable, thus ultimately drawing still more heavily on the private resources which provide remunerative employment. We are justly proud of our public school system, but were we to bring into effect the pet educational novelties of large numbers of people the cost of that system - already so heavy as to constitute a serious problem - would become intolerable. It is theoretically admirable to enable mothers, widowed or deserted, to nurture their own children, but this service, like many others, seems to grow by what it feeds on.

This impatience with exhaustive expenditures demonstrates the Conservatives' commitment to a program of economic expansion as the major preoccupation of a business-like government. Again, however, it must be remembered that implicit in this doctrine was the notion that government's role in effecting this condition was essentially limited. Conservative politicians in Victoria harboured no illusions that the public sector could, or should, take the lead in realizing this end. Government might assist industry in its efforts to bring back prosperity but this was all. In the meantime, it should balance its budget and keep a tight rein on non-productive expenditures that would hinder recovery. The programs designed to aid industry show that the Conservatives did respond to the depression, but their policy of retrenchment in government expenditures, and their antagonism towards social legislation, certainly gave the impression that they preferred to wait out the slump. Indeed, after times became hard much of the Conservative rhetoric urged the people not to rely on the government for solutions to the province's social and economic problems; instead it sought merely to stir the fortitude of listeners by appealing to the values of thrift and individual initiative that they should display in shifting for themselves.<sup>63</sup>

The Liberal opposition's response to Conservative rule was to question the ideas of business government that the Tolmie administration articulated. In this way the Liberal party was

remaining true to the principle it had established during its years in power from 1916 to 1928, that government should perform a more significant role in providing for the welfare of all the people in society rather than attending to the needs of the business community alone. After the debacle of 1928, Thomas Dufferin Pattullo became party leader. His accession, combined with the onset of the depression, provided circumstances in which the popular appeal of the party's commitment to positive state action for the relief of distress increased markedly. Unlike the Conservatives' preference for allowing private industry to sort out the problems of the depression while the government assisted but did not lead, the Liberal program acknowledged the responsibility of the public sector to provide dynamic leadership when circumstances required it. As Pattullo explained it on a radio broadcast in 1932:

Liberal thought recognizes that in a world of kaleidoscopic changes, new problems must be met by new treatment. It believes that individual rights and public rights can be so co-ordinated as to preserve the greatest measure of individual freedom, while meeting the requirements of organized society. It recognizes that in the complex problem of modern life, socially and economically, action through Government is essential, both for the safe-guarding of individual rights and the maintenance of the welfare of the state as a whole.

64

What Pattullo meant by "action through Government" remained somewhat fuzzy until the latter stages of the Tolmie government's rule, but there were indications that he did not entirely favour the program of government assistance to industry, particularly when it appeared to provide special privileges for businessmen at the expense of the larger community. During the Session of 1930, for example, Pattullo railed against S. L. Howe's fisheries amendments,

suggested to the government by the large salmon canning firms, which limited the number of canning licenses issued. He warned that the new regulations would provide "an absolute monopoly of this great industry which will be controlled by the few," and that they would force the fishermen of British Columbia "to become hewers of wood and drawers of water."<sup>65</sup>

What Pattullo feared most about the government's apparent passivity, except when it acted in the interests of particular industries, was that its emphasis on the welfare of one sector alone would increase the attractiveness of Communism as an alternative for the disadvantaged, especially as times became harder.<sup>66</sup> It seems to have been implicit in Pattullo's philosophy that businessmen would take care of themselves regardless of circumstances. What was required, then, to protect the great mass of people from the tyranny of Communism, or the domination of government by a small group of the economically powerful, was a government that would not disparage social welfare as the Conservatives had done, but provide these services for people in need. Accordingly, after the Tolmie government took office, the Liberal opposition loudly criticized the new administration's hostility to "paternal legislation", and defended its own record against "the unfair onslaught of those captains of industry who recognize no rights but their own."<sup>67</sup> Once the full impact of the depression began to be felt, these Liberal sentiments became even more pronounced. "We cannot tolerate or permit starvation in our midst," Pattullo wrote. "In Canada nothing has been done to mobilize effort. If we are to continue to enjoy the individualism



which is now ours, we must be prepared to carry not only our own burden, but the burden of others unable to carry the load." <sup>68</sup> The Liberal articulation of principles questioning the Conservatives' policy of assistance to industry and championing social welfare legislation certainly placed them beyond the pale as far as the Tolmie government was concerned, and probably the same can be said for the business community as well. The Liberals never referred to themselves as a business party, as the Conservatives were wont to do. Indeed, with Pattullo at the helm, and especially after the depression became acute, the gulf between Liberal and business government principles widened as the Liberal leader pressed for a more significant government role in the direction <sup>69</sup> of the modern welfare state.

Business government, then, in the British Columbia context at least, meant Conservative government. In 1928 the Tories had been elected as a more business-like alternative to the financial extravagance and waste of a shaky Liberal government that did not emphasize the needs of the business community, but rather, social welfare programs. Once in power the Conservatives dedicated themselves to assisting private industry to promote economic growth with a vigour the Liberals never displayed, while limiting the drain on the treasury which social welfare programs entailed to a level commensurate with their interpretation of what private industry could reasonably bear. At the same time, the rejuvenated

Liberal opposition reconfirmed its commitment to a more positive state presence than the Conservatives were willing to countenance, and particularly as the depression deepened, this came to involve more effective social welfare measures rather than the aid to industry that the Tolmie administration emphasized. Once economic conditions became critical, in the winter of 1931-32, politics in the province, more than ever before, became a struggle between these opposing Conservative and Liberal points of view.

FOOTNOTES: CHAPTER II

1 Pattullo Papers, Vol. 23 file 14, 1926-28, Speech to Building and Construction Industries Exchange, Vancouver.

2 British Columbia Liberal Outlook 1 (July 1928).

3 Pattullo Papers, Vol. 27 file 3, Speech Notes, 1928.

4 Vancouver Daily Province, January 28, 1928.

5 British Columbia Lumberman 12 (June 1928).

6 Ibid. 12 (March 1928).

7 Victoria Chamber of Commerce, Minutes, Board of Directors Meeting, March 3, 1927; Province, January 24, 1928.

8 British Columbia Lumberman 12 (April 1928).

9 Jones Papers, Vol. IV file 5, "The Financial and Taxation Record, 1916-1927"

10 British Columbia, British Columbia in the Canadian Confederation, (Victoria, 1928), p. 194.

11 Jones Papers, Vol. IV file 5, "The Financial and Taxation Record, 1916-1927"

12 Ibid.

13 Province, July 8, 1928.

14 Ibid., July 6, 1928.

15 Tolmie Papers, Box 21, "British Columbia's Next Premier," Campaign Pamphlet, 1928.

16 Province, May 27, 1928; Ibid., June 10, 1928.

17 Tolmie Papers, Box 21, "British Columbia's Next Premier," Campaign Pamphlet, 1928.

18 Ibid.

19 Province, March 25, 1948.

20 Vancouver Sun, September 27, 1933.

21 British Columbia Financial Times 15 (August 4, 1928).

- 22 Ibid. 15 (September 1, 1928).
- 23 British Columbia Lumberman 12 (October 1928).
- 24 Canadian Annual Review, 1928-29, (Toronto, 1929), p. 512;  
Province, November 23, 1932; Ibid., January 1, 1933.
- 25 Tolmie Papers, Box 22, Speech Material, 1928.
- 26 Ibid., Speech Material, 1929.
- 27 British Columbia Financial Times 18 (January 4, 1930).
- 28 The Retailer 22 (December 1929).
- 29 British Columbia Financial Times 16 (July 20, 1929).
- 30 British Columbia, Journals of the Legislative Assembly,  
60 (Victoria, 1931), p. 3.
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- 33 Province, January 10, 1930.
- 34 The 1930 annual report of British Columbia Packers  
mentioned the new law favourably. British Columbia Financial Times  
18 (May 3, 1930).
- 35 British Columbia Miner 1 (December 1928).
- 36 Ibid. 3 (May 1930).
- 37 Ibid. 4 (January 1931).
- 38 Ibid., 2 (November 1929); Ibid. 1 (October 1928); Ibid. 2  
(August 1929); Ibid. 3 (January 1930); Ibid. 2 (April 1929); Ibid.  
2 (June 1929).
- 39 British Columbia Financial Times 16 (December 7, 1929).
- 40 British Columbia Miner 3 (April 1930); Province, January 30,  
1931.
- 41 British Columbia Miner 3 (September 1930).
- 42 Province, March 21, 1930.
- 43 British Columbia Miner 3 (September 1930).

44 Ibid. 3 (December 1930).

45 Province, April 20, 1932; Ibid., April 5, 1933.

46 British Columbia Miner 6 (May 1933).

47 British Columbia Lumberman 16 (February 1932).

48 Province, January 10, 1929; Ibid., March 8, 1929; Ibid., March 14, 1929.

49 British Columbia Lumberman 13 (December 1929); Ibid. 14 (August 1930); Ibid. 14 (November 1930); Ibid. 15 (April 1931); Ibid. 16 (March 1932); Ibid. 16 (April 1932); Ibid. 17 (April 1933); Province, April 15, 1933.

50 British Columbia, Sessional Papers, 1931, Labour, Report of Department for Year Ending December 31, 1929.

51 Tolmie Papers, Box 1, Tolmie to L. R. Andrews, January 8, 1931.

52 Ibid., Box 20, Speech Material.

53 British Columbia Lumberman 14 (January 1930); Ibid. 16 (July 1932).

54 Tolmie Papers, Box 21, Speech Material, Lands, March 29, 1933.

55 Minister of Lands Lougheed estimated that government activities in this regard had, in 1932, saved the livelihood of 16,000 persons in the province including dependents, avoided a loss in wages of approximately \$2 million, saved the government \$250,000 in relief expenditures, avoided the loss of \$250,000 in government revenue, and the loss of \$3 million in new investment entering the province. Ibid.

56 British Columbia Lumberman 17 (February 1933).

57 British Columbia, Budget Address, 1929, (Victoria, 1929), p. 6.

58 Tolmie Papers, Box 23, Speech Material, 1931; Ibid., Box 1, Conservative Association of British Columbia, 1928-32.

59 Budget Address, 1929, pp. 58, 71.

60 Ibid., pp. 59, 67-68.

61 Ibid., p. 67.

62 British Columbia, Budget Address, 1932, (Victoria, 1932), pp. 46-47.

63 Tolmie Papers, Box 23, Speech Material, 1931.

64 Pattullo Papers, Vol. 49 file 15, Radio broadcats, June 30, 1932.

65 Province, March 15, 1930.

66 Pattullo Papers, Vol. 45 file 14, Pattullo to R. J. Cromie, June 10, 1932.

67 Province, March 1, 1929.

68 Pattullo Papers, Vol. 45 file 14, Pattullo to R. J. Cromie, June 10, 1932.

69 M. A. Ormsby, British Columbia, A History, (Vancouver, 1958), ch. 15; M. Robin, The Rush for Spoils, The Company Province, 1871-1933, (Toronto, 1972), ch. IX.

## CHAPTER III

### THE CRISIS IN GOVERNMENT FINANCE

Sound financial administration lay at the core of the business government program the Tolmie government articulated. It was the great misfortune of the Conservatives, however, to be returned immediately prior to the advent of an economic catastrophe no one expected, and against which the government's powers to stimulate recovery, as they were defined by business government doctrine, offered little hope of success. This failure on the part of the Conservative government demonstrated the limitations of business government principles when applied in a crisis. Nevertheless, the evidence suggests that the Conservatives' financial difficulties also resulted from congenital defects in the province's financial condition that pre-dated their rise to power, defects whose consequences they did not fully appreciate until the advent of the unusually adverse circumstances accompanying the depression.

During the 1920's the rapid economic growth of British Columbia and the mood of optimism it generated<sup>1</sup> sustained the risky<sup>2</sup> financial policies the Liberal government had pursued. While the Liberals had introduced high taxes during their first

few years in power, after 1921 they permitted expenditures to escalate rapidly on a revenue base that failed to keep pace. Spending on social welfare programs increased by more than 250 percent from 1916-17 to 1927-28. By the end of the decade this area accounted for 16.5 percent of all expenditures, more than the total earmarked to provide public works and service the public domain combined.<sup>3</sup> In addition, spending on projects that the government had felt assured would be self-liquidating -- the rehabilitation of war veterans, land reclamation and conservation -- were not nearly as remunerative as had at first been expected. The annual interest payments on the defaulted bonds of a Pacific Great Eastern Railway that continued to operate at a deficit were also a constant drain. But while the Liberals increased public spending during this period, they also decided to lower taxes. A growing population accounted for the higher revenues over the entire period. Although, by 1928, British Columbians were still obliged to pay higher provincial taxes than anywhere else in the country, the decade saw reductions in the tax on farm lands, personal property taxes, amusement taxes, income taxes and succession duties.<sup>4</sup>

The Liberal fiscal policy resulted in accumulated annual budgetary deficits that the government had to finance through borrowing. As Table 1 indicates, during the period 1916-28 the Liberals managed only two surpluses on current account. At the same time, Table 2 shows that borrowing to finance expenditures on capital account had further augmented the provincial debt, which



TABLE 1  
GOVERNMENT OF BRITISH COLUMBIA  
STATEMENT OF ANNUAL DEFICIT OR SURPLUS FROM  
MARCH 31st, 1916, TO MARCH 31st, 1934.

(DOLLARS)		
Fiscal Year	Deficit	Surplus
1916	3,791,810	
1917	2,624,956	
1918	466,504	
1919	1,181,006	
1920		351,330
1921	4,407,416	
1922	1,790,792	
1923	1,180,563	
1924	1,838,561	
1925	1,846,405	
1926		100,793
1927		260,014
1928	723,228	
1929	3,414,904	
1930	135,428	
1931	4,819,261	
1932	7,051,560	
1933	2,836,377	
1934	373,976	

Source: British Columbia, British Columbia in the Canadian Confederation, (Victoria, 1938), p. 178.

TABLE 2  
GOVERNMENT OF BRITISH COLUMBIA  
GROSS PUBLIC DEBT  
1918-1934  
(DOLLARS)

Fiscal Year	Gross Debt
1918	47,046,261
1919	50,796,561
1920	57,146,861
1921	74,431,261
1922	83,939,961
1923	89,330,261
1924	93,490,021
1925	99,556,249
1926	96,946,981
1927	98,068,937
1928	102,781,361
1929	107,983,430
1930	119,362,855
1931	135,689,161
1932	144,814,751
1933	156,612,750
1934	162,026,767

Source: British Columbia, British Columbia  
in the Canadian Confederation,  
(Victoria, 1938), p. 191.

TABLE 3  
GOVERNMENT OF BRITISH COLUMBIA  
FIXED CHARGES PAID IN CONNECTION WITH  
THE PROVINCIAL DEBT, 1916-1934  
(DOLLARS)

Fiscal Year	Fixed Charges	Percentage of Revenue
1916	992,519	15.8
1917	1,287,119	18.6
1918	2,724,213	30.8
1919	2,640,448	24.2
1920	2,044,445	14.8
1921	3,934,375	25.9
1922	4,763,491	25.2
1923	5,169,072	26.3
1924	5,458,570	27.9
1925	5,867,048	30.5
1926	6,173,130	27.4
1927	6,121,635	29.8
1928	6,441,909	30.6
1929	6,794,644	32.1
1930	7,345,885	35.7
1931	8,121,290	33.6
1932	9,108,442	41.1
1933	8,902,575	48.2
1934	8,373,433	41.5

Source: British Columbia, British Columbia in the Canadian Confederation, (Victoria, 1938), p. 194.

grew from \$47 million in 1918 to \$102.8 million in 1928. By 1929, as Table 3 reveals, the percentage of revenues earmarked to service the public debt exceeded 30 percent. Apparently, the firm belief in unlimited economic growth for British Columbia served to wipe away any nagging doubts about the potential menace the debt constituted. Although the Liberals were borrowing almost continuously, they felt that the provincial sinking fund, larger than that of any other province, was adequate to redeem every long-term obligation.<sup>5</sup> As A. E. Carlsen, a student of British Columbia's financial history, has pointed out, however, the Liberals were building up the province's sinking fund out of money borrowed to offset the annual deficits. As he has stated, "a debt retirement scheme which must depend on borrowings to sustain it has lost much of its validity." Indeed, in evaluating the Liberal financial record as a whole Carlsen has concluded that "decreased rates of taxation, coincident with unbalanced budgets and large capital expenditures out of loans, would not seem to be justified under any criterion of public finance -- even that which seemed to represent the thinking of the period."<sup>6</sup>

After the 1928 election the new Conservative government was not averse to squeezing the ultimate political mileage out of what they considered to be the former government's financial vulnerability. In commenting on the Conservatives' first Budget, Bruce Hutchison compared the new Minister of Finance, W. C. Shelly,

to old Mother Hubbard who "had found the cupboard bare of all bones, but full of I.O.U.'s, and even the children's dime bank ...picked open with a safety pin and emptied by the former government." <sup>7</sup> Shelly was irritated that the defeated Liberal government had left him with another deficit on current account for the fiscal year ending in March, 1929, and he ordered an independent firm of chartered accountants in Vancouver to conduct an audit of the province's finances in order to expose what he considered to be the dubious accounting practices employed by the former government. <sup>8</sup> Shelly believed that the public accounts prepared by the Liberal government had camouflaged the true condition of the province's finances, and in the 1929 Budget speech he pursued the Liberals' lack of candour at some length, referring typically to an analogous situation in private enterprise:

Mr. Speaker, I can say without fear of contradiction that any business organization would be subject to the most severe criticism if such methods of presenting accounts and estimates were adopted, as, unless a minute analysis is made, an utterly misleading impression is given of the volume of business transacted by the Government.

9

In his 1930 speech Shelly played Liberal mismanagement in land administration, arguing that losses in this area during the years of Liberal rule had amounted to more than the sum the province had received for sales of crown land in the entire period from 1871 to 1928. To use the Finance Minister's metaphor, the Liberals had called a discordant tune in the previous decade, and now, unfortunately, it was the job of the Conservative government to pay the piper while seeking "to do its best to salvage something

from the many unfortunate ventures entered into by its immediate predecessor."<sup>10</sup>

In his first Budget Shelly explained that the accumulated deficits of the former government and the mounting costs of social welfare legislation required him to practise fiscal economy. This meant that the Conservative government would have to forego its campaign promise to reduce taxation, at least for the time being. Considering that the Conservatives had campaigned vigorously in 1928 on the ill health of the province's finances under Liberal rule they must have known that a promise to lower taxes would be difficult to fulfill. True, a reduction in taxes made good sense in terms of providing incentives to private investment in British Columbia, but as for the other side of the business government equation, the application of sound business principles to the administration of government itself, there appeared to be no possible justification for cuts. Disingenuous or not, in 1929 Shelly piously reconciled himself to the fact that "this Government when it assumed office were sincere in their hope of reducing taxation, but I think I have already given sufficient reasons why, at this time, it is impossible to implement this promise."<sup>11</sup> In its first year the government agreed to reduce succession duties, a measure of relief the wealthy would appreciate, and one calculated to stimulate capital investment in British Columbia, but as for the substantial tax cuts expected, they would have to be deferred "until the whole of the fiscal system of the Province has been carefully analyzed and proposed economies effected."<sup>12</sup>

Shelly's goal, as articulated in the first two Conservative budgets, was to reverse the trend toward annual deficits on current account established during the Liberal years and bring the province's fiscal affairs into balance.<sup>13</sup> The simplest means of achieving this would have been to raise taxes and reduce expenditures. The Tolmie administration was reluctant to increase taxes, however, because this would add to the cost of local production, and thus inhibit private enterprise from achieving a higher rate of economic growth for the province. Retrenchment in public expenditure was the only option, and although the major part of provincial spending was fixed by statute, the Conservative government set about to ensure that all other current account programs were efficiently managed and were productive in the business government sense. Shelly set the tone for the early years of the Tolmie administration, before the economic slump, with his conclusion that "for the moment...our only sure and sane policy is to spend only where expenditure is absolutely vital."<sup>14</sup>

At the same time, the accumulated Liberal budget deficits compelled the Conservative government to borrow over \$8 million during its first two years.<sup>15</sup> Shelly viewed this temporary expedient with regret. According to business government principles, borrowing should only advance capital projects that would generate new growth in the provincial economy. "It is imperative...", Shelly asserted, "that each loan should represent outlays for capital purposes of such nature as not only to respond to an urgent need of the community, but also possess, beyond doubt, potential

TABLE 4  
GOVERNMENT OF BRITISH COLUMBIA  
A COMPARISON OF ESTIMATED AND  
ACTUAL REVENUE, 1916-1934  
(DOLLARS)

Fiscal Year	Estimated Revenue	Actual Revenue	Difference
1916	7,034,615	6,291,693	- 742,921
1917	5,944,015	6,906,783	+ 967,688
1918	9,868,325	8,882,846	- 985,479
1919	9,900,055	10,931,279	+1,031,224
1920	10,209,960	13,861,602	+3,651,642
1921	13,978,245	15,219,264	+1,241,019
1922	17,010,595	18,882,391	+1,871,795
1923	19,045,815	19,618,904	+ 573,089
1924	18,769,596	19,637,710	+ 868,114
1925	18,359,246	19,381,511	+1,022,265
1926	18,340,000	21,775,869	+3,435,868
1927	18,559,346	20,523,080	+1,963,733
1928	19,757,296	21,136,348	+1,379,044
1929	20,830,296	21,181,488	+ 351,192
1930	25,287,851	26,083,727	+ 795,875
1931	28,115,546	24,280,703	-3,834,843
1932	28,088,696	22,162,657	-5,926,039
1933	24,843,766	20,389,951	-4,453,814
1934	20,497,591	20,208,859	- 288,731

Source: British Columbia, British Columbia in the Canadian Confederation, (Victoria, 1938), p. 201.



TABLE 5  
GOVERNMENT OF BRITISH COLUMBIA  
A COMPARISON OF ESTIMATED AND ACTUAL  
EXPENDITURE, 1916-1934  
(DOLLARS)

Fiscal Year	Estimated Expenditure	Actual Expenditure	Difference
1916	11,163,056	10,083,504	+1,079,551
1917	11,301,374	9,531,740	+1,769,634
1918	10,800,804	9,349,350	+1,451,453
1919	11,611,694	12,112,285	- 500,591
1920	13,314,883	13,510,271	- 195,388
1921	17,413,833	19,626,680	-2,212,847
1922	19,934,724	20,673,183	- 738,459
1923	21,129,057	20,799,467	+ 329,590
1924	20,097,300	21,476,272	-1,378,971
1925	19,286,413	21,227,916	-1,941,502
1926	18,193,697	21,675,075	-3,481,377
1927	18,247,052	20,788,095	-2,541,043
1928	19,502,806	21,859,577	-2,356,771
1929	20,821,360	24,596,393	-3,775,032
1930	25,280,729	26,219,156	- 938,426
1931	28,072,715	29,099,964	-1,027,246
1932	28,080,030	29,214,217	-1,134,187
1933	24,693,671	23,226,329	+1,467,341
1934	22,729,593	20,582,836	+2,146,757

Source: British Columbia, British Columbia in the Canadian Confederation, (Victoria, 1938), p. 201.

revenue-producing ability of either direct or indirect nature, such as capital outlays tending to the opening up of new areas and tending to the development of natural resources." <sup>16</sup> Debt incurred for projects of this type, he believed, would produce enough revenue to offset the interest and redemption charges as well as provide a solid basis for reduction in taxes in the years to come. <sup>17</sup> In its first two years, therefore, and despite the fact that it was locked into a policy of retrenchment in order to achieve a balanced budget on current account, the Tolmie administration undertook massive new capital expenditures, financed out of loans, to implement programs designed to stimulate more rapid economic development. Primarily, this spending on capital account consisted of new road construction. The budgets for 1929 and 1930 authorized loans for highways and bridges totalling over <sup>18</sup> \$15 million.

In all, the Conservative government augmented the gross public debt from \$106 million when it took office to \$130 million in the fall of 1930, <sup>19</sup> with road construction and provisions to make up the accumulated Liberal deficits accounting for the lion's share of the new loans. This rapid increase in the province's financial obligations was risky, especially as the government was reluctant to raise taxes to provide the revenue required to service the new borrowings. Apparently, the Conservatives could not resist the temptation to spend generously on a highly visible program of highway construction while at the same time attempting to retrench and balance the current account to correct what they frequently

referred to as the profligacy of the Liberal period.

While the economy remained buoyant the Conservative policy appeared sound. Despite the increase in the provincial debt the Tolmie government managed to reduce the deficit on current account for fiscal year 1929-30 to a mere \$135,000. This was a marked improvement over the \$3.4 million shortfall experienced in 1928-29, the last year influenced by Liberal financial policies. As Shelly and his colleagues had hoped, tax revenues increased without new taxes, from \$21.1 million collected in 1927-28, to \$26.1 million in the fiscal year ending in March, 1930. As for the increased debt, Conservative spokesmen asserted that the province would maintain its credit through ample sinking fund provisions, which Shelly's successor in Finance, J. W. Jones, thought it "permissible to speak with great pride of... [since] no other Province within the Dominion provides as fully for its debt redemption as does British Columbia."<sup>20</sup> Similarly, British Columbia bond issues continued to sell at a better rate than those of any other province, better even than some offered by the federal government.<sup>21</sup> However, the success of the Conservatives' financial program depended on continued prosperity. The foundation of the province's financial structure, established during the Liberal years, was shaky. The Conservatives did attempt to remedy the situation by balancing the current account and emphasizing only what they felt were productive expenditures. Still, the decision to augment the debt further with loans for road construction merely aggravated the intrinsic weaknesses that had long been present in the province's fiscal

structure.

The depression that began in the winter of 1929-30 dealt a serious blow to the province's financial equilibrium. For the Conservative government the rapid decline in the value of production in the private sector presented two major financial difficulties, falling revenues and a sudden rise in the numbers of unemployed seeking assistance in the form of relief. Certainly any government would have experienced problems in coping with the depression regardless of its financial position, but since the province bore such a heavy burden of debt accumulated in the days when prosperity had seemed endless, an acute crisis in public finance beset the Tolmie administration once the full financial impact of the slump became apparent.

Shelly's Budget speech in 1930, delivered in March, did not reflect the new economic circumstances. It is probable that the Conservative government expected the decline to be a short one, followed by renewed prosperity. In any event, the Conservatives budgeted for resurgent economic growth. The speech proposed new loans for fiscal year 1930-31, primarily for highways, which exceeded the amount borrowed the year before. Estimates of revenue climbed to an all-time high, in spite of the slump. The government also intended to spend more, but with the budget balanced. There was no provision for emergency unemployment relief in the speech.

By May, however, the Minister of Finance had recognized the signs that revenue collections would fall well short of estimates, and he broached the subject to the Premier. In his letter Shelly explained that income tax collections were down by nearly 20 percent, and if unemployment continued to increase the government could expect to spend extra amounts in this area by the fall. He suggested that each department be instructed to curtail its expenditures by 10 percent in preparation for the lean months ahead.<sup>23</sup>

Later, in August, he requested that Tolmie press Ottawa concerning federal tax policies that encroached on the provinces and better terms for British Columbia, in order to improve the province's revenue position.<sup>24</sup>

By fall, the Conservatives were considering salary cuts, and reductions in the civil service, as well as in the number of cabinet ministers and M.L.A.'s.<sup>25</sup> The economic climate indicated that the political life of the province was reaching a crossroads, and in October Tolmie took advantage of the feelings of uncertainty to shuffle his cabinet.

The major alteration came in Finance. W. C. Shelly, the Vancouver businessman, had not adjusted to the abusive style of party politics that characterized the British Columbia Legislature. With rough times ahead Tolmie probably did not relish the thought of a political neophyte like Shelly holding the crucial Finance portfolio. Tolmie wanted a political veteran, a keen debater, and he found him in Jimmy Jones, member for South Okanagan. At fifty-one years of age, James William Jones was entirely a self-made man. A migrant from Ontario he had been active in

Okanagan real estate, as well as grocery and dry goods businesses before serving as mayor of Kelowna from 1912 to 1917. Elected as a Conservative to the provincial legislature in the general election of 1916 he was returned throughout the 1920's before being named Speaker of the House after the Tory victory in 1928. Apparently, Jones had been bitterly disappointed that Tolmie had not named him Finance Minister, as he had performed well as the Conservative finance critic during the party's years in opposition. He agreed to become Shelly's successor, however, and applied hard work and determination to the job, qualities it would require in abundance during the coming years.

26

Soon after taking office Jones informed Tolmie that revenues for the current year would definitely show a loss of 20 percent on the amount estimated. Despite this, Jones recommended that in view of the depressed conditions increased taxation should not be contemplated for the present. Nevertheless, he warned, the government's program of debt refunding in fiscal year 1931-32 would be a heavy one, and this demanded of his department strenuous efforts to ensure that economy in expenditure was exercised "until it hurts". Only then would the budget be brought into the state of balance that was necessary if private business confidence were to remain sufficiently buoyant to allow the government to market its securities successfully. At the same time, the Minister recognized that this emphasis on reducing expenditures would be difficult in view of the fact that the government's fixed charges, consisting of the debt and services such as schools, hospitals and

pensions, currently were accounting for approximately 92 percent of all government revenues. In order to achieve a balanced budget, therefore, it would be necessary to cut other expenditures, particularly the cost of government administration, by as much as 35 percent.<sup>27</sup>

With the coming of the new year Jones was convinced that the deficit for the current fiscal year would approach \$5 million, and, unless drastic measures were taken, that a further \$5.5 million deficit might be incurred in 1931-32.<sup>28</sup> Soon reports emanated from Victoria describing his demands for ruthless paring in the estimates for the coming year, and relating how department officials had come out of the Finance Minister's office wiping their foreheads, shaken.<sup>29</sup> By Budget time, in March, 1931, he had produced spending estimates for the coming year that were \$1 million less than what had actually been expended in 1930-31. This was remarkable as the burden of fixed charges on the debt was expected to rise by 13 percent to \$9.1 million during 1931-32, or 37.4 percent of the revenues collected in the year just ending. At the same time, Jones had to find revenues to fund unemployment relief costs that were expected to increase from the \$1 million spent in 1930-31.<sup>30</sup> The Finance Minister also brandished his knife by sharply reducing the sum authorized for new loans in the coming year. This was especially true in the area of road construction, its allocation cut back by nearly 70 percent from the amount borrowed the year before. While existing roads would be fully maintained in 1931-32, there would be no new construction.<sup>31</sup>

But despite these attempts to economize, it had become impossible for Jones to produce a balanced budget without new tax increases. According to business government principles, higher taxation was abhorrent, but heavy debt charges and high fixed costs, together with rapidly declining revenues and rising unemployment relief expenditures, convinced Jones that he had little choice. Indeed, the Finance Minister blamed the public for his decision, stating that the people of the province had come to depend too much on services provided by government and should now be made to pay:

I think that all reasonable people will agree that the responsibility for the rapid rise in the cost of all Governments lies largely with the public, which demands more and more services.....Judging by these ever-increasing demands, there seems to be a growing tendency for people to rely less upon themselves and their personal initiative. However, I am sure that the people of British Columbia are reasonable enough to admit that, if more services and financial assistance are being constantly demanded and granted, it is impossible, with declining revenues, to keep taxation from increasing.

32

Accordingly, Jones announced the government's plans to implement a Special Revenue Tax of 1 percent on all incomes excepting only those persons who earned \$12 per week or under. While business corporations as well as individuals were subject to the new tax, it was clearly devised to hit at the mass of lower income people in the province who, the Conservatives felt, had contributed little to the public treasury in the past but were most vocal in demanding new and evermore expensive services from government. As a result of the new measure ten times as many taxpayers would now pay income tax as had contributed in 1930.

33



Despite the measures the Tolmie administration introduced in the spring of 1931 the province's financial condition did not improve as the year progressed. At the same time, the numbers of unemployed demanding relief increased considerably, and it was the expense that the government incurred in attempting to cope with this latter problem that precipitated a financial crisis late in 1931. British Columbia shouldered a proportionately heavier burden of unemployment than other provinces. The census of June, 1931, indicated that 27.5 percent of the provincial labour force was out of work. This was due in large part to the high ratio of wage employment to self-employment which characterized the province's resource economy, and to the gentle maritime climate that attracted thousands of dispossessed from east of the Rockies. Consequently, for the period of the depression as a whole, relief costs were higher in British Columbia than in any other province save Saskatchewan.

34

During the fall of 1930 the federal government recognized that the level of unemployment was such as to constitute a matter of national concern and responded by enacting legislation to provide funds for unemployment relief according to agreements negotiated with the provinces in need. In the case of British Columbia an Unemployment Relief Committee was appointed by the

government at Victoria to disburse the federal funds and administer the provincial program of unemployment relief. In its 1931 Session the federal Parliament earmarked further grants of money for unemployment relief, and in June the Dominion and the province of British Columbia entered into negotiations to determine how these funds would be distributed. These negotiations culminated in the agreement of August 19, 1931, which provided for a complicated formula of cost sharing to divide the burden of unemployment between federal, provincial, and municipal authorities.<sup>35</sup>

The most significant element in the agreement was that the Dominion and the province would now share on an equal basis the responsibility for relief to single unemployed transients, a worrisome, unstable group. As Marion Lane, a student of unemployment in British Columbia during the depression, has suggested, the single unemployed were less likely to find jobs than married men. This chronic experience of rejection by society, combined with the loss of traditional patterns of authority established in the home and undermined by the freedom of the road, encouraged an attitude of restlessness and disillusionment with the political and economic status quo, which frequently resulted in spontaneous demonstrations of radical and often violent behaviour as a protest against the circumstances that forced them to live as they did.<sup>36</sup> The apprehensions of the provincial government, as well as the municipalities, concerning these men had gradually become acute. During the summer of 1931 the Tolmie government decided to move

the single unemployed from the cities to isolated camps in various parts of the interior where they would pose no threat to the peace of the populated areas. Later, Jones wrote Prime Minister Bennett that such a relief program was justified "on account of Communistic elements being very active. Strikes had occurred in several of the mills, riots had occurred in the City of Vancouver with the rough element threatening to break loose."<sup>37</sup> This threat explained the speed with which the government attempted to establish its system of camps in the interior, without as much regard for rapidly escalating costs as might have been expected.

Implicit in the decision to build relief camps was a guarantee that the federal government would share the costs. Apparently Ottawa gave its blessing to the British Columbia program. In August of 1931 Tolmie received telegrams accepting British Columbia's proposals for relief works in road construction and the removal of transients from the cities to the camps set up for this purpose. Furthermore, the federal government encouraged Victoria to commence its works program immediately, stating that the province would be held responsible for any delays.<sup>38</sup> Provincial officials considered this to be sufficient authority for British Columbia to proceed in full expectation that the Dominion would share in the heavy costs of the program according to the ratios agreed upon in the arrangement of August 19th. They later recognized, however, that there had been some misunderstanding as to what, precisely, federal government "approval" involved. By October, most of the relief camps had been completed at British

Columbia's expense, a large project which the declining provincial revenues could scarcely support. When Jones made representations to Ottawa concerning the promised financial aid, however, he found to his surprise and horror that the federal government refused to pay its share until officials in Ottawa had completed a detailed accounting of all relief expenditures to be reimbursed with federal money.

Considering the precarious health of British Columbia's finances, this development constituted a heavy blow. It is clear that the Bennett government had not expected its financial commitments to British Columbia to increase as rapidly as they did. Registrations of the unemployed in the province, begun in July, rose to nearly 62,000 by the end of October. Victoria kept the federal cabinet apprised of these developments, but the provincial government was tardy in preparing detailed accounts of expenditures incurred for relief. In Ottawa's view approval of provincial relief programs to be funded by federal money had always been contingent on a detailed examination of the expenditures incurred, before reimbursement could take place. When, in mid-October, the federal authorities finally received schedules of the amounts already spent on relief in British Columbia, as well as estimates of expenditures anticipated for the coming winter, they found them well above their own expectations and therefore they balked.<sup>39</sup> Rumours that the relief camps under construction were more luxurious than necessary, and perhaps more important, the serious foreign exchange problems Ottawa

encountered as a result of Britain's departure from the gold standard in September, contributed to the federal government's attitude regarding the situation in British Columbia.<sup>40</sup> In any event, as G. D. Robertson, the federal Minister of Labour, telegraphed the provincial unemployment committee on October 31, 1931, the "Federal Government feel confident that extravagant and unjustified expenditures have been recently made the extent of which were unknown and unobtainable until last 3 days STOP ...Every cow goes dry sometime."<sup>41</sup>

Circumstances appear to have militated against the success of the Tolmie government's relief program. Already committed to a policy of economy in government expenditures as a whole, Finance Minister Jones stressed that it was his government's intention to keep the cost of relief as low as possible. Special agents were appointed to investigate relief claimants and eliminate those who were not in direst need, while subsistence allowances were cut to the barest minimum. The Conservatives noted that 20 percent of relief applicants were aliens, and suggested to Ottawa that it would be cheaper to repatriate this type of applicant than to provide him with relief. Part of the delay in sending the accounts of provincial relief expenditure to Ottawa for approval had been due to Victoria's constant paring of the municipalities' requests for relief expenditures.<sup>42</sup> Still, these attempts to curb the impact of unemployment relief on the provincial purse were completely inadequate to deal with the unexpectedly large numbers of destitute who applied to receive benefits. This

problem of numbers was exaggerated by the exodus of unemployed from other parts of Canada to the west coast. The Tolmie government was aware of this and protested vigorously, claiming that other provinces were urging their transients to migrate to British Columbia.<sup>43</sup> At the same time, Jones' policy of retrenchment in the cost of government administration prevented the addition of extra personnel in the public works department at a time when they were needed most to formulate estimates of costs and tabulate schedules of money already spent on the new relief programs. This meant that relief expenditures accumulated before the government was able to assess them fully.<sup>44</sup> Tolmie and his colleagues conceded that the province had gone too fast, particularly in its plans for camps and relief works, but they resented Ottawa's hesitation in complying with the terms of the cost sharing agreement<sup>45</sup> reached the summer before. The strains that accompanied the unemployment relief question seriously damaged relations between Ottawa and Victoria, and provided a disagreeable undertone to any negotiations between the two governments for many years to come.

The unemployment relief program which the Conservative government began to implement in the late summer of 1931 brought the province to the point of bankruptcy by November. Expecting that the economy would improve as the year progressed, the Conservatives found that business activity continued to deteriorate. Jones' deputy minister warned in October that while current account expenditures for fiscal year 1931-32 would be within the

limits set down in the estimates, shortfalls on the revenue side would amount to at least \$2.5 million.<sup>46</sup> During the 1931 Session the government had brought down loan bills providing \$2 million to make up part of the deficits on current account incurred in fiscal years 1929-30 and 1930-31, but as unemployment increased during the summer it was decided to apply these funds to the relief program, as well as \$1.5 million of funds borrowed in 1931 for road maintenance. In order to prevent further deficits on current account the province felt it should not go beyond this \$3.5 million. Owing to the circumstances surrounding the implementation of the relief program, and the fact that in the early stages the province was financing both the federal and many municipalities' shares, the \$3.5 million the Tolmie administration set aside for relief for the entire fiscal year 1931-32 was spent by the end of October.<sup>47</sup> It was at this time, when the government was approaching the total exhaustion of all its available funds, with virtually no prospects for substantial new revenues in the near future, that the federal government began to balk in reimbursing the province for its share of relief expenditures incurred to that point. What made the situation particularly serious was the fact that the province had a \$3 million note maturing in New York on November 25th and had no funds with which to pay it.<sup>48</sup> Even more alarming, however, was the fact that the Canadian Bank of Commerce in Toronto, which held nearly \$9 million in loans for past deficits in British Columbia, refused to advance the province any funds to ease the pressure of unemployment, nor would it agree to take up the province's impending New York obligation.<sup>49</sup>

Once the Tolmie government received this news it began a frantic search for investors who could provide the money that was necessary to redeem the New York note. Britain's departure from the gold standard in September, which resulted in a severe depreciation of the Canadian dollar in relation to American currency, made this task difficult. Unfortunately for British Columbia, the \$3 million note due in New York was payable in American funds, which further increased the burden of the debt in terms of the higher rates of exchange the province was obliged to pay. The monetary crisis also ensured that Canadian securities of any sort would, as Jones remarked, be regarded in the United States as equivalent to those of South American republics.<sup>50</sup> With a British Columbia repudiation days away, the federal government, under financial pressure itself, reluctantly<sup>51</sup> agreed to take care of the New York obligation.

This difficulty could not have come at a more inopportune time in view of the federal government's already vexed attitude towards what they considered to be British Columbia's profligacy in managing unemployment relief. As it was, the decline in revenues, loss of credit at the bank, and federal reluctance to reimburse the province for relief expenditures already made on its behalf resulted in a complete end to all relief works in the province. Thereafter, the 11,000 unemployed men transported to the camps carved out of the bush lived on a bare subsistence and amused themselves as best they could. While the federal and provincial governments continued to haggle into the early months



of 1932 over the cost of unemployment relief, the municipalities were obliged to finance the total cost of their relief expenditures out of their own meagre resources instead of the third of costs for which they were responsible according to the agreement of the previous August. Many municipalities had to wait up to six months before the province reimbursed them for relief expenses incurred in October.<sup>52</sup>

The Tolmie government, meanwhile, almost begged Ottawa to approve the relief expenditures the province had already made, and which the federal government had originally agreed to share.<sup>53</sup> More important, however, was Jones' November statement that the province could not meet its own current expenses without federal help.<sup>54</sup> This demonstrated British Columbia's complete financial prostration. Ottawa came to the rescue by consenting to undertake to loan the province the funds necessary for it to continue its own part in relief financing. By the end of December the Dominion had loaned British Columbia \$1.3 million, at over 5 percent interest, to bolster the province's reserves for its share of unemployment relief.<sup>55</sup> Considering the importance attached to unemployment relief as a necessity in preventing social unrest, the fact that Victoria was unable to provide sufficient funds to satisfy its own portion of relief requirements, let alone Ottawa's share, is further proof that by Christmas, 1931, British Columbia rested on the brink of insolvency. And throughout the early months of 1932 the Tolmie government lived from hand to mouth, with fixed charges and relief costs constantly threatening to outstrip

available cash and credit, while officials in the Department of Finance ceaselessly importuned Ottawa for more money.<sup>56</sup>

The Tolmie government's response to this situation reflected the business government doctrine it had always attempted to implement. As in the case of a private enterprise confronted with severe deflation, the Conservatives prescribed economy. In a confidential memo sent to all members of the cabinet the Premier stated bluntly that as a result of world conditions and falling revenues the financial condition of the province was "exceedingly critical". In view of this, "immediate and severe retrenchments" were "essential". Ministers were to spare no efforts in seeking out ways to alleviate this situation:

In these circumstances you will explore every avenue for lowering costs in connection with the department under your charge. Reductions in staff, the elimination of services not entirely essential and the curtailment of expenditure in every direction must be undertaken immediately. The matter is one of urgent necessity and is not to be regarded from any other point of view.

57

Some department heads protested against the very real pressure the Premier and his Minister of Finance now exerted, but to no avail. Financial stringency, combined with the events of the past few months, was taking a heavy toll in mental strain for all members of the government, as Tolmie pointed out to a friend:

This 1931-32 has been a Devil of a time. Our troubles have been vastly added to, I would say added to fifty percent, by the unemployment situation and the extreme difficulty in connection with financing. Several of my Cabinet ministers have been on the verge of blowing up on several occasions.

58

Jones bore the major responsibility for this new program of retrenchment, and by February, 1932, Bruce Hutchison remarked that the Minister of Finance was carrying the Budget around "like a dagger in his heart".<sup>59</sup> While the cabinet had pared significantly the cost of government administration in 1931-32, these economies had not been enough to balance the heavy new expenditures the government incurred as a result of the depression. The Department of the Provincial Secretary, for example, which administered the majority of British Columbia's social welfare programs, exceeded its estimated expenditure for fiscal year 1931-32 by \$1.3 million. The province spent \$3.5 million on unemployment relief, over 250 percent more than this area had accounted for in 1930-31. The problems in financing experienced during the fall of 1931 meant that British Columbia had to spend extra amounts for exchange, and interest on federal loans to the province.<sup>60</sup> The \$29.2 million actually expended in 1931-32 would therefore exceed estimates by \$1.1 million. At the same time, revenues had declined substantially, down to \$22.1 million, or \$5.9 million short of estimates. The province would experience a deficit of \$7.1 million in 1931-32. Jones was not in possession of the exact figures for the current year when he began to formulate the Budget for 1932-33, but the gravity of the situation was not lost on him. At one point,

speaking to his Kelowna constituents, he commented that he had been aware at the time he accepted the Finance portfolio that the job would be no sinecure, "but never did I realise...-- the growing, nerve-wracking and appalling responsibilities which would confront me before the expiration of my first year of office. Gentlemen, you cannot visualize it, -- it has to be experienced to be realized."<sup>61</sup>

The Conservative Budget for 1932, delivered in March, notified the British Columbia public that many of the hens aggravating the province's finances for a number of years had finally come home to roost. Jones announced a \$4.8 million deficit for fiscal year 1930-31. Revenue receipts for that year had amounted to \$24.3 million, down \$3.8 million from the amount estimated, while the \$29.1 million actually expended involved an over-run of approximately \$1 million on the spending estimates, chiefly accounted for by unemployment relief. The Finance Minister further announced that the gross debt had risen to \$142.5 million as of November 1, 1931, an increase of almost \$37 million since the Conservatives took office.<sup>62</sup> It followed, therefore, and Jones recognized this, that "future capital borrowings will have to be restricted for a number of years to the barest necessities."<sup>63</sup> As a result, the Budget curtailed all loans for road construction and maintenance in the coming year. The rapid decline in revenues, however, combined with rising unemployment relief costs, left the government no alternative but to continue borrowing, at least for the immediate future.

Accordingly, Jones announced that he intended to bring down a Loan Bill that would augment the government's borrowing powers a further \$7.5 million for fiscal year 1932-33. Almost the entire amount of these new loans was to go towards making good the deficits of past years and to pay for unemployment relief.<sup>64</sup>

The 1932 Budget emphasized Jones' plan to retrench in government expenditures. The need for heavy government borrowing in the coming year meant that the province had to maintain its credit. The Conservatives wanted to ensure that the banks did not hold the province to ransom by refusing loans as in the fall of 1931, and the only way that this could be done was for the government to balance its budget through economy in expenditure. Accordingly, Jones budgeted for further cuts in the salaries of civil servants and cabinet ministers, and in the sessional indemnities for M.L.A.'s. Decreases in departmental appropriations totalled \$4.3 million, and Jones announced that he planned to implement treasury control of expenditures to ensure that departments did not overspend their reduced estimates.<sup>65</sup> At the same time, the Finance Minister urged that the province hold the line on social welfare expenditures, explaining that it was a mistake for the public to expect ever increasing services from government even though the depression had clearly augmented need. Jones criticized the province's social service programs, asserting that the amounts spent on hospitals, charities, corrections, pensions and relief indicated<sup>66</sup> "a lavishness beyond the means of our people." In order to soften the burden of these programs on the provincial treasury,

Jones declared that the government would now require municipalities to share in their cost.<sup>67</sup> In sum, the Conservatives were determined to pare expenditures in every way possible. Their estimates for 1932-33 made this policy explicit. Expenditures for the coming year would decline to \$24.7 million, down \$3.4 million from that estimated for 1931-32. Estimates of revenue for fiscal year 1932-33 were also reduced from the previous year, down to a more realistic \$24.8 million, or more in line with the amount accruing to government in 1930-31.

The figures for 1932-33 optimistically predicted a nominal surplus, but despite the cutbacks in expenditures, the Tolmie government recognized that the province would not enjoy a balanced budget without a further tax increase. Still, in announcing hikes for 1932-33, Jones took pains to explain that they were of the "emergency" type only, and that he would modify them upon the return of normal conditions. Various income taxes were to be consolidated into one revised Taxation Act and the number of taxpayers under this category increased through the elimination of exemptions. The schedule of new income tax rates was to commence at 1 percent on all incomes up to \$1,000, and increase at the rate of 1 percent per thousand up to \$19,000, at which point the tax was to equal 10 percent for all incomes thereafter. Although the greater burden of the tax would fall on the mass of taxpayers earning low incomes, corporations and joint stock companies would also pay the tax at these rates on total income without exemption. In addition, the government proposed new

taxes on land in support of education, and a fuel-oil tax of  $\frac{1}{2}$ ¢ per gallon. Drivers' licenses were to involve an annual levy of \$1, amusement taxes were broadened to include sports events, the pari-mutuel bets tax was raised from 5 percent to 7 percent, while a tax of 5 percent was to be collected on the sale of liquor by vendors to consumers.

The 1932 Budget marked a new low for the Tolmie government. Elected on a platform criticizing Liberal financial policies, the Conservatives had attempted to curtail rising social welfare expenditures and streamline the public service in order to bring the operation of government more in line with their business government principles. While times remained good, however, they embarked on an expensive new program of highway construction designed to assist private enterprise and encourage economic growth. While the Conservatives felt these policies were an improvement on those emphasized during the Liberal years, the government did not attend adequately to the weaknesses which remained in the province's fiscal structure. With the onset of the depression increased expenditure on relief and other social services, combined with a drastic decline in revenues, precipitated a financial crisis with which the Tolmie government could not cope despite its efforts to economize. The province's near bankruptcy embarrassed the government, but more importantly, it caused a crisis of confidence in the minds of many prominent big businessmen

in Vancouver and Victoria, and prompted them to take direct political action to ensure that their interpretation of how the province should respond to its financial difficulties would be effectively pressed forward.



FOOTNOTES: CHAPTER III

1 M. A. Ormsby, British Columbia, A History, (Vancouver, 1958), pp. 417-420, 426-428, 437-439.

2 Two students of the province's financial history draw this conclusion. A. E. Carlsen, "Major Developments in Public Finance in British Columbia, 1920 to 1960," (Ph.D. dissertation, University of Toronto, 1961), pp. 12-45; M. D. Bryce, "The Finances of the Government of British Columbia, 1866-1946," (B.A. essay, University of British Columbia, 1949), p. 52.

3 British Columbia, Budget Address, 1929, (Victoria, 1929), p. 59; Bryce, "The Finances of the Government of British Columbia...", p. 49; Royal Commission on Dominion-Provincial Relations, Public Accounts Inquiry, (Ottawa, 1938), Appendix K.

4 Carlsen, "Major Developments in Public Finance...", p. 15; Bryce, "The Finances of the Government of British Columbia...", p. 50.

5 Pattullo Papers, Vol. 29 file 8, "Re: Electoral Pamphlet Issued by Conservative Association in Connection with Provincial Election, 1928"

6 Carlsen, "Major Developments in Public Finance...", pp. 30, 71-72.

7 Vancouver Daily Province, February 22, 1929.

8 Ibid., January 23, 1929; Budget Address, 1929, pp. 54-55.

9 Budget Address, 1929, p. 47.

10 Province, March 3, 1930; British Columbia, Budget Address, 1930, (Victoria, 1930), pp. 19, 56.

11 Budget Address, 1929, p. 38.

12 Ibid., pp. 38-39.

13 Province, February 2, 1930.

14 Budget Address, 1930, p. 56.

15 Ibid., p. 54; Budget Address, 1929, p. 36.

16 Budget Address, 1930, pp. 17-18.

17 Budget Address, 1929, p. 73.

- 18 Ibid., p. 34; Budget Address, 1930, pp. 25-26.
- 19 Budget Address, 1929, p. 16; British Columbia, Budget Address, 1931, (Victoria, 1931), p. 13.
- 20 Budget Address, 1931, p. 18.
- 21 Budget Address, 1930, p. 16.
- 22 Ibid., pp. 51, 53-54.
- 23 Tolmie Papers, Box 7, W. C. Shelly to Tolmie, May 20, 1930.
- 24 Ibid., Shelly to Tolmie, August 14, 1930.
- 25 Ibid., Box 5, A. O. MacRae to Tolmie, October 3, 1931.
- 26 Province, October 28, 1930.
- 27 Tolmie Papers, Box 7, Jones to Tolmie, December 10, 1930.
- 28 Ibid., Box 20, E. D. Johnson to Minister of Finance, December 17, 1930.
- 29 Province, January 4, 1931.
- 30 Ibid., March 6, 1931.
- 31 Ibid., February 8, 1931; Budget Address, 1931, p. 42.
- 32 Budget Address, 1931, p. 54.
- 33 The Legislature later raised these exemptions for individuals to \$25 per week for married persons and \$15 per week for those who were single. Pensioners and farmers were also exempted. Ibid., pp. 41-42; Province, March 6, 1931.
- 34 Paul Phillips, No Power Greater, (Vancouver, 1967), p. 101; Carlsen, "Major Developments in Public Finance....," p. 9.
- 35 British Columbia, Report of Select Committee of the Legislative Assembly on Unemployment, 1932; Canadian Annual Review, 1932, (Toronto, 1933), p. 303; British Columbia, British Columbia in the Canadian Confederation, (Victoria, 1938), p. 109; Marion Lane, "Unemployment During the Depression: The Problem of the Single Unemployed Transient in British Columbia, 1930-1938," (B.A. essay, University of British Columbia, 1966), pp. 29-31.
- 36 Lane, "Unemployment During the Depression....," pp. 8-28.
- 37 Tolmie Papers, Box 12, J. W. Jones to R. B. Bennett, December 21, 1931.

38 Ibid.

39 Pattullo Papers, Box 43 file 3, Registration of Unemployed, Weekly Reports, August 1931 - February 1932; Jones Papers, Vol. I file 3, H. H. Stevens to R. W. Bruhn, October 17, 1931; Ibid., G. D. Robertson to R. W. Bruhn, October 17, 1931; Tolmie Papers, Box 12, H. H. Stevens to R. B. Bennett, December 17, 1931.

40 Jones Papers, Vol. I file 3, R. B. Bennett to Jones, October 16, 1931; Report of Select Committee of the Legislative Assembly on Unemployment, 1932.

41 Jones Papers, Vol. I file 3, G. D. Robertson to M. H. McGeough, October 31, 1931.

42 Ibid., Jones to R. B. Bennett, October 10, 1931; Ibid., Tolmie to R. B. Bennett, October 17, 1931; Ibid., Tolmie to G. D. Robertson, August 8, 1931; Ibid., Tolmie to G. D. Robertson, October 15, 1931; Pattullo Papers, Vol. 43 file 4, Chief Engineer to G. D. Robertson, October 22, 1931.

43 Tolmie Papers, Box 2, Tolmie to B. W. Howard, October 31, 1931.

44 Jones Papers, Vol. I file 3, P. Phillip to Jones, October 23, 1931; Ibid., Vol. IV file 2, E. D. Johnson to Jones, November 12, 1931.

45 Tolmie Papers, Box 12, Jones to R. B. Bennett, December 21, 1931; Ibid., Box 2, Tolmie to B. W. Howard, December 23, 1931.

46 Ibid., Box 7, E. D. Johnson to Jones, October 22, 1931.

47 Jones Papers, Vol. IV file 2, E. D. Johnson to Jones, November 12, 1931.

48 Tolmie Papers, Box 12, Tolmie to B. W. Howard, November 14, 1931.

49 Ibid., Box 7, S. H. Logan to Jones, November 3, 1931.

50 Ibid., Box 12, Jones to Tolmie, October 29, 1931.

51 Ibid., E. N. Rhodes to Tolmie, November 18, 1931.

52 Report of Select Committee of the Legislative Assembly on Unemployment, 1932; Lane, "Unemployment During the Depression....," p. 44.

53 Tolmie Papers, Box 12, Tolmie to H. A. Stewart, November 25, 1931.

54 Jones Papers, Vol. II file 1, Jones to B. W. Howard, November 17, 1931.

55 Report of Select Committee of the Legislative Assembly on Unemployment, 1932.

56 Jones Papers, Vol. II file 1, Jones to R. B. Bennett, February 3, 1932; Pattullo Papers, Vol. 43 file 3, E. D. Johnson to W. Sellar, February 10, 1932; Ibid., February 23, 1932; Ibid., March 2, 1932.

57 Tolmie Papers, Box 7, Tolmie to J. Hinchliffe, November 4, 1931.

58 Ibid., Box 2, Tolmie to B. W. Howard, February 12, 1932.

59 Province, February 26, 1932.

60 British Columbia in the Canadian Confederation, p. 108; British Columbia, Public Accounts, 1932, (Victoria, 1932), p. xiv.

61 Jones Papers, Vol. IV file 1, Speech Notes, December 30, 1931.

62 British Columbia, Budget Address, 1932, (Victoria, 1932), pp. 9, 16-21; Canadian Annual Review, 1932, (Toronto, 1933), p. 307.

63 Budget Address, 1932, p. 13.

64 Ibid., p. 46.

65 Province, March 16, 1932; Canadian Annual Review, 1932, p. 308.

66 Budget Address, 1932, p. 28.

67 Ibid., p. 43.

68 Ibid., pp. 37-41.

## CHAPTER IV

### THE KIDD REPORT

Corporate business in Vancouver and Victoria spearheaded the agitation that resulted in the appointment of the Kidd Commission to investigate the province's finances in the spring of 1932. Generally, these businessmen, among the most influential in the province, had remained aloof from this type of direct participation in the political process, but by the early months of 1932 they displayed a state of mind that made them ripe for action. As the economic decline became more protracted, it nurtured fears concerning the social stability of the province. At the same time, many metropolitan businessmen, particularly those in the councils of the Vancouver Board of Trade, had become convinced that the Tolmie government, despite its protestations to the contrary, was not following closely enough the program of retrenchment and economy they believed was necessary if the province were to weather the depression successfully. Gradually, this disillusionment with the Conservatives' performance in finance fostered an attitude that government, as a whole, and particularly the party structure which characterized it, was responsible for the province's financial problems. Businessmen in the two cities soon grew to believe that the situation called for fundamental changes in the province's political values in order to ensure social stability

and to stimulate recovery. A businessman's inquiry into government finances appeared to serve this end.

If the editorials in the province's major trade journals are any gauge, the business community was pleased that the electorate had returned the Conservatives to power in 1928.<sup>1</sup> Apparently, many businessmen believed that the Conservatives were more likely to implement business government policies than the Liberals. And in terms of the emphasis the Conservatives placed on programs to assist private industry, and their hostility to social legislation, the advocates of business government were not disappointed. It was the Tolmie administration's financial problems that prompted the province's more prominent businessmen, particularly those in the Vancouver Board of Trade, to become disillusioned with the Conservative government's performance.

During the first two years of Conservative government, before the slump, spokesmen for the metropolitan business community appeared content with the Conservatives' financial policies. Journals like the British Columbia Financial Times praised the candour of Shelly's budget speeches, especially his "evident desire to run the Provincial Treasury in the same prudent and careful manner that a successful business man would carry on in conducting his private business."<sup>2</sup> They sensed Shelly's firm hand in his desire to curtail burgeoning government expenditure, his wish to avoid substantial tax increases, and his belief in

the virtues of balanced budgets.<sup>3</sup> After the 1930 Budget, however, as the economic downturn became more pronounced, mere statements of principle would not suffice and Vancouver businessmen became more critical of the Conservative financial program.

The first manifestation of this disenchantment grew out of Jones' 1931 Budget. What worried the businessmen in the Vancouver Board of Trade was the fact that the Budget was the largest on record and that the government did not appear to realize fully the importance of falling revenues from the key industries of the province into the provincial treasury over the last year. While the Budget professed to introduce retrenchment, the government intended to continue spending large amounts for roads, which the Board Council was no longer certain would produce new revenues. Traditional business arguments against debt and high taxes also appeared in the Council's discussions.<sup>4</sup>

With this in mind the Vancouver Board decided to lobby the government to impress upon it the need for more thoroughgoing economies. A few weeks after the government delivered the 1931 Budget, a delegation of nine representatives of the Board waited on the cabinet. Apparently, Jones and Shelly were able to convince the delegation that they shared their desire to economize. From the Board of Trade minutes of the meeting it appears that the discussions were frank but courteous, and that there was mutual agreement on the necessity for economy in the public finances.<sup>5</sup>

By the early months of 1932, however, a series of developments had altered markedly the character of relations between the metropolitan business community and the provincial government. Principally, the big city interests now lacked confidence in the Tolmie administration's ability to ensure a balanced budget without new taxation and to decrease the debt from loans contracted to cover deficits on current account. The financial problems the government encountered when implementing its relief program in the fall of 1931 contributed heavily to the more critical attitude its activities in the area of public finance now elicited. Early in February, 1932, the Minister of Public Works, R. W. Bruhn, announced that the province would respond to charges that British Columbia had constructed extravagant relief camps and mishandled relief funds by appointing a special House committee to investigate the province's relief program. The investigation soon revealed the bitter recriminations that now punctuated the relations between the Conservative governments in Ottawa and Victoria owing to British Columbia's administration of relief. Commenting on the bad feeling between the federal and provincial governments the Vancouver Sun observed that "in understanding and co-operation, Ottawa and Victoria have been as far apart as an Eskimo and a Hottentot endeavouring to discuss Einstein's relativity." In particular, the Tolmie administration received bad publicity after H. H. Stevens, the federal Minister of Trade and Commerce, made comments asserting that Ottawa had always been ready to fulfill its part of the relief program and forward money to the province promptly, except that "British Columbia, for some reason or other, seems unable to meet the ordinary business conditions



which we have felt bound to impose."<sup>7</sup> This implied that the blame for the province's financial problems lay with the Tolmie government.

The serious financial problems the province had encountered late in 1931 guaranteed that the 1932 Legislative Session would become important primarily for the financial policies which the government revealed. Sanity had to be restored to the finances of the province, Bruce Hutchison remarked.<sup>8</sup> The Province stressed that while all governments had committed themselves to programs of economy, the way they were implemented varied by jurisdiction. Economy in Ottawa, the paper editorialized, "is a visible process in being; at Victoria it is still only a pious aspiration after something yet to be."<sup>9</sup> The Liberal press agreed.<sup>10</sup> Even in its own caucus the Tolmie administration encountered a challenge from Conservative M.L.A.'s who lacked confidence in the government's ability to manage public finances according to business government principles. This was especially true of members from ridings in the Vancouver and Victoria areas where the government collected most of its taxes. In one pre-Session caucus it was reported that city members threatened to vote as independents unless the government agreed to implement no new tax increases in the coming year and cut back expenditures by a third.<sup>11</sup>

Pattullo and the Liberal opposition contributed much to the lack of confidence in the government's financial acumen. Since their defeat in 1928 the Liberals had not held back in their assault on what they felt was the financial incompetence of the

new government. Before the onset of the depression Pattullo had attempted to blunt the Conservative attack on the former Liberal government by asking why, if the province's finances were in such bad shape, the new government insisted on providing for new borrowing powers, and instead of curtailing all but vital services had decided to embark on an expensive program of highway construction. Cassandra-like, Pattullo hammered home the idea that the Conservatives were "profligate, imprudent, and outrageously extravagant,"<sup>12</sup> prophesying in 1930 that the spenders in the cabinet would soon place the government "in a position of grave embarrassment. This will be increasingly apparent within the next two years when the financial chickens will be coming home to roost. The Government will regret the ease with which money could be borrowed in a market glutted with funds, and so will the people of this Province regret it when the time comes to pay the bills."<sup>13</sup>

With the coming of hard times the Liberal strategy began to bear fruit. Pattullo's argument now, supported by like comments in the editorial columns of Liberal papers like the Victoria Daily Times, was that, if the government had only conserved the province's resources instead of spending them wastefully, they would have been in a position to deal with the industrial depression positively instead of having to retrench.<sup>14</sup> Numerous editorials in the Vancouver Sun went one step further, blaming the government's financial problems on the cabinet's looting of the public treasury<sup>15</sup> in order to distribute patronage and party favours. As economic conditions worsened, and especially after the Conservatives had

begun to experience problems with unemployment relief expenditures, Pattullo publicly rebuked the financing that had placed the province in such a dangerous position during the fall of 1931, and suggested that the government was spending millions upon millions<sup>16</sup> without any consideration of the province's means to pay.

Conservative spokesmen criticized Pattullo for stirring up hysteria concerning the solvency of the province, and for his constant predictions that the government would plunge British Columbia headlong into ruin. They accused Pattullo of attempting to destroy the province's credit in the financial capitals of the east for partisan purposes alone.<sup>17</sup> Certainly, by 1932, the Liberals appeared ready to administer the coup de gr ce to the government.

Privately, Pattullo wrote that the financial situation had become so acute he doubted whether the Tolmie government could survive the approaching Session of 1932.<sup>18</sup>

The prominent businessmen in Vancouver did not remain idle as the province's financial situation deteriorated late in 1931. Indeed, some of them possessed inside information concerning the government's financial difficulties to which Pattullo, apparently, was not privy. In September, when Britain went off the gold standard, a great deal of anxiety was created in eastern Canadian financial and banking circles. Since British Columbia had such a high per capita public debt, the eastern financial houses subjected the province's fiscal policies to a careful review. By the end of

October they informed the Tolmie government that there was considerable gossip in the east charging the province with extravagance in its spending programs, particularly those calling for relief work and highway construction. In such uncertain times, the province's bond brokers and its bank advised, strict economy in expenditures and a balanced budget were essential if the province were to carry out its financing successfully.<sup>19</sup>

Proof that the large financial institutions had lost confidence in the British Columbia government came swiftly in early November, when S. H. Logan, the general manager of the Canadian Bank of Commerce in Toronto, wrote Jones. "In the opinion of the Bank," he said, "the financial condition of the Province is extremely serious and prompt and effective measures must be taken to meet the situation." Specifically, the Bank felt that it had absorbed all the loans for past provincial deficits it could handle under the circumstances, and failing a balanced budget it felt it should inform the government that no further loans could be made. Future budgets, Logan asserted, would have to make provision for optimistic calculations of revenues to be received, while treasury control of expenditures "must be established at once, in order to ensure the budgeted expenses will not be exceeded by any department or Minister." In addition, the Bank forbade the province to acquire funds through borrowing with other institutions without the Bank's knowledge and approval in advance. Earlier, Logan had told Jones that the Bank would not consider making advances in connection with relief works spending to be

refunded later by the federal government, nor would it provide the funds necessary to redeem the millions of dollars in treasury notes the province had coming due shortly in New York.<sup>20</sup>

The Bank's action was a heavy blow for the Tolmie government, and indeed, it nearly caused the province to default on some of its more pressing financial obligations. Of equal significance, several of the more prominent businessmen in Vancouver were probably informed of these developments. H. R. MacMillan, Vice-president of the Vancouver Board of Trade at the time, was the link between the Vancouver business community and eastern financial circles dealing with the provincial government since he also sat on the board of directors of the Canadian Bank of Commerce.<sup>21</sup> Late in October MacMillan had arranged a meeting with the cabinet in which he and four other important Vancouver businessmen requested a frank discussion concerning the government's handling of the province's finances. George Kidd, a Vancouver securities and investment counselor, and subsequently chairman of the commission that bore his name, was a member of this delegation. The MacMillan group suggested that the cabinet provide information detailing the province's current revenues and expenditures, the anticipated deficit for 1931-32, how these deficits would be met, what the cost of the unemployment relief program would be, how the program was being administered financially, how the government proposed to care for its future commitments, and how it proposed to achieve a balanced budget.<sup>22</sup> These were audacious demands. Normally the government kept information of this sort strictly confidential

until it presented the Public Accounts and the Budget to the Legislature. There is no detailed record of how much information the cabinet passed on to the businessmen during their time together. However, MacMillan's connection with the Canadian Bank of Commerce, together with the fact that the Tolmie government was willing to see the businessmen with these subjects dominating the agenda, indicates that the upper levels of the Vancouver business community had a good idea of how serious the province's financial situation had become since the previous spring.

One important suggestion the MacMillan group put forward at this time was that the government give a non-partisan committee of businessmen unrestricted access to the province's financial records in order to assess the taxation that the province might levy without burdening industry unduly, and how the government should spend the money collected without forcing new borrowing. This amounted to a suggestion that the government allow representatives of the Vancouver business community to help it prepare the Budget. Initially, Tolmie appeared tantalized by this proposal. However, the government had already refused the Liberal opposition as well as Conservative members of the Legislature the information it would have to give to such a committee. Other cabinet ministers soon informed the Premier that there could be no justification for this breach of government secrecy in order to accomodate members of the general public, even if they were prominent businessmen. Tolmie therefore told the Vancouver group that he could not accede to their request. Thus, for the time being at least,

nothing was done about the proposed committee.<sup>23</sup>

By the early months of 1932 the economic condition of the province indicated that a crisis point had been reached. "Canada," the British Columbia Financial Times maintained, "is still fighting the forces of reaction, but while these forces are steadily losing their power, it must also be admitted that the powers of resistance are also diminishing, tending to leave us in a state of exhaustion, and business in a condition of stalemate."<sup>24</sup> Business was indeed dull. During 1931 the value of production in the province's major industries had decreased by 30 percent from the 1930 level.<sup>25</sup> And an end to the continuing decline was nowhere in sight. The mood of the public appeared sullen and resentful. Crowds of unemployed battled police in front of the Vancouver City Hall.<sup>26</sup> As the British Columbia Lumberman reported: "At the Coast all is gloom at the moment, and businessmen are somewhat panicky."<sup>27</sup>

The Tolmie government seemed weak and not in full control of the situation. Continually plagued by delegations and job-hunters, cabinet ministers were becoming exhausted with the strain of administration in hard times.<sup>28</sup> The Province sympathized with the "wrestlings" of the Finance Minister in Particular. "In the great contemporary process of 'blaming it onto somebody else,' he has found himself the convenient whipping boy of the province," the newspaper editorialized.<sup>29</sup> Jones, like other high government

officials, sought to insulate himself from the importuning public, urging an Okanagan audience "to realise the necessity for more individual initiative -- that the Government is not a 'wet nurse' from birth to death."<sup>30</sup> Outbursts such as this indicated that the government felt itself besieged. The Premier's physical collapse and confinement to bed during most of the 1932 Session on account of a massive attack of nosebleeds, indicating high blood pressure, augmented the uncertainty. During the course of his illness Tolmie lost over fifty pounds, and there were rumours that his health might force him to retire. Without the Tolmie personal touch, the Conservatives appeared demoralized and vulnerable.<sup>31</sup>

It was in this atmosphere that the major business organizations in Vancouver decided to mount a campaign of unprecedented scope to ensure that the Tolmie government implemented a policy of rigid economy in a way that it appeared not to have done previously. During the weeks leading up to the opening of the 1932 Legislative Session, executive officials in the Vancouver Board of Trade had become increasingly concerned that the Conservative government's prospective budget be balanced with no increase in taxation. They knew, apparently, that revenue collections were down considerably. This meant that government must cut its expenditures drastically if the Budget were to balance. On February 23rd, a score of businessmen representing the Board, the British Columbia Division of the Canadian Manufacturers' Association, and the Victoria Chamber of Commerce attended a cabinet meeting in Victoria and



presented a memorial expressing these arguments. There was a new urgency to their remarks, however. "Business today is concerned with the present unparalleled conditions which are facing every branch of industry in every section of the civilized world, the affects [sic] of which...are threatening the very existence of trade and commerce....," their petition asserted. While these businessmen recognized the difficulties the government was also experiencing, they stated bluntly that since prices and sales volume were falling, increased taxation in the coming year would jeopardize the solvency of many firms. Discussion followed, but the cabinet ministers appeared hesitant to divulge any information concerning the government's financial plans.<sup>32</sup>

A day later, February 24th, the Province carried the news that the government was planning to raise gasoline, amusement, and income taxes in the coming Budget. The news shocked and angered a broad range of opinion in the province.<sup>33</sup> It provoked an open letter from the business groups that had waited on the cabinet, which stated that the business organizations listed were "considerably alarmed at the unofficial indications which have since been conveyed to the people by means of newspaper articles and editorials of the supposedly drastic forms of taxation which are being discussed." Instead of new taxation, the business organizations stated that,

the Government must follow the same example which is now being adopted from necessity by private enterprise, in the conduct of their own affairs,...and give effect to the most drastic economy in all forms of expenditure for the future safety and welfare of the Province, even though temporary hardships may be involved, the necessity of which are deplored, but which we feel are unavoidable.

The announcement of tax increases gave impetus to the huge lobby which the metropolitan business community now decided to plan for early March. Over sixty business delegates took part in this sweep of the government buildings, including the executive officers of nearly a dozen Vancouver and Victoria business organizations. The Vancouver Board of Trade organized the lobby. But the British Columbia Division of the Canadian Manufacturers' Association and the Victoria Chamber of Commerce also contributed heavily. Executive officers of the Vancouver Island Branch of the Canadian Manufacturers' Association, the Vancouver Merchants' Exchange, the Building and Construction Industries' Exchange and General Contractors' Association, the Associated Property Owners of Vancouver, the Vancouver Real Estate Exchange, and the Retail Merchants' Association, were present as well. The Shipping Federation of British Columbia and the Mortgage and Trust Association of British Columbia also sent delegates. While small business organizations, real estate and retailing, were represented, the bulk of the delegates came from the executives of substantial companies with offices either in Vancouver or Victoria. A few of these were subsidiaries of large international corporations. The majority, however, were companies operating principally, usually exclusively, in British Columbia, with their head offices in Vancouver and Victoria. Many of these were owned outside the province, but local entrepreneurs controlled a large number of the others. A number of these local companies had interlocking directorates. Among the more prominent businessmen represented in the Vancouver delegation were Gordon Farrell, President of the British Columbia Telephone Company, Austin Taylor, President of

Home Oil Distributors Ltd., Richard Bell-Irving, the fish canning magnate, W. C. Woodward, the department store owner, and George Kidd, a director of a Vancouver investment firm and former president of the British Columbia Power Corporation. Most of the province's primary industries were represented -- fish canning, lumber products, pulp and paper, and logging. Mining appears to have been under-represented, except for Vancouver Island coal interests. Wholesale drygoods, hardware manufacturing, and industrial supply firms in Vancouver sent delegates. So did a Vancouver grain trading company, and a few local insurance and investment houses. The lobby was clearly a coalition representing the most influential sectional business interests in the province, the corporate entrepreneurs of Vancouver and Victoria.<sup>35</sup>

The businessmen spent the greater part of a day attending Liberal and Conservative caucuses. Chief amongst their demands was that the government restore confidence by appointing an independent non-political financial commission to investigate the true condition of the province's finances. In addition, they suggested that the government produce quarterly instead of annual statements of expenditure and revenue, and that treasury control replace the present system of "uncontrolled" departmental expenditures. Economy in government expenditures was vital, they said. The point had been reached where any new taxation on business would yield diminishing returns. New loans to make up deficits were not an option, they asserted. Debt payments would soon equal tax receipts, if the latter continued to decline, as the businessmen

expected. This could ruin the province's credit, they warned. As well, a plethora of government bonds on the market at high rates of interest closed this source of capital to private industry. Generally, the day was distinguished by much talk, but the business delegates returned home assured that the government would appoint what the Province called "an advisory council" of businessmen to investigate the province's finances. This was a major victory for the business community.<sup>36</sup>

Jones delivered his Budget on March 16th. Many representatives of the business lobby were disappointed. In particular they were disturbed at the proposed \$7.5 million increase in the debt. They remained convinced that the government had not been ruthless enough in cutting expenditures, and that further reductions could be made.<sup>37</sup> As Austin Taylor pointed out to a meeting of the business organizations that had lobbied the government the week before, "the business interests were entitled to an honest statement of facts which...had not been forthcoming up to the present time."<sup>38</sup> Now, more than ever, these businessmen were convinced that a non-partisan commission was necessary to investigate the public finances and make recommendations in order to prevent the further decline of the province into insolvency.<sup>39</sup> For these business groups, at least, the 1932 Budget was a clear sign that the government no longer responded adequately to the needs and wishes of the business elite. As H. R. MacMillan wrote:

what bothers me is that the employment giving, revenue producing, tax paying industries in British Columbia, have, by their own confession, and judging by the results, practically no more influence over the legislature at Victoria than they have over the legislature at Olympia, Washington. How is this ever going to be remedied?

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Politically, this alienation of the more influential members of the province's metropolitan business community from the Conservative government had serious implications. The Conservative party, after all, had drawn much support from the business elites in the province, especially in Vancouver and Victoria. The Tolmie administration had sought to govern according to business government principles. It seemed, then, that business alienation could only serve the interests of the Liberals. Indeed, it had been a principal aim of Pattullo's attacks on the financial policies of the Conservative government to drive a wedge between it and the business community that lay behind it.<sup>41</sup> When the large business lobby arrived in Victoria early in March Pattullo took pains to agree with all their demands, tighter treasury control, quarterly financial statements, and a non-partisan businessman's investigation into the province's finances.<sup>42</sup> In his reply to Jones' 1932 Budget Pattullo accused the government of padding the estimates to effect the appearance of a balanced budget. As well, he underscored what he considered to be the Finance department's bungling, the government's extravagant works expenditures, its tax gouging, and its abuse of patronage.<sup>43</sup> A few days later he sought to press the issue of the government's fiscal vulnerability

on the business leaders of the province by writing a letter to F. C. Brown, chairman of the British Columbia Division, Canadian Manufacturers' Association, berating the Tolmie administration for its many financial sins and its "fradulent" Budget. No doubt Pattullo was sincere in his concern for the province's finances, but his courting of the prominent businessmen leading the assault on government was also expedient politically. Brown, in his reply to Pattullo's letter, hinted that this was Pattullo's motive in writing to him.<sup>44</sup>

In fact, the crisis in government finance benefited neither party, since there was a general feeling, expressed mainly in Conservative, but sometimes in Liberal sources of opinion, that the province's financial problems lay rooted in the party system.<sup>45</sup> Often this dissatisfaction with party politics took the form of editorials censuring the petty mendacity which marked debate in the Legislature,<sup>46</sup> the "inanis verborum torrens" of the House,<sup>47</sup> as the Victoria Daily Colonist expressed it. As the province's financial difficulties became acute, however, the attacks on the party system became more shrill. This was particularly true of the editorials in the Province, which blamed a slavish loyalty to the patronage needs of party on the part of the province's politicians for British Columbia's financial ills. By the early months of 1932 the Province was prepared to assert that the party system had outlived its usefulness. "We have reached the point in British Columbia where the thing called politics has become an incubus," the paper editorialized in March. "We created it or

winked at its creation. Now we can not control it. It is slowly smothering us under the load of debt and extravagance it has built up, and both government and opposition appear to be helpless in face of it." <sup>48</sup> The Province demanded an end to party politics in the province, and a genial non-partisanship among politicians to replace it. <sup>49</sup> In practical terms this would mean coalition, but the paper hoped it would be more than that, a union of the best minds of all parties dedicated to good government. "All British Columbia requires," an editorial asserted, "is a small and efficient board of directors who will forget strife and chatter and give the province a relatively simple form of government." <sup>50</sup>

Many Vancouver businessmen were coming to agree with the analysis of the Province. Harold Brown, the President of the Vancouver Board of Trade, championed this view. "The people have lost all faith in the principle of party government to safely administer the affairs of the province under existing conditions," he asserted at one Board luncheon. <sup>51</sup> In particular, he thought, the Conservative government's unemployment relief enquiry was politically motivated, and therefore, totally useless. Brown was called before the House committee to explain his public statements to this effect, but he retracted nothing. His major complaint was that the playing of politics, manifested in the committee's whitewash of the government's extravagance in funding relief works, had created a crisis of confidence in government, with many people becoming "resentful and desperate". This was producing great anxiety in the business community. Under these circumstances, he said, party government was dangerous and should end.

Governments would find it increasingly difficult to get the co-operation of the people if they felt politicians were wasting their money, and this was precisely the reason, Brown believed, why the Tolmie administration should appoint an independent, non-partisan commission to advise the province on finance. Only with an independent commission would the taint of politics disappear.<sup>52</sup>

Tolmie and his cabinet colleagues had also gradually come to believe that a non-partisan businessman's inquiry into the government's finances might be useful. The government was clearly on the run. The pressure of repeated business delegations, the criticism of the political system from the Province, Pattullo's constant harangues on the government's financial bungling, and Harold Brown's comments to the relief committee all might have influenced the government in its decision. There was a successful, recent precedent for such a commission in Britain where, in 1931, the Labour government had appointed outsiders to analyze government expenditures with a view to balancing the budget. While there is no clear evidence that this was so, the business orientation of the Tolmie government suggests that the cabinet may have believed that business appointees would soon recognize that the government had acted properly under the circumstances. Such favourable publicity might reinstate the Conservative administration in the esteem of its business critics, as well as in that of the public at large. In any event, in mid-April, after the Session had ended, the government agreed to appoint a committee of five<sup>53</sup> from a list drawn up by the metropolitan business lobby. These



included George Kidd, chairman, with Austin Taylor, the Vancouver businessman associated with Bralorne Mines and the Home Oil Company, W. L. Macken, a Chilliwack dairyman and lumberman, A. H. Douglas, a Vancouver lawyer, and R. W. Mayhew, the head of a roofing company in Victoria and an executive on the Victoria Chamber of Commerce. Tolmie wrote to a cabinet colleague that he had been anxious to appoint a committee of the business community's own men and so "let the responsibility rest with them."<sup>54</sup>

The government reserved the right to reject any or all of the committee's proposals, while the committee members would contribute their time and effort free of charge, the government paying only for the printing and publication of the report.

Tolmie seemed pleased. "As far as I can find out from word I have received from Vancouver and from what I hear around here," he wrote, "the feeling is that it is a good move politically, and, if properly guarded, no harm can come from it."<sup>55</sup>

Bruce Hutchison was not so sure. In his opinion the commission "started in dead silence with a positive hatred of publicity which is rare here. Quietly it will go into our finances while others sleep, but the period of silence will assuredly end when its report is published."<sup>56</sup> The journalist was the more prophetic.

The commissioners began work immediately, as it was part of their mandate to complete their investigation as soon as possible. They received the full co-operation of government officials and access to all government financial records. In mid-July they submitted their Report.

The Kidd Commission's recommendations reflected the metropolitan business community's disillusionment with the province's system of democratic politics and government. The two areas of concern emphasized in the Commission's Report, (a) economy in public expenditure, and (b) the vicious influence of the party system that, in the Commission's eyes, was intimately related to the problem of government spending, demonstrated this.<sup>57</sup> At the outset the Kidd Report asserted that since British Columbia industries, by and large, depended on export markets for sales, the government should not erode their competitive position through high taxes. Therefore, in order to achieve a balanced budget the government had to curtail its expenditures. All the Report's recommendations stemmed from this premise. Basically, there were two types of proposals, suggestions for economy in government administration, and recommendations as to the services that the government should curtail. The Report suggested reductions in the numbers and salaries of civil servants, more accurate calculation of budget estimates, the implementation of quarterly returns of revenues and expenditures, the sale of the Pacific Great Eastern Railway, the replacement of the provincial police by the federally funded RCMP except in the cities of Vancouver and Victoria, the amalgamation of the department of education with the social welfare functions of the provincial secretary into a new department of social services, a new department of natural

resources combining the present departments of mines, agriculture, and lands, which would reduce the cabinet from eleven to six, a reduction in the number of M.L.A.'s from forty-seven to twenty-eight, and a more prominent role for the province's Lieutenant-Governor, who should henceforth act as a brake on the unwise expenditures of the elected members.

Social services came in for particular criticism again because the commissioners perceived them as a tax on productive industry. The Report recommended that the government repeal the minimum wage law, shut down its employment service offices, monitor mothers' and old age pensions more carefully for fraud, and sterilize the mentally ill in order to prevent a transmission of the affliction to progeny and so create added burdens for the state. As for education, the Report stated: "Once the elementary stage of education has been passed the sooner the majority of the students commence to assist in producing the wealth now lying dormant in our natural resources, the better will it be for themselves and the society in which they live."<sup>38</sup> The capacity for society to absorb those who aspired to academic, professional, or executive occupations was limited, the Report asserted, and therefore it recommended that the government curtail free education when students reached the age of fourteen, while providing scholarships to the brightest thereafter. The Report suggested that the Department of Education keep tighter control over the expenditures of local school districts, implement tighter rules for the opening of new schools and looser regulations for closures, reduce the number and salaries of teachers, end free teacher training in the

province's normal schools, and cut out the annual grant to the University of British Columbia, even if it meant that the institution would have to close. In all, the Commission hoped to curtail the province's expenditures by \$6 million through these economies.

The Report blamed the need for such drastic measures on the province's system of party politics. Sectional interests, it argued, regarded their local members as funnels through which public funds were siphoned to pay for pet schemes of no provincial importance. In the Commission's view, this attitude had been fostered by the party system, which, "while it originated in legitimate differences of opinion on great questions of public policy, it is to-day largely a struggle between one party to retain and the other to recapture the benefits of office." The first step toward alleviating this problem lay in a substantial reduction in the numbers of elected members, since "the greater their number the greater is the danger to the Treasury from selfish local interests and the more fertile is the ground for party intrigue and patronage." But this was only a partial solution. What was required, the Commission maintained, was a fundamental change in attitude on the part of the province's elected representatives, if bankruptcy were to be avoided:

We are of the opinion that the time has come for a complete change in the ideas, opinions and motives which have influenced both the electors and the elected in the past. Patronage and self-interest have been allowed to control the affairs of government and the public purse has been regarded as an inexhaustible booty upon which all may prey. Our legislators and their leaders have lived so long in an atmosphere of concession, compromise, and debt that it is difficult, if not impossible, for them to realize

the entirely new conditions with which they are today confronted. The record of deficits and public debt... proves conclusively that reform and economy have been urgently required for many years and it is not pleasant to reflect that only the present financial crisis has created the opportunity for this warning, now much overdue, to be given to the public.

The Kidd Report was published late in August. It engendered much heat. Most of the major daily newspapers, both Conservative and Liberal, felt the Report's economy recommendations went too far.<sup>58</sup> Summing up these sentiments, the Daily Colonist observed:

It would seem...that the members of the Kidd Committee have graduated with honors in some university of pessimism and that one of the objects of their report, like the fat boy in Pickwick, is to make the flesh of the people creep.<sup>59</sup>

Only the Sun seemed to praise the Report unequivocally, regarding it as an indictment of a wasteful and incompetent Conservative government which the voters should dispatch quickly in favour of Pattullo's Liberals.<sup>60</sup>

Public reaction was most pronounced concerning the Report's social welfare recommendations. The province's labour organizations rejected them completely.<sup>61</sup> The proposal to curtail free education was met with anger from Dr. G. M. Weir, the Head of the Department of Education at the University of British Columbia, who maintained that the youth of the province should not be condemned to intellectual serfdom "at the caprice of certain capitalist parvenus."<sup>62</sup> As for closing the university, this would only serve to increase the crime rate amongst the disadvantaged poor who

could not afford to go elsewhere. H. F. Angus, another university professor, claimed that the Kidd Report's education recommendations were devised to promote the establishment of a semi-literate rural peasantry to serve as a pool of cheap, docile labour in a businessman's paradise.<sup>63</sup> The British Columbia Teachers' Federation set up a special committee to investigate the Report's recommendations, which declared that they were a blatant attempt on the part of the province's business elite to solidify the existing class hierarchy and set up barriers against the children of the poor who aspired to be upwardly mobile.<sup>64</sup>

The business press endorsed the Report almost unanimously, especially its critique of the party system as the source of the province's financial ills. Many journals contended once more that governments had to administer themselves like any sound and successful business. The Report had demonstrated that this was impossible under the present system of party politics. One business periodical, the British Columbia Financial Times, called for a radical solution. "If we could bring reform into practice by the suspension of the constitution as is done in Europe and all power impose in a tyrant such as Mussolini in Italy, the problem would be comparatively simple," the journal editorialized. One man government, or at most a committee of three was preferable to the present system, it affirmed.<sup>65</sup> The British Columbia Miner's suggestion was less extreme, but demonstrated a frame of mind concerning the province's political system that was similar to that of the Financial Times:

How much easier to avoid graft, wire-pulling, patronage, and all the rest of it, if we could elect...six or seven good men for a definite term, five or ten years.... No matter

what you paid them, the saving would be immense.... If we must have representative government of some sort, then let it be rather group representation, to include mining..., the other basic industries, trade and manufacturing, labour and other interests, still limiting the number to the workable proportions of a Board of Directors. Thereby the assurance of efficiency in government would be undeniably greater. Thereby we should be spared all the insincerities of the annual session, the farcical debates,...the waste motion in the passing of innumerable ill-considered or useless bills, ...and all the rest of the unedifying and expensive spectacle.

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Such suggestions for change in the structure of government indicate that many members of the business community were thoroughly disillusioned with democracy as a means of coping with the economic exigencies of the modern world.

The metropolitan business groups that had sponsored the Kidd Commission pressed the Conservative government to implement its recommendations quickly and completely.<sup>67</sup> But Tolmie and his cabinet preferred to wait. This was understandable as the Report had placed the government in a rather awkward political situation. There is little doubt that the government agreed with the spirit of economy manifested in the Report.<sup>68</sup> Recognizing that the Vancouver business community was of like mind, if uninformed, the government had allowed the Kidd Commission to investigate the public finances, probably expecting that the final report would merely offer further suggestions to promote the policy of retrenchment the government had attempted to implement earlier. The tone and content of the Report, however, constituted an indictment of the province's political system as a whole, including the Conservative government. This was particularly galling as departmental officials, on closer inspection, detected a lack of thoroughness

in the Report. There were numerous errors of fact which contri-<sup>69</sup>  
buted to negative conclusions about the government's performance.  
In addition, Finance Minister Jones found that publicity in  
eastern financial circles following the publication of the alarmist  
message contained in the Report had jeopardized the province's  
credit.<sup>70</sup> Politically, it was impossible for the government to  
endorse the Report because its recommendations regarding social  
legislation had precipitated such a public outcry.<sup>71</sup> This is not  
to say that the government expressed doubts about the Report for  
political reasons alone. Many of the Report's recommendations  
were simply too extreme, even silly in some cases. The Commission's  
suggestion that the Lieutenant-Governor exercise a restraining  
influence on government expenditures, for example, was easily  
lampooned in the Appendix to the Report which the government  
printed to point out its inconsistencies:

The report makes, in effect, a suggestion to revert to  
the days when the King and not Parliament...exacted and  
disbursed the public moneys. That method was displaced, at  
heavy cost of bloodshed, by Oliver Cromwell, since when  
Parliament has voted Supply each year, and the Throne has  
also each year thanked Parliament for "the supplies so  
generously granted for the Public Service". A right  
obtained by the people at such heavy cost in 1653 will not  
be lightly handed back in 1932.

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Ultimately, the government decided to reject the majority of the  
Report's suggestions, particularly in the area of social legislation,  
but also in that concerning government administration.



The government did respond seriously, however, to the Commission's recommendations concerning party politics. The Report gave sanction to the Province's campaign which blamed the political system for the province's financial ills, and brought the pressure for changes in this regard to a new peak.<sup>73</sup> Finally, in mid-September, Tolmie made a series of announcements explaining that he intended to form a Union government representing the major interests in the province. In order to demonstrate his own personal sincerity in this move he promised that if such a government were successful at the polls its elected members would determine who should be leader, and that he would step down if necessary. Once organized, the Union government would implement a reduction and redistribution of seats in the Legislature, and seek to adopt the other economy measures suggested in the Kidd Report. This action was necessary, Tolmie pointed out, if the province were to confront the depression more effectively. In particular, the Premier indicated that the government's program of market extension, economy in government expenditures, and efficient unemployment relief would stand a better chance of success if a coalition government could be formed.<sup>74</sup>

During the second week in September, in preparation for the implementation of his Union government policy, Tolmie made overtures to Pattullo and to William J. Bowser, a former leader of the Conservative party, nominally retired, but still a mentor to some of the disgruntled Vancouver interests within party ranks. Both men declined to join in a coalition cabinet.

Pattullo felt that the coalition proposal was an attempt by the Vancouver business interests that had sponsored the Conservative government to head off an imminent Liberal electoral victory.<sup>75</sup> The Liberal leader resented this interference, charging that "the nefarious influences which are now at work in the name of clean and Non-Party administration, are the influences which have always been the very worst in public life, and which, in their own sphere of finance, have brought this country to the verge of ruin."<sup>76</sup> The Kidd Report demonstrated this. The recommendations of the Commissioners were "reactionary" and "weird", he said. Above all, they revealed the business community's "entire ignorance of governmental problems".<sup>77</sup> The Report reinforced Pattullo's conviction that government could not be run like an ordinary business, and that for this reason businessmen should not be allowed to influence a government unduly.<sup>78</sup> The metropolitan interests which had sponsored the Report had shown once again that they worked in their own interest alone, rather than for the good of the province as a whole. This was demonstrated most clearly in their demand for a reduction and redistribution in the number of seats in the Legislature, which, he thought, would leave large rural areas of the province without proper representation, entirely at the mercy of a government dominated by members from the heavily populated business centres on the coast.<sup>79</sup> Earlier Pattullo had argued that this proposal was designed to undermine the province's democratic institutions in favour of autocracy, and that in a self-governing community, the rights and liberties of the common people were better safeguarded

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by adequate representation. As for no-party government, Pattullo believed that if it were implemented politics would degenerate into petty personality conflicts. Party politics, on the other hand, preserved the genuine differences of political philosophy and principle that separated Liberals from the Conser-  
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vative government and its corporate clientele. For Pattullo, the Liberals were the party of progress, while the Conservatives were reactionaries. Under the circumstances, on matters of principle alone, there could be no coalition. Instead, Pattullo suggested that Tolmie call an immediate election if he felt he  
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could not continue to govern.

The metropolitan business interests who had organized the lobby that precipitated the Kidd Report probably watched these political events with mixed feelings. True, the government had criticized the Report, but Tolmie and his colleagues were still committed to a policy of retrenchment and they had responded to the critique of the party system as a cause of the province's financial difficulties by advocating reductions in the size of the Legislature and a Union government. In spite of the embarrassment the Report had caused the government, ties between it and the Vancouver business community were still close. At Tolmie's request the Vancouver Board of Trade had organized a committee of  
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prominent businessmen to push the Union government idea. Thus, while metropolitan big business may have felt that the Conservatives could have done more to implement the Report's recommendations,

the government's action was at least in line with what they had hoped would grow from their lobbying.<sup>84</sup> This was not true in the case of Pattullo and the Liberals, whose attitudes seemed hostile to business. Despite this, there were indications that much of the electorate was disillusioned with party politics and Pattullo's lack of co-operation in forming a Union government to rule more efficiently, without the humbug of petty party squabbles. Prominent Liberals warned Pattullo that this was the case, and that it would redound to Tolmie's benefit in the next election if the Liberals did not come up with an effective answer soon.<sup>85</sup> While Tolmie was still in deep political trouble, there was now at least the hope that if he acted swiftly and boldly in the coming months, marshalled his forces, and avoided the bungling and drift that had seemed to characterize his government in the past, his Union proposal might succeed. If so, the province would enjoy economical administration in the absence of party politics. In view of this possibility, the business organizations involved were pleased<sup>86</sup> with their efforts.

FOOTNOTES: CHAPTER IV

1 British Columbia Financial Times 15 (August 4, 1928); British Columbia Miner 1 (August 1928); British Columbia Lumberman 13 (January 1929).

2 British Columbia Financial Times 17 (March 15, 1930).

3 Ibid.

4 Vancouver Board of Trade, Minutes, Council, Vol. 10, March 12, 1931; Ibid., March 19, 1931.

5 Ibid., April 2, 1931.

6 Vancouver Sun, February 11, 1932.

7 Vancouver Daily Province, February 16, 1932.

8 Ibid., February 18, 1932.

9 Ibid., February 16, 1932.

10 Sun, December 16, 1931; Victoria Daily Times, January 11, 1932.

11 Province, February 15, 1932.

12 Ibid., May 31, 1930.

13 Pattullo Papers, Vol. 39 file 10, Speech to Victoria Liberal Association, October 17, 1930.

14 Ibid., Vol. 44 file 13, Address on Throne Speech, February 13, 1931; Times, January 11, 1932; Ibid., March 18, 1932.

15 Sun, December 7, 1931; Ibid., February 25, 1932.

16 Province, January 5, 1932.

17 Ibid., January 10, 1932.

18 Pattullo Papers, Vol. 41 file 3, Pattullo to Major S. F. M. Moodie, November 30, 1931.

19 Tolmie Papers, Box 7, A. E. Ames & Co. Ltd., Wood Gundy & Co. Ltd., Dominion Securities Corp. Ltd., to Jones, October 23, 1931.

20 Ibid., S. H. Logan to Jones, November 12, 1931; Ibid., November 3, 1931.

21 British Columbia Financial Times 18 (January 17, 1931).

22 Tolmie Papers, Box 7, H. R. MacMillan to Tolmie, October 26, 1931.

23 Ibid., W. J. B. Wilson, Chris Spencer, Austin Taylor, H. R. MacMillan, George Kidd, to Tolmie, November 23, 1931; Ibid., Tolmie to Kidd, December 3, 1931; Ibid., J. Hinchliffe to Tolmie, December 8, 1931; Ibid., "Premier's Notes for Meeting with Mr. Kidd, December 8, 1931".

24 British Columbia Financial Times 19 (April 2, 1932).

25 British Columbia, Statistics of Industry in British Columbia, 1871-1934, (Victoria, 1935).

26 Tolmie Papers, Box 11, L. Crease to Tolmie, May 24, 1932; Province, March 4, 1932.

27 British Columbia Lumberman 16 (May 1932).

28 Province, January 17, 1932.

29 Ibid., February 8, 1932.

30 Jones Papers, Vol. VI file 1, Speech Notes, December 30, 1931.

31 Province, February 7, 1932; Ibid., February 22, 1932; Ibid., February 27, 1932.

32 Vancouver Board of Trade, Minutes, Council, Vol. 11, January 21, 1932; Ibid., February 18, 1932; Ibid., Minutes, Vol. 148, Meeting with Provincial Cabinet, February 23, 1932.

33 Province, February 24, 1932; Times, February 25, 1932; Victoria Daily Colonist, February 27, 1932.

34 Tolmie Papers, Box 10, Vancouver business organizations to Tolmie, February 26, 1932. Other organizations now represented in the lobby included the Vancouver Real Estate Exchange, the Retail Merchants' Association of Vancouver, the Shipping Federation of British Columbia, the Vancouver Merchants' Exchange, the Mortgage and Loan Association of British Columbia, and the Associated Property Owners of Vancouver.

35 This profile of the lobby was drawn up from a list of the Vancouver delegation and companies it represented in the Pattullo Papers, Vol. 48 file 8, February-March, 1932; the minutes of the day's meetings in Vancouver Board of Trade, Minutes, Conferences held in Victoria, Vol. 148, March 8, 1932; portraits of businessmen in Who's Who in Canada, 1932-33, (Toronto, 1933); and Moody's list of Industrials for 1932.

36 Pattullo Papers, Vol. 48 file 3, Materials pertinent to delegation, March 1932; Province, March 8, 1932; Ibid., March 9, 1932.

37 Province, March 18, 1932.

38 Vancouver Board of Trade, Minutes, Conference held in the Board Room of the Merchants' Exchange, Vol. 148, March 17, 1932.

39 Province, March 18, 1932.

40 Pattullo Papers, Vol. 46 file 20, H. R. MacMillan to Pattullo, March 21, 1932.

41 Pattullo Papers, Vol. 36 file 1, Pattullo to F. R. Anderson, December 18, 1930.

42 Vancouver Board of Trade, Minutes, Conference with Liberal Caucus at Parliament Buildings, Vol. 148, March 9, 1932.

43 Province, March 18, 1932.

44 Pattullo Papers, Vol. 45 file 3, Pattullo to F. C. Brown, March 18, 1932. Copies were sent to H. R. MacMillan, Austin Taylor, George Kidd, and Harold Brown, who was President of the Vancouver Board of Trade at the time; Ibid., F. C. Brown to Pattullo, March 22, 1932.

45 Province, March 17, 1932; Sun, March 18, 1932.

46 Province, March 20, 1931.

47 Daily Colonist, February 7, 1932.

48 Province, March 11, 1932.

49 Ibid., March 31, 1932; Ibid., April 3, 1932.

50 Ibid., March 31, 1932.

51 Ibid., March 17, 1932.

52 Ibid., April 11, 1932.

53 Tolmie Papers, Box 7, Business organizations to Tolmie, April 15, 1932. The organizations represented were the British Columbia Division and the Vancouver Island Branch of the Canadian Manufacturers' Association, the Vancouver Board of Trade, the Retail Merchants' Association, the Vancouver Merchants' Exchange, the Shipping Federation of British Columbia, the Mortgage and Trust Association, the Vancouver Real Estate Exchange, the Associated Property Owners of Vancouver, the Vancouver General Contractors' Association, the Building and Construction Industries of Vancouver and District, the British Columbia Chamber of Mines, the Automobile Club of British Columbia, the British Columbia

Insurance Underwriters' Association, the Victoria Chamber of Commerce, as well as the Vancouver Active, Gyro, Kinsman, Kiwanis, Lions', Rotary, and Y's Men's Clubs.

54 Ibid., Box 8, Tolmie to R. L. Maitland, April 19, 1932.

55 Ibid.

56 Province, April 24, 1932.

57 British Columbia, Report of the Committee Appointed by the Government to Investigate the Finances of British Columbia, (Victoria, 1932).

58 Times, August 30, 1932; Province, August 31, 1932.

59 Daily Colonist, August 30, 1932.

60 Sun, August 30, 1932.

61 Province, September 7, 1932.

62 Ibid., August 31, 1932.

63 H. F. Angus, "The Kidd Report in British Columbia," Canadian Forum 13 (November 1932), pp. 47-49.

64 Province, November 16, 1932.

65 British Columbia Financial Times, 19 (September 17, 1932).

66 British Columbia Miner 5 (September 1932).

67 Vancouver Board of Trade, Minutes, Meeting of representatives of business organizations, Vol. 148, September 1, 1932.

68 Province, September 23, 1932.

69 British Columbia, Report of the Committee..., Appendix.

70 Jones Papers, Vol. I file 5, J. G. Weir to Jones, October 19, 1932; Ibid., Jones to Weir, October 22, 1932; Ibid., Vol. II file 1, Jones to A. H. Williamson, December 23, 1932.

71 Tolmie Papers, Box 7, J. S. Salter to Tolmie, September 21, 1932; Ibid., C. McDonald to Tolmie, September 9, 1932; Province, August 31, 1932; Ibid., September 18, 1932.

72 British Columbia, Report of the Committee..., Appendix.

73 Province, September 3, 1932; Ibid., September 12, 1932.

74 Ibid., September 7, 1932; Tolmie Papers, Box 5, Union Government, September 17, 1932.



75 Pattullo Papers, Vol. 47 file 6, Pattullo to George Pattullo, October 1, 1932.

76 Ibid., Vol. 47 file 7, Pattullo to L. W. Patmore, July 26, 1932.

77 Ibid., Vol. 45 file 19, Pattullo to Mrs. J. W. P. Foster, September 15, 1932.

78 Ibid., Vol. 47 file 5, Pattullo to Rev. George Pringle, September 14, 1932.

79 Province, September 1, 1932.

80 Pattullo Papers, Vol. 49 file 8, Press release, June 16, 1932.

81 Ibid., Vol. 45 file 14, Pattullo to R. J. Cromie, July 21, 1932.

82 Province, September 20, 1932.

83 Tolmie Papers, Box 5, Union Government, Tolmie to Gen. J. A. Clark, October 8, 1932.

84 Vancouver Board of Trade, Minutes, Meeting of business organizations, Vol. 148, October 4, 1932.

85 Pattullo Papers, Vol. 45 file 9, J. B. Clearihue to Pattullo, September 12, 1932.

86 Vancouver Board of Trade, Minutes, Meeting of business organizations, Vol. 148, September 14, 1932.

## CHAPTER V

### NO-PARTY GOVERNMENT AND THE ELECTION OF 1933

The political events of 1932-33 witnessed the resolution of the struggle between the Conservative business government remedy for the depression and the more positive state role based on social and economic experiment Pattullo's Liberals advocated. Despite early indications that the no-party, business solution, based on a policy of retrenchment, offered positive hope for success, the voters ultimately rejected it. True, the disintegration of the Conservative party, once Tolmie's efforts to organize a Union government began to fail, probably diminished the appeal of the business government forces somewhat. On the other hand, lack of organization alone cannot explain the total annihilation of the Conservatives in the November, 1933, election. The appearance of the CCF, and the positive response it received in the election, demonstrates that there had been a significant shift to the left in the political and economic sentiments of the electorate since 1928. The political centre now rested squarely in the vicinity of the left-leaning, reform platform articulated by the Liberals, which advocated an interventionist role for government, but fell short of the centralized state control for which the CCF stood. In the final analysis, the election of 1933 represented an unqualified rejection of the

business government doctrine which the electorate had espoused five years before.

During the fall of 1932, after Pattullo and Bowser refused Tolmie's overtures to co-operate in forming a Union government, the Conservative administration was in a better political position that it had enjoyed for months. The onus for obstructing a no-party government rested squarely on the shoulders of the Liberals and the Bowser dissidents. The executive of the British Columbia Conservative Association, as well as the majority of local party constituency organizations, endorsed the government's initiative, and prominent ministers in the Conservative cabinet, particularly Jones and Bruhn, voiced their approval of the scheme.<sup>1</sup> Everywhere the Unionists stressed that the times demanded magnanimity. Before one Conservative constituency organization Bruhn asserted: "It makes very little difference to the country whether the Premier, Mr. Pattullo, myself or any other politician goes down to oblivion in these times so long as our retirement would improve conditions. The welfare of the country is more important than that of any individual whatever."<sup>2</sup>

It is interesting to speculate what might have occurred had Tolmie decided at this time to call the election many expected. Certainly, in the weeks that followed the news of the government's intention to form a Union government, the Premier appeared very

confident of the outcome. In a letter to one of his cabinet colleagues he reiterated that the Union government idea had worked well for Sir Robert Borden in 1917, and for the National government in Britain. Prominent Conservatives wrote Tolmie informing him that his position was a strong one. Nevertheless, there were compelling reasons why Tolmie felt he could not call an election at this time. The reduction and redistribution of seats implicit in the Union proposal required a special Session of the Legislature. Gathering the members to Victoria, passing satisfactory legislation, allowing for the readjustment of the voters' lists, as well as accounting for the other changes brought about by the redistribution would take time. In fact, it would place the election in the middle of winter, and Tolmie was not prepared to hold it then. In the meantime, there seemed little need to make haste. Instead, Tolmie needed to look for other prominent people to join his Union cabinet, while waiting for the force of public opinion to convince Pattullo and Bowser that they should opt for the no-party alternative which the government offered. With this in mind, Tolmie announced that the Conservative government would continue in office until after the 1933 Session, at which time he would ask for the resignations of all his cabinet ministers, re-organize the government on no-party lines, and call an immediate election. The sole purpose of the Legislative Session, he said, would be to implement the redistribution and reduction in the number of seats, as well as other economy measures suggested in the Kidd Report.<sup>3</sup>

The Liberal press charged that the Union proposal was a Conservative ploy to maintain power, owing to the party's deteriorating political position.<sup>4</sup> While there is little evidence that this was the case the Conservatives certainly viewed a Union government as one that would more satisfactorily reflect business government principles. As Tolmie wrote, with reference to the Union proposal, "our people are too much occupied with the serious conditions of life to be bothered with Party bickerings and what they want is a clean-cut business administration under which the people of British Columbia will be afforded an opportunity to put up a united front in facing our present economic conditions."<sup>5</sup> If, until, 1932, the Conservative party had appeared to serve adequately as the vehicle for business government, economic circumstances and the tenor of the Kidd Report demonstrated that this was no longer so. Since the party system seemed to prevent the achievement of true business government, particularly in the area of public finance, it had to go. Union government was the logical alternative. For the Conservative leadership, business government principles were more important than party labels. In this sense, while abandoning the party system, the Conservative government was consistently pursuing its business goals.

Throughout the fall and winter of 1932-33 this continuing commitment to business government principles was most evident in Jones' unyielding efforts to economize. Early in November, 1932, the Minister of Finance informed Tolmie that the deficit on

current account for the year ending March 31, 1932, had been finally tabulated as \$7 million. Equally serious, revenue receipts for the first six months of the current fiscal year were down considerably, to the extent that he expected a further deficit of \$4 million in spite of the fact that the government had reduced expenditure by \$5 million from the amount spent in 1931-32. These combined deficits made the situation critical, especially as the annual charges now needed to service the public debt were approaching 50 percent of receipts. In particular, Jones reminded the Premier that the eastern financial institutions on whom the province depended for its loan capital had continually stressed that favourable treatment for the province would depend almost solely on its achieving a balanced budget. Since revenues were not likely to increase in the near future, it was imperative, Jones asserted, that expenditures be cut further and there be no new loans for capital expenditures. In order to facilitate this, Jones recommended that the government vigorously seek to implement the measures announced in Tolmie's Union statement six weeks earlier, by eliminating certain departments, merging others, while<sup>6</sup> reducing the numbers and salaries of civil servants.

The Finance Minister's public statements were blunt. Now was not the time for experiments, he wrote: "We must realize more than ever that the old principles of economy, inculcated and practised in a more remote, and perhaps wiser era, have lost none<sup>7</sup> of their relevancy." Accordingly, in his 1933 Budget, he stressed the need for continued retrenchment. Economic circumstances, he

said, had left the government with "few tools but the pruning-<sup>8</sup> hook and the shears." Government belt-tightening encroached most in the area of social welfare and municipal grants. Jones' estimates for 1934-34 showed cuts in provincial grants for charity, hospitals, and pensions. Surprisingly, the Budget contained no provision for unemployment relief in the coming year, since the government hoped to place the financial burden of relief on the federal government and private charity! In addition, the government planned to reduce municipal grants in the coming year. Jones' rationale for curtailing expenditures in these areas was based on the traditional Conservative conviction that increasing government paternalism was seriously jeopardizing the productive capacities of private industry in the province. Under the circumstances, he said, "sufficient proof has been submitted to convince even the most ardent protagonist of social legislation and expansion in government functions that the most praiseworthy scheme...must yield to the needs of fundamental government<sup>9</sup> requirements." Instead of draining the provincial treasury to feed the insatiable appetite of social welfare programs and municipalities, Jones announced, in the coming year the government would give priority in funding to those areas that might increase the province's productive capacity. These included market extension in forestry and agriculture, construction of mining trails and development of gold-bearing areas, maintaining existing highways in good condition so that the transportation needs of private industry would be adequately provided for, and promoting a back-to-the-land movement to ease the congestion

of unemployed in the cities and transfer manpower "to a field of self-support and productivity." Significantly, in 1933, the list also contained a pledge to maintain law and order. Presumably, Jones felt that the government's cutbacks in social assistance might inflame public passions, but this would not deter him. <sup>10</sup>

The economies in social welfare and municipal grants, together with pruning in departmental estimates, brought the level of expenditure predicted for 1933-34 down to \$22.7 million, or a decrease of \$6.5 million from the amount actually spent in 1931-32. In fact, this estimate was greater than the \$6 million retrenchment demanded from government in the Kidd Report. Still, it was not enough to balance the budget. Although Jones agreed that taxation had reached the limit of diminishing returns, he announced that it was necessary to impose an income surtax and higher succession duties on those with higher incomes, in order to bring expected revenues closer to the curtailed level of spending. While this was a new burden for the wealthy, as in 1932 Jones stressed that it was "a special emergency measure", "expressly designed to cope with the present unprecedented economic conditions". Hopefully, the new taxes on wealthy individuals would not harm the province's industries unduly. <sup>11</sup>

Jones' economies cut deeply. Repeated salary cuts, on top of constant pressure exerted on departmental officials to save, made the Finance Minister the scourge of the public service. On one occasion Tolmie himself warned that any further reductions in



his office staff, and consequent shifting of the burden of work onto his own shoulders, would endanger his health. Similarly, municipalities lobbied incessantly, but were able to get no satisfaction from Jones, who informed them that he would indeed reduce their grants in spite of warnings presented to him that this would force many organized districts into receivership. Hundreds of hunger marchers paraded in front of the Parliament buildings, charging that many people were starving because of the government's policy affecting relief, and that such a policy would only augment unemployment, as well as compound the social evils of crime and prostitution nurtured by the lack of work. But if these groups complained, the Vancouver Board of Trade did not. H. R. MacMillan wrote a letter of encouragement to the Finance Minister, praising him for his efforts and the results accomplished so far. Jones reciprocated by attending a Board dinner, his first public appearance in weeks, in which he outlined the government's economy program, his commitment to further retrenchment, and the necessity to lay aside party politics in future if the province were to solve its financial problems. He received loud and sustained applause. The metropolitan business interests recognized that the Finance Minister, at least, was pursuing the goals they themselves had set.

12

The same, it seemed, could not be said for Tolmie by March, 1933. Since his announcement in September that he would wait until

after the Session of 1933 before reorganizing his cabinet into a Union government he had been remarkably inactive and uncommunicative. For the Province, the paper which championed the Union proposal and demanded action forthwith, this was not evidence of sound leadership. Delay and drift could only dampen the enthusiasm for Union government, the paper believed. As Bruce Hutchison commented, early in 1933:

...in politics such a scheme is not like a trunk of clothes that can be laid away in an attic with mothballs and taken out undamaged six months later. It is a kind of living, breathing thing with a life of its own which flourishes or perishes as it is nourished by public support. Six months of lying around the draughty corridors of the Legislative Buildings, of being kicked about in Conservative associations, of being polluted by professional politicians can not improve the prospects of any project. And now, within a few weeks, it must run the gauntlet of the House, it must be pawed over by forty-eight gentlemen, of whom half at least would rather see it dead.

13

As the Session approached, the suspense mounted, augmented by the frequent attacks from the Province on the party system and the lack of progress toward Union government. In this paper's view at least, everything appeared to depend on the character and substance of the impending Legislative Session. "Properly handled, the session can be made the groundwork for something worth while," Hutchison contended. "Bungled, it will assuredly mean the deluge."

14

The Session, and in particular Tolmie's performance, proved disappointing for the Union enthusiasts. Fearing domination by the populated area on the coast, the Liberal opposition, together with many rural Conservative members, thwarted the planned reduction and redistribution of seats in the House. This appalled the

Province. "The house is ablaze and the members pay no attention," the paper editorialized. "As fighters of fire they are about as valuable as the gulls that screech over James Bay."<sup>15</sup> As for Tolmie, he made but one major speech, and it was uninspiring. He responded mildly to Pattullo's vigorous attacks, and made virtually no allusion to either Union government or redistribution, preferring instead to describe each government department's achievements, and urge more pioneering spirit from the average British Columbian in order to whip the depression.<sup>16</sup> This "evasion" of responsibility, as the Province called it, set the tone for the entire Session, as far as the proponents of Union were concerned, and as the members prepared to depart near the end of March, Bruce Hutchison described the gathering as one "distinguished by its utter lack of any distinction whatever, by a perfect serenity which seems to come from despair."<sup>17</sup> Tolmie's second failure to induce Pattullo to enter a coalition cabinet, after the Session ended, seriously weakened confidence in his leadership of the Union movement. The Province maintained that the Premier bungled the negotiations, and that neither he nor Pattullo deserved to lead a no-party government.<sup>18</sup>

Tolmie's troubles had begun soon after his September, 1932, announcement which postponed Union government until after the 1933 Session. The first setback came at the annual meeting of the British Columbia Conservative Association in Vancouver, early in November. Despite an eloquent appeal for Union from the Premier, many of the Conservative rank and file preferred to await

developments before voting the party out of existence in favour of non-partisanship. The meeting resolved to delay endorsing Union until after the 1933 Session, at which time a party convention<sup>19</sup> would decide the issue. This embarrassed Tolmie, since the party had failed to accept a policy their leader had already publicly adopted. Still, the Province at least saw something of value in the development. If Tolmie proceeded with his Union plan without positive party support, the newspaper asserted, this would prove his bona fides, and demonstrate once and for all that the proposal<sup>20</sup> was not merely a Conservative political ploy. This placed the Premier in a very awkward position. If he abandoned Union he would be accused of insincerity and catering to the interests of party, rather than to the lofty non-partisan ideal which Union suggested. On the other hand, if he cut himself off from the party organization in order to prove his good intentions he would be isolated from the campaign apparatus he would need to fight a successful election on the Union issue. It seems that Tolmie had little choice. He had committed himself irrevocably to the Union plan; there could be no turning back now.

Tolmie's major problem lay in the position of the Liberal party. Without the support of the rejuvenated opposition any Union government that he formed would be a sham, as the Legislature would still contain large antagonistic factions. Tolmie, then, could only wait and hope that public pressure would mount against Pattullo and convince him to join the coalition. Instead, as the weeks passed, the Liberals appeared to get stronger; the personal

grip Pattullo had held on the party since his assumption of the leadership ensured that most party members remained loyal to his position. On the other hand, Tolmie's hold on his own party had appeared to loosen. Many Conservative M.L.A.'s, cognizant of Tolmie's intention to dissolve the government after the 1933 Session and reorganize it on no-party lines, saw no need to continue observing strict party discipline. While there was no danger that the government would suffer defeat, the Session witnessed much independence of thought and action from the Conservative back benches, and even the occasional vote in favour of Liberal policy on minor issues.<sup>21</sup>

After the 1933 Session, events moved quickly. While endorsing no-partyism in principle, the British Columbia Conservative Association asserted that it must maintain its own existence for federal purposes, and that it would therefore take no part in the coming provincial election. Conservative constituency organizations were free to act as they wished, released from their party obligations.<sup>22</sup> This action meant that Tolmie could not count on the party's organizational structure in the coming election. Early in April, Tolmie fulfilled his pledge to ask for the resignations of his cabinet ministers in order to form a Union government. However, this only served to isolate the Premier further as he could find virtually no one to enter his coalition cabinet. Lougheed and Shelly announced their retirement from politics. Rolf Bruhn, an ardent supporter of Union, whom many had counted upon to sit in the no-party cabinet, criticized Tolmie for not

pursuing the Union scheme actively enough and informed him that he had decided to withdraw permanently his allegiance to Tolmie personally.<sup>23</sup> Jones, the other prominent pro-Union man in cabinet, remained non-committal, but the tone of his correspondence with Tolmie indicates that he was impatient with the Premier, and that a break would soon occur.<sup>24</sup> Soon after Pattullo's blunt refusal to a second overture to join a coalition cabinet, in fact, Tolmie stood alone. Viewing this spectacle, the Liberal press pronounced the Tolmie government dead:

One brief term in office seems to have played havoc with our Conservative party friends. The proud galleon which set sail with bands playing and flags flying in 1928 has now become an abandoned derelict and a menace to navigation.

25

Despite the break-up of the government, however, Union sentiment remained strong within the ranks of the Conservative party. Tolmie's leadership was the irritant at issue. His sin was that he had failed to achieve an end to party politics. Instead, the Legislature threatened to break up into factions. William Shelly, the former Finance Minister, argued that this would result in a situation after the next election where no one group held a majority in the House. Only a Union government, free from petty party allegiances, could provide the united front necessary to ensure "orderly and sound government" in face of the social and economic dislocation the depression had wrought. He pleaded with the members to save the country from a "horde of self-seekers, cranks, and fanatics." "If union fails, God Help British Columbia British Columbia," he wailed.<sup>26</sup> The Province,

while expressing disappointment with Tolmie, continued to champion no-party government, and link it to the successful resolution of the province's financial difficulties in much the same way as the Kidd Report had recommended a year earlier:

If we could devise some plan of getting a Legislature of men who would refuse to sell out their province in the interests of their constituencies and a government which could be independent of the machinations of pork-barrel representatives, we could get economy in administration, we could get efficiency, we could get reduced taxes and we could get a balanced budget.

27

Conservative support for Union was not unanimous, however. The ultra-Tory Victoria Daily Colonist, for example, while endorsing the Tolmie administration's policies of retrenchment and a limited government role in the economy, opposed Union. If Pattullo and the Liberals would not join, a no-party government was impossible, the paper believed, and Tolmie should therefore abandon the scheme. Pursuing it further would only augment the disarray in the Conservative party and so increase the instability in the province.

28

Ignoring the Colonist's advice, however, many Union supporters, including Bruhn, and later, Jones, were so disillusioned with Tolmie that they decided to run as Independents in the election the Premier had to call soon. This took the no-party idea to its logical extreme. Eschewing party machinery, they planned to run as individuals, confident that the electorate's disenchantment with the party system would serve as the impetus to return a majority of the province's best business and political brains to govern with economy and efficiency. Only then would the extravagance and waste accompanying party squabbles end.

29

The Premier's difficulties also served as a fillip for another no-party group within the Conservative camp. This was the dissident Bowser faction, centred chiefly in the Conservative party's Vancouver constituency organizations. Rivalry between the Vancouver machine and rural constituency associations over control of the party organization, and therefore patronage benefits, had punctuated the internal politics of the Conservative party ever since Richard McBride had established the party in British Columbia at the turn of the century. For many years the centre of this struggle had been the Conservative member from Vancouver, W. J. Bowser, party leader from 1915 until his retirement in the mid-1920's. Bowser's tight hold over the machine aspect of the party organization had made him a very powerful man, but it had also earned him numerous enemies.<sup>30</sup> Tolmie's sojourn in federal politics had kept him free from identification with any faction within the provincial party. For this reason, when elected to the leadership, he had seemed a good choice to heal the party's internal wounds, and unite the membership in preparation for the next provincial election.<sup>31</sup> Although retired, Bowser had never resigned himself to Tolmie's leadership, and this sullen attitude had manifested itself in the Vancouver Conservative constituency organizations whose loyalty continued to be directed toward the former leader. In the years that followed the Conservatives' victory in 1928, these Bowserite constituencies kept up a steady barrage of complaint and abuse against Tolmie's leadership, to the extent that the Premier questioned whether they were really Conservatives at all, or



32  
merely Liberals in disguise.

Ostensibly, the Bowserites' dissatisfaction centred on the government's tight-fisted patronage policy, in which Bowserites were passed over for appointment in favour of pro-Tolmie Conservatives and even Liberals on occasion.<sup>33</sup> But, significantly, the Bowserite dyspepsia also included criticism of the government's financial policies. The dissident Conservative constituency organizations joined in publicly criticizing the government's provisions for higher taxation to balance the budget once the depression became severe.<sup>34</sup> Like the Province, the Bowser dissidents soon began to blame the party system for the province's financial ills, and to preach an end to party politics in order that sound, "business administration" could be restored to government. The wrinkle in the Bowserite espousal of the traditional Conservative business government creed was that it constituted a criticism of the performance of the pro-Tolmie wing of the party, whose financial policies, the Bowserites asserted, had brought the province to the point of bankruptcy. Implicit, too, in their critique was the desire to supplant the bunglers in the present cabinet with able administrators who would run the province's affairs in a more business-like manner.<sup>35</sup>

The signal for the discontented Bowser elements within the party to take more positive action was Tolmie's inability to form a Union government early in 1933. On many occasions previously, the dissidents had importuned Bowser to come out of retirement and

lead a breakaway movement, but always he had refused. Now, with Tolmie discredited, and the no-party movement in disarray, he decided to re-enter the political arena. At a series of well-reported public meetings in March and April of 1933, Bowser, visibly grayer and less forceful than the fiery orator of old, announced that he would lead a non-partisan movement of the best business and political minds in the province into the next election with a view to re-establishing financial sanity in government. Flaying the Tolmie government for incompetence, he asserted that the no-party solution was imperative if the province were to avoid financial disaster. Since Tolmie had failed to achieve the necessary coalition, Bowser felt obligated to take up the torch. The keynote of his campaign, and his solution to the province's ills, was the traditional Conservative panacea, rigid economy. "By retrenchment," he affirmed, "we will apply to our new government the same policy that a business man would apply when business falls off." Concurrently, he promised to reduce taxes in order to aid business towards recovery, as well as balance the budget by reducing expenditures to \$20 million, "as a start". According to Bowser, the insurance that these financial reforms would in fact occur lay in the movement's non-partisanship, which automatically precluded patronage. If elected, Non-Partisan candidates would vote in the Legislature according to their own best judgment, untrammelled by party ties, threats from the party leadership, or caucus pressure, and solely in the interests "of honest, efficient and aggressive government."

36

Bowser's campaign attracted the support of the Province, Conservatives disenchanted with Tolmie's leadership, and even Liberal businessmen, including Charles Woodward, the department store owner, and Dugald Donaghy, a Vancouver financier, former Minister of Finance in the MacLean government, and recently elected Vice-president of the British Columbia Liberal Association. As for the Vancouver business community, Harold Brown, former President of the city's Board of Trade, and vocal advocate of no-party government as well as the financial recommendations articulated in the Kidd Report, lent his support to Bowser's Non-Partisan movement.<sup>37</sup>

Bowser's campaign therefore reflected the Conservative affinity for business government solutions. Indeed, in this sense his Non-Partisan movement differed little from the other Conservative factions vying for public support at the time, the Tolmie Unionists, and the Independents. All three groups preached an end to party politics in order to ensure sound financial administration along the lines outlined in the Kidd Report. What separated them were leadership and personal rivalries, animosities that in some cases pre-dated the depression but which in others had resulted from disillusionment with a leader's ability to perform successfully.

While the Conservative party was breaking up into poorly

organized factions, Pattullo's Liberals exuded a confidence and solidarity that came with expectations of imminent victory. Throughout the winter of 1932-33 Pattullo harangued the government, lampooning it for attempting to foist a coalition onto an unsuspecting populace when it had a three to one majority in the House and could therefore implement any measures it felt necessary to fight the depression. As the Tolmie administration disintegrated, the Leader of the Opposition, more than ever, became convinced that the best Liberal policy would be to treat the Conservatives as pariahs who had discredited themselves and the province's political traditions. "Where can we look for results from such an attitude of hopelessness and helplessness?" he wrote. "Is it any wonder that nobody could be found to affiliate with a crew who, having run the ship of state on the rocks, are now engaged in the process of scuttling their own ship?"<sup>38</sup> As for the no-party proposal, the Sun asserted that it was absurd for Bowser, Bruhn, and McKenzie to expect the electorate to believe that they had rejected party politics and machine rule when in the past they had been the ones most guilty of using office to dispense patronage and solidify<sup>39</sup> their own empires.

Pattullo's strategy of sitting tight while the Conservatives destroyed themselves did not mean that the Liberals had neglected formulating their own solutions to the province's problems. For years the Liberals had been the reform party in provincial politics, and they reacted to the slump by shifting further to the left. Once Union government was mooted, in the fall of 1932, the Liberal

rejection of business government doctrine, and the party's adoption of an interventionist role for government, not only in managing the economy, but in providing social services for people, became apparent. Preparing for the election that might be called at any time, and responding to the attacks on the Liberal preference for a continuation of the party system, Pattullo wrote his principal lieutenant, A. M. Manson, in August, 1932, that party spokesmen should undertake a concerted campaign to inform the public as to what provincial Liberalism stood for.<sup>40</sup> A wildly enthusiastic party convention in Vancouver in October, 1932, the 1933 Session, and a host of speeches by Liberal partisans, much publicized in the party press, soon brought the message of Liberalism home to the electorate.

While Tolmie busied himself with the Union plan, the October Liberal party convention rang with declarations not only rejecting the idea of coalition with reactionary Tories but also reaffirming the humanitarian idealism of Liberalism evidenced in the party's social welfare legislation which the Conservatives had opposed but knew they could never repeal. In response to the straitened social and economic circumstances brought on by the depression, the party passed resolutions advocating compulsory unemployment insurance, state health insurance, and the possibility of a shorter working day and week.<sup>41</sup> This emphasis on government's social welfare responsibilities reaffirmed the Liberals' lack of agreement with the Conservative view that the bottom line on the province's balance sheet meant more than social services for needy people.

As Pattullo later wrote:

The hackneyed suggestion that Government is nothing more nor less than a business proposition can no longer be entertained....

While sound economic principles must be applied in Government, the innumerable measures of public concern cannot solely be weighed upon the basis of dollars and cents, for, in innumerable ways, justice must be tempered with mercy.

42

As for the government's retrenchment policy, Pattullo contended that this alone would do nothing to solve the depression, but would only result in higher unemployment, more unrest, and more misery. Instead, the Liberals proposed to intervene in the normal operation of the free market by establishing an economic council to co-ordinate industry, to adjust production to consumption, and to advise the government on wages, hours of work, prices, and marketing. In addition, the Liberals promised significant new state intervention through the expenditure of whatever sums were necessary to provide work for the unemployed. Taxes on low income earners should be reduced in order to place more purchasing power in the hands of the common man. Going further the Liberals called for "a reasonable redistribution of wealth", controlled by government, in which new taxes would be imposed on higher incomes to provide for unemployment relief, and a special levy placed on all surplus liquid capital in return for which the government would give bonds bearing low interest, to be paid at a later date. They also resolved to agitate for a "controlled inflation", on a national basis, of \$400 million. On one occasion, A. M. Manson declared that to finance the necessary social services the

government should increase the deficit on current account, rather than curtail expenditure in search of a balanced budget. On another, Pattullo suggested that the province might have to repudiate large portions of its public debt if bondholders would not agree to renegotiate the interest arrangements that posed such a crushing annual burden for British Columbia. Each of these policy proposals demonstrated the distance which stood between the Liberal party consensus and the financial orthodoxy of the Conservatives and the province's metropolitan business elites. While Pattullo stressed that his government would not be spend-thrift, the essential difference was that if it came to a choice between allowing people to starve through a commitment to retrenchment and implementing radical new measures based on a more positive, aggressive state role, the Liberals would choose the latter.<sup>43</sup>

His government's full five-year term having expired, Tolmie called an election for early November, 1933. As late as August 19th, the Province maintained that the key issue was whether the new government would be a straight party government under Pattullo, or "a union government of the best men available."<sup>44</sup> However, the rapid rise to prominence of the CCF, and the socialist program it preached, introduced a new, and apparently unexpected element onto the provincial scene.

Fragmented since the end of the Great War, the province's socialist movement had responded to the anger and frustration induced by hard times with the CCF coalition, formed in the late summer of 1933. The resolutions adopted at the provincial party's convention in Victoria early in October, as well as the party's determination to contest every seat in the forthcoming election, made it a force with which to be reckoned. Enthusiastic and well-organized, the CCF candidates waged an aggressive campaign and attracted large crowds to hear the party's socialist platform, which included measures to implement the nationalization of natural resources, utilities, key industries as well as banking and financial interests, the introduction of centralized government planning to stimulate the economy, together with wide-ranging social welfare legislation. In particular, the remarks of CCF spokesmen who expressed the party's intentions to change textbooks and teach socialism in the schools, to introduce press censorship, to emphasize soak-the-rich taxation, and to register all the people of the province for social service purposes caused concern.<sup>45</sup> The spectre of such far-reaching state control conjured up images of the Communist jackboot in the provincial press.<sup>46</sup> As the Daily Colonist warned:

These Socialists have informed the Canadian people that Canadians must prepare their necks and shoulders for the Socialist yoke. The Socialist leaders...possess in abundant measure the zeal of fanatics and the temper of tyrants. If during the world depression we have been chastised by whips, the Socialist dictators are getting ready to chastise us with scorpions.

47

In a few short weeks, the focus of the election campaign was altered profoundly. The major issue shifted from the merits of



party government to the more strictly drawn lines of Capitalism<sup>48</sup> versus Socialism.

Before the CCF made its appearance Pattullo and his party appeared content to await the electoral victory they seemed confident would soon be theirs. The socialist presence, however, caused the Liberals great concern, as they now found themselves outflanked on the left. True, under Pattullo the party had itself moved leftward, but the Liberal platform, unlike that of the CCF, never embodied a commitment to destroy capitalism. What the Liberals advocated, to be sure, was a greater state role, but only in alleviating the inequities of capitalist society through regulation and social welfare legislation -- what Pattullo called "socialized capitalism". Implicit, too, in the Liberal platform was a commitment to greater government economic planning in co-operation with private business, again not with the intention of destroying capitalism but in order to preserve it against the vagaries of an unregulated business cycle, which could only result in a tyranny of wealthy elites or the equally abhorrent slavery<sup>49</sup> of Communism.

Reacting vigorously to the socialist threat, the Liberals soon recognized, however, that they could make use of this new factor in the campaign to further their own ends. With no-party government the major theme of the campaign, the Liberals' party organization had constituted a liability. Now it became a weapon in the struggle to save capitalist "freedom". In this sense the

Liberal party now became a force for "sound and stable government", a bulwark against "the rule of force pure and simple" embodied in CCF socialism.<sup>50</sup> Under these new circumstances, the Liberals argued, it would be suicide for the people of British Columbia to elect a bevy of independents to the Legislature, as advocated by the no-party enthusiasts. "An indecisive determination at the polls," Pattullo warned, "would result in further chaotic conditions, with log-rolling, dickering and bickering for personal advantage, and...months, if not years, of delay at tremendous cost."<sup>51</sup> With 219 candidates, representing at least half a dozen distinguishable political groupings, vying for 47 seats, such an undesirable situation was not unlikely.

The Liberals, then, were most likely strengthened by the CCF campaign. The Conservative no-party platform, on the other hand, was probably undercut by the socialist presence. Indeed, it appears that non-partisanism became virtually irrelevant as many voters who might have supported the concept had the CCF not appeared now concentrated on barring the socialists from power.<sup>52</sup> Even H. H. Stevens, the federal Minister of Trade and Commerce, argued that in view of the disintegration of the province's Conservative party organization, the best that could be hoped for was a Liberal victory.<sup>53</sup> Under new circumstances the election was a struggle the fragmented Conservative non-partisan groupings could not win.

Nevertheless, the Tolmie Unionists, Independents, and Bowser

Non-Partisans continued to urge the end of the party system and the return of a truly no-party Legislature. Such a government, they believed, would ensure the economical administration that was necessary if the Province were to avoid ruin and anarchy.<sup>54</sup>

In this sense, Jones viewed the election as a test of the "moral stamina" of the people of British Columbia, by determining whether they would reject sectional, parochial, and personal interests and show their appreciation of the government's "courageous" efforts to attain a balanced budget, even though this had meant curtailing expenditure and raising taxes.<sup>55</sup>

As for the programs of social and financial experimentation advocated by the Liberals and CCF, the no-party adherents dismissed them as impossible heresies, certain to result in the flight of capital from the province and an end to progress for years to come.<sup>56</sup> Reaffirming the validity of traditional responses to hard times, Tolmie warned the people of British Columbia "not to be carried away by any airy suggestions, any foolish generalities or proposals for short cuts to prosperity, BECAUSE THERE ARE NONE."<sup>57</sup>

Within the no-party camp, only Bruhn came close to suggesting a drastic overhaul of the economic system as it presently existed in favour of the government planning and social welfare measures for which the Liberals were campaigning.<sup>57</sup> All the other prominent no-party men spoke for the status quo. Significantly, Bruhn was re-elected, while Tolmie and Jones were both defeated.<sup>58</sup> Indeed, the election was a Conservative debacle. The voters, who had returned thirty-five Conservatives in 1928, now returned a single Tolmie Unionist and but two Non-Partisans. Liberal representation

increased from twelve to thirty-four, giving Pattullo a substantial majority. The CCF elected seven members and became the official opposition. Together, the Liberals and CCF accounted for 73 percent of the popular vote.<sup>59</sup>

What was the response of the province's prominent business spokesmen to the political events of 1932-33? Throughout the period they appeared determined to continue pressing for the implementation of the rigid retrenchment policies they had always supported as the answer to the depression. At the same time, however, many statements of businessmen in the metropolitan area also demonstrated a growing despair and bewilderment, prompted by concern that the situation was out of control and that the "sound" solutions businessmen offered no longer carried weight.

Economic conditions continued to show no improvement. "It must be confessed," the British Columbia Financial Times reported early in 1933, "that in the present state of business we are in a period of perpetual crisis. While in many directions we are in the process of making a solid foundation from which some day we will arise, the forces of destruction appear to be the stronger and retrogression appears to be continuing."<sup>60</sup> Considering this, and the fact that the province's financial condition had been so unstable for months, the periodical asserted that the prime responsibility of businessmen was to ensure that investor confidence

in British Columbia was re-established. In his presidential address to the Vancouver Board of Trade in January, H. R. MacMillan contended that if the industries of a frontier area such as British Columbia were to expand, they had to attract outside capital. A major blot on the province's credit, he affirmed, was the lack of a balanced budget on the part of government, and his allusion to this fact reflected the consensus among businessmen that the government must lead the way in re-establishing investor confidence through sound fiscal policy. Not surprisingly, he and other business spokesmen rejected increased taxation as the right means of balancing the budget.<sup>61</sup> The only alternative, these business sources continued to maintain, was the continuation and more rigorous application of economy measures in government expenditure, along the lines recommended in the Kidd Report, "our charter of financial solvency," as the British Columbia Financial Times called it.<sup>62</sup>

Business sources in Vancouver continued to be acutely critical of the social services provided by government, the British Columbia Lumberman contending that if British Columbia had not placed itself in the van of jurisdictions pioneering experimental social welfare legislation governments and industries would not now be so financially prostrate.<sup>63</sup> Only in the area of unemployment insurance would businessmen concede anything to the social distress brought on by hard times. F. C. Brown, representing the British Columbia Division of the Canadian Manufacturers' Association before the Special House Committee on Unemployment in the spring of 1932,

rejected unemployment insurance as a scheme that would "simply put a premium on idleness", "kill the initiative and enterprise of young growing Canadians", and constitute "another governmental activity that would roll up obligations from which there could be no escape."<sup>64</sup> Gradually, however, business sources began to recognize the dangers inherent in denying large numbers of workmen this form of security. Late in November, 1932, Professor G. E. Drummond of the Department of Economics at the University of British Columbia warned a Vancouver Board of Trade luncheon that if the principle of social welfare, and particularly unemployment insurance, were not soon adopted as a legitimate responsibility<sup>65</sup> of organized society, the dispossessed masses would rebel. This argument was not lost on the businessmen present, and many of them began to speak more favourably of unemployment insurance, but only if it were implemented nationally so that hordes of transients would not descend on the province to take advantage of provincial legislation, and only if such a scheme did not result in undue<sup>66</sup> burdens to be borne by industry. The idea of unemployment insurance as insurance, to be paid for by the premiums of the insured, and therefore not to be looked upon as a dole destructive of the moral fibre of the nation, also served to increase its appeal. In fact, this was the only basis on which large numbers of businessmen appeared willing to support the measure. As the British Columbia Miner explained:

The very essence of the plan lies in the possession of an insurable interest, which must be capable of valuation in terms of money; it has nothing to do with the measure of distress, or with the responsibility for it, and in its scheme of operation there is no place for the slacker, for the hanger-on, or even for the claims of the poor and needy. It is necessary, therefore, to disabuse our minds of sentimental

considerations, or of any idea that insurance can be exorcised (sic) to combat the desperate plight of those who have fallen already by the way. Insurance can be no panacea in this depression, but in some shape, yet to be determined, it constitutes the surest hope that may be entertained of future provision against the burden of unemployment.

67

The essence of the business position, therefore, at least insofar as the big metropolitan business interests were concerned, continued to be conservative. In terms of practical politics, the support of this group in the business community for the no-party movement reflected this stance. Only through an end to party politics, business spokesmen like George Kidd and Harold Brown maintained, could the province banish extravagance and waste in public finance and secure a return to financial stability.

68

"Politicians, in these days," the British Columbia Miner observed,

command our deep sympathy, in much the same way as does an actor who has lost his appeal to an audience, and, missing the cue for general exit, finds himself on a deserted stage, with no lines to speak....The time will come when, in a house that is set in order, the consideration of political issues may be entrusted again to the hands and heads of men of eloquent appeal and gregarious habit, and politics may be a word to conjure with; but at this juncture, and as a constructive element in disentangling the mess that we are in, it is a washout.

69

The main thrust of these business arguments coincided almost completely with the policies advocated by the Conservative no-party groupings. This is not to say that the metropolitan business interests had no criticisms of the Conservative government. As in the case of the Kidd Report, their spokesmen were very critical of both Conservative and Liberal governments in the province's

recent past, and especially in the Tolmie administration's heavy public works expenditures in the constituencies of many cabinet ministers, as well as its patronage appointments.<sup>70</sup> In addition, they did not appreciate the heavy-handed way in which the Tolmie administration had refuted many of the recommendations contained in the Kidd Report.<sup>71</sup> On the other hand, the business community did endorse Conservative candidates, notably Jones, the symbol of retrenchment in the Tolmie cabinet, who had rejected party politics to run as an Independent. After his defeat, Jones received numerous letters from prominent businessmen expressing their disappointment, and praising the courage and determination he had displayed in managing the province's finances under such difficult circumstances.<sup>72</sup>

Influential metropolitan business support for the Liberals appears to have been limited. This was as much a result of the party's left-leaning policies, however, as it was to Pattullo's refusal to accept the no-party principle. Most business spokesmen for city interests continued to feel that the solution to the depression was simply a matter of allowing the natural market forces to work themselves out without government interference.<sup>73</sup> Not surprisingly, Pattullo's promise to implement experimental monetary and fiscal policies and greater government economic planning in order to combat the depression antagonized many businessmen. In particular, business spokesmen were horrified at the Liberals' attacks on the country's banking establishment and their apparent intention to implement inflation as a remedy



for hard times. As H. R. MacMillan warned, in his presidential address to the Vancouver Board of Trade early in 1933, Liberal tinkering with the value of the Canadian dollar would only create uncertainty and discourage new investment in British Columbia. "Inflation is like the drug habit," the lumber magnate cautioned, "-- the doses must be succeedingly larger -- the danger being disappearance of credit and financial obliteration of whole classes of people as in Germany, where return of inflation would be as welcome as the 'Black Death'." <sup>74</sup> On at least one occasion, a Vancouver businessman wrote to the Province, asserting that the Liberal program, incorporating redistribution of wealth, debt repudiation, increased social services and an economic council to regulate production and distribution, was tantamount to "extreme socialism of the Soviet type," and little different from the platform of the CCF. <sup>75</sup>

The election campaign of 1933 was a sobering experience for these vocal metropolitan businessmen. With the possibility that a radical socialist government might be returned, they viewed polling day with considerable anxiety. <sup>76</sup> Non-Partisans and Unionists spoke to small crowds, while Liberals and CCF candidates had thousands at their meetings, including 13,000 at the debate between Lyle Telford, the CCF leader, and Gerry McGeer at the Vancouver Arena, two men whose policies had virtually nothing in common with those of business. <sup>77</sup> As the campaign became dominated by the Liberals and CCF, radical economic reform became the key issue, and the value of balanced budgets and economy in government

expenditure received little publicity. With the decline of the no-party issue, once the CCF assault became pronounced, and the fragmentation of a discredited Conservative government, these business interests recognized that it had virtually no voice in the campaign with a good chance to win. As the British Columbia Financial Times commented late in October:

The man in business in this Province has no opportunity in this election of registering his real and considered opinion. He can vote, if he will vote at all, only for individuals without regard to party with as much common sense as it is possible for the voter to discover and who will be prepared to throw over their foolish platforms when once put up against the practical problems of government.

It is too much to hope in this disturbed period of economic conditions that any political group would take their political lives in their hands and stand on a sane business policy of continued and drastic retrenchment of government operation and administration, such as was so clearly marked out for us in the Kidd Report.

78

It seems probable, as some commented at the time, that many businessmen, faced with the choice of electing a Liberal or CCF candidate, chose the former as the lesser of two evils.<sup>79</sup> Still, although the electorate staved off the socialist bogey for the time being, the fact remains that the Liberal victory, combined with the virtual obliteration of the Conservative presence in the Legislature, also demonstrated the eclipse of business government political philosophy. A doctrine of efficiency that seemed to promise even greater prosperity and growth for British Columbia in 1928, it had suffered not so much from the bungling and ineptness of an inexperienced Tolmie administration as from the economic

trauma of the depression, for which it offered no palatable remedy. The 1933 election returns suggest strongly that the majority of British Columbians wanted more, not less, from their government. For them, ruthless retrenchment and the curtailment of services was an unacceptable policy. Renewed hope for a more secure future therefore lay in the election of Liberals and socialists, not the Conservatives.

FOOTNOTES: CHAPTER V

1 Tolmie Papers, Box 21, Speech Material, Organization and Publicity, October 10, 1932; Vancouver Daily Province, September 25, 1932; Ibid., October 28, 1932.

2 Province, October 28, 1932.

3 Tolmie Papers, Box 1, Conservative Association of British Columbia, November 7, 1932; Ibid., Box 8, Tolmie to W. McKenzie, September 24, 1932; Ibid., Box 2, L. Ladner to Tolmie, September 26, 1932; Ibid., Box 5, Union government, September 17, 1932; Province, September 13, 1932; Ibid., September 18, 1932.

4 Vancouver Sun, September 13, 1932; Victoria Daily Times, October 12, 1932.

5 Tolmie Papers, Box 12, Tolmie to J. Lancaster, October 20, 1932.

6 Jones Papers, Vol. II file 1, Jones to Tolmie, November 5, 1932.

7 British Columbia Financial Times 20 (January 7, 1933).

8 British Columbia, Budget Address, 1933, (Victoria, 1933), p. 6.

9 Province, March 15, 1933.

10 Budget Address, 1933, pp. 17-19, 30; Province, March 16, 1933; Ibid., March 15, 1933; Tolmie Papers, Box 8, Tolmie to R. B. Bennett, March 17, 1933.

11 Budget Address, 1933, pp. 19-20, 24.

12 Province, January 6, 1933; Ibid., December 8, 1932; Ibid., March 3, 1933; Ibid., March 25, 1933; Ibid., April 5, 1933; Tolmie Papers, Box 7, Jones to Tolmie, April 12, 1933; Jones Papers, Vol. I file 6, H. R. MacMillan to Jones, February 6, 1933.

13 Province, January 1, 1933.

14 Ibid., February 19, 1933.

15 Ibid., February 25, 1933.

16 Ibid., March 1, 1933.

17 Ibid., March 1, 1933; Ibid., March 18, 1933.

18 Ibid., March 29, 1933; Ibid., March 30, 1933.

19 Tolmie Papers, Box 23, Speech Material, November 25, 1932; Province, November 27, 1932.

20 Province, December 4, 1932.

21 Ibid., March 10, 1933; Ibid., March 21, 1933; Ibid., March 29, 1933.

22 Tolmie Papers, Box 1, Conservative Association of British Columbia, March 25, 1933.

23 Tolmie Papers, Box 12, Bruhn to Tolmie, April 12, 1933.

24 Ibid., Box 7, Jones to Tolmie, April 12, 1933.

25 Times, May 25, 1933.

26 Province, March 30, 1933.

27 Ibid., April 1, 1933.

28 Victoria Daily Colonist, March 2, 1933; Ibid., March 3, 1933; Ibid., July 19, 1933.

29 Province, October 4, 1933.

30 I. D. Parker, "Simon Fraser Tolmie and the British Columbia Conservative Party, 1916-1933," (M.A. thesis, University of Victoria, 1970).

31 Ibid., ch. III.

32 Tolmie Papers, Box 2, J. F. Noble to Tolmie, December 12, 1928; Ibid., Box 3, Tolmie to H. H. Stevens, August 21, 1929; Ibid., Box 8, R. L. Maitland to Tolmie, January 16, 1931; Ibid., Box 5, Tolmie to J. J. Banfield, June 11, 1931; Ibid., Box 2, Tolmie to B. W. Howard, June 24, 1931.

33 Ibid., Box 5, Tolmie's notes, Meeting of Conservatives in Vancouver, March 14, 1931.

34 Province, March 5, 1931; Ibid., February 15, 1932.

35 Ibid., September 17, 1932.

36 Ibid., March 3, 1933; Ibid., March 11, 1933; Ibid., April 25, 1933; Ibid., September 13, 1933.

37 Ibid., March 11, 1933.

38 Pattullo Papers, Vol. 53 file 16, Press Release, March 2, 1933.

39 Sun, September 11, 1933.

40 Pattullo Papers, Vol. 46 file 17, Pattullo to Manson, August 23, 1932.

41 Province, October 4, 1932; Ibid., October 5, 1932.

42 Pattullo Papers, Vol. 43 file 21, Draft speech, May 10, 1933.

43 Sun, March 16, 1933; Times, March 1, 1933; Province, October 5, 1932; Ibid., November 5, 1932; Ibid., February 23, 1933; Ibid., February 28, 1933; Ibid., March 4, 1933; Ibid., March 14, 1933; Ibid., March 17, 1933; Ibid., March 24, 1933; Pattullo Papers, Vol. 53 file 12, Liberal Party Platform, August, 1933; Ibid., Vol. 50 file 8, Pattullo to C. W. Craig, March 2, 1933.

44 Province, August 19, 1933.

45m Ibid., October 2, 1933; Sun, October 20, 1933.

46 Province, October 2, 1933; Sun, October 3, 1933; Daily Colonist, October 11, 1933; Times, November 1, 1933.

47 Daily Colonist, August 8, 1933.

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49 Province, November 16, 1932; Ibid., March 4, 1933; Sun, October 20, 1933; Pattullo Papers, Vol. 46 file 23, Pattullo to G. G. McGeer, November 28, 1932; Ibid., Vol. 45 file 14, Pattullo to R. J. Cromie, June 10, 1932.

50 Province, October 20, 1933; Times, October 12, 1933; Pattullo Papers, Vol. 50 file 1, Pattullo to F. R. Anderson, June 26, 1933; Ibid., Vol. 53 file 16, Press Release, October 18, 1933.

51 Pattullo Papers, Vol. 53 file 16, Press Release, October 18, 1933.

52 Jones Papers, Vol. II file 4, Jones to H. H. Stevens, November 7, 1933; Ibid., Vol. I file 6, J. H. Beatty to Jones, November 14, 1933.

53 Ibid., Vol. II file 3, Stevens to Jones, October 30, 1933.

54 Province, September 13, 1933; Ibid., September 28, 1933; Ibid., October 28, 1933.

55 Tolmie Papers, Box 34, Party Publications, September 1, 1933.

56 Ibid., Box 23, Speech Material, September 27, 1933; Province, October 28, 1933; Ibid., October 30, 1933.

57 Tolmie Papers, Box 23, Speech Material, October 20, 1933.

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59 Canadian Parliamentary Guide, 1934, (Ottawa, 1934), p. 378; H. A. Scarrow, Canada Votes, (New Orleans, 1962), pp. 224, 226.

60 British Columbia Financial Times 20 (February 18, 1933).

61 Vancouver Board of Trade, Minutes, Annual Meeting, Vol. 49, January 31, 1933; British Columbia Financial Times 20 (February 18, 1933); Ibid., (October 7, 1933); British Columbia Miner 5 (December 1932); The Retailer 26 (March 1933); Province, November 30, 1932; Ibid., February 17, 1933.

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64 Pattullo Papers, Vol. 43 file 4, Suggestions dealing with problems of Unemployment, submitted to the House Committee on Unemployment, by F. C. Brown, 1932.

65 Province, November 22, 1932.

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67 British Columbia Miner 6 (February 1933).

68 Province, March 5, 1933; Ibid., April 5, 1933.

69 British Columbia Miner 6 (January 1933).

70 A. E. Foreman, A Basic Cause of British Columbia's Financial Troubles, Address before Vancouver School Principals' Association, April 4, 1933.

71 British Columbia Miner 5 (October 1932).

72 Vancouver Board of Trade, Minutes, Council, Vol. 11, December 22, 1932; Jones Papers, Vol. II file 3, P. B. Fowler to Jones, June 30, 1933; Ibid., C. E. Abbs to Jones, November 3, 1933; Ibid., Vol. I file 6, H. R. MacMillan to Jones, November 10, 1933; Ibid., A. H. Williamson to Jones, November 16, 1933.

73 Province, October 3, 1933.

74 Ibid., February 1, 1933.

75 Ibid., September 29, 1933.

76 British Columbia Financial Times 20 (October 21, 1933).

77 Province, October 21, 1933.

78 British Columbia Financial Times 20 (October 21, 1933).

79 Pattullo Papers, Vol. 51 file 16, C. H. Tupper to G. G. McGeer, October 4, 1933; Jones Papers, Vol. II file 4, Jones to H. H. Stevens, November 7, 1933.



## CONCLUSION

The Tolmie years marked a watershed in the politics of British Columbia. Since the First World War provincial politics had been largely a struggle between Conservative business government philosophy and reform Liberalism. After 1933 Conservatism was no longer influential provincially, and its demise signalled the passing of business government philosophy, at least for the time being. The depression demonstrated its inadequacies and spawned CCF socialism as a radical alternative to it. Politics in the province now became a confrontation between a Liberalism that had also moved to the left during the early 1930's and socialism, a confrontation in which business government philosophy, as it had been articulated previously, played a limited role.

Business government philosophy had found its best expression in the platform of the Conservative party. With Tolmie's election as leader in 1926 the party achieved a greater degree of internal unity than it had enjoyed for many years. In the 1928 provincial election party spokesmen promised the application of the same principles to government as were followed in private business. In particular this involved a commitment to balanced budgets, a rarity during the Liberal years, and expenditures only in areas

that guaranteed a future return in new economic growth for the province. Concomitant with this was the conviction that a Conservative government should curtail social welfare spending, which constituted a burden for the province's productive industries. A survey of Conservative programs implemented during their years in power indicates that the Tolmie administration made serious efforts to implement business government policies. True, the government spent too much in its early years on capital projects, particularly road-building. Nevertheless the government's financial difficulties were the result of depression circumstances few foresaw, and especially the relief crisis of late 1931.

The Tolmie government's response to the economic downturn was to cut back its expenditures, a policy in keeping with business government doctrine. Substantial economies were effected, but the government never quite caught up with the problems which declining revenues and increasing debt charges brought about. Most importantly, the government's appointment of the Kidd Commission, and the no-party movements championed by various Conservative fragments during 1933, demonstrate the party's continuing business government orientation. The government's rejection of the party system, after the Kidd Report branded it as the cause of many of British Columbia's financial ills, at least suggests that many Conservatives believed business government to be more important than their own party. Unfortunately for them, the policy of retrenchment they consistently championed had alienated large segments of the electorate by 1933. Tolmie

summed up the Conservative dilemma in this way:

...every Government tries to give the people what the people want. The measure in which it succeeds or fails in that endeavour is the measure of its popularity. So soon as it turns away from that policy and begins to give the public not so much what it wants but what the country can afford, then its real troubles begin.

1

The Liberal victory in the 1933 provincial election marked the electoral repudiation of business government philosophy. Even before the Tolmie victory in 1928, and the depression which followed, the Liberal party had been lukewarm toward this doctrine, preferring instead to emphasize the social welfare role of government. Pattullo's program of "socialized capitalism", the official Liberal response to depression circumstances, was largely a further application of traditional Liberal principles, at least insofar as social welfare legislation was concerned. Where the Liberal program did break some new ground was in the interventionist role for government it prescribed as a necessary response to the depression. The Liberals expressed this in their call for an economic council to regulate industrial production, and their support for experimental monetary and fiscal policies. The Liberal perception of the functions of government, therefore, foreshadowed those of the modern welfare state. It differed markedly from the restricted role based on fiscal economy the Conservatives and business elites were pressing for.

Many of Pattullo's Liberals, during the early depression at least, were idealists. Some even flirted with socialist theories.<sup>2</sup> Nevertheless, they did not wish to destroy capitalism, but only to reform it. Left unregulated, they believed, the free enterprise system would result in gross inequities, and a society where only greedy capitalists prospered. Such a society would be a fertile breeding ground for the equally abhorrent tyranny of Communism. While the system of private enterprise based on the search for profit should be maintained, depression circumstances demanded a more positive state role in co-operation with industry to ensure that the benefits of such a system were more equally distributed. Liberalism during the early depression therefore involved a rejection of business government philosophy, but stopped well short of socialism.

The metropolitan business community, particularly its corporate elite, was the one influential sector in the province that consistently supported the Conservatives' business government philosophy. Business spokesmen tolerated the Liberal government while times were good during the 1920's. It is clear, however, that they preferred the policies of the Conservative party, which were more sympathetic to business. This business preference seems to have reflected the protective mentality and desire for government assistance which has marked the Canadian business community as a whole.<sup>3</sup> At the same time, however, the nature of the provincial

economy exacerbated the demands of the local business elite. The province's primary industries depended on the health of foreign export markets over which local producers had little control. Some companies exploiting the province's natural wealth were national or international corporations, most of them engaged in mining. Their activities were diversified, and they could therefore weather a depressed world market more successfully. Many others, however, were provincial concerns, run by local entrepreneurs who were dependent on a single primary product for their prosperity. This group of businessmen, for whom the business periodicals and business organizations in Vancouver largely spoke, were chronically anxious about the competitive position of local industries in foreign markets. They therefore desired a provincial government that would assist them in their efforts to sell abroad and not increase their cost of production through high taxes levied to pay for social welfare programs and the interest on an ever-increasing debt.

Business spokesmen were therefore pleased when the Tolmie Conservatives won the 1928 election. Their support continued until the end of 1930. Once the depression's effect on the province's major export industries became serious, however, metropolitan businessmen in the Vancouver Board of Trade particularly decided to organize themselves into a lobby in order to ensure that the provincial government implemented business government principles faithfully. As the slump deepened these businessmen began to fear that it would result in serious social upheaval, and their

determination to see Tolmie's government practise retrenchment, their solution to the downturn, hardened accordingly. The government's financial problems, acute by late 1931, disturbed and angered the business lobbyists, who became convinced that the Tolmie Conservatives no longer had the ability or the desire to effect the kind of ruthless economies they as businessmen felt the situation required. This again demonstrated that even the most influential businessmen were basically insecure and in no way felt that the government was acting as the tool of the business community. Indeed, the business lobbyists' demand for a businessman's commission to investigate the province's finances shows that they felt divorced from the corridors of power, that their message went unheard, and that a wasteful system of party politics blocked financially efficient business government. Ironically, the Conservatives paid more heed to the business community than the businessmen gave them credit for. In any event, the Kidd Report's critique of the party system constituted a further blow to the government's prestige, while the no-party proposal adopted by most Conservatives with the blessing of the business community only served to fragment the party which came closest to speaking for business government principles.

Most spokesmen for the metropolitan business community continued to view the Liberals with misgivings. Pattullo's reform platform repudiated business government solutions to the depression. Nevertheless, once the Conservatives fell apart, and particularly after the CCF appeared as a force in provincial

politics, many businessmen recognized that in a struggle between reform Liberalism and Socialism they would certainly choose the former. Business government might be dead as apolitical doctrine, but at least it would not be replaced by a creed calling for the death of business. The British Columbia Miner, viewing the results of the November, 1933, election, commented on the new political conditions, involving realities that were to characterize provincial politics for years to come:

The result of the vote reflects the common sense of the people of the Province, who have emphatically proclaimed their distrust of...the...impractical doctrines of camouflaged communism; for the conflict this time was not merely one between the ins and outs - ...it was significantly a struggle between two opposing camps of political thought, concerning fundamental principles, and over one floated the red banner. Considering all the circumstances of the present unrest and distress engendered by the bad times, the signal defeat of the iconoclasts...is all the more gratifying. In a sense "partyism" in the Province has again triumphed; but it is no longer "partyism" as we formerly understood it. The Liberal party has been returned partly on the score of its platform, including its assurances with respect to the elimination of the worst features of the "party system"; but in a major degree it owes its triumph at the polls to the non-partisan or at any rate to the non-Liberal vote, which recognized in it the one well-organized responsible group opposed to extremism. In future, the party system may be obligatory; but it would be fatal to have more than one party to represent those who believe in individual freedom.

4

Under these circumstances the metropolitan business community had to deal with Pattullo's Liberals as best it could. From now on there could be no question that government could not be run like an ordinary business firm. The Tolmie years had demonstrated this. Even an editorial in the Province appears to have acknowledged this,

arguing that government

touches people at points where business does not touch them. Business can be cold, impersonal, inhuman, in fact, and thrive. It can live and grow, though the corpuscles of its blood stream are nothing more than figures and dollar signs. Government can not exist on any such basis. There has to be some warmth and humanity about it. It must get close to the people or die.

5

The Liberal and CCF party platforms reflected this attitude.

Business government philosophy had not.



FOOTNOTES: CONCLUSION

1 Tolmie Papers, Box 23, Speech Material, December 2, 1932.

2 M. Robin, Pillars of Profit: The Company Province, 1934-1972, (Toronto, 1973), ch. I.

3 Michael Bliss, A Living Profit: Studies in the Social History of Canadian Business, 1883-1911, (Toronto, 1974);  
H. V. Nelles, The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849-1941, (Toronto, 1974).

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