CANADA, ROOSEVELT AND THE NEW DEAL: CANADIAN ATTITUDES TO REFORM IN RELATION TO THE AMERICAN REFORM EXPERIMENTS OF THE 1930's

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ABSTRACT

The decade of the 1930's was one of dislocation, uncertainty and change. Examples of revolution and reaction were much in evidence. The disruption of the international economic system engendered by the Great Depression brought into question the validity of the premises and assumptions on which liberal capitalism was based. Throughout the world societies attempted to devise appropriate policies to cope with the social, economic and political crisis of the depression. The core of the problem lay in the need to locate a new balance between traditional liberal individualist values and the collective needs of societies.

Establishing a more efficient and equitable balance between individualist and collectivist social norms entailed defining new roles for government. The exercise of positive government, however, posed problems. They were especially acute when the authority of the state was employed to restrict economic behaviour in the familiar open market-place. Taken to logical extremes, government direction, regulation and control of economic affairs led to fascism or communism. However between the extremes of *laissez-faire* individualism and full state control lay a number of more moderate alternatives which called for fundamental institutional reforms of the capitalist economic system. One of the most notable
attempts to devise a middle, 'third way' between the extremes was that of Franklin Delano Roosevelt's New Deal.

The American New Deal experiments were of particular interest to Canada. Because of the increasing closeness and complexity of Canada's American relationship by the 1930's, decisions taken in Washington, particularly in the economic sphere, affected Canada in a variety of ways. Moreover, the reform aspects of the New Deal provided a model of change which conceivably could prove relevant to Canada. Consequently Canadians were close observers of the New Deal as it evolved after Roosevelt's election in 1932.

However much Canadians were interested in Roosevelt's New Deal, his reform model was not generally accepted in Canada. Although some provinces did introduce legislation similar to some New Deal measures, there was no national response comparable to the American reform program. In Canada the dominant reaction to the problems presented by the depression was to reject reform and avoid change. The need for positive government action at the national level was not accepted. Rather, the primary Canadian reaction was to emphasize the need to promote economic recovery through traditional means, reject concepts of economic planning, and avoid the exercise of positive government intervention in the economy. Canadians, at least those in leadership roles, looked to past experience, to customary laissez-faire methods, rather than towards reform and change. Two principal reasons were advanced to justify the exclusion of the need for change.
The first was that the vulnerability of the Canadian economy, stemming from its dependence on foreign markets and capital, effectively precluded the possibility of promoting major reforms. Buttressing this tangible reason was a structure of traditional social attitudes which rejected reform because its collectivist implications violated familiar standards of liberal, individualistic, laissez-faire capitalism.
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Chapter I

INTRODUCTION

The era of the Great Depression of the 1930's is one of the least studied periods in recent Canadian history. It is curious that this should be so because it played such a significant role in shaping later Canadian history. The thirties were years of flux and change. They deserve a more concerted historical effort to interpret them and to place them in the broad context of Canadian history. But for whatever reasons there is a dearth of analytical works on the period. Some biographical studies of political leaders are available but even here the official biography of MacKenzie King has not, as yet, been carried past 1932, and there is no satisfactory life of R. B. Bennett in print.¹ Other studies are fragmentary; there are a few solid monographs on the economy, excellent works on third party political movements, some perceptive novels, scattered memoirs and reminiscences, and more recently some collections of documentary materials.² However despite these exceptions the era lacks thorough historical treatment. Particularly lacking is an effective synthesis and interpretation which satisfactorily deals with the innumerable currents and counter-currents which beset Canada during the depression era.³
The relative lack of Canadian historical interest in the thirties contrasts sharply with the interest in the era shown in the United States. Whether they be political, social, cultural, economic or whatever, the number of full scale studies, monographs, articles and popular accounts on the thirties is staggering. Biographies of many major and minor individuals are available, as well as a great number of published memoirs, in addition to a wide range of specific studies on an even wider range of topics. Perhaps more importantly, beginning in the thirties and continuing to the present, interpretative treatment of the era has been wide-ranging, divergent, acrimonious and intellectually stimulating. The nature of the period lent to the thirties a range of contradictory interpretations emerging from differing premises on matters of ideology, political philosophy, social well-being, economic worth and the exercise of power.

The reasons for the difference in attention are numerous. Perhaps the most important, as well as the most obvious, reason is the fact that Canada produced neither a Franklin Roosevelt nor a "New Deal." Roosevelt, and the sum total of his policies which have come to be called the New Deal, provoked an immediate contemporary debate in the United States which has been taken up and elaborated upon since then by scholars of many disciplines. This vigorous debate over whether policies were continuous or discontinuous in terms of the broad sweep of American history; whether Roosevelt was a conservative or radical; whether the New Deal represented a
fundamental shift in American society or whether it was merely a limited political response to immediate problems, has had lasting effects on the United States. Like the American Civil War, Roosevelt and his New Deal have been interpreted, revised, and revised again.\(^6\)

In Canada, on the other hand, the necessity for a similar debate is not so readily apparent. The principal continuous threads of Canadian history were not interrupted in the thirties; they shaped political and social responses throughout the period. Political movements, which challenged the status quo, The Cooperative Commonwealth Federation, (CCF), Social Credit, and others, did emerge but none was effective on a national scale. Except for the CCF, protest political movements in the thirties were, in the main, manifestations of regional reactions which had long played a part in Canada's history. Liberals and Conservatives continued to differ over tariff policy, but little else. Even R. B. Bennett's abortive "New Deal" program of 1934-35 can be viewed as being within the Canadian tradition; as can its rejection by both the Liberal Party and the Judicial Committee of the Privy Council. In the thirties, Canadians continued the arid and not notably productive constitutional debate between Ottawa and the provinces, completed the separation of the Dominion from the British Empire, and attempted by a form of benign neglect to ignore many of the implications both of the French-English ethnic dichotomy and the increasing American involvement in the Canadian economy. If the American New Deal
represented a fundamental challenge to established ways, Canadian policies and responses to somewhat similar social and economic dislocation cannot be so interpreted. In Canada the boat remained relatively unrocked and writings on the period reflect this in their avoidance of the contentious social problems which were raised by the Great Depression.7

This is not to say that Canadians in the thirties were not intensely interested in what was going on in the United States at the time. From the time of the coming of the Loyalists Canadians have observed events in the Republic, usually apprehensively and with some skepticism.8 In the thirties the fabric of traditional Canadian attitudes towards the United States was made more complex by the ideological factors implicit in the American attempts to rearrange their social and economic institutions and redefine the structure of relationships between the individual and the state. Social dislocation caused by the depression brought into question the efficacy of familiar and traditional liberal capitalist values upon which both American and Canadian societies had largely been based. This was an extremely disquieting process and few Canadians were sure just where Franklin Roosevelt stood on the issue.

Looking back from a contemporary perspective Canadians, generally, probably approve of Roosevelt and his New Deal. The view which prevails is of a national leader who overcame or ignored profound physical disability to appear on the scene at a critical juncture and provide much needed
leadership for the United States and the world. He was able to introduce change while avoiding political extremes. Furthermore he was a leader who was able to bring the isolationist United States into the Second War on the side of the Allies.

During the thirties, however, reactions to Roosevelt and his New Deal were more complex. On one level, Canadians had to react directly through their government and in areas of the private sector to policy initiatives taken by the American government. These initiatives were primarily concerned with commercial relations and the most immediate and important effects were those which emanated from the initial, economic nationalist phase of the New Deal. Canadian trade relations with the United States had always been a contentious issue between the two countries and the era of the thirties was no exception. As in earlier periods Canada's prime interest lay in gaining a more open access to American markets, particularly for primary products. When in his first years in office Roosevelt appeared to commit himself to following the commercial exclusion practised by his Republican predecessors, the Canadian government was forced to adapt its own policies to meet the threat of higher American tariffs. It did so by immediately pressing the Roosevelt government to enter into negotiations leading to a bilateral trade pact. While it took some time to complete the negotiations, by 1935 the first concrete step had been taken and the future pattern of Canada's continental commercial relationship had been
On another level the evolution of the New Deal held an attraction for Canadians, as indeed it provoked interest and comment in many other countries. The New Deal represented an attempt to cope with the appalling effects of the breakdown of a liberal capitalist industrial society, while maintaining democratic institutional structures and processes. Roosevelt's efforts to find a 'third way' between the extremes of revolution and reaction, by using the authority of the federal government to provide direction and promote domestic reform, was bound to invite examination and comment by Canadians. Faced with many similar problems of economic and social turmoil Canadians, too, actively debated whether economic recovery could be induced while reforms were being introduced. Proposals to replace open market economic relations with some version of a planned economy were in the air in both countries. Whether it was feasible or advisable to challenge entrenched interest groups and promote policies designed to redistribute power and wealth on a more egalitarian basis became a key and germane topic for Canadians as well as Americans.

Some Canadians accepted Roosevelt's reform model as being applicable to Canada's problems and they expressed their approval. It is also undoubtedly true that countless others listened to, and were heartened by, Roosevelt's 'fireside chats'. Roosevelt's moral leadership and championing of the downtrodden and have-nots in American society provided an appealing example of political compassion. It is impossible
to gauge Roosevelt's personal popularity accurately but it probably was considerable. It also seems clear, however, that those who accepted Roosevelt's New Deal programs as models represented a distinctly minority view in Canada.

The dominant reaction in Canada was to reject the New Deal model as being inappropriate for Canada. The most influential theme in Canadian comment and policy during the time the New Deal evolved in the United States was to reject major change, on the Rooseveltian or any other model, and to try to maintain the social and economic status quo. Canada's political culture did not produce a national reform administration on the Rooseveltian pattern; nor was it conducive to promoting a national political consensus which insisted on change. For a variety of reasons; political, social, traditional, constitutional, historical and accidental, Canada failed to find a new balance more compatible with the fundamental problems posed by a modern industrial society turned upside down by depression. Canadian objections to the New Deal model emerged throughout the ideological and political spectrum. To the orthodox, Roosevelt appeared as a revolutionary and they rejected both the ends and the confused means of New Deal reforms, considering them both undesirable and impractical. To the radical unorthodox, who accepted the assumption that the existing capitalist system was not susceptible to meaningful reform, Rooseveltian change was at best palliative and at worst harmful because it delayed a true solution which could only come about through socialism. Of the two, the
former was the most influential in Canadian society, at least as judged by electoral results and political policies.

Two specific lines of argument were advanced by the orthodox who objected to a New Deal type of solution for Canada's problems. First was a range of tangible objections which considered the New Deal approach to be inappropriate for the quite different Canadian economic structure. While these objections were many-sided, they focused on the proposition that although the United States possibly could afford to tinker with heretical experiments, Canada could not. The vulnerability of the Canadian economy, its dependence on international commercial relationships and foreign capital markets, and its lack of economic self-sufficiency, all precluded the possibility of tampering with the country's traditional economic system. To do so, particularly by promoting reforms, it was held, would not only fail to open up the foreign markets on which the economy relied, but would antagonize foreign bankers and investors and drive the country even further into depression. While the United States was self-sufficient to the point where it was able to formulate national policies without reference to international restrictions, Canada was not so fortunate. Thus economic vulnerability, it was argued, set severe limits on Canada's ability to adopt any broad economic initiatives, especially those which promoted unsettling change.

Buttressing these tangible reasons for avoiding radical departures was a structure of conservative social
attitudes which inhibited Canadian responses and discouraged what were viewed as dangerous social and economic experiments. In the pre-Keynesian era of the early thirties it is not surprising that Canadian economic thought, especially in influential elite groups, remained committed to classical tenets of liberal capitalism. The inexorable laws of supply and demand and the free market economy remained, however much they were contravened by specific actions, the dominant lens through which the worth of society and its institutions were judged. These views were epitomized and most vociferously articulated by business, industrial and financial leaders but were not confined to them. Most influential political leaders in both major parties shared them as did, apparently, a large segment of the population. Despite the collectivist factor which historically has been an active element in Canada's political culture the dominant, or at least the most influential, values in the Canada of the thirties were those which emphasized an appeal to liberal individualism. In a direct political sense, individualism received its clearest expression through the Liberal Party, and received its electoral mandate in the 1935 election.

It was natural that an appeal would be made to traditional values when the depression struck. The familiar and known, however ineffective, was preferred to the unknown and leadership elites in both Canada and the United States reacted in a similar manner. Whether the emphasis on individualism was more or less pronounced in Canada than in the United
States is a moot point. What is relevant is that this emphasis was more influential in Canada during the depression. In the United States those who appealed to traditional, *laissez-faire* methods were placed on the defensive when Roosevelt was elected and the New Deal set in motion. They articulated their views in opposition to an administration which actively challenged familiar ways. And in the context of the depression individualistic appeals largely meant opposition to reform and change produced by positive government measures meant to limit the individualistic basis of the old order. In Canada, on the other hand, challenges to the traditional *laissez-faire* basis of society remained weak. The CCF provided the most intellectually comprehensive challenge, but it was not notably effective. The Conservative Bennett government did initiate some limited reform programs but the introduction of its own version of a New Deal split the party and was in any case nullified after the party's defeat in 1935. In formulating its policy, the Liberal Party concentrated on opposing the positive government alternatives presented by the CCF and Conservatives. This opposition, reinforced by political fragmentation and the lack of a consensus which supported reform and change, permitted the Liberals to gain power almost by default.

Thus the direct influence of the New Deal reform model on domestic Canadian policies was minimal. While some provinces imitated specific New Deal legislation and some industries found themselves forced to adapt their operations
to New Deal regulations, there was no general acceptance of the New Deal example of exercising positive government on a national scale. Canada went its own way and failed to conceive of and implement a national reform policy during the depression. The dual factors of economic vulnerability and the dominant influence of conservative social attitudes reinforced one another and delayed meaningful change. Despite the apparent need for fundamental adjustments in national economic and social policies, which was starkly revealed by the depression, the significant reaction in Canada was to maintain the status quo.

But despite the fact that the New Deal had only a marginal impact, and however little its policies were emulated in Canada, the New Deal retains an importance in the study of Canada during the thirties. Although the American economy was more mature than Canada's, both shared similar problems. The transition from a free-wheeling *laissez-faire* market economy to modern industrial capitalism, characterized by combinations, mergers and concentrations of economic power in the private sector, was a phenomenon which occurred in both countries. The social effects involved in the transition were also similar. Fundamental questions concerned with the control of private economic power and the role of government in the process were raised in both Canada and the United States. When the depression shattered the old order, the importance of the questions was enhanced. The New Deal represented one attempt to answer the questions by devising more
effective mechanisms to make the capitalist system function more efficiently and with more social justice. By focusing on what Canadians thought, and how they reacted, to the New Deal much can be learned about how Canadians viewed their own society. Canada's problems, values, and views on economic affairs, social justice and the exercise of power can be illuminated through the lens of the attitudes which Canadians expressed towards Roosevelt's attempt to cope with similar events in the United States. The American experiment presented a model which conceivably could be adopted by Canada, adapted to Canada's needs, or alternatively vigorously rejected. Consequently consideration of Canadian attitudes towards the United States during the era of the New Deal indicates not only something of Canadian perspectives of the United States. More importantly it reveals much about how Canadians perceived themselves, their own society and the values which they considered essential to the maintenance or enhancement of social well-being.

* * *

A host of problems challenges the student in any study of Canada in the thirties. The relative lack of secondary sources forces the researcher to consider an immense variety of unworked, scattered and diffuse materials. The sheer volume of material makes some sort of selection process paramount. In considering the comparatively vague and imprecise subject of attitudes--"the implicit mental reservoir from
which opinions derive\textsuperscript{13}—the difficulties are even more evident. The problem is further complicated when considering Canadian attitudes towards the United States during the great depression because of the dual nature of the attitudes themselves. On one level one can identify Canadian responses to the United States itself or to specific American policies. On another level one can discern in the responses Canadian attitudes to the conditions imposed by the depression and to the fundamental problems of social change.

The matter of selection poses two major sources of difficulty. First there is the problem of deciding whether it is at all meaningful to think in terms of "Canadian" attitudes without the usual array of regional, ethnic and linguistic qualifications. The qualifications can be ignored only at great peril because it is debatable whether one can refer to purely Canadian attitudes, responses, opinions without acknowledging the differences in outlook and interests of, say Nova Scotians and Albertans, let alone those of French and English Canadians. One of the many gaps in the historical literature is that of detailed studies of regional responses either to the United States or to the depression itself. Ideally, regional attitudinal studies should precede a national approach, which then could synthesize their materials. But however valid and necessary the regional studies, a great many sources indicate that a national approach is equally valid and defensible because, while regional differences are apparent, a sense of "Canadianism" was also very much taken
for granted.

A number of factors contributed to this. The legacy of the Great War was still felt during the thirties and it fed a national consciousness, particularly in English Canada, because of the major Canadian effort and sacrifice during the war. In addition the National Policy was still felt to be a meaningful economic reality which formed the basis of the Canadian national interest. Although there was a growing awareness that the focus of economic development was shifting to the provinces and into newer industrial activities, the national connections of wheat, population and railways still occupied a very large part of, at least, the national rhetoric. Finally, as the transition from colony to something else was in process, it was taken as given that Canada was a legitimate national entity. Within the entity, regional differences were obviously apparent; but, also, there was a sense of nationalism which made Canada something more than simply a disparate collection of competing regions. The combination of tangibles, for example, the economic interests encrusted around the National Policy, and the awareness of a national consciousness, produced a set of responses and attitudes which can be considered Canadian.

The problem of French and English attitudes is more difficult. For a number of reasons it is probable that the French-Canadian milieu in the thirties was sufficiently different to warrant a separate study. The complex of attitudes in French Canada towards the United States and towards the
problems of social and economic change in the thirties makes it unique. However, even this obvious gap does not invalidate a national approach. The depression created problems in Canada which were national in scope and for which national solutions were sought. Canadians looked to the national experiments of the United States (as well as to Russia, Germany, Italy and others), and, on one level, debated them in terms of whether Canada should adopt similar national policies to cope with the depression.

The other major problem is in the nature of the sources themselves. Because data from public opinion polling techniques is not available for the period, it is not possible to quantify or measure the strength of attitudes, or their extent, in Canada on particular issues at any point in time. As one American historian has commented in another context, the researcher in this period,

... must resign himself to dealing with printed matter (or the reminiscences of survivors) and therefore with the attitudes of those who are most powerful, or noisy, or educated, or fanatic, rather than most representative. He cannot forsake the archives in order to interview carefully selected samples of the public. Instead he is confined to the mute, unmalleable materials bequeathed to him by a departed generation.¹⁴

Reliance on the printed word is necessarily hazardous but an attempt can be made to try to relate expressed opinions and attitudes to the society as a whole. The attempt must include judgement on identifying the most apparent and possibly most significant attitudes, evaluating how widely they were held, and determining whether they can be considered to
be in any way typical and representative. For example, although it is an undetermined question whether newspapers reflect or create public opinion, or whether editorial writers or opinion commentators reflect just their own views or bodies of opinion shared within a larger community, a judgement can be made to assess and assign a relative weighting to specific recurring themes, which in turn reflect underlying attitudes present in society. It is entirely probable that some newspapers, periodicals, and journals of opinion are not only more typical than others but that some are much more influential in affecting the direction in which public policy, and therefore later attitudes, will be developed. But reliance on the printed word means, of course, reliance on the views of that small part of the population which has access to it, and in the Canada of the thirties this was a relatively small segment of the population. Consequently any attitudinal study must of necessity be considered incomplete in itself.

Within the variety of printed materials some lend themselves more readily than others to a judgement of their representativeness. For example it can perhaps be assumed that comment in a trade journal like The Canadian Grocer reflects many of the shared interests of those Canadians involved in the grocery trade, as well as a level of interests which grocers, as businessmen, shared with other sectors of the Canadian business community. Similarly, the writings in Industrial Canada no doubt reflect, to some extent, some of the shared views of Canadian manufacturers, The Canadian
Congress Journal and The Canadian Unionist those of organized labour, The Country Guide and The Family Herald those of farmers, and so on. With some degree of confidence one can deduce and draw certain conclusions about the interests, preoccupations, fears, hopes and policies of occupational groups, from the materials contained in their trade and interest group journals.  

Journals of opinion and periodicals with a wider range of interests, designed for a more general readership, are more difficult to evaluate, assess and judge. For example, The Canadian Forum can be considered to have been the principal journal of the moderate socialist left in Canada, especially during the first years of the thirties. The group of people who contributed most of the editorial comment and many of the articles was a small one. Most were also involved with the League For Social Reconstruction and the CCF, and most wrote elsewhere so that their views can be fairly clearly categorized. But how typical their views, or how wide a spectrum of the Canadian population they represented, is impossible to judge. The Forum's circulation remained small, but its influence probably exceeded its limited distribution by a great deal. While the degree of its representativeness is incalculable, the Forum can be considered typical of the body of ideas and attitudes held within the moderate socialist left in Canada. As such, and with some qualification, the writings in the Forum can be at least partially categorized.

Journals and periodicals with a less identifiable
political base are more difficult to categorize. *Saturday Night* is one of these. In the thirties, under the editorship of B. K. Sandwell, *Saturday Night* was not only a lively and well written forum of opinion, it was also remarkably eclectic and surprisingly tolerant. Sandwell's editorials, quotable and provocative, were moderately conservative but his comments and criticisms spared few in political life. On the other hand the financial editor, P. M. Richards, was an orthodox economic conservative whose editorial comment could have been comfortable in the *Financial Post*. Contributors to the periodical represented a wide range of political and social viewpoints, from orthodox bankers to social activists. Consequently, it would be misleading to label *Saturday Night* as entirely representative of any set of views and attitudes or any set percentage of the Canadian population. Rather, its value as a source for identifying attitudes in Canada lies simply in the fact that it was a medium in which ideas and themes were expressed, from which underlying attitudes can be discerned and identified. From the welter of its writings, paradoxical and contradictory in themselves, emerges a variety of themes, and attitudes, which can be identified as being of concern to, at least, some Canadians.

Collections of private papers can be used to supplement more public materials. Points of view can be amplified and otherwise indistinct events clarified in letters written for private use. Attitudes reflected in private letters can be related to and compared with those which found more public
expression. As with the public printed word, private correspondence cannot tell the whole story. For one thing there are relatively few collections of private papers concerned with the thirties. Moreover, most of those which are available are papers of individuals of means, substance and influence in politics, economic activities, the arts and academe, and this means a fairly small segment of the overall population. One can develop a view of the concerns of the upper layers of society but very little impression of the quality of the soup in the soup kitchen. Here again the absence of polling data makes impossible the task of obtaining a truly representative cross section of Canadian opinion. But it is still possible to extract comment in private correspondence, both that directly on the United States and that on more general social issues raised by the depression, and by relating it to other sources to build up a mosaic of how some Canadians, individually and in groups, perceived themselves during the thirties. And by focusing on comment on the United States the mosaic can be created out of the many varied, confused, contradictory and paradoxical attitudes which underlay the comment.

Finally, there are two major alternative approaches to an attitudinal study of this kind. The first is to apply the methodological techniques of content analyses to a restricted selection of materials in order to measure and quantify the strength, persistence and extent of attitudes expressed in those selected materials. The second, as described vividly by Professor Waite, is to immerse oneself
in the period being studied, to take the arguments as those who expressed them did, to look at as wide a variety of materials as possible, and to let the sources rather than the methodology lead. Possibly both methods would lead to many of the same conclusions, but for this study the second approach seemed to be the most effective.
NOTES—CHAPTER I


3. D. G. Creighton's recent Canada's First Century, 1867-1967, Toronto, Macmillan, 1970, is disappointing in that it does not include an analytical interpretation of the thirties, nor does it provide documentation which could have been of great assistance for research.


7. This is perhaps most noticeable in the studied avoidance of controversy in the Report of the Royal Commission on Dominion-Provincial Relations and the various studies produced by the commission.

9. The overall configuration of continental commercial policies was set for a generation. The changes introduced by the Nixon administration beginning in 1970 have made the future basis of Canadian-American relations somewhat cloudy. On the occasion of signing the 1935 trade agreement Roosevelt commented; "the relations between the two countries were on a basis of united agreement for the first time since 1866 . . . ." Quoted in William Phillips, Ventures in Diplomacy, Boston, Beacon Press, 1952, p. 163.


11. The impact of radio in influencing and giving voice to attitudes no doubt was of major importance. But its impact is even more difficult to judge than that of the printed word. The archives of the CBC contain very little contemporary materials although there is some retrospective material on the thirties produced more recently.


15. This is not to say, of course, that all readers or subscribers of trade journals shared all the opinions and attitudes expressed, or supported all policies which they advocated. It is only to say that a degree of shared agreement in areas of mutual concern and outlook probably existed.

Chapter II

THE INITIAL RESPONSES TO THE NEW DEAL

American economic affairs have always been important to Canada. They were perhaps especially so in the years following the Great War. In the inter-war period the trend of economic relationships which produced ever closer ties between Canada and the United States was greatly accelerated. A wider range of American policies, both domestic as well as foreign, had repercussions on Canada. Consequently the election of Franklin D. Roosevelt in 1932 as President of the United States was of great interest and vital importance to Canada. The most immediate question Canadians raised was whether Roosevelt would adopt policies different from those of his Republican predecessors. In many quarters it was hoped that Roosevelt's policies would act as a stimulant to help revive the stagnated Canadian economy. Economic relationships with the United States were the key, and of the many aspects involved commercial arrangements were the most important. To counter the economic collapse brought on by the depression Canada needed foreign sales and a more open access to the American market seemed the most feasible way to obtain them. Access to the American market had been unattainable while Republican administrations held power in Washington and therefore the possibility of a change in American political
leadership was welcomed by Canadians. An international solution to what was, especially for Canada, an international depression, seemed mandatory.

Canadians looked for American leadership to promote an improvement in international relations. But for the United States there was less need to concentrate on internationalism. Given its relatively self-sufficient economy the United States could afford a policy of economic nationalism while attempting to get its own economy moving. When Roosevelt opted initially for a policy which gave first priority to purely national economic recovery, Canadians were left highly disillusioned. Initially they looked to Roosevelt to move away from Republican isolationism. They wished the United States would return to a policy based on Wilsonian internationalism. But this expectation was short lived. The initial approval of Roosevelt, therefore, became considerably tempered because his policies threatened to increase Canada's own difficulties in trying to cope with the depression.

* * *

Canada's subordinate relationship with Great Britain and the United States has always been an important factor in the country's history. This was so from the earliest times. If anything, the problem of defining Canada's external relationship became even more important, and more difficult, in the years following the Great War. For a number of reasons the era marked a transition. As the devolution of the British Empire proceeded, Canada had to try to define what it was to
do with its independence. Directly involved was the manner in which Canadians perceived themselves in relation to the United States. In the inter-war period the rate of the impact of the United States on the consciousness of Canadians accelerated. Technological changes, the widespread use of radio, automobiles and aircraft, all brought Canadians into much more direct contact with Americans. Canadians habitually read more American periodicals and magazines than Canadian and a number of commentators warned of the implications of vast American cultural pressures. While the possibility of political absorption was rejected, the threat of cultural assimilation seemed very real. Defining the national identity in purely Canadian terms became a very real problem.¹

Along with cultural pressures, the threat of economic domination seemed possible. In many fundamental ways continental economic ties were enhanced during the period. Although trade relations were circumscribed by tariff barriers, other areas of economic inter-change were strengthened. Particularly notable was the increasing dependence of Canada on American capital markets and the movement to Canada of subsidiaries of American industrial firms. In the latter area alone the number of American controlled or affiliated businesses increased from about 100 at the turn of the century to more than 1350 by 1934. More than sixty per cent of the increase occurred after 1920.²

Neither the cultural nor the economic impact of the United States was viewed in Canada as an unmixed blessing.
While it promoted material improvements it also caused concern. But there was little consensus among Canadians about the implications of the changes which were occurring. As the influence of Britain in the world declined and the power of the United States correspondingly increased, the Canadian problem of deciding what to do with its undefined independence grew. The national identity seemed open to varying definitions. Whether the debate was conducted in terms of external relations, economic policy, cultural identity or whatever, there was little national agreement. The real options facing Canadians required basic adjustments in Canada's imperial relations, a redefinition of the country's North American ties and the implementation of meaningful national goals suited to its growing independent status. A new National Policy was in order.

But it was extremely difficult to strike a balance which would incorporate the variety of conflicting aspirations in the country. There was no consensus and Canadian society remained divided along ethnic, regional, class and even generational lines. The disruptive effects of the Great War remained as a fundamental reality in the post-war era. Differing regional interests presented a number of frustrating paradoxes resulting from contradictory economic and political interests. As one observer described it, "The politically isolationist West is drawn by economics to support the maintenance of the tie with Europe; while the economics of Imperialistic Ontario indicates a probable trend toward Pan-Amer-
icamism." Ideological and class differences emerged over whether Canada should lend support to the international forces of order, or promote change. Young men reacted against the possibility of fighting old men's wars. With the opposition of French and English, Easterners and Westerners, left and right, young and old, there is little wonder that a consensus was hard to achieve.

The differences among Canadians over their role in the world were concerned with Canada's relations with the United States in a number of ways. Canadian Imperialists might remain skeptical of American pretensions, isolationists envious of American isolation and internationalists resentful of the American refusal to accept international obligations. None, however, could ignore the growing influence and impact of the United States as Canada attempted to define its own policies in a changing world. Changed strategic imperatives enhanced the importance of Canada's North American location and geographical security, supplemented by the Monroe Doctrine, pointed towards a closer association with the United States. But closer American ties meant a greater involvement with a country and a people of whom Canadians had always been suspicious and about whom a complex structure of attitudes had evolved.

Canadians had always reacted ambivalently towards the United States. From the time of the Loyalists successive generations of Canadians had accumulated a set of anti-American attitudes. Usually derogatory, probably psycholog-
ally necessary, infused with a love-hate response towards American institutions, politics, customs and society in general, Canadian attitudes were characterized by a high degree of skepticism.  

But strong as these views were they were countered, to some extent, by the fact that in many ways Canada was becoming more like the United States each year. Although a generation or so behind in time Canada, like the United States, underwent an immense transformation from an agrarian, rural society to an urbanized, industrial one from, roughly, the 1890's on. The industrializing process entailed an increased emphasis on economic development and economic values. As Ramsay Cook has written:

The age of the great transformation was also the age of the great barbecue. The men behind the rapid economic development of the period accepted the challenge of a vast, underdeveloped domain: mines to be opened, electricity to be harnessed, transportation systems to be built, steel to be rolled, land to be parcelled out, grain to be milled, textiles to be woven, forests to be felled, and pulp to be crushed. Corporate enterprise was the new business form of the period, the merger a frequent event.

Economic development required, and it produced, men on both sides of the border who shared many common assumptions, interests and objectives. Not only were numerous close and direct continental economic ties established but, perhaps even more important, values based on economic gain were common to those capitalist entrepreneurs on both sides of the border who dominated much of the age. The imperatives of the industrializing process produced economic rivals, but rivals
who shared similar values. The American J. P. Morgan was matched by the Canadian Herbert Holt. Concern with individualistic, capitalist development emphasized materialistic elements in the Canadian value system which no doubt had always been present to a degree, but towards which Canadians had affected some disdain. But these were the very values which appeared to be making the twentieth, Canada's century, and this considerably moderated the reticence previously displayed towards them. Materialism and the undisguised pursuit of wealth, formerly viewed as being synonomous with Americanism, became more publicly acceptable. Although not wholly an unbiased observer, Rupert Brooke was to comment that, "Canada is a most horribly individualistic place, with no one thinking of anything except the amount of money that they can make, by any means, in the shortest time." With Canadians becoming imbued with American notions, values and ways, what could be left to criticize? The thought must have been disturbing to many, more traditionally minded Canadians.

Although the range of shared assumptions and goals was increased, there remained in Canada a predisposition to find fault with the United States. But while Canadians could try to protect their separate identity, it was more difficult and more frustrating to defend national interests against specific American policies which ran counter to them. If Americans, and American policy, considered Canada at all it was not overly apparent. Americans did not have much cause to be informed about Canadian interests. American policies
generally ignored Canadian concerns and those which did not were, on occasion, harmful. As ever, there was little need for Canadian interests to enter into policy calculations of the American government. Consequently some of the most inconsequential of American actions caused reverberations in Canada.9

There were a number of incidents, unrelated but nevertheless annoying, in the inter-war period which produced Canadian resentment most of them stemming from, "the invincible ignorance of the average American concerning Canada and Canadians."10 The Lake Michigan drainage project, which drained lake waters for the benefit of the citizens of Chicago with no reference to Canadian interests or opinion, was pointed out as one result of the ignorance. American attempts to enforce prohibition led to a number of incidents and caused ill feeling. The behaviour of American customs, immigration and police officials was viewed as something less than acceptable.11 All these were relatively minor irritants which pricked at Canadian pride but there were, as well, more substantial reasons for dissatisfaction. More important was Canadian resentment and criticism of the general trend of American foreign policy following the Great War.

Criticism of American foreign policy in the post-war years was, of course, not confined to Canadians. There was wide dismay throughout the world at the spectacle of the acrimonious debate within the United States over the direction of policy. With world leadership having been thrust upon them,
Americans appeared too eager to accept the benefits of their enhanced position while rejecting the obligation and duties which leadership imposed. As did others, Canadians judged the United States and found it wanting.\textsuperscript{12}

Canadians discovered a number of explanations for the failure of the United States to accept its responsibilities. The weakness inherent in the democratic system was one. The President, it was assumed, simply did not possess the authority to devise and implement policy. The obstruction by the United States Senate which crippled Woodrow Wilson's policies seemed to provide an obvious example. In addition the United States was viewed as a young and inexperienced country which had not been able to produce an effective leadership elite as had, for example, Great Britain.\textsuperscript{13} To Sir Joseph Flavelle, influential in both financial and political affairs, the cause of American failure went deeper and lay in the absence of national character. "I presume that unconsciously the judgement of Europe may be affected by a doubt as to the underlying character of the American people," he wrote,

There has been present in Europe during the past century cumulative confidence in the character of the British people. However angry they might be with them; however they might at times hate them; it was the common conviction that there was a standard in British character beyond the standard of any other country. When the United States is weighed in the balance, Europe unquestionably will not at an early date, rank this great people in the same class as the British for dependability.\textsuperscript{14}

To many, one manifestation of the lack of character was a spate of unseemly boasting among Americans about how they, with little or no assistance, had won the war. On the
popular level bragging took the form of hero worshipping Hollywood movies and uncounted magazine articles all of which downplayed or completely ignored the imperial let alone the Canadian war effort. Canadians resented American boasting as well as the emphasis placed on the altruistic motives which Americans said had brought them, finally, into the war. The resentment at times was tinged with bitterness. "The United States," wrote Arthur Meighen,

... after three years of perpetual slaughter of their citizens followed by perpetual futile protests, were goaded into action by sheer [sic] humiliation. The President, on behalf of the Nation, expressed their reasons for declaring war on Germany. He said they were compelled to do so in defence of the Nation's honour and to make the world safe for democracy. This American citizen now contends that they had no practical interest in the Nation's honour or the safety of the world for democracy. They were [some say] purely altruistic ... In the same sense England's conduct was purely altruistic ... [some say] that their action was animated by a natural Angloistic tendency on the part of their people. I presume it was the same tendency which drove them into the war of 1812.15

Canadians saw the same weakness of character which produced boasting about the importance of the United States, and at the same time a refusal to deal with the consequences of that importance, evident in post-war policies, or non-policies. By withdrawing from a position from which they could have exercised significant world leadership, one editor thought, "our American cousins have exhibited since the war a degree of stupidity that is fairly appalling."16 Not merely stupid, but by failing to support their own President in his efforts to create and sustain a structure of world peace through the League of Nations, the United States had sown
seeds of disorder. Arthur Meighen's bitterness was matched by the dismay of J. W. Dafoe. "The United States, as always," he wrote,

... by her attitude of aloofness and refusal to limit in the slightest degree her sovereign rights of decision, compels a policy of drift ... The United States, by her rejection of international obligations accepted on her behalf by Wilson, has wrecked every movement to build the post-war world that Wilson envisaged.17

In general, abandoning isolationism and returning to the international orientation of Woodrow Wilson seemed to Canadians the only feasible way in which the United States could exercise a positive influence in international affairs. More specifically, Canadians resented the commercial exclusion which American isolationism entailed. Canadian differences with American trade and tariff policies were not, of course, new in the inter-war period. Trade restrictions on Canadian exports had provided a traditional cause for Canadian resentment from the nineteenth century. But in the twenties the differences had become acute.

Two main aspects dominated the Canadian debate over trade relations with the United States. The first involved the question of the desirability of reducing tariffs by means of a reciprocity treaty. From past experience Canadians doubted that the United States could be depended upon. The Reciprocity Treaty of 1854 had been abrogated at the insistence of protectionist lobbies. Neither John A. Macdonald nor the Liberal Party had been able to obtain a renewal, despite continuing efforts during the 1870-80's. The devel-
opment of the National Policy had created a new range of economic considerations based on economic nationalism which matched that of the United States and set the Canadian economy apart from the American. With the Liberal Party's conversion to the National Policy after 1896, the orientation of Canada's economy became fixed and despite American overtures in 1911 economic nationalism remained. One of the chief objections to more open commercial relations in 1911 had been that the United States simply could not be depended upon; that given the nature of the American political system Canada could never be sure that any reciprocity treaty would be granted any degree of permanence by the United States. Even if the President, or successive Presidents, wished to retain a more or less permanent treaty Congress, in response to grass roots pressure and subject to the excessive demands of selfish interests, would force its abrogation. Reciprocity would force a restructuring of the Canadian economy which would direct it away from its national and imperial orientations and towards the United States and this posed a risk which was unacceptable.

Similar arguments were echoed in the thirties and opposition to closer commercial ties continued, if closer ties meant abandoning Canadian protective barriers. "There is no use looking to the United States for markets," commented one Senator, "because no sooner have we properly established ourselves in order to export to them than up goes their tariff and we are shut out." In the case of tariffs, at least,
Canadian attitudes about American undependability seemed well grounded in experience.

Apart from objections in principle to tying the Canadian economy too closely to the whims of an unreliable United States, American tariff policy gave few grounds for enthusiasm from even the most dedicated continentalists. How could Canada realistically respond to the series of upward revisions in the American tariff structure? The 1913 Underwood tariff had been followed by the 1921 Emergency tariff; the Fordney-MacCumber revisions were further increased in 1930 by the provisions of the Hawley-Smoot bill. The last two hit Canadian exporters particularly hard. While Fordney-MacCumber reduced Canadian exports to the United States by some sixty per cent, Hawley-Smoot reduced agricultural exports alone from a value of 174 million dollars to about twelve million. American tariff policy seemed expressly designed to cripple Canadian exporters. And, although the erection of trade barriers was a world wide phenomenon, American restrictions were the most obvious and the most important to Canada. Consequently, traditional Canadian views about the vagaries of attempting to treat with its unreliable neighbour were reinforced with specific, fundamental grievances against American commercial policies in the inter-war era.

The onset of the Great Depression in 1929 vastly compounded Canada's difficulties in the inter-war era. Canada obtained more than "one-third of its national income directly from abroad," and therefore the closing of world markets
struck at the vitals of Canadian economic prosperity. The Canadian economy was vulnerable in the best of circumstances. But when the movement of wheat and other primary products stopped, the economic structure collapsed. The National Policy's protective system depended upon the export of primary products. But when exports were reduced the Western Canadian market, which provided the justification for high tariffs, went broke. In the context of the depression neither economic nationalism nor imperial markets provided effective outlets for Canadian goods. The only way to promote Canadian economic recovery lay in reviving international trade. Central to this alternative was the commercial policy of the United States because the American market was potentially the most important for Canadian producers. It was within this context that Canadians viewed the American Presidential election of 1932.

* * *

The dominant Canadian attitude towards the Presidential election of 1932 was one of cautious optimism, tempered by skepticism. Canadians looked for American leadership to promote economic recovery but at the same time there was considerable doubt that the outcome of the election would make any appreciable difference in bringing about relief from the depression. Of the two major American political parties Canadians historically had been more sympathetic to the low tariff, internationalist Democrats. Moreover, still smarting from the antagonistic Hawley-Smoot Republican tariffs of 1930, Canada had little cause to be pleased with the
sitting Hoover administration in 1932. Hoover himself evoked sympathy. To many he was an admirable, talented and successful man whose background had seemed to have made him eminently suitable for the Presidency. But he happened on the office at the wrong time. He was a tragic figure who seemed fated to fail because, "His strongest opponent was not Governor Roosevelt. It was the depression." The overwhelming pressure of the depression seemed to ensure that no mere mortal, even the 'great engineer' could succeed. But this skepticism applied to his presidential opponent as well and it was not at all clear that he would be either more capable or more fortunate than Hoover had been. If there was a measure of latent Canadian support for the Democrats, it was tempered and qualified by doubt that any man could do much.

At the very least, however, the election of Roosevelt seemed to provide the opportunity for a fresh start and perhaps a different approach to government. While Hoover had been limited in what he could do, not only by his own philosophy, but by his party and its platforms, the Democratic Party seemed sufficiently broad, and vague, to allow for greater flexibility. Hoover had been bound to maintain the 'American system' which had isolated the United States from the world and which, many felt, was at least partly responsible for bringing about and exacerbating the depression. Consequently any change might be for the better and therefore welcomed. "We have little to expect from Roosevelt;" observed the Canadian Forum, "we only know that we could expect nothing
But how much of a change Roosevelt's election presaged was not clear. Canadians hoped that the election of a Democratic president would bring about at least a partial return to Wilsonian internationalism but they recognized that there were serious obstacles in the way. Many thought that a prime opportunity was at hand for the exercise of American leadership. If Roosevelt took the lead in bringing about tariff reductions, and at the same time acted to resolve the war debts problem by making it easier for defaulting countries to pay, this in turn would make an agreement on disarmament possible and would lift the clouds of fear and apprehension which underlay the depression. From a welter of quarrelling, self-interested and self-protected nations a truly co-operative, internationalist system could be made a reality.26

The hopes held by Canadians that Roosevelt would act in the international sphere to restore international trade relations, cut across political lines and social interest groups because foreign markets were so vital to the Canadian economy. Predictably, liberals were most concerned to emphasize the point. Canadian liberals seized on any expression of liberal principles by Democratic Party spokesmen and hoped for the best. For example the Winnipeg Free Press commented favourably on a speech by Owen D. Young, in which he defined liberalism in terms of eliminating the evils of trade restrictions and high tariffs, as an indication of what might be.27 Similarly T. A. Crerar, former Liberal cabinet minister and a...
liberal on tariff issues, if on little else, wrote hopefully,

What do you hear about the Presidential prospects in the United States. Stimson's speech the other day on the United States' interpretation of the Kellogg pact is one of the really hopeful things as was Borah's statement a few days ago on war debts and the world economic conference. I think the economic nationalism that has governed the thinking of practically every nation in the last ten years has reached its peak. If a disarmament conference could achieve something worthwhile, and the United States gives a definite lead along the lines of Borah's and Stimpson's [sic] statements, this might well lead to a restoration of general confidence and a disappearance of the psychology of fear, which is mainly at the root of our troubles today, because it is from fear, largely, that tariffs and armaments spring.28

A cautiously optimistic and hopeful response was perhaps to be expected from Canadian liberals. In the liberal view any move to free trade from artificial restrictions was better than the existing condition.29 Opposed to Canadian high tariff policies, they could wish Roosevelt well, if indeed he proved to be a true liberal, and work towards the re-establishment of their own liberal alternative in Canada.

While agreeing with the desirability of freeing clogged trade channels, Canadian reform opinion was split over Roosevelt. To moderate reformers, for example those in the reform wing of the United Church of Canada whose opinions were given voice in The New Outlook, Roosevelt appeared as a leader ready to bring about the change which they had begun to press on Canadian political and church leaders. The more radical left, for example the CCF and editorially The Canadian Forum, was more iconoclastic about the new President. Cautioning that Canada's attitude "must be one of dubious skepticism, rather than of hopeful anticipation,"30 the Canadian Forum
editorialized that there was not, really, too much to choose between Hoover and Roosevelt. While Roosevelt might possess the intelligence to advocate basic changes, he probably did not have sufficient courage to bring them about and deal with problems as they existed. And while, "he will surely attempt something more than merely rescuing Business concerns from their own investments, which is all the Great Engineer has been able to think of," The Forum doubted that Roosevelt's victory signified a true resumption of Woodrow Wilson's domestic reform programs.31

While liberal emphasis was placed on the recovery of the economy—and this meant in the Canadian case a stimulation of international trade and therefore a particular concern with Roosevelt's foreign economic policies—the Canadian Forum, and the political left in Canada, was primarily concerned with matters of domestic social and economic reform. In this view the need to reform existing social and economic institutions, if not to replace them entirely, was even more important than merely trying to liberalize international trade. The left doubted that Roosevelt would press for meaningful reform. Even if he wished to promote reform his party imposed obstacles to change and restricted the range of alternatives open to him. Consequently a mere realignment of a coalition of political forces within the structure of the Democratic Party would not suffice because it would not provide for the extensive reform which was necessary. Rather, what was required was the creation of a third political party as Norman
Thomas, the American socialist, was attempting to bring about. To the Canadian left Roosevelt remained merely the lesser of two evils. 32

For different reasons Canadian conservatives were concerned with the possible direction of American foreign and domestic policies. While conservatives wanted some relaxation of international trading restrictions, they also were determined to retain Canadian protective tariffs. To square this economic circle seemed difficult, if not impossible, and the election of Roosevelt offered no easy solution. Regarding domestic affairs Canadian conservatives could only hope that Roosevelt would turn out to be as financially orthodox as they were themselves; but the mere fact that he was replacing the orthodox Hoover made them wary. 33

Canadian opinion was ideologically fragmented. Liberals, conservatives and the left all wanted American policies to reflect their own ideological preconceptions. But opinion was ready to support any American initiatives which would liberalize foreign economic policy. Canadians looked for American political leadership to stimulate an improvement of international relations. Although there was less consensus about where the leadership should lead, positive direction to reverse the trend of events which was leading to chaos and possible revolution seemed absolutely mandatory. While they remained skeptical, Canadians hoped that Roosevelt would provide the necessary leadership. His election in 1932 therefore, promoted a cautious optimism.
It proved extremely difficult to maintain an optimis­
tic outlook during the months following the election. While
the depression worsened through the winter of 1932-33, the
politics of the interregnum brought the American government
to a standstill. Roosevelt at first seemed reluctant to
accept a leadership role and responsibility. Rejecting
Hoover's overtures to cooperate and join with him in imple­
menting international policy, Roosevelt pointedly refused to
accept responsibility for decisions over which he could not
retain control. He declined to compromise himself by asso­
ciating with Hoover's discredited policies. Rather he
closeted himself with a varied group of advisers and waited
until it was time for him to assume full authority.34 Was
this to be the mark of a decisive leader, or was Roosevelt
displaying a reluctance to grasp the nettle, showing his
timidity and weakness in the face of accelerating disaster?
It wasn't clear until the inauguration. But once having
assumed the Presidency he began to set in motion his New Deal,
Roosevelt's leadership qualities became clear and the initial
reaction in Canada was to applaud heartily.

Two weeks prior to the inauguration the editors of
Saturday Night thought that the rumours filtering up from
Washington were too good to be true. Congress, it was said,
was going to agree to delegate almost unlimited powers to the
President, as in time of war, to deal with the worsening eco­
nomic problems. If any progress was going to be made, this
indeed was good news. The only time the American governmental
system appeared to function efficiently was when its system of checks and balances was restricted. However, they cautioned, hopes should not be raised too high because this "is unfortunately contrary to the American instinct."?

Instinct or not, events began to move swiftly in the United States. On March 5 Roosevelt, responding to the run on the American banking system, declared a national bank holiday and called Congress into special session. When the session began four days later, the House of Representatives passed, "with a unanimous shout . . . sight unseen, after only thirty-eight minutes of debate,"? Roosevelt's banking legislation. "The staccato rhythm of the Hundred Days had begun."? For the next three months it was to continue at a bewildering pace. With Congressional assistance, the President began to take charge not only within the confines of Washington but by his radio 'fireside chats' throughout the country and, by extension, in Canada as well. The result, again to Saturday Night, was to transform the United States overnight from one of the least politically interesting countries to the most interesting one around. The explanation lay in the dynamic leadership of the new President. Because the American people had been so devoid of leadership in the recent past they had lost, "the necessary accompaniment of leadership, the capacity to follow."? Now that they had been provided with proper leadership they were following and following well.

At this point it was still not clear where Roosevelt
would lead but the very fact that someone appeared to be taking charge was sufficient because,

A free people in times of crisis crave nothing as much as leadership. They want to be shown the way out. If the crisis is grave, they may even submit to a considerable invasion of their normal liberties in order to make sure that virile and redeeming leadership can get its way swiftly and certainly.40

Some saw a potential danger in an over-extension of the powers of unchecked authority, but even that seemed less dangerous at the time than doing nothing. "I see that the bill giving dictatorial powers in finance has passed Congress," wrote G. F. Chipman, the editor of The Country Guide,

I pin a lot of hopes on Roosevelt. The situation in the United States as I see it is dangerous in the extreme and nothing done so far has brought much relief. There is no experience from which to chart a course. He at any rate is determined and courageous and he may set something going. He, to my mind is the 'white man's hope' in the world today.41

The exercise of positive leadership produced activity and motion on an unprecedented scale. While it remained unclear just what effects it would produce or what the implications would be, moving was better than standing still. The very pace of legislative activity, which increased during the weeks after March 4, provided a form of comfort to Canadians. Approval was shared throughout the political spectrum and by the daily press, business, farm and labour spokesmen and by reformers and the financially orthodox alike. Even if they questioned particulars of some aspects of the legislation, Canadians generally approved of the overall effect and hoped it would prove to be beneficial both to the United States and
to themselves.

While details were as yet unclear, Roosevelt seemed to be flexible enough to adapt and change if that proved necessary. In commenting on Roosevelt's *Looking Forward*, the *New Outlook*, the moderately radical journal of the United Church of Canada, noted that the President had written that he would be willing to try virtually anything and, if it didn't work out as planned, he would reject policies and try something else. That promise was enough in the circumstances because, "what seems most intolerable of all today is simply to sit quietly and wait for better times. This, to most of us, seems to be the unforgivable sin in present day politics." Similarly, and using one of many military metaphors which recurred often, the farm weekly, *The Family Herald*, remarked that,

There is something comforting when things are wrong, in a might pother of activity, even if no one is quite certain that the right thing is being done. The hardest policy to bear is a policy of masterful inactivity. Waiting for the 'zero hour' shattered the nerves of more men than the dash into the enemy's fire.

Apart from general approval of the activity of the new administration and the idea that something, as yet undefined, was being done—the *Canadian Forum* commented cryptically that, "The envy with which other nations have watched this display of leadership must be especially acute among those who, like Canada, are blessed with what is quaintly called responsible government"—approval of specific aspects of the New Deal still hinged on what individuals and groups
thought Roosevelt was going to do. The early New Deal measures were so eclectic, mixed, confusing and contradictory, that various parts could be singled out approvingly for quite opposing reasons. It wasn't until the initial burst of legislation in 1933 had been passed and partially digested that critical comment became more discriminating.

Until the thrust of New Deal policy was clarified, the chief Canadian concern remained that Roosevelt would try to bring some degree of order into the tangled and disrupted mess of international economics and trade. There was a vague awareness among Canadians that there were basic disagreements among Roosevelt's advisers over foreign economic policy. It was known that Cordell Hull was an avowed free trade liberal, and his appointment as Secretary of State was welcomed. It was inferred that he agreed that, "Tariff walls are as the walls of Jericho. They will fall flat before the united voices of the marching nations." Hull, presumably, would play lead trumpet. And, with Roosevelt's assumption of near, "dictatorial powers," he would be "adequately empowered to negotiate, and provided with a competent Cabinet to aid him, the prospect of the early elimination of the worse obstacles to world recovery will be better than at any time since 1918."

Although foreign economic policy was of most immediate concern, Roosevelt's domestic policies were also important to Canada. For a time the ideological direction of the New Deal remained unclear. Whether Roosevelt would emphasize the
orthodoxy of his party's cluttered platform, for example to balance the national budget, or attempt to promote basic reforms, was yet to be revealed. The coming debate over whether economic recovery and reform were compatible or, if not, which was to receive the higher priority, awaited events. Until the specific details were forthcoming, Canadians read into events in the United States that which they advocated, and wished, for themselves.

For example the New Outlook applauded Roosevelt's challenging inaugural address with a lead editorial entitled "Flogging the Money-Changers" and continued that,

Not since the cleansing of the Temple at Jerusalem some nineteen hundred years ago, have the professional money-changers received such scathing condemnation in a public place, as that which President Franklin D. Roosevelt in his opening address, poured upon 'the rulers of the exchange of mankind's goods who have failed through their own incompetence'.

Similarly Mitch Hepburn, the Premier of Ontario, wrote that Roosevelt should move beyond 'scathing condemnation' and start "jailing the financial brigands" whose exploits were being revealed in a number of sensational exposes in the United States. A short-lived periodical entitled The New Deal thought it saw in Roosevelt the man to put into effect its own nostrum of monetary reform; "The United States has brought forth a man," thundered the editors in their first issue;

They have made him President of the Nation at the moment when the Nation was on the verge of breakdown. He has made his first speech, has issued his first orders, and though the country is still suffering, the Nation is saved. The Depression in the United States will be over and gone this year . . . Roosevelt has gone to the bottom of the trouble. He has bearded the money-changers in
their dens of usury and corruption. He has promised a
New Money Plan for the Nation . . . . Money the Bible says
is the root of all evil. That is one of the greatest
truths of today especially in the sense that an improper
mechanism of money and an improper control of that
mechanism are at the root tips of our troubles.49

But at the same time, when the first bite of Roose­
velt's decisive early actions produced a short economic
upswing in the spring of 1933, elements of the Canadian busi­
ness community, some of those same damned money-changers, also
found something to cheer about. "Once again, people are
thinking, This isn't such a bad old world after all ... even in business", commented Canadian Business

In fact for the first time in over three years we find
them walking down Main Street at a quickened pace wearing
an honest-to-goodness grin that radiates a warmth of good
feeling and a decided confidence in the future . . . like
our little friend the ground hog, confidence is hiber­
nating no more and the bitter winter of depression is a
thing of the past . . . . The return to normalcy, however,
has not entirely been brought about by internal influence.
As Canada is dependent upon her foreign sales, primary
products in particular, her economic condition is most
sensitive to changes in other countries. The United
States during May and continuing in June, has experienced
increased business activity throughout the whole country,
mainly as a result of the courageous measures introduced
by the President. A cloak of optimism has been donned by
the worker and capitalist alike, and is in no small
measure due to the President's personal contact with busi­
ness, established through conversations, the radio and
the press. Canada is naturally sharing in this upturn of
her big neighbour.43

The initial enthusiasm in Canada for Roosevelt and
his New Deal did not last long. In the nature of things, the
approval with which Canadians greeted the new President was
bound to become fragmented. For one thing the depression did
not miraculous disappear. As people continued to look for
improvement disenchantment with all incumbent political
figures followed. But, more specifically, criticism began to mount and be voiced over the objectives of the New Deal, as well as the means adopted to attain them. The early response, born largely of wishful thinking, had been somewhat unrealistic. Because Roosevelt was cheered for so many conflicting reasons, elements in the approval were inherently contradictory. All Canadians, looking to Roosevelt to bring about economic improvement in the United States, hoped that the benefits would spill over into Canada. However there was little agreement over the most effective means by which the improvements which were sought might be attained.

As the variety of New Deal policies came to be enacted into law much of the Canadian comment came to be increasingly critical. Roosevelt's leadership qualities, which had seemed so attractive, became tarnished as the President was charged with leading in a variety of wrong directions. Two themes dominated later comment. One was concerned with the overall sweep and ideological orientation of New Deal policies. The most immediate, however, was concern that Roosevelt was not, after all, going to opt for an international settlement but was going to continue the Republican policies of political and economic nationalism. These fears were soon justified.

* * *

In August 1933, the editor of Saturday Night who, during the early spring had been enthused and optimistic about Roosevelt's election, lamented that, "The heat has gone out of the Roosevelt boom. The direct, positive and well chosen
action which characterized the Administration five months ago has given place to fumbling and ineffectualness. . . . [Roosevelt's first steps were] wise, courageous and effective. His latest steps are ballyhoo with a dangerous touch of Hitlerism." What had happened? Had Roosevelt changed or had Canadians misread him from the beginning? Had the early promise of the New Deal been stillborn, or had the initial Canadian perceptions of Roosevelt been faulty?

Given the nature of the problems generated by the depression there is little wonder that Roosevelt and his New Deal came in for criticism. In stark terms the depression and the various proposals advanced to promote recovery posed a host of fundamental challenges to traditional values. In Canada there was little possibility of promoting a consensus which would support a national policy that might prove effective in combatting the depression. The impact of the depression, falling differently on regions and social groups fostered division rather than cohesion. Some of Canada's dispossessed, debtors, farmers, the unemployed, idealists and radicals, struggled to bring about change. Others remained apathetic. On the other hand creditors, bond holders and those who controlled the levers of economic and political power sought to induce economic recovery without sacrificing their prerogatives, status and authority. It remained unclear whether recovery could in fact be attained while avoiding radical transformation. Roosevelt's complex mixing of traditional and heretical policies provided almost everyone with
something to cheer or criticize.

Ideological matters aside, there was general agreement in Canada that whatever policies Roosevelt finally adopted they would have direct impact on the Canadian economy. This was extremely frustrating because Canadians had no say in formulating those policies and little opportunity to influence them. The principal Canadian interest lay in a liberalization of American trade and tariff policy. But from the perspective of Washington the internationalist route to recovery was not compelling. With its relatively self-sufficient economy the United States could well afford to place less emphasis on its foreign economic policy and concentrate on setting its own economic house in order. A continuation of economic nationalism remained a feasible and practicable alternative. The two alternatives were actively debated by Roosevelt's advisers throughout the winter and spring of 1933. In his inaugural address Roosevelt strongly implied that he intended to subordinate international policy to more immediate national needs. "Our international trade relations," he stated,

    though vastly important, are in point of time and necessity secondary to the establishment of a sound national economy. I favor as a practical policy the putting of first things first. I shall spare no effort to restore world trade by international economic readjustments, but the emergency at home cannot wait on that accomplishment. 52

The economic nationalists wielded much influence in the first year of the New Deal. In their view the immediate American economic emergency was so great, and the possibility of attaining a mutually satisfactory international settlement
so remote, that unilateral action to stabilize the domestic economy was mandatory. Not only did domestic political realities preclude the writing off of war debts, which the European countries demanded, but because the American economy was not dependent on foreign trade it was possible to adopt measures to bring about an internal rise of the price level to get the economy moving again. Only after initial steps were taken to raise the domestic price level would it be practicable to bargain for an international agreement to stabilize currencies and begin trade negotiations. As Rexford Tugwell later commented, "We wanted recovery, we wanted a balanced economy, we wanted to institutionalize the balance and prevent future depressions. We had to shut off interference." That which Tugwell could view as 'interference' was, of course, seen in Canada as the mainspring of Canadian economic well-being. The way out of Canada's depression was through a settlement of the international trade problem. The Canadian interest lay in regaining a measure of international stability which would foster the confidence required to stimulate trade. With the American market already closely restricted, a policy of further American exclusion was viewed with alarm.

The legislation which Roosevelt initiated beginning in March 1933 was oriented to economic nationalism. But it was not until summer that the full implications became clear. The forum where the nationalist and internationist alternatives were publicly scrutinized, if not thoroughly debated,
was the World Economic Conference held in London during the summer. Billed as possibly the last opportunity to reach a comprehensive international economic settlement, as in retrospect it turned out to be, the Conference ended a palpable failure. In Canada much of the responsibility for the failure was attributed to Roosevelt.14

Part of the difficulty with the London Conference was the long and optimistic build up which preceded it. It was obvious from the outset that the countries involved had a number of contradictory aims and objectives. Nevertheless the hope remained strong that, somehow, some order could be imposed on the disrupted state of international economic relations. Early signs boosted the hopes and seemed to indicate that the Roosevelt administration intended to take the lead to impose that order. In the weeks preceding the Conference a succession of world leaders came to Washington to talk with the President, including Prime Minister R. B. Bennett. Although the series of joint public declarations which emerged from the meetings were predictably vague,55 hopes grew that positive and substantial progress was being made to work out the preliminaries of a workable settlement through international cooperation. For Canada, the chief aim remained to open up blocked trade channels, initially, by achieving some degree of monetary stabilization. The possibility of negotiating a bi-lateral trade agreement with the United States was also discussed by Roosevelt and Bennett but was put aside for the moment.56 An international agreement
seemed to be the most feasible alternative both for stabilization and trade.

However the early promise which the pre-Conference talks produced was not borne out. Too many fundamental issues divided the nations whose representatives gathered in London and prevented agreement. The gold bloc countries, led by France, wanted to stabilize currency, but at the low price level which currently pertained; the United States wanted to induce an inflationary general price rise before stabilizing. All wanted access to the American market, both for trade itself and to provide the means to pay debts in goods; the United States could not agree because an internal price rise which was unmatched by its competitors would have harmed American producers. And all the while the American delegation was forbidden to discuss the key problems about which the other countries wanted to talk; tariffs, debts, reparations and monetary stabilization.

Canada, as well as Britain, was caught squarely in the middle of the tangle of conflicting pressures and aims. Tempted by the possibility of a bi-lateral trade agreement in the near future, and forced by the economic reality of its close economic association, Canada could not afford to stray too far from American policy whatever it might be. The Canadian Minister in Washington, W. D. Herridge, spelled out the possible consequences of a break shortly after talking with a senior member of the Foreign Relations Committee of the House of Representatives in Washington. "One thing this Congress-
man said", he reported,

has increased, if possible, my anxiety about this whole business: that Canada could not expect to escape the general resentment against the United Kingdom and France: on the contrary, Canada, being nearest and therefore most vulnerable, would probably have to stand the brunt of the attack. I do not think this point requires elaboration. It is unhappily only too obvious .... It seems to me, therefore, that in our own national interest we are compelled to take a part in these negotiations and compelled to do what we can to find some satisfactory way out. It has always been agreed that, if the United States and the United Kingdom embark on economic warfare, Canada will be the cockpit. We will get it coming and going, and the exchanging blows must inevitably shatter our whole economic and social structure. On the other hand, if we can achieve a plan of cooperation between these great countries, if we can bring them together in tandem, we can ride them and become in truth the controlling force which will ensure co-operation.57

Positioned as it was between the Imperial and economic nationalism of the Ottawa agreements and the distinct possibility of American economic retaliation, Canada's vulnerability was made apparent. And, the fact that it was R. B. Bennett, who had campaigned in 1930 on a Canada First platform, had driven home the Ottawa Imperial commercial arrangements, and who now was faced with the task of steering Canadian policy between the potentially conflicting needs of Britain and the United States, had a certain irony. Fundamental readjustments in Canada's economic relationships were underway, but in ways which were not as yet clear; nor were Bennett's personal views made known. Bennett was well aware of the shifting nature, not only of Canada's, but of more general world trading patterns. He exchanged letters in May with W. Y. Elliott, Professor of Government at Harvard and a State Department adviser on the London Conference, and
responded favourably to Elliott's suggestion that he would be called on to play a vital role in reconciling the divergent views of Britain and the United States. But Bennett did not make clear to what extent he was prepared to promote change. Crucial to the North Atlantic economic relationship was the fate of the Ottawa Agreements and whether they would be expanded to include the United States as an active trading partner. As Elliott concluded, "A great deal will depend, I imagine, on what Canada's attitude is toward enlarging the scope of the Ottawa Agreements."  

From his vantage point in Washington Herridge also pressed Bennett to accommodate the views and needs of the United States. Despite personal preference, or dislike of American policies, he stressed, Canada simply could not afford to ignore or alienate the United States. Furthermore, he thought there was potentially much to be gained from Canadian-American cooperation. "With an appreciation of the general situation here," Herridge wrote to R. K. Finlayson, Bennett's secretary, 

all its actions and inactions are perfectly understandable, and reconcilable with good faith and good will. After all, you are not dealing with personalities or with personal prejudices or with predilections; you are dealing with a basic economic truth which grows out of the change of front of economic America. Our concern is to understand that truth and take what steps we may to secure advantageous position in the new alignment. It may well be that Canada at the Conference will be called upon to make a decision of far-reaching consequences. This decision can only be rightly taken if it is governed by these two facts; (1) that Canada is part of the North American continent; (2) and as such must depend primarily for her economic welfare on the maintenance and strengthening of her trade relationships with this country."
As seemed his nature Bennett gave little public indication of his thinking. While at London, however, he went to great lengths to persuade the British government to align herself with the United States rather than with the gold bloc countries. Bennett's efforts were probably influential, if not decisive, in preventing the complete break down of the discussions as the gold bloc countries wished. Beyond that, Bennett managed to retain a tenuous North Atlantic balance. He successfully floated a loan on the London money market, the first for some time, and also agreed to go along with American proposals to promote a world wide agreement to limit wheat production. In any case American economic retaliation was avoided. 60

But despite his successful efforts to prevent a break between Britain and the United States, Bennett could not mediate the contradictory interests which motivated the gold bloc and other countries represented at London. Even within the American delegation at London the dispute between the internationalists and economic nationalists was painfully obvious. As the American delegates bickered among themselves and publicly contradicted one another, Cordell Hull attempted to keep the talks going while awaiting policy decisions from Washington. When Roosevelt's decision was released in his 'bombshell message' appropriately near the fourth of July, all hopes for salvaging the conference disappeared. Proposals to establish a "mere currency stabilization" were not sufficient, Roosevelt telegraphed the Conference,
I do not relish the thought that insistence on such action should be made an excuse for the continuance of the basic economic errors that underlie so much of the present depression. The world will not long be lulled by the specious fallacy of achieving a temporary and probably an artificial stability in foreign exchange on the part of a few large countries only . . . old fetishes of so-called international bankers are being replaced by efforts to plan national currencies with the objective of giving to those currencies a continuing purchasing power which does not greatly vary in terms of the commodities and need of modern civilization.  

Although the details in the statement were open to conflicting interpretations, the pointed language of the message was unmistakably clear; any lingering doubts that the United States was going to opt for the nationalist approach disappeared.

Within the Canadian public there was little clear consensus about what Canada should do. Other than advocating that tariff walls should be breached, while maintaining necessary protection, there was little internal agreement about how this could best be achieved. The alternatives of either following the deflation of the gold bloc countries, or the inflation of the United States, cut across traditional Canadian class and regional lines, as had the impact of the depression itself. Reflecting their different economic interests, debtors and owners of farms, equities and natural resources stood to gain from a move to generate a higher price level; while creditors, and salary and wage earners favoured a low level. But even here there was a distorted perception over where true self-interest lay. As the Rowell-Sirois Commission studies indicated, protected industries which would
have benefited from a measure of inflation and a general price rise were opposed on principle to inflation and preferred the security of their tariffs. Conversely, wheat producing Western Canada, whose spokesmen persistently advocated such a policy, probably would not have benefited greatly from it.62

Consequently there were few, if any, consistent patterns in the Canadian reactions to the failure of the London Conference other than a general resentment towards the United States. Resentment was directed primarily at the seeming continuation of American isolationism. Canadian liberal internationalists were the most disillusioned because their hopes for Roosevelt's liberal promise seemed to have been dashed. J. W. Dafoe, the editor of what was perhaps the most influential liberal newspaper, The Winnipeg Free Press, and whose views were also an accurate reflection of Canadian liberal thought, provided the most articulated criticism of Roosevelt's turn.

To Dafoe, who equated not only Canada's well-being but the maintenance of political liberty and world peace with freedom of international trade, the American policy was indefensible. Two years previously he had written,

I am almost instinctively against the current preference for nationalist attempts to solve world-wide problems --our own tariffs for our own little preserves and now the suggestions of our own national currencies . . . . What the world needs is a return to Liberalism adjusted to modern conditions--if it will not accept this we shall go on to economic war, to physical war and to one gorgeous universal smash--all within the next twenty years in my opinion.63

Dafoe had been critical of Hoover's economic nationalism
and one of his main objections to R. B. Bennett's Conservative Government and to the newly formed CCF was that he viewed both as economic nationalists. Roosevelt's election seemed initially to have offered relief from economic nationalism and at first Dafoe approved of him. But Roosevelt's actions and apparent turn about at London dismayed Dafoe. Why, he asked, had Roosevelt agreed in the first place to take part in the Conference which presented an opportunity to turn the world away from destructive policies if he had had no intention of cooperating? "The United States," commented one Free Press editorial rather petulantly,

is, of course, within its rights, in this imperfectly organized world, in pursuing domestic policies in entire indifference to their effect upon the rest of the world. But why be a party to the holding of a Conference which was prepared to modify these policies?

Almost daily throughout July similar editorials commented on the progress of the Conference and expanded on many variations of the theme that Roosevelt's leadership was being found wanting, and that continuing to delay a restoration of a liberalized trading system was a reckless and dangerous course.

Dafoe's attitude reflected that of the large, pre-dominant, segment of Canadian opinion which considered that the only way out of the depression was through a world settlement which would lift nationalistic barriers to trade. Agricultural interests in particular echoed Dafoe's complaints. The Family Herald commented that statesmen were not born overnight and that Roosevelt's actions demonstrated
this because no relief could be gained until world trade channels were cleared. Similarly The Canadian Countryman thought that Roosevelt's initial liberal promise had not been borne out. He had started out well but, "Now, however, it would appear as if this is not so and that President Roosevelt intends to follow in the footsteps of his political opponents." 67

Conservative reaction was more complex. From 1930 conservatives had been committed to the Bennett Government's policies of economic nationalism. The 1932 Ottawa agreements had satisfied the British sympathies which many of them held while maintaining their economic interests in tariff protection. Any move away from protection, at the London Conference or elsewhere, was bound to be at least potentially harmful. Acknowledging Canada's need to gain foreign markets was one thing; agreeing to accept reductions in tariffs to admit foreign imports in repayment was another. Manufacturers in Ontario and Quebec had been able to retain their preferential position during the 1932 Ottawa Conference by applying considerable political pressure, but whether they could continue to do so was not clear. Talk which was in the air about a possible trade agreement with the new American administration was disquieting.

Trade talks, of course, played a relatively small part in the London discussions for a number of reasons, not the least of which was that the United States was not at the time ready to negotiate trade agreements. The attainment of
some degree of monetary stability was the prime purpose of the talks and conservatives had as much to gain from this as anyone. The point was whether currency was going to be stabilized at the prevailing low price level, or at a higher level brought about by government action to stimulate the economy, prime the pump, by some form of inflationary action. The United States, for example, attempted to persuade the attending governments to join with it in a program of national public works projects, to raise separate national price levels simultaneously. But this involved accepting a policy of induced inflation which was generally viewed by orthodox opinion in Canada as being both ineffective and immoral. The Canadian Banker considered that Bennett's role in the whole unsatisfactory affair had been admirable. "Mr. Bennett achieved his most striking diplomatic success," read one editorial because he had been able to persuade Britain to stand with the United States rather than with the gold bloc countries, but at the same time did not stray from his financial soundness to accept American prescriptions for recovery.68

Writing in the Conservative organ, The Canadian, George Drew, the future leader of the Conservative party, reached much the same conclusion. He congratulated Bennett for following the conservative example of Britain in refusing to accept American proposals for an international system of government sponsored public works projects. Drew went further in laying the blame for the failure of the Conference on Roosevelt. He saw the extraordinary action of Roosevelt as
the product of fundamental flaws in the American character. Not only had the Conference been a "stupendous disillusionment," Drew wrote, but the principal cause was Roosevelt's wielding of the "Big Stick" which he "wielded with much less consideration than usually manifested by the late strenuous Theodore." Roosevelt had insulted Britain, and by extension the Empire, by taking the United States off the gold standard while Ramsay MacDonald, the British Prime Minister, was en route to confer with him. Moreover, Roosevelt's refusal to agree to "consider the stabilization of exchange," doomed any hope for a rational world settlement. Drew called on previous Canadian experience and warned against the perfidy of the United States which made it, "very doubtful if Canada can ever hope to accomplish an equitable trade agreement with the United States." As had happened so often in the past, Drew implied, the United States had once more proved to be unreliable and not to be trusted with the responsibility of leadership. 69

Conservatives were also able to interpret the failure of the Conference as hopeful in removing a potential threat to the imperial economic system established in the previous year. "I never had any great faith that the mob of different nationalities and races brought together here recently could achieve anything very much," wrote Howard Ferguson, the Canadian High Commissioner in London, to Bennett, and I was greatly concerned lest the Empire—which always comes first in my mind—should be swallowed up in a vortex of babble, and a great opportunity for Empire
development be lost. . . .
That is why I viewed with considerable satisfaction, the break-up of the Conference.70

Imperial harmony was further served by the fact that Bennett had been able to negotiate a Government loan of fifteen million pounds on the London money market while in London. This was seen to have strengthened the Conservative Government's Imperial orientation and made a more general world monetary settlement less important to Canadian interests. "The loan," reported Bennett's secretary, R. K. Finlayson,
is, of course, most favourably received, and in importance has put all the rest of the London discussion in the shade. . . . We are restored to confidence in the British market after twenty years absence from it. These policies of retrenchment definitely deflationary to be admitted, exchange restrictions and the like were necessary if we were to maintain the credit of the Dominion, provinces and other institutions in the country. Looking forward from this point, if this can be taken as a resumption of international lending which practically ceased in 1929, it can be made a beginning of less restrictive policies.71

To conservatives the failure of the London Conference, and Roosevelt's part in that failure, served to confirm both their Imperial and anti-American predispositions as well as the past policy of the Conservative Government. To liberals, Roosevelt's actions seemed a betrayal of his liberal commitment to freer international trade. Both recoiled from the implications of the inflationary, nationalist policies to which Roosevelt seemed inevitably committed. But to those elements in Canada which had less hostile predispositions towards the United States, Roosevelt's actions were understandable. To those elements which were undismayed by the
alleged wrongheadedness or immorality of independent, inflationary economic policies his actions were laudable.

Among the former, for example, The Toronto Star considered that the Americans were not being selfish at all in declining to go along with European proposals for stabilization. The paper pointed out that both France and Britain had gone through their own unstable periods when they had unilaterally devalued their currencies to help their trading positions. Given this, it was unreasonable to expect that the United States should be criticized for taking firm action to meet its problems by forcing a rise in price levels to counter severe deflation. It rejected the argument that the measures taken by France and Britain had been acceptable because dire necessity had forced them to resort to drastic action, while Roosevelt's was not because he had acted by conscious choice in order to bring about domestic change. To the liberal, reformist Toronto Star the American action was defensible because in a world of competing nationalisms the United States had as much right as any other country to adopt self-protective measures. "Her policy of self-help is commendable," continued The Star,

Every government worthy of the name should endeavour to set its own house in order. . . . A country that acts wisely to promote its own prosperity is not necessarily guilty of nationalistic selfishness. . . . The measures of President Roosevelt, although not all sound perhaps, constitute the best program for recovery produced by the nations of the world.72

Furthermore, by mid-summer, price level indicators seemed to bear out the contention that the nationalistic policies were
taking hold and having a positive effect in forcing prices upward and stimulating recovery. By July the wholesale price index had advanced by seventeen per cent over the spring level and the general index of farm prices had increased fifty-four per cent in the same period. This in turn had a positive effect on the Canadian economy and made price raising schemes appear feasible and effective.

To those who were attuned to the reform aspects of Roosevelt's program, approval went beyond merely allowing that the United States was within its rights to adopt nationalist policies. Reformers applauded Roosevelt's attempts to introduce reform; and reform was not necessarily tied to international agreements to stabilize currencies. Their argument stemmed from an analysis of the cause of the depression which differed markedly from both liberal and conservative orthodoxy. Writing in the *Toronto Star*, "The Observer," outlined the basis of the analysis in an appropriate North Atlantic Triangle setting by quoting J. A. Hobson as printed in *The New Republic*. "The London Conference Barking Up The Wrong Tree," headlined the article. Rather than caused by tariffs, war debts and the breakdown of the gold standard, the depression had been brought about by a general mal-distribution of wealth. "The irrationality of the distribution of income," which gave too large a return to capital and too little to labour, too much to saving and too little to consumption, was the heart of the problem. Consequently not only was Roosevelt correct in assigning first priority to his domestic program
rather than to an international settlement, "he is trying to get at the root of the trouble—the inadequate purchasing power of the masses of the people." 74

This analysis, which was shared in varying degrees by a variety of Canadian reformers from the liberal reformist Toronto Star through the more radical New Outlook to the fabian socialists sympathetic with the CCF, went well beyond the confines of the debate over nationalism and internationalism. It called for national action to redistribute wealth and accepted the necessity for government measures to effect such change. It brought to the fore fundamental questions of ideology, political and economic power, social well-being and the nature of society itself. Roosevelt seemed committed to reform and change in the United States and his nationalist means appeared less important than the end of reform in itself.

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As Canadians struggled to cope with the problems posed by the depression they could not escape the influence and impact of American policy decisions. The economies of the two countries were too closely bound. Because of the vulnerability of the Canadian economy and its dependence on international trade there seemed to be little hope for recovery without a liberalization of world trade. The American market remained potentially the most lucrative for Canadian producers and frustratingly the hardest to crack. Consequently the election of Roosevelt in 1932 was welcomed because it raised
the possibility of gaining access to that market. But the initial expectations in Canada that Roosevelt would adopt an internationalist approach were not borne out. Early approval soured and disillusionment followed. Roosevelt's nationalist policies threatened to compound Canada's problems. The main threads of Canadian comment were critical. Roosevelt appeared to be no better than Hoover.

As it turned out the worst Canadian fears were not realized. Accommodation was found with many of the specific aspects of early New Deal policies which seemed most threatening. The inflation induced in the United States had positive effects on the Canadian economy. In 1934 Roosevelt asked for and received authority from Congress to enter into bilateral trade negotiations. In the following year a Canadian-American reciprocal trade agreement was concluded which set the guidelines for a more open continental trading system. And although the trade pact encountered criticism from protected Canadian industries, the principal reaction in Canada was favourable. Disillusionment faded when the United States moved back into the mainstream of international economic relationships.

But while Canadian comment on American foreign economic policy waxed and waned over the degree to which the United States was willing to trade more openly, reaction to the ideological direction of the New Deal continued. Roosevelt's attempts to mix policies of economic recovery with those promoting reform, and his Administration's flirtation
with economic planning, provoked much comment. Canadians looked at the apparent radicalism of the New Deal and considered whether the New Deal reform model was perhaps applicable to Canada.
NOTES--CHAPTER II


2. H. A. Marshall, et al (eds.), Canadian-American Industry, New Haven, Yale University Press, 1936, pp. 19-29. M. J. Coldwell, then a Regina school teacher and later leader of the CCF, warned of the American economic influence: "American capitalism will be in complete control of our and children's heritage. Already it is known that American investments in Canada amount to the colossal figure of four billion; already their power and Industrial trusts have a strong hold on our industrial life. Should the proposed attempt to co-ordinate American and Canadian monetary and banking interests materialize and our government continues to finance under the supervision of our uncontrolled and autocratic banking system, then in a comparatively few years our natural resources, our publicly owned railways, our power and the like, pledged as securities to the banks for loans at high interest rates, will be in the hands of foreign capitalists a shade worse than our own because any attempt to curb their operations might result in a diplomatic crisis similar to those which have arisen in Nicaragua and other states dominated by American financial interests. Is it not time to be up and doing?" M. J. Coldwell papers, Box 45, draft of a radio address, 1932.


5. The authors of one study commented: "The problems of Canada's external relations especially since the Great War, has been at bottom that of reconciling the geographical fact that Canada is situated on the North American continent, the historical fact of association with the British Empire, and the psychological fact of a growing national consciousness. The geographical fact is unalterable. The historical association was supported, and no doubt is still supported, by the sentiment of the majority of the Canadian people; but it has to be adjusted to meet the newer sentiments of nationhood and the hard facts of geography." R. A. McKay and E. B. Rogers, Canada Looks Abroad, Toronto, Oxford University Press, 1938, p. 251.


8. Quoted in ibid., p. 166. The degree of materialistic concern in various societies does not lend itself to easy or precise comparison. As an American commentator noted when he wrote that Canadian charges of American materialism were unrealistic, "Materialism is just this, that it is materialistic. India thinks Europe is materialistic, continental Europe thinks England is materialistic, all Europe thinks of America as materialistic, French Quebec thinks the rest of Canada is materialistic. The charge of materialism is conveniently vague, and yet it satisfies a need." R. M. MacIver, "Canadian Culture and North Americanism," in R. G. Trotter, et al. (eds.), Conference on Canadian-American Affairs, 1937, pp. 143-44.


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17. Edgar Tarr papers, J. W. Dafoe to the Marquess of Lothian, October 10, 1934.


23. The New Outlook, November 16, 1932. Hoover did take steps to use public authority and resources in his attempts to stimulate the economy. He did not, or could not, go far enough in this direction primarily because of his faith that voluntary action would suffice and that the role of the state was necessarily a restricted one. This was particularly obvious in his refusal to assume federal responsibility for direct relief. See Barton Bernstein, "The New Deal: The Conservative Achievements of Liberal Reform," in Barton Bernstein, (ed.), Towards a New Past, New York, Random House, 1968, pp. 265-267; H. G. Warren, Herbert Hoover and the Great


26. The hope that Roosevelt would exercise positive leadership in the international sphere was expressed by many, in a variety of forms. For examples see, H. F. Sutherland, "The Roosevelt Landslide," The Canadian Banker, January, 1933, pp. 177-189; J. H. Simpson, "The Crisis in the United States," ibid., pp. 190-198; The Montreal Gazette, November 3, 9, 10, 1932; The Kingston Whig-Standard, November 10, 1932; The Toronto Daily Star, November 9, 1932; The Canadian Countryman, May 17, 1933; The New Outlook, December 28, 1932, and February 1, 15, and May 17, 1933; Saturday Night, March 11, and May 20, 1933; Robert Manion papers, Manion to M. C. Brush, January 30, 1933; W. C. Good papers, Good to G. F. Chipman, April 11, 1933; Sir Joseph Flavelle papers, Flavelle to H. R. MacMillan, May 1, 1933 and Flavelle to A. L. Nunns, May 25, 1933; James Malcolm papers, Malcolm to Herbert Marler, November 8, 1932. European reaction was similar. See R. B. Bennett papers, Phillippe Roy to Secretary, November 10, 1933; C. T. Hallinan, "Roosevelt as Europe Sees Him" The Forum, Vol. 89, June, 1933, pp. 348-352.

27. The Winnipeg Free Press, November 12, 1932. J. W. Dafoe probably wrote the editorial which defined the election issues in terms of the Democratic party's liberalism pitted against the reactionary forces of isolationism and economic nationalism. It continued; "Tuesday's election in the United States will doubtless stand out in world history as one of the most important elections ever held--marking, as it will be seen in retrospect that it does, the return of the United States to the liberalism of Woodrow Wilson." Dafoe, however, was not completely sure. One month earlier, editorial concern was expressed over the implications of the support given Roosevelt by the isolationist Hearst papers; "An extraordinary anomaly--Roosevelt, supposedly a Wilsonian, is supported by papers utterly opposed to Wilson's foreign policies." Quoted in H. F. Angus, (ed.), Canada and Her Great Neighbour, p. 304.

28. T. A. Crerar papers, Crerar to A. K. Cameron, August 22, 1932. In a similar vein see H. F. Angus, pp. 254-256.
29. J. W. Dafoe papers, microfilm reel M 76, Dafoe to W. L. Rose, March 1, 1933.


31. Ibid., August, 1932.

32. Ibid., July, 1933.

33. For a survey of contemporary Canadian economic attitudes see I. M. Brecher, Monetary and Fiscal Thought and Policy in Canada, 1919-1939, Toronto, University of Toronto Press, 1957.


35. Saturday Night, February 18, 1933.

36. W. E. Leuchtenburg, pp. 43-44.

37. Ibid., p. 46.

38. Saturday Night, June 17, 1933.

39. Ibid.

40. The Family Herald, August 2, 1933; also Saturday Night, September 6, 1933; The Canadian Mining Journal, August, 1933.

41. Grant Dexter papers, Vol. 10, G. F. Chipman to Dexter, May 10, 1933.

42. The New Outlook, March 29, 1933.

43. The Family Herald, August 23, 1933. At the same time the editor pondered on the implications of unrestricted authority; "Observers with any background of thought and study are simply stunned by the daring, the sweep, the bewildering multiplicity, the detailed definiteness, the dictatorial ruthlessness of the Roosevelt plans. They come so near to Russian executive control as to send shivers down the back of any old-fashioned laissez-faire Britisher who may still be extant." See also C. L.

44. The Canadian Forum, May, 1933. In a similar vein, was a comment in Saturday Night, "Now that a Daniel has come to Washington and economic common sense is making much headway in London, it would be a great pity if the infant Hope should die in Ottawa, suffocated by official Pomposity, Superstition and the antiquated dogmas of the mercantile period." Saturday Night, May 6, 1933. See also The New Outlook, August 9, 1933.

45. The New Outlook, April 19, 1933.

46. Saturday Night, February 25, 1933.

47. The New Outlook, March 15, 1933.

48. Hepburn papers, Hepburn to M. H. Hacker, March 31, 1933. Hepburn remained doubtful that Roosevelt would carry through with sufficient vigour. He wrote to another correspondent; "Roosevelt started off with a burst of glory, but I think he will find he is up against some very complicated problems. Summing it all up, my impression is that the future is very dark and I cannot see any organization yet sufficiently strong to fight successfully against the minority of privilege." Hepburn to Huntley Sinclair, March 31, 1933.

49. The New Deal, April 1, 1933. I was able to find only one issue of this periodical. It was almost exclusively concerned with matters of monetary reform, expressed in fundamentalist religious rhetoric.


51. Saturday Night, August 5, 1933.


54. The two most notable legislative measures were the National Industrial Recovery Act and the Agricultural Adjustment Act.

It is not clear exactly what Bennett hoped to achieve in his meeting with Roosevelt except to establish friendly relations which might lead to increased trade either bilaterally or more generally through a world settlement of outstanding difficulties. Grant Dexter wrote that: "Roosevelt is regarded in Ottawa as a political demi-god--one who scoffs at tradition and smashes precedents. As a man of courage and of action it is conceded that his is one of the most forceful personalities ever to lead the American people. And as Ottawa understands the situation, Roosevelt is in dead earnest in seeking a real trade agreement with Canada. He wants much in the way of tariff concessions--but he is willing to give more."

Dexter papers, Vol. 10, draft of article sent to G. F. Chipman, editor of The Country Guide, April 21, 1933.

From Washington, W. D. Herridge wrote repeatedly throughout May and June to persuade Bennett that cooperation with the United States was necessary and that Britain must be persuaded to go along. He commented that, "If I had the running of affairs, I would tell [Ramsay MacDonald] to leave behind Mr. Chamberlain and Sir John Simon and all his other colleagues, as well as his technicians and economists, and forget about his diplomatic representatives, and start out himself, accompanied only by his hymn book." Bennett papers, Vol. 276, Herridge to Bennett, February 9, 1933.

R. B. Bennett papers, Vol. 276, Herridge to Bennett, February 13, 1933.

Bennett papers, Vol. 174, Elliott to Bennett, May 11, and 26, 1933; Bennett to Elliott, May 24, 1933.

Bennett papers, Vol. 276, Herridge to Finlayson, June 27, 1933.


The Public Papers and Addresses of Franklin D. Roosevelt, pp. 264-266.


B. K. Sandwell papers, Box 1, Dafoe to Sandwell, June 5, 1931.


66. The Family Herald, July 12, 1933.

67. The Canadian Countryman, November 11, 1933.


70. Bennett papers, Vol. 947, Howard Ferguson to Bennett, August 11, 1933.

71. Bennett papers, Vol. 947, R. K. Finlayson to Bennett, August 9, 1933.

72. The Toronto Star, July 5, 1933. On the previous day The Star commented that the American experiments were the greatest and most spectacular departure from capitalism since the Russian revolution.


74. The Toronto Star, July 5, 1933.
Chapter III

THE CANADIAN BUSINESS COMMUNITY:

RECOVERY vs REFORM

As the New Deal began to evolve in the United States one editor lamented that, so far as Canada was concerned, "Our whole economic life may be profoundly altered by present-day developments about which we have not been consulted." Because of the increased interlocking structure of the two economies, Canada's debtor relationship with the United States and the vulnerability of the Canadian economy, most basic economic decisions taken in Washington affected Canada's interests in some way. At stake in the American attempts to get its own economy moving was the present and future course of Canada's relationships with the rest of the world, as well as the more immediate effects on the country's attempts to cope with its own depression problems.

Moreover the economic nationalism of the early New Deal could not be separated from broader social and ideological issues. The New Deal represented an attempt to define a 'third way' out of the depression between the extremes of revolution and reaction. It was extremely difficult to devise means to reform liberal capitalist institutions while preserving liberal democratic forms. The process was also confused and controversial. Confusion was caused both by the
substance of New Deal legislation and by Roosevelt's style, political appeal and his challenging rhetoric. Legislation, begun in 1933, ranged from direct efforts to stimulate economic recovery, through measures to cope with relief and unemployment, to legislation aimed at reforming the ground rules within which the business life of the country operated in areas of banking, securities exchange and labour relations, to even more controversial activities like the creation of the Tennessee Valley Authority. As a series of unconnected legislative acts and presidential exhortations which oscillated between individualist and collective norms, between minimum government intervention and extensive state regulation and control of the market place, the New Deal came in for alternate doses of the most heartfelt praise and damnation from, at times, the same sources for going either too far or not far enough.2

The New Deal was not a carefully thought out plan or series of plans put into effect according to a set timetable. The objective of the New Deal was, very generally, to bring about economic recovery along with a measure of reform of undefined proportions. Roosevelt aimed to limit the predominance of private economic power by using the authority of the state on behalf of unprotected and powerless groups in society. However the means to reach this broad and vague end were not clearly defined, nor were they incorporated into a logical scheme. Intentions were sometimes transformed en route to their effects. Legislation was subject to in-built
pressures of the Congressional process and the end result seldom pleased all. Once enacted, the effects of much legis-
lation could not safely be predicted because specific acts were open to widely varying interpretations and there was little consensus, within administrative agencies and regula-
tory bodies charged with supervision, about legislative intentions. Above all there was the potential contradiction inherent in the nature of Roosevelt himself as a conservative reformer, not bound to a coherent doctrinaire program, subject to constantly changing political pressures, and more than willing to chart a circuitous course to reach what was in essence an undefinable destination because it was more a process than a fixed end. Perhaps Roosevelt's main contribu-
tion to his country, as well as to the world, was inspira-
tional rather than something more concrete. As Rexford Tugwell has commented;

Men were licked, beaten down by a monstrous enemy they could neither see nor hear. The depression was like Poe's contracting room. . . . Roosevelt the President was a giant who hunched his shoulders and pushed the walls outward again or at least held them motionless. It seemed as much as any man could do. But he did more; he blocked the machinery of contraction by assuring men's incomes, opening sources of credit, conferring rights to bargain, and so on. The power in men to escape, to break down walls and build new systems of collective living, had not been appealed to; and when it was all over, the establish-
ment was more solidly planted than ever. Its functions had not been nationalized nor had its elite been disci-
plined. 3

Canada was directly affected by many of the specific activities of the New Deal. In addition, the ideological con-
troversies engendered by Roosevelt's actions were relevant to
Canada. The American attempt to define new and more effective relationships between the public and private sectors of society produced much comment. The New Deal represented a reform model which conceivably could prove to be appropriate for Canada. Whether the objectives of Roosevelt's reforms were desirable, and whether the means he adopted to effect them were applicable to Canada's depression problems, came to be hotly debated.

Within Canada the federal government was placed in a position where it was forced to react to American policies. In the private sector the Canadian business community was particularly interested and involved in the evolution of New Deal policies. Faced with similar economic collapse, Canadian business interests were also concerned with ways by which economic recovery might be attained. The major Canadian economic associations closely examined the New Deal approach to consider its possible relevance for Canada. The business responses varied. Some sectors found it convenient to adapt their operations to the regulatory provisions of New Deal legislation. Others urged acceptance of New Deal methods. The most dominant reaction, however, was to reject the New Deal model. Two lines of reasoning were advanced to justify rejection. The first was that while the regulatory and control mechanisms of the New Deal might prove to be effective for the relatively self-sufficient American economy, they would not be feasible for the dependent Canadian economy. The second argued that it was inadvisable to try to mix recovery
policies with those which promoted reform. Judged by results, the arguments which rejected the New Deal model were the most influential in affecting Canadian policy.

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Roosevelt's decision to opt for the nationalist alternative to recovery posed a host of direct economic problems for Canada. For example, one important and potentially serious factor was the effect of New Deal legislation on limiting Canadian access to the American capital market. The Federal Securities Act of 1933 contained a provision which required the advance filing of information with American authorities before foreign securities could be offered for sale on the market. This included both new and refunding bond issues by the Canadian government and threatened to make it difficult to obtain brokerage underwriting in the United States to administer bond sales. Canadian financial circles became alarmed. They requested the Prime Minister to try to persuade the American government to amend the pending legislation in such a way which would exempt Canadian government securities from the provisions of the Securities Act. The request prompted a detailed study of the matter by the Department of Finance. The department recommended that, because of the past excellent record of Canadian offerings, Canadian government securities be designated as a special class of domestic securities and therefore made exempt from the restrictive provisions of the Act. The Canadian Embassy in
Washington enlisted the support of the Department of State and the President to this effect and was able to persuade the Congressional Committees which were considering the legislation to modify the filing provisions in order to protect the Canadian interest.\(^4\)

Other New Deal legislation was equally important to Canadian interests. The principal nationalist legislative means adopted initially to bring about recovery and those which most closely defined the early New Deal were the National Industrial Recovery Act (NIRA) and the Agricultural Adjustment Act (AAA).\(^5\) Both were designed to restrict and control production, raise worker and producer incomes and thereby stimulate consumption. In order to rationalize production and eliminate destructive competitive practices, industry was encouraged to organize through the formation of trade associations. The associations were empowered to devise codes of conduct for their operations in conjunction with representatives of labour and government. In addition, the legislation contained provisions which allowed for increased tariffs, if required, in order to protect American industry from the competitive effects of raising domestic prices. Further exclusion from American markets was bound to harm Canadian producers.

But the corollary of tariff retaliation was the possibility that pressure would be applied directly on Canada to force compliance with the system of industrial codes so that Canadian goods and prices would not get out of line with
those in the United States. If Canadian prices were forced upward, the possibility of tariff retaliation would be minimized. This, however, would involve adapting the whole of the American regulatory approach to the Canadian economy. There was some press speculation that the American government was applying such pressure on Ottawa but allegations of direct pressure were not substantiated.\textsuperscript{6}

For one major industry there was little need for pressure. The Canadian newsprint industry, overwhelmingly dependent on the American market, was plagued by many of the same problems of overproduction and destructive, price-cutting competition which had led many American business leaders to welcome the NIRA as a means to rationalize industrial processes.\textsuperscript{7} During the boom years of the twenties the Canadian newsprint industry had expanded its productive capacity beyond the bounds of possible sales, and when the demand for newsprint fell off after 1929 the industry was brought to ruin. Cut-throat competition for the declining market forced newsprint prices down to marginal levels and weaker companies were forced either into bankruptcy or mergers. An attempt to foster industrywide co-operation to maintain prices was made in 1929-30 with the formation of the Newsprint Institute of Canada, but the refusal of the largest producer, the International Paper Company, to co-operate negated the effort.\textsuperscript{8} By 1933, American consumption of newsprint, which market took eighty-five per cent of Canadian production, had fallen thirty per cent, Canadian productive capacity had increased by twenty
per cent, newsprint prices had fallen almost forty per cent, and a number of major companies had been forced into bankruptcy. In this distressed state the industry looked upon the NIRA's codes of conduct, which were designed to eliminate competition and fix prices, as their means of salvation. If internal industrial conditions had not provided incentive enough, failure to co-operate with the code system, as the Minister of Trade and Commerce, H. H. Stevens, pointed out to industry leaders, meant increased American tariffs and quotas against the industry which would effectively ruin it. The result was that the Canadian newsprint industry complied with the provisions of the NIRA. Canadian industry and labour representatives met in Washington with their American counterparts and participated in drafting the codes which were to be applied in both countries. The founding of the Newsprint Manufacturers Association in 1934 gave the Canadian producers the means to ensure compliance on an industrywide scale.

The industry's decision to comply with the NIRA provisions was encouraged by Government leaders and widely approved by the business community and labour unions. Besides Stevens, Premier Taschereau of Quebec publicly endorsed the move. The industry's trade journal, Pulp and Paper of Canada, approved wholeheartedly. Sir Herbert Holt, whose Royal Bank of Canada had a financial interest in making the industry profitable once more, urged acceptance of the NIRA's underlying principle of "compulsory co-operation," and even that bastion of laissez-faire free enterprise, The Financial
welcomed the policy. Canadian producers must abide by the codes, commented the Post because, "By agreeing to the American codes, the Canadian manufacturers can re-establish their business on a profitable scale and thereby justify the faith placed in Canada's largest manufacturing industry."\(^{16}\)

The newsprint industry went along with the NIRA code system because it met the peculiar conditions of the industry. By 1933, its internal condition had become perilous and it had become so due to many of the same problems of overproduction and destructive competition which plagued many sectors of American industry. Also it was of vital importance to the Canadian economy and any solution, even one which violated traditional canons of *laissez-faire*, was welcomed. But the conditions of the newsprint industry were not widely applicable to Canadian industry as a whole and, although some other Canadian industries chose or were forced by circumstances to comply with NIRA provisions, they did so for other reasons. The British Columbia lumber industry provides one example.

Prior to the depression the United States provided the major market for British Columbia lumber products. Lumber exports totalled more than two hundred million board feet in 1931 and in the years between 1926 and 1930 the annual value of the American market was worth more than $200 million. By 1933, because of pressure for protection from American producers, Canadian exports had declined to less than thirty million board feet.\(^{17}\) The industry was caught in the middle of pressures, not only to find markets, but to tailor its
internal cost-pricing policy to conform to possible markets. The Empire provided one alternative and in order to compete within the Imperial trade pattern which emerged, imperfectly, from the Ottawa Conference of 1932, the industry had to try to keep costs down in order to make its products competitive with European producers. The Imperial market, however, could not absorb Canadian production and the American market remained potentially the most lucrative. But the provisions of the NIRA, which forced American costs and prices up, produced increased pressure from West Coast producers to keep lower cost Canadian lumber out. The Canadian producers had to decide whether to maintain their low cost policy for the Imperial market, or follow the path of the NIRA codes to raise costs through increased wages and decreased hours of work in order to avoid further discrimination in the United States market. At least some sectors of the industry did, in fact, follow the NIRA, accepted code provisions and in return were granted quotas in the American market.

Practical considerations forced some sectors of the Canadian economy, those most closely related with the American, to adapt their operations to New Deal legislation. The Canadian financial community was able partially to protect itself by persuading the federal government to lobby in Washington on its behalf. From the unique demands of their economic situation, the pulp and paper and lumber industries found it profitable to adapt their operations to NIRA codes of conduct. The same economic needs did not, however, pertain
to all sectors of the Canadian business and industrial community. In the open capitalist Canadian economy individual businesses and industries found themselves pushed in a variety of ways by the depression. While some were relatively protected from the worst effects, others were extremely vulnerable. By the thirties the Canadian economy, like the American, had experienced a number of structural changes. The transition from a relatively open, laissez-faire economy to modern industrialism characterized by monopoly control and inter-industry cooperation, fundamentally altered many ways in which the economic system functioned. Those sectors which had been unable to adjust to the transition and protect themselves felt the worst effects of the depression. The structural changes which had occurred and which divided the business community were only imperfectly acknowledged at the time. However consideration of them is important in understanding the reactions of the various sectors of Canadian business interests to a system of regulation and control like the NIRA.

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The transition from a relatively simple market economy to modern industrialism posed a great many economic and social problems. Economic structural realities were in constant change, but the operating assumptions and premises on which the interplay of economic affairs was based changed much more slowly. The extensive industrial expansion of the twenties followed by the collapse of the thirties revealed difficulties
which were unfamiliar. Industrial productive capability outstripped the capacity of consumer purchasing power. This assault on the laws of supply and demand was exacerbated by the increasing industrial trend to combination, merger and monopoly control as well as by the destructive aspects of competition which led to ruinous price wars. As it became abundantly clear when structural analyses of the economy were written, the old, idealized *laissez-faire* economic model, which existed in theory, in popular folk-lore and in the rhetoric of service club speeches, bore little resemblance to the economic realities of the day. The *laissez-faire* model, which presupposed the presence of a large number of relatively small units competing in a free-wheeling market-place had, to a great extent, been replaced by a smaller number of larger corporations to which competition was something to be avoided. The drive to mass production, the need to rationalize industry and the desire to control and make predictable the results of business decision making, had largely transformed the meaning of traditional business competition.

The amalgamation trend occurred in both Canada and the United States. It had been acknowledged much earlier in the United States and defining a response to it had provided one major point of difference between the New Nationalism of Theodore Roosevelt and the New Freedom of Woodrow Wilson earlier in the century. Roosevelt wanted to accept the trend and adopt regulatory measures to control it. Wilson wanted to break up the large trusts and try to return the economy to
some approximation of the competitive ideal. The basic differences between trust busters and regulators continued with varying degrees of emphasis through the Great War and into the twenties. During the decade of the twenties many influential American business leaders and business associations became ardent advocates of schemes of industrial planning by trade and interest group associations. Early New Deal legislation capitalized on these planning schemes and they became the basis of the NIRA's approach of permitting associational planning through industry-wide codes of conduct. Complete business control was qualified, however, by granting protection for worker association and collective bargaining, as well as by allotting the state an active supervisory role.

Accepting the NIRA way implied an abandonment, to some degree, of old notions that competition was beneficial. The NIRA regulatory controls, and the promotion of unions which accompanied them, negated many aspects of the laissez-faire economic model. The legislation represented an attempt to devise newer, more effective economic institutions to deal with changed realities. In a sense change was reform, the extent of which depended on how the legislation was administered. Ensuing disagreements in the United States about the NIRA were primarily concerned with the relative strengths and roles of the various participating groups involved with the code system; how much freedom business planners would have, what power trade unions would develop, and to what extent and in which ways government regulation would be applied.
As a number of studies were to show, the Canadian economy had undergone a transformation similar to that in the United States. In Canada, too, the trend to bigness, combination and monopoly had changed the basis of the economy by the thirties.\(^{21}\) In fact, as one economist later concluded, the industrial sector of the Canadian economy never had resembled the classical competitive model. From the mid-nineteenth century the norm of the economy had been characterized not by individualistic competition but by a system of controls, primarily those devised internally by business groups themselves.\(^{22}\)

In his study, Lloyd G. Reynolds, an economist from Johns Hopkins University, found that a combination of factors had channelled the Canadian economy into ways which differed markedly from the classical model. The smallness of the domestic market, the trend to amalgamation, and the increasing importance of Canadian subsidiaries of American corporations all had acted to check competition.\(^{23}\) Reynolds identified three categories of manufacturing concerns. First were the monopolies in which a few large firms controlled the market and dominated in the production of cement, lead, aluminium, explosives, some iron and steel products and other goods. A second type of activity had preserved a range of competition in the production of flour, meat packing, newsprint, some textiles, bread, boots and shoes, furniture and jam. These firms were invariably smaller and required less capital outlay to begin business. The third and largest group, pro-
ducing a wide variety of goods, agricultural implements, cottons, gasoline, canned foods, paper products and others, had successfully attempted to reduce the uncertainties and vagaries of competitive practices by entering into agreements to control production and set prices. The agreements were in the nature of both formal arrangements usually coordinated and supervised by trade associations, and informal, tacit understandings between cooperating firms. "Price arrangements," Reynolds thought, "have been formed at one time or another in nearly every industry." Furthermore, "It is safe to say that at least fifty price-fixing trade associations are operating in Canada today, and the number may be considerably higher." "Canadian experience," he concluded, "supports the view that competition is self-annihilating rather than self-perpetuating." Moreover,

There is ample evidence that the pressure for price control is strong and persistent in all parts of the economy. To the businessman, 'cooperation' is the normal state of affairs and competition is a destructive element which must be controlled or eliminated.

Although the depression struck at virtually all sectors of the economy some were more adversely affected than others. Those which derived a measure of protection from either monopoly control or through inter-industry cooperative arrangements were in a better position to cope with the decline. Consequently they were not inclined to press for changes in the economic system. They were content to hold the line, retrench and wait for the upswing of economic recovery which they thought inevitably would follow. But for
those in Reynold's second category, the smaller and unprotected sectors, change seemed necessary for their economic survival. For a number of reasons they had been unable to maintain successful price-fixing arrangements. Nor were they able to compete with the larger, monopoly concerns. They looked for protection from destructive competition which drove prices down and from unfair competition from monopolies. The code system of the NIRA, as devised by industry associations, appeared to be one way by which protection could be attained. The principal forum at which most of the essential ideas and alternatives were exposed was the Royal Commission on Price Spreads and Mass Buying. It was in the Commission's hearings through 1934-35 and in the public debate which accompanied them that those sectors of the business community which approved of Roosevelt's approach were best able to express their views.

The principal figure in the Royal Commission was Harry H. Stevens. As Minister of Trade and Commerce in the Bennett government, Stevens was one of those most directly involved in the attempts to find a way out of the maze of depression. But up to 1933 his efforts to open up new foreign markets, to boost 'buy Canadian' campaigns and promote Imperial trade had been only marginally effective. As recovery continued to lag Stevens became more receptive to suggestions that other, more radical, approaches might be required. In particular, Stevens became increasingly aware of the difficulties which were being encountered by small
businessmen throughout the country. Most business was suffering, but the smaller the business the more vulnerable it was. Not only did fixed costs remain high in a period of falling prices but customers were running out of cash and the banks were tightening up credit requirements. What business activity remained was more and more directed to the large chain and mail order monopolies which, because of their size and economic influence, were able to undersell less powerful competitors in the market-place. After being informed that hundreds of small businesses were being forced into bankruptcy, Stevens' concern was increased. His concern was also aroused by information that large operators were applying persistent and, to him, unfair pressure on producers and suppliers for ever lower cost goods which in turn depressed wage rates to below subsistence levels. In January 1934, in a radio speech in Toronto, Stevens publicly berated the unfair practices of the large concerns because, he said, they were destroying the competitive system on which the economic system of the country was based. He strongly suggested that unless firm action was taken by the business community to curb the misuse which was becoming apparent, and unless businessmen faced those evils which had "developed like a canker . . . they will destroy the system." After applying pressure on his reluctant Prime Minister, Stevens was able to persuade Bennett to appoint a Committee of the House of Commons to investigate a wide range of economic problems; specifically, the reasons for the wide spread of prices which existed between producers
and consumers, problems of distribution, questions of monopoly control and conditions of labour.

The Commission, chaired by Stevens, began its sittings in February and ultimately produced a searching examination and analysis of the state of the Canadian economy. Equally important, the Stevens' hearings considered some results of the differentiated impact and effect of the depression on the economy and on various social classes and groups. The result was highly unattractive as the underside of Canadian society was exposed to view. While business arguments of recovery and financial survival through drastic cost and wage cutting were perhaps understandable in a narrow economic sense, broader social concern pointed to the need to reform the condition of the workman at the bottom end of the economic process who worked a seventy hour week at a wage rate of ten cents an hour. Reliance on traditional means had produced, to put it mildly, some anomalies in Canadian society. The effect of the investigation was to point out starkly the social costs of relying on a nineteenth century laissez-faire ideology, with its attenuated economic means, to meet the conditions of the depression. If it was not apparent before, the Commission's hearings made clear not only that the old ways were not producing recovery, but that they were producing incredible hardships on a great many Canadians. Stevens, some of the Commission witnesses, and some sectors of the public became convinced that reform was urgently required. But what sort of reform program was feasible? Could the American example
be utilized, adapted to Canada's peculiar circumstances and made the basis for a Canadian reform program? These questions came to be forced upon the Commission.

The Commission was faced with attempting to analyse and recommend solutions for a wide range of problems, some unique to Canada, and others which were common to both Canada and the United States. There was, of course, a wide variety of types of reform programs which conceivably might be applied to meet the problems. At one extreme Canadian socialists were convinced that the capitalist system itself had to be rejected completely and a new society created on collectivist premises. On the other hand many Canadians rejected reform altogether as being neither feasible nor desirable because reform, they said, was directed to idealistic objectives which ran counter to historical experience and human nature. Capitalism, they argued, while abused by dishonest people or made inefficient by bad law or weak institutions, remained the only economic system compatible with liberal democracy. The negative by-products had to be accepted in order to obtain the positive benefits. As one commentator noted, "Most people don't like to be reminded that their strawberries are grown in manure beds." The only thing that imperfect human beings could do, the argument concluded, was to leave the system alone and allow it to operate freely according to immutable, inexorable economic law.

But between these extremes lay a number of alternatives. The regulatory system of the NIRA codes was one which
was particularly attractive to those business sectors which had not been able to protect themselves and remained subject to the vagaries of the competitive market. The business interests which advocated a regulatory system collectively felt themselves at the bottom end of an economic squeeze against which they had no protection because they did not possess sufficient power to compete with monopolies or to maintain profitable price levels on goods which they supplied to big concerns. In addition, as the prices which the large concerns were prepared to pay were progressively reduced, so were the wage rates of the supplying firms depressed to subsistence levels. All this, they charged, was the result of the unpredictable and negative aspects of competition, particularly destructive price-cutting. The NIRA approach through associational planning seemed to be a feasible way out of the dilemma in which they found themselves. By adopting regulatory codes of conduct the little man would be restored to his rightful share of the market.

Among those who advocated regulatory measures there was no unanimity over the means by which they might be enacted;

Some witnesses favoured special penalising taxation; others admired the Italian plan for distribution under the corporative state; and a third contingent favoured federal regulation and a rigid code system on the NRA model for the enforcement of higher business standards.34

In testimony before the Stevens' Commission a variety of representatives of the last group pressed for an NIRA system to codify a wide range of business practices. Within
the business community, support for planning and regulation by trade associations came almost exclusively from those sectors which found voluntary price controls impossible to maintain; farmers, retail merchants, small manufacturers and others. While their spokesmen differed on details, all found a measure of agreement on the need to rearrange existing forms of economic interchange; to reform some operating mechanisms of the capitalist system.

Representatives of a number of specific industries testified to their need for regulation. One described how the furniture industry had over-expanded and indicated how government legislation which permitted companies to cooperate and regulate themselves would be helpful. The organ of the grocery trade, The Canadian Grocer, commented approvingly of the Steven's hearings that reforms were required because, "unbridled competition, unfair, unethical" practices and "insensate price-cutting," had brought about an intolerable situation for retail grocers. The Canadian Bakers' Association submitted a code for the baking industry. The Canadian Association of Garment Manufacturers circulated a questionnaire to its members asking for their response to a proposal for a Canadian NIRA. Of eighty-three members who responded, eighty-nine per cent favoured the proposal and their spokesmen testified before the Commission to this effect. Warren K. Cook, the President of the Garment Manufacturers Association, was one of those who was most active initially in pressing upon Stevens the need for a thorough
investigation of the problems of the little man in business. He attended the NIRA hearings of the clothing industry held in Washington which drew up the American clothing code, thought that everyone there favoured it and that it would be an excellent solution to the Canadian industry's problems. The Retail Merchants' Association was similarly enthusiastic. The Association urged acceptance of a full code system and organized a petition with some 30,000 signatures requesting a permanent federal government commission to supervise the conduct of business. To strengthen their case various groups organized a National Fair Trade Council to lobby for changes along these lines. All these interest groups experienced the common problem of too much competition, competition which brought about price-cutting and reduced profits. They pressed for legislative reform which would allow them to limit competition by agreement and thereby protect their profits. The NIRA system of codes and cooperation appeared to provide this.

* * *

The sectors of the Canadian business community which expressed support for a controlled economy were in the minority, if not in numbers at least in influence. Besides expressions of approval, a great many objections were directed both to the overall regulatory approach of the NIRA and to the specifics of its application. Particularly when the hearings of the Stevens' Commission raised the possibility that Canada
might follow the American lead, the criticisms expanded. Negative business reactions to reform and change increased. Given the fact that Canada did not move in the direction of a controlled economy it is probable that the criticism reflected a public opinion which was more representative, or at least more influential in Canadian affairs, than that which supported change.

In 1933 the two largest and most influential Canadian business associations, The Canadian Chamber of Commerce\textsuperscript{42} and the Canadian Manufacturers' Association (CMA), gave close study to the NIRA. Both rejected the model as being inappropriate for the Canadian economy. Of the two the CMA's study was more intensive. Its conclusions are worth considering in detail. The CMA's analysis provides a useful cross section of opinion within a large segment of the Canadian business community of the NIRA, as well as of general attitudes towards Canadian depression policies.

The CMA was placed in somewhat of a quandary by the enactment of the NIRA because, in the spring of 1933, business leaders in the United States had expressed themselves as being strongly in favour of government intervention in the economy. Many prominent American business leaders had long advocated a restructuring of industrial practices along the lines of the NIRA. American business support was not to last, but in early 1933 business looked to Washington to save it from its own excesses and welcomed an active participation by the state. Given this support by their American counterparts, and given
the fact that Canadian business was in an equally depressed state, the NIRA seemed well worth considering, and the CMA undertook a detailed study of it in the summer and fall of 1933.

Immediately the NIRA was enacted the CMA obtained details of its provisions from its American counterpart, The National Association of Manufacturers, (NAM). As codes were drafted, agreed upon and applied within various industries, the NAM kept the CMA supplied with information as well as with its assessment of how they were working out. Much of this information was printed in the CMA's journal, Industrial Canada, and, as well, it was forwarded to the Association's Division Committees with the request that the matter be studied and analyzed. In addition, the Executive Committee of the Executive Council of the CMA undertook its own study of the NIRA in some detail, and circulated a questionnaire to members to solicit response and to obtain answers to the question: "Have you any suggestions to offer as to what Canada might do to accelerate recovery?" The various studies provide the conclusion that a fairly general consensus existed to reject the NIRA approach because it was considered unsuitable for Canada.43

Two themes run consistently through the comment which rejected the NIRA approach. The first emphasized the substantive differences between the economies of the two countries. The American economy was mature, highly industrialized, supported by a population large enough to make it relatively
self-sufficient and therefore possibly susceptible to a nationally regulated system of controls. The Canadian economy was just the opposite; immature, much less industrialized, and supported by a small population scattered over a huge area. This made centralized planning an impossibility. Moreover, unlike Canada, the United States was not dependent upon foreign trade to maintain its economic health and it possessed sufficient domestic capital to allow it to act independently, including experimenting with national measures to promote recovery. In any case, reported the Executive Committee of the CMA, there was no need for NIRA type legislation because Canada had already taken action to meet the demands of the depression by orienting its economy to an Imperial system, and maintaining tariff protection for manufacturers and their employees who produced for the domestic market.44

Doubt was expressed about the feasibility of regulatory legislation even for the United States; but after all they were Americans and one could not expect too much. As W. S. Morden, Vice President of the CMA commented,

The people of the North American continent have always had a blind faith in legislation as a cure for every imaginable trouble to which flesh is subject. When the Pilgrim Fathers came over auction bridge had not been invented, and they passed the time in drawing up laws to govern them after reaching America, and law-making has been a favourite pastime with their descendents ever since. . . .

and he warned that "Canadians share in this naive idealism."45

However, so long as experimentation was kept south of the border it was pretty much the business of the United States.
On the other hand, with its dependence on foreign trade, its smaller population, its exposed debt-ridden and vulnerable economy, Canada could not hope to emulate the United States because the fragile economy could not support or sustain a system of national planning, regulation and control. Even tariff protected industries acknowledged the dependency on trade, and emphasized the need to regain foreign markets because increased exports of primary products would put more money into the hands of producers who would then be better consumers of Canadian produced industrial goods.46

The other theme, which reinforced the first, was concerned with the ideological direction of the NIRA and with its potential implications. First of all, acceptance of the overproduction-underconsumptionist theory on which the NIRA was based, challenged basic tenets of Canadian business life as well as the experience of the past. The spectacle of production cut-backs, whether through slaughtering piglets, reducing wheat acreage, or industrial slow-downs, went against the grain of traditional business assumptions of the need for, and the desirability of, more rather than less production. And, when controlled production was accompanied by steps to raise wages and costs and shorten hours of work, the challenge to long-held assumptions was increased. Most Canadian businessmen held to traditional ways to beat the depression and that meant reducing costs and wages, lowering prices, and trying to make goods available in that way to consumers within the depressed price level. Artificial stimulants to raise
prices were considered dangerous, especially if the stimulants were accompanied by increased government intervention in the economy.47

Secondly, underlying the negative business reactions was a fear of the economic unknown and a reliance on the experience of the past to correct conditions. The way out of past depressions, it was held, had come about by cutting costs, belt-tightening, hard work and patience. Government action should be restricted to balancing budgets and reducing taxation, while the natural economic laws of supply and demand inevitably worked towards a new equilibrium. The implications of other forms of government activity were unknown, unpredictable, potentially dangerous and therefore to be avoided. Thus government involvement in the market-place which interfered with natural laws by promoting, for example, institutional reform and labour unionization, would introduce complicating elements the consequences of which were unforeseen and uncalculable. This, it was charged, was what was wrong with the American experiments; they challenged established ways of business and introduced elements of confusion which hampered natural recovery forces and diminished business confidence. They promoted unwarranted bureaucracy and regimentation which interfered with the exercise of individual initiative.48

Resistance to experimentation was continuously emphasized by the businessmen who responded to the CMA questionnaire. They were much opposed to "The evil of price-cutting," and "chiselling," by the unscrupulous which forced honest
businessmen to compete for survival through reducing prices, costs and wages. But the way to counter these practices was not by tinkering with the tried and known methods to which they were accustomed. This led them to rely on homilies which, however admirable they may have been in their own right, begged the primary questions which faced them. Uncontroversial platitudes like the following proved somewhat less than effective in getting the economy moving; "use shirt sleeve methods for a shirt sleeve period," "have patience," "apply hard work and economy," "spread optimism and back it with facts," "mark time and wait for upward change," "Just attend to business diligently. Money in the hands of consumers is the only safe accelerant," "Let businessmen 'pull up their socks' and get down to business. Let Governments stick to the business of governing and give private enterprise a chance," "Have everybody say 'the depression is now over' and there will be more optimism everywhere."

These responses seem to have been representative of a large segment of the business community and, although there were exceptions, the pattern of business responses was fairly consistent. C. H. Carlisle, President of the Goodyear Tire and Rubber Company, thought that the NIRA was merely a palliative rather than a cure because it contravened all basic principles of sound business and labour practices. While government control might possibly stabilize profits, he thought, it "runs counter to all the natural laws of trade and these laws cannot be set at naught permanently."
Similarly C. L. Burton, of Simpsons, echoed the theme that while the United States could afford to experiment within its relative self-sufficiency, Canada had no choice and should have no inclination other than to follow the sound "British principle that, the less interference with business, the better for all concerned--for the producer, the consumer and the worker." 51

The business press repeated many of the same arguments. The Financial Times commented that the 'hot-house' principle of forced, artificial help might be effective in the short run but it was impossible to foresee the long-range implications of such policies when the economy returned to normalcy. 52 The Financial Post continued its criticism of American policies and editorialized hopefully that, "State interference in industry, in private enterprise, does not commend itself to the Bennett government and is regarded as an example to be shunned not followed." 53 The CMA summarized the editorial responses of several major Canadian daily newspapers and found their reactions to be almost unanimously negative as well. 54 Great emphasis was placed on the need for Canada to study the American experiments and learn from them. But Canada had to go slowly, watch closely and wait to see if any specific aspects of the American experience could or should be adapted to Canadian needs.

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The negative reactions which developed from the CMA's study of the NIRA were repeated elsewhere in Canada.
Objections fell into the same general categories; that the NIRA approach was not feasible for the dependent Canadian economy and that government intervention in the economy was inherently dangerous. The former reason was emphasized, for example, in the final report of the Stevens' Commission. The staff of the Commission took a long look at the experience of the NIRA during the conduct of its research of Canadian economic conditions. The files of the Commission contain a considerable amount of descriptive and analytical materials obtained from NIRA authorities and other American sources. One of the Commission's economists, W. J. Couper, travelled to Washington in 1934 to discuss the American experience with a number of NIRA officials. The Commission's final report includes a number of references to the New Deal experiments. But despite, or because of, the information it obtained, the Commission explicitly rejected the NIRA model for Canada. After noting a number of inconsistencies in the NIRA program and a number of administrative problems connected with its activities, the report concluded:

It will not be possible to pass final judgement on the N.R.A. experiment for many years, but we feel that American experience under the Act has not been such to justify Canada's imitating the experiment. Our conclusions on this point are the more definite because of our realization that, apart from the question of results achieved, conditions in Canada, economic and otherwise, are in so many important respects far from analogous to those existing in the United States.

Although some of the Commission's specific recommendations resembled the American approach, notably those which sanctioned more extensive trade association and labour union
organization, the overall thrust of the report was designed to meet different Canadian conditions. It rejected the comprehensive regulatory system adopted by the United States.

The Commission's reservations about the suitability of economic controls were amplified by Canadian liberal internationalists. The Liberal members on the Commission submitted separate reports which emphasized that Canada could not adopt controls. The internationalist aspect of their argument focused on the notion that it was futile for Canada to try and isolate itself from world markets. With Canada dependent on world trade for its economic well being, the internationalists argued, policies which tried to raise wages, costs and prices by regulation would price the economy further out of world markets. Canada's lack of self-sufficiency could not absorb a system of industrial controls. To attempt to devise them would merely reinforce Canadian economic nationalism which already had proved disastrous. The way to recovery was, therefore, to relax controls, tariffs and other restrictions on market relations rather than impose more.57

The liberal part of the argument followed from the internationalist. Canadian liberals equated freedom of trade with political freedom. Consequently they rejected restrictions imposed on either. The use of state authority to raise trade barriers was bad enough. To apply internal restrictions on domestic economic activities was even worse. Liberals argued that the way to rectify the conditions revealed in the Stevens' Commission hearings was not to apply further govern-
ment controls but to relax tariff barriers and use the power of existing anti-combines legislation to maintain, or regain, a liberal and competitive economy. Attempting to devise a national system of industrial controls was not merely impracticable but would change the very nature of the liberal state. It would entail a system of regulation and regimentation which was incompatible with liberal, democratic political institutions which were inseparably bound to the competitive capitalist economic system. 58

The liberal ideological objections were widespread within the Canadian business community. Even those business sectors which lobbied for regulation on their own behalf were wary. The type and nature of the regulatory system was all important. Government sanctioned planning by trade associations was one thing. However government involvement in the planning process, for example to protect workers or consumers, was quite another. Government imposed controls could easily get out of hand and provide what might be unwarranted restrictions. The implications of government intervention were far reaching and potentially could develop far beyond mere permissive legislation which allowed business interests to combine and cooperate.

Apprehension about the role government might play in a regulated economy considerably qualified the advocacy of regulatory measures even among those sectors which pressed for them. For beyond their immediate troubles in a changed, complex and depressed economy, businessmen and the consider-
able section of the Canadian community which shared their values retained a faith in the beneficence of a market economy. It was perhaps a supreme article of belief. It provided businessmen with a set of guiding first principles within the terms of which was set the direction and tone of their responses to government and society. As it did with American businessmen, the premises of *laissez-faire* economics provided a structure of, "insulated beliefs [which] served as their protective ideology, a source of security in a world of perverse change."59 However varied the interests which frequently divided business groups in struggles for immediate advantage and, however much their practices may have contravened their beliefs, faith in the individualistic market economy provided a central point of reference for Canadian businessmen as well as for a good part of the Canadian community generally. It was this structure of beliefs which reacted against a national system of industrial control from which objections to the NIRA, as well as to the possibility of an equivalent Canadian reform program, were developed.

The apprehension about controls was expressed, for example, by *The Canadian Grocer*, at first sympathetic but later less so, in an editorial comment referring to the NIRA and to the Stevens' Commission hearings;

> There is much to indicate [that] regimentation of business is not to be attained among a people imbued with the principles of a capitalistic economy . . . . Experience with the codes in the United States has much of interest to those who would place all Canadian business activities under regulation. There it has been found that much of the regulation must be ditched as imprac-
tical. It would be folly to run, in the heat of the moment to extreme legislation in Canada and it is doubtful if it would accomplish any other purpose than to put the unemployed to work at the country's expense to police the system set up. Care must be exercised, in protecting those who should be protected, that a premium is not put upon inefficiency. There is a grave danger of individual initiative and resourcefulness being stultified by too much regimentation.60

In this view, government activity should be restricted rather than enlarged. An expanded role for government meant increased taxation, inefficiency, waste and further disruption of the market economy.61

Buttressing the view that government regulation was something to be studiously avoided was the apparent sympathy the New Deal legislation had for labour. Canadian businessmen were as wary and hostile to the promotion of trade unions as were their American counterparts. In the inter-war period unions did not achieve much influence and power in Canada. Union membership declined, little or no active government support for labour was forthcoming and through the thirties Canadian unions "faced much more stubborn and prolonged resistance from employers,"62 than even American unions encountered. As Professor Jamieson has commented, "The conciliatory 'hat-in-hand' policy of the conservative business unions of the 1920's had proved disastrously ineffective in that decade, and even more in the depression 1930's."63 Up to the enactment of Roosevelt's New Deal legislation Canadian business interests had little to fear from the aspirations and demands of Canadian labour. If the position of unions was to be enhanced, positive government support was required
and in Canada the attitude of government towards unions was at best neutral and usually antagonistic. But just as the ultimate effects on Canada of other New Deal reforms were unclear, so were those aspects of American legislation, the NIRA and the National Labor Relations Act, which appeared to be designed to promote the cause of unionism. The NIRA's section 7(a) sanctioned collective bargaining as part of the recovery process and this was a goal for which Canadian labour had long struggled. The NLRA (Wagner Act) extended labour's rights further and made possible the development of industrial unionism during the late thirties. Canadian businessmen feared the influence which New Deal legislation might have on Canadian workers. Furthermore, the apprehension that the American pro-labour legislation might percolate across the border was increased by the fact that both major Canadian labour organizations, The Trades and Labor Congress (TLC) and the All Canadian Congress of Labour (ACCL), publicly welcomed and expressed their approval of the New Deal.

The spectacle of an American President who appeared to be providing active support for, indeed promoting, the cause of labour against the claims of business prompted immediate approval by both the TLC and the ACCL. Especially appealing were Roosevelt's receptivity to labour's claims for improved status, his acceptance of the need for collective bargaining and the general thrust of the NIRA to raise wages and reduce hours of work. A pro-labour national political leader was something to which neither Canadian nor American
workers were accustomed. Both Canadian organizations, therefore, applauded Roosevelt's leadership. Despite the unanimity of their approval, however, there were differences in the responses of the TLC and the ACCL.

The TLC gave the most unqualified support to Roosevelt's actions. Immediately the NIRA was enacted, with the approval of the American Federation of Labor, (A F of L), the editorial columns of The Canadian Congress Journal expressed its firm support for Roosevelt's bold "experimenting with measures already showing results in reducing the volume of unemployment in that country." This had been made possible, The Journal thought, by the organizing efforts and experience of the A F of L which had long prepared the ground for a stronger labour voice in national affairs. With government endorsement, through the labour provisions of the NIRA, further organization could not proceed more effectively. The time was ripe, The Journal concluded for Canadian workers to extend their organizing activities in anticipation that the Canadian government would adopt similar policies.

Some Canadian workers had already been positively affected by the NIRA, The Journal noted, and pointed to the improved position of workers in the newsprint and British Columbia lumber industries, whose operators had accepted NIRA codes, as proof. Further improvement would follow because, Prompted by this lead, and also prodded by the knowledge that prices of imported products are increasing, industry in Canada, according to published reports, is becoming increasingly active. The added spending power placed in hands of the workers by wage increases is
helping to make this a fact with the result that there is a more optimistic spirit abroad than at any time during the past three years.68

Tom Moore, the President of the TLC elaborated on labour's position when he testified before the Stevens' commission. He called on the Canadian government to follow the American lead, allow industries to combine and cooperate with one another, and, above all ensure that,

... workers should be assured the right to form or join trade unions of their own choice, without restriction of their right to refuse to work with non-members of their respective organizations. These unions to be free from employers' control, which is not the case where company unions are formed.69

Moore's position, as that of the TLC which he represented, was to press for Canadian acceptance of a New Deal approach to Canada's depression problems. The TLC Conventions of 1933 and 1934 endorsed Moore's stance, and the Congress' annual petition to the Federal government in 1934 placed strong emphasis on the need for economic planning and legislation to establish national industrial codes of conduct.70

The response of the ACCL was more restrained and qualified as a result of its different organizational base as a nationalist union highly critical of American dominated international craft unions. The dual interest of the ACCL, in Canadian nationalism and in industrial unionism, made the stance of the ACCL somewhat paradoxical. Its nationalism was oriented to the conservative Bennett government's Canada First policies and led it to be anti-American. Its radical
industrial unionism was oriented more to Roosevelt's leadership than to the conservative Bennett.

Like the rival TLC, the ACCL heartily applauded Roosevelt's leadership and his concern for improving the lot of workers. But full approval was tempered by criticism which pointed up the shortcomings of the New Deal as it affected labour. For one, the ACCL's journal, *The Canadian Unionist*, expressed some doubt that the American reforms were fundamental, and considered that the NIRA might be coopted by business and their company unions. The NIRA had brought about,

> An apparent revolution in sentiment and temperament... but since it was effected under the influence of a fear that troubled the plutocracy, as well as the middle class and the masses, it remains to be seen whether there has been a real and lasting conversion. [71]

Moreover, as the NIRA encountered difficulties from late 1933, the criticisms of the ACCL were given substance. Inflation hit workers hard and, as prices were forced up faster than wages, labour's gains were nullified. However the main focus for the criticisms of the ACCL was the conservative A F of L rather than Roosevelt. The A F of L, it was charged, had not taken full advantage of the opportunities given it by the NIRA legislation and had failed to organize the unorganized. Legislation could merely sanction. Improving labour's position in society demanded active organization efforts by unions and the A F of L had not provided the necessary leadership. What Canadian labour needed, the ACCL concluded, was New Deal-like legislative sanction of collective bargaining which it could then make effective by pressing
an active organizing campaign. But despite criticisms, the ACCL, like the TLC, viewed the New Deal as a positive model very much in the interest of workers. They lamented that Canada did not adopt similar measures.\textsuperscript{72}

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The fact that labour found the New Deal favorable to their aspirations naturally reinforced the negative reactions of business interests. Government regulation of the marketplace was something which business feared. But particularly when regulation also possibly meant the promotion of labour against customary business dominance of the economy, the apprehensions were increased. At the center of the controversy was the problem of whether the operations of the economy were going to be restored in their pre-depression form or changed, and reformed, to give a greater voice to social groups other than business.

In the debate, a distinction was struck and a dichotomy identified between economic recovery and economic reform.\textsuperscript{73} In a sense change was reform, at least to those sectors which stood to gain from it. Change presented a challenge to established interests. It also meant a departure from traditional practice. On the other hand, the essence of the argument which emphasized economic recovery on customary lines, lay in the state of mind and the confidence of the business community. Confidence, in turn depended on the possibility and opportunity for making profits. Without the expectation of profits, private capital, which had been
shifted from investments to savings when the economy faltered, would stay out of circulation. While it remained dormant the depression would continue. In order to get it back into circulation and in order to induce banks to lend, the role of the state was defined as one which promoted a healthy business climate which would attract credit interests with money to lend and invest in the expectation of profits. Any action by governments which altered profit potential by raising wages, imposing debt moratoria, financing public works through increased taxation, or anything which increased business costs and reduced profitability, diminished confidence and retarded recovery. Reform measures, therefore, were considered to be self-defeating because they delayed the recovery upon which the viability of a reform program was predicated. Consequently reform must await the restoration of the economy. Within the limits of the argument recovery, of course, meant recovery on the terms imposed by business. As one commentator noted, "The fate of mankind, it seems, must await the rebirth of confidence on the part of bankers and industrialists in the certainty of an event which only comes to pass by the exercise of their own discretion." 74

To Canadian proponents of the recovery argument, Roosevelt's actions in mixing reform legislation with measures designed to stimulate recovery threatened the stability of the economic order. As Sir Joseph Flavelle wrote to R. J. Cromie, the publisher of The Vancouver Sun, if reform was necessary or desirable at all, the time to enact it was in good times
not during a depression when the primary need was to restore the confidence of the financial community. Recovery advocates criticized the premise that economic well-being could be promoted by increasing prices and consuming power through raising wages. Their criticism was epitomized by an anonymous writer in *The Round Table* who considered that New Deal policies,

... by turning the emphasis from labor and the creation of capital by savings, to leisure and the necessity for spending, ... shift[ed] drastically and most significantly the center of gravity of what is left of our nineteenth-century code of morals.

They countered that the way out was to reduce costs, which would in turn stimulate private investment by increasing the potential for profits. To do otherwise and attempt to increase purchasing power before profits was, "obviously an expropriation pro tanto of capital. It destroys freedom of contract."

A number of specific objections to Roosevelt's program developed from these premises. The promotion of trade unions was neither feasible nor just because collective bargaining restricted the power of employers, raised costs, diminished profits and inhibited the free flow of investment capital seeking profits. Consumers were being penalized by increased prices and extensive public works programs were stimulating inflation which threatened the savings of the middle class. Above all, the proponents of the recovery argument objected to the active involvement of the state in regulating business, because the regimentation it imposed violated human nature
and the fundamental laws of economics, and would inevitably lead to further state controls and socialism. Faced with the alternatives of slow and halting recovery through traditional methods, and possibly a faster recovery through a readjustment of the relations between government and business, the advocates of recovery unhesitatingly chose the former. To them, Roosevelt's mixture of recovery with reform was decidedly unpalatable.

The recovery argument had strong support and reflected the dominant opinion in Canada. In a pre-Keynesian economic era in which tradition and past experience formed the foundation of the conventional economic wisdom, reliance on known ways to meet depression problems seemed the only feasible way back to stability. While some conceded that perhaps the American program had been necessary in the early emergency period of 1933 in order to establish the basis for improving confidence and morale, that time had passed by 1934 when the economy began to show signs of recovery. With the economy improving reform legislation could only have a negative effect and retard further improvement. This was why it was said, the Stevens' Commission was so destructive. By diminishing public confidence in the efficiency and honesty of the business community, just when recovery was at hand, the way was prepared for demagogic agitation for reform legislation. And by holding the threat of such legislation over the investing classes the government was delaying their active participation in the economy. In a speech to the 1935 convention of the
CMA Arthur B. Purvis, President of Canadian Industries Limited and later Mackenzie King's choice to head the National Employment Commission, amplified the argument. Until 1934, Purvis thought, Canadian economic recovery had proceeded slowly but steadily and this was due to the united front and consensus which supported an emphasis on recovery along traditional lines. But then, he continued, a "cleavage" occurred as appeals to class interests and agitation for a "reform of the system" split the previously accepted unity of approach. And this was due, he said, to, "an increasing tendency on the part of many in Canadian public life to absorb something of the atmosphere which has so disastrously affected the progress of the United States in the last two years." The depression had occurred from natural causes, Purvis said, and the world was, "suffering from maladjustments in international economic life resulting from the sins of humanity in going to war." The way out also must be through natural processes and not from attempting to apply artificial stimulants especially while the depressed conditions lasted. If reform was desirable at all, and this was doubtful, it must await better times.

In order to re-create the consensus which had supported recovery and which was in danger of breaking down, business spokesmen and others made great efforts to show that Canadian economic recovery was proceeding better and faster than that in the United States because Canada had avoided experimenting with a New Deal. Any economic indices, however compiled, which purported to show that Canadian recovery was
proceeding more satisfactorily than the American were emphasized and attributed to the fact that Canada had studiously avoided Keynesian or quasi-socialist experimentation.\textsuperscript{81} So long as the policy of doing nothing was maintained it was assumed that recovery would continue. "It is notable," wrote Sir Robert Borden to Nicholas Murray Butler of Columbia University,

That without the stimulii that have been applied by Government and Legislature in the United States, we have made in Canada nearly if not quite equal and perhaps somewhat more consistent progress than has been attained in your country.\textsuperscript{82}

And in an article in which he compared economic progress in both countries, Paul Carliss, a writer for \textit{Saturday Night}, wrote that the Canadian experience proved that a policy of allowing the economy to operate according to the inexorable laws of the free market was more effective than one which attempted to plan recovery through government action. "In Canada," he continued,

virtually no effort has been made to regulate industry by doses, no restrictions have been placed on the issuance of new securities; in only a few cases has private enterprise suffered from competition; no direct control has been exercised over the banks which have been left to pursue their normal functions. The Dominion Government has of course found it necessary to contribute heavily to unemployment relief as in the United States and has been forced to come to the financial assistance of the Western Provinces. With few exceptions, however, privately-owned and operated business has been left to steer its own course. Canada provides an excellent example of the economic doctrine of 'laissez-faire'.\textsuperscript{83}

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There was an additional aspect in the comment which gave weight to the recovery argument, and that was the range
of incidental benefits which Canada derived from an active reform program in the United States. The Canadian financial press was quick to point out that while the Roosevelt administration continued with its reform program and maintained an image which could be interpreted as being anti-business, Canada could benefit; so long as the Canadian government did not imitate Roosevelt's programs. With American business and capital harassed by reform legislation, some of that capital would be attracted by investment possibilities in Canada. The Financial Post reported that The Detroit Times was becoming more interested in Canadian business affairs and was planning to expand its financial reporting on Canada to cater to an increased interest among American businessmen. Curbs on American securities trading, it was hoped, would bring American speculators to Canada where exchanges had a much freer hand. A report that New York planned to tax the New York Stock Exchange raised the possibility that the Exchange might move to a low tax area and Canada provided one possible haven. Moreover, many more American industries were reported as planning to open Canadian branches in order to escape from increased wage scales forced on them by the NIRA. Another American study was reported as having concluded that Canada was a good place to invest because its people were less emotional than Americans, because the conservative legacy of Great Britain made the population less susceptible to radical influences, and that with more than one-third of the population under the conservative influence of the Roman Catholic
Church there was much less chance of a major challenge to the conservatism of the government.\textsuperscript{87}

The possibility of beneficial effects from Roosevelt's New Deal reinforced the objections to Canada's adopting a similar reform program. If Stevens', and later Bennett's, inclinations in this direction went unchecked, opponents argued, they would alter the conditions which were necessary to attract disaffected American capital. Sir Robert Borden sent along a letter, which he had received from an American friend, to Stevens which expressed the writer's concern with events in Canada. From reports he had received there seemed to be a movement in Canada leading to a planned economy. "Is it possible," he asked, "or probable that this movement will continue to gain ground and result in a national political control of industry with all the restrictions upon profits implied in our own NRA program?" It would be unwise, he concluded for Canada to embark upon a program of experimental legislation which would destroy its competitive position simply, "in response to an unreasoning public demand."\textsuperscript{88} It seemed doubly futile to embark on a New Deal program just when the American version was in disarray, and the Supreme Court's adverse constitutional judgement on the NIRA was received as further proof that the approach was unsuitable. "As far as Canada is concerned," commented one financial editor,

the United States Supreme Court acted in the nick of time. Disregarding the fact . . . that the NRA in its broad aspects had already proved unworkable, and a
hindrance to economic recovery, the Parliament of Canada was engaged in formulating a similar New Deal for this country.

The American decision, he went on, would force Parliament to act more cautiously and, "If so, Canadian capital and labour will both have reason to bless the august tribunal across the border."87

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If additional proof was required to buttress the recovery argument it was found by pointing out that it was, after all, the British way. American economic policies were viewed as being highly inconsistent and undependable, as well as being essentially wrong-headed, and this fed latent anti-American sentiments long held in Canada. When Washington seemed to be flirting with notions of reform and change, powerful economic interest groups were shocked and they looked to Great Britain and the Empire for their inspiration. Specifically, the policies of the National Government in Britain were appealing because that government had chosen the path of recovery over reform. "We went through a severe crisis in 1931," wrote an expatriate Canadian, who had become a Director of the Bank of England, to Sir Joseph Flavelle:

It brought about a combination of the leading political parties as well as of financial and other groups, and with it there did come in my opinion a change of spirit. When events had reached a point where it was touch and go whether we should go to the right or to the left, it was the King himself who proved the catalyst and brought about the subtle change which made men wake up the next morning feeling that the nation had turned to the right. The thing came quickly and the results were soon apparent.90
Here a number of threads in the recovery argument were brought together. The specifics of the National Government's approach to economic policy, to deflate rather than inflate currency, to balance budgets rather than embark on a national public works scheme through deficit financing, to emphasize the necessity of restoring business confidence rather than harm it with social legislation, to rely on economic liberty rather than regulation and planning, were identical to those advanced by the Canadian financial and business community. But perhaps more importantly, the British experience seemed to provide an example of British character and resolution in the face of adversity which was reminiscent of the Great War. Adversity tested character and when weighed in the balance the American national character had been found wanting because it had panicked and turned away from the tried and traditional methods of the past. The British had met the test, stood their ground as they had in the trenches, and emerged victorious. The 1931 crisis, wrote the editor of The Canadian Chartered Accountant, 

... tested the British political character to the uttermost. The vast majority of the electors there were ready for any sacrifice to restore a sound situation when they grasped the nature of the impending catastrophe. Political parties and party leanings counted for nothing; the nation was battling an enemy which, economically speaking was threatening its very existence; the National government was formed and the whole reaction was to order and sobriety. The courageous action taken by the people of Great Britain at that time, the adherence of her statesmen to the principle of the balanced budget, and the policy of refraining from experiments to hasten recovery have contributed to that advanced condition of prosperity which is the envy of the world. Canadians need to study the example.
It is probably superfluous to note that the appeal of Britain was one of convenience, as well as being somewhat misleading in the circumstances of the thirties. Canadian proponents of recovery wrote of an idealized Britain of nineteenth century vintage rather than one of the contemporary period. They ignored or overlooked the fact that Britain had made fundamental adjustments in economic and social policies a generation earlier to meet the demands of an industrialized society, and they emphasized instead the 'sound economics' of the National Government. But Britain provided an appeal which was psychologically satisfying because it reinforced a Canadian predisposition to criticize the American reform program.

The comparison of Britain with the United States was as much symbolic as real. What lay behind raising the British example was the range of opposition inherent in the debate between recovery and reform. The depression posed a host of baffling problems for the solution of which traditional economic methods seemed inadequate. Reformers of various stripes argued that change and reform were badly required. But new ideas, radical theories and policies of change, for example like those on which Roosevelt seemed embarked, were bound to provoke controversy. They challenged not only firmly fixed values and beliefs, but the economic interests of many powerful and influential groups in Canadian society. To these groups, particularly business, industrial and financial interests, recovery according to the premises of old and
familiar ways was the only practicable and ethical way out of the depression. Their views were influential with government and seem to have reflected the mainstream of Canadian economic and social thought.
NOTES—CHAPTER III

1. Saturday Night, September 16, 1933. The editorial continued that despite the American actions, "We can usually protect ourselves from the worst consequences of them by the exercise of the Canadian characteristics of caution and respect for established institutions."


3. R. G. Tugwell. The Brains Trust, New York, Viking Press, 1968, pp. xxiii-xxiv. The limits of the New Deal are clearer in hindsight than in the contemporary period. These limits have been described by one historian as follows: "What the New Deal did was to refurbish middle-class America, which had taken a dizzying fall in the depression, to restore jobs to half the jobless, and to give just enough to the lowest classes (a layer of public housing, a minimum of social security) to create an aura of good will. Through it all, the New Dealers moved in an atmosphere thick with suggestions, but they accepted only enough of these to get the traditional social mechanism moving again, plus just enough more to give a taste of what a truly far-reaching reconstruction might be." Howard Zinn, The Politics of History, Boston, Beacon Press, 1970, p. 119. For an excellent review of the New Deal and the historical literature about it see, Paul K. Conkin, FDR and the Origins of the Welfare State, New York, Crowell, 1967.

4. R. B. Bennett papers, Vol. 275, Memorandum from W. C. Clark to Bennett, April 15, 1933. There were other direct effects which soon became apparent. For example it was reported that Canadian food importers were experiencing difficulties in getting their American suppliers to ship goods across the border until exchange rates were stabilized. Canadian Grocer, March 10, 1933.


6. The Financial Post, September 2 and October 21, 1933. The paper reported that prominent American industrialists and financiers, backed by Washington, requested
the Cabinet to press Canadian industry to have them follow and adopt the NIRA codes and thereby prevent the underselling of American producers.

7. See W. E. Greening, Papermakers in Canada: A Record of Fifty Years' Achievement, International Brotherhood of Papermakers, 1952; Report of the Royal Commission on Dominion-Provincial Relations, Book 1, Ottawa, King's Printer, 1940, pp. 144-146.


10. As minister of Trade and Commerce in the Bennett Government Stevens met with newsprint industry leaders to consider what steps Canada should take to meet the situation and, although no final policy emerged, there was general agreement that most Canadian producers would agree to conform to the codes. Stevens papers, Box 14, Stevens to O. D. Skelton, nd, with memorandum on the newsprint industry.

11. Greening, p. 32; Bennett papers, 175689-91, M. M. Mahoney to Bennett, October 21, 1933; A. K. Cameron papers, Cameron to F. K. Rhine, March 28, 1934, (Cameron represented some Canadian producers in the United States); Bennett papers, microfilm reel 149, memorandum of telephone message from W. D. Herridge, October 23, 1933.

12. Greening, p. 32.

13. Taschereau was reported as saying; "If the Administration in Washington sets a minimum price on newsprint agreeable to the manufacturers we will do everything in our power to see that the agreement is fully supported by the Quebec producers." The Financial Post, October 28, 1933.

14. Well before the enactment of the NIRA, Pulp and Paper of Canada continually advocated a similar policy for the Canadian industry. See the issues of July, August and November, 1932. Consequently support for the NIRA came readily. See the issues of June through August, 1933.

15. Holt testified before the Parliamentary Committee on Banking and Finance which was conducting an investigation on the relationship of the banks with the paper companies. He was careful to make clear that he thought 'planning' and 'compulsory cooperation' should be confined to the newsprint industry. Pulp and Paper of Canada, June, 1934.

17. F. W. Howay, W. N. Sage and H. F. Angus, British Columbia and the United States, Toronto, Ryerson Press, 1942, pp. 396 ff. The authors commented that, "From the point of view of British Columbia, the United States appeared during the great depression as a fickle customer who had deserted a foreign source of supply in order to maintain employment at home." That, of course, was the general purpose of the NIRA.


19. F. W. Howay et al., British Columbia and the United States; Bennett papers, Vol. 276, H. H. Wrong to Bennett, November 6, 1934. Wrong reported that in October the Washington and Oregon Shingles Association, the code authority, had filed a complaint with the NIRA Import Division alleging violations of the agreements by some British Columbia mills but that the problem was being settled satisfactorily.

20. Hawley, The New Deal and the Problem of Monopoly. J. W. Dafoe visited Washington in May 1934 and his description of the struggle for the control of the NIRA was succinct; "The whole thing is a vast confusion; but I developed a few general opinions. There are three schools among the New dealers; and they struggle to get the ear of Roosevelt for the furthering of their plans. They might be roughly described: The NRA people are in fact for big business and might perhaps be termed fascists; Tugwell and Co., are at least potential communists; while Landis and his lawyer associates are Liberals who believe in dealing with evils by enacting appropriate laws." Dafoe papers, Vol. 7, Dafoe to A. E. Zimmern, May 29, 1934.


23. Ibid., pp. 3-7.

25. Reynolds, p. 11.
26. Ibid., p. 17.
27. Ibid., p. 29.
28. Ibid., p. 53.
29. The inquiry was first formed as a Select Committee of the House of Commons and was transformed after July, 1934 as the Royal Commission on Price Spreads and Mass Buying. Documentation on the inquiry is available in three sources; the Proceedings of both the Committee and Commission, and the Report of the latter, as well as papers collected during the sittings held in the Public Archives of Canada. I refer to both phases of the inquiry as the Stevens' Commission.
32. For examples of the appalling working conditions and low wages which resulted see, the Report of the Royal Commission on Price Spreads and Mass Buying, pp. 105-142.
35. Ibid., also Royal Commission of Price Spreads and Mass Buying, Proceedings, pp. 4266-4267.
36. The Canadian Grocer, August 11, 1933; also January 26, 1934.
37. Royal Commission on Price Spreads and Mass Buying, papers, Vol. 47. The code submitted by the Bakers' Association was criticized by the Toronto Retail Cake Bakers' Association on the grounds that it represented only bread bakeries.
38. House of Commons Special Committee on Price Spreads and Mass Buying, Proceedings, Vol. 1, 1934, pp. 292-294; and Royal Commission, papers, Vol. 57, Exhibit 33; The
Financial Post, September 2, 1933.

39. H. H. Stevens papers, Box 22, R. P. Sparks to Stevens, August 11, 1933.

40. Stevens papers, Box 62, G. S. Hougham to Mr. Sky, April 7, 1936; Royal Commission, Proceedings, p. 355.


42. The Chamber of Commerce considered the feasibility of the New Deal at its annual convention in Ottawa on October 11-13, 1933. Among the resolutions passed was one which expressed the hope that the NIRA would work out in the United States, but that it was not advisable for Canada. See The Canadian Annual Review of Public Affairs, 1934, Toronto, The Review Publishing Co., 1935, pp. 471-472. See also the report of the policy committee of the Chamber of Commerce as adopted by the Ottawa Conference, 1933. (Copy in the author's possession). Also The Financial Post, October 21, 1933.

43. See the Report of the Executive Committee to the Executive Council, October 19, 1933, (copy obtained from the CMA). See also Industrial Canada, July, 1933, January and July, 1934; the speech by the General Counsel of the NAM, Mr. James Emery, to the CMA convention in 1934, in Industrial Canada, July, 1934. The CMA sent much NIRA material to H. H. Stevens; Stevens papers, Box 84.

44. Industrial Canada, July 1934 and the Report of the Executive Committee. Among the differences cited were; the United States was larger, more highly industrialized; had a greater population and was possibly self-sufficient; the degree and extent of the depression was greater in the United States than in Canada; Canada took steps to meet the depression earlier than the United States; The Ottawa Conference had given Canada an Imperial orientation; the Canadian banks had not failed.


46. There was no full agreement among the membership regarding tariffs. In the replies to the questionnaire some industries wanted higher, some lower tariffs. Ideally all would have liked to have retained their protection while other countries lowered tariffs. See, "Suggested Means to Accelerate Recovery," Industrial Canada, January, 1934, pp. 76-78, 116.

47. Ibid.
48. See, for example, *Industrial Canada*, January, July, December, 1934.


51. *Ibid*.

52. *The Financial Times*, August 4, 1933. The paper editorialized that "Providing striking contrast with the program evolved for revival within the United States, the Australian Commonwealth has demonstrated, to the present time, at least, success which may accompany a sincere reversion to the practice of orthodox economic principles." August 18, 1933.


54. *Industrial Canada*, September, 1933. The CMA summarized the responses of; *The Edmonton Journal*, *The Calgary Herald*, *The Saskatoon Star-Phoenix*, *The Financial Post*, *The Toronto Mail and Empire*, *The Ottawa Journal*, *The Winnipeg Free Press*, *The Vancouver Province*, *The Vancouver Sun*. Only the last newspaper gave full approval.

55. Couper's report, which was largely negative, is in the Royal Commission papers, Box 23. See the *Report of the Royal Commission*, pp. 254-258, for reference to the New Deal.


57. The fullest statement of the internationalist argument is in the *Dissenting Report of Mr. E. J. Young*, one of the Liberal commissioners, in *ibid.*, pp. 288-307.


63. Ibid., p. 269.


66. Ibid. See also the similar remarks by Mr. Humphrey Mitchell, M. P. for East Hamilton, *Debates*, 1934, pp. 249-250.


68. Ibid., March, 1934.

69. Ibid. Also *The Royal Commission on Price Spreads, Proceedings*, p. 150.

70. The convention reports and the TLC petition were printed in *The Canadian Congress Journal*, October, 1933, February and October, 1934.


74. John Collingwood Reade, "Central Bank Controversy," *Saturday Night*, April, 1933, pp. 17-24. Another observer concluded that twenty to fifty financiers in the United States could start the recovery process but that they refused to act because they were concerned with the increased power of trade unions and the resulting demands for improved wages. *Saturday Night*, October 20, 1934. For additional comments on the question of business con-
The proponents of the recovery argument were cheered by any sign that Roosevelt might 'swing to the right'. Many thought they detected such signs from 1934 because Roosevelt was being forced away from his initial reform program under economic pressure and mounting public opposition. See, The Winnipeg Free Press, June 22, 1935; The Canadian Banker, Vol. 43, July, 1936; The Financial Post, October 20, 1934; Saturday Night, May 12, October 20, October 27 and November 17, 1934, and July 6, 1935. The editor of the Financial Times thought that such hopes were misplaced because Roosevelt had not cooperated with business as he had implied he would when he obtained a pledge of support from the American Bankers' Association; "Developments since that time have shown how misplaced was the child-like faith with which the bankers absorbed the whispered assurances that the President was really sound at heart, that their support would enable him to 'turn to the right' and that he was the one bulwark between them and the wild radicals seeking to secure control of the country. There has been a growing suspicion among the more intelligent that in giving their passive support to the New Deal and expecting Mr. Roosevelt to turn to the right, they were 'played for suckers'. The administration's five billion dollars spending, and its assault on public utilities, its efforts to further dominate the Federal Reserve system, and its sweeping social security plans have been a severe shock to those who voted for the confidence resolution." May 10, 1935.


77. Ibid., p. 310. It was widely assumed that Roosevelt had accepted the economic prescriptions of Lord Keynes. Ironically neither he nor his chief economic advisers appear to have been unduly influenced by Keynesian economics until about 1938. One student of Keynes has commented that the major fault of the administration's policies was that it did not spend enough to be effective in Keynesian terms, but enough to frighten the business community and diminish private investment. Robert Lekachman, The Age of Keynes, New York, Random House, 1966, especially pp. 112-143.
78. These various criticisms ranged over a wide area and were concerned with what was interpreted as the anti-business approach of the administration. For general comment see, *The Financial Post*, February 3, August 30, 1934, and April 27, July 20, September 7, and 21, October 12, 1935; *Industrial Canada*, July, 1936; *Saturday Night*, June 9, 1934, August 3, 1935, and February 15, 1936. For criticisms of the administration's labour policies see, Bennett papers, H. H. Wrong to Bennett, June 24, 1933; Flavelle papers, Box 22, A. L. Nunn to J. M. Macdonnell, October 24, 1933; *Industrial Canada*, July, 1935, and May, 1937; *The Canadian Banker*, Vol. 44, July 1937; *The New Outlook*, July 16, 1937.


81. See, for example, H. A. Bruce papers, Vol. 1, Bruce to R. B. Bennett, October 7, 1933; *Industrial Canada*, April, 1934 and February, 1935; *Saturday Night*, November 4, 1933, March 17, August 25, October 6, 1934, April 27, June 8, August 3, 1935, May 9, 1936; *The Financial Post*, September 9 and December 2, 1933; September 8, October 8, and 27, 1934, October 19, 1935.

82. Arthur Meighen papers, Vol. 151, R. L. Borden to Butler, June 1, 1934.


85. Ibid., July 7, 1934. *The Canadian Forum* also thought that this was possible but was less sure that it would be beneficial to Canada, June, 1934.


88. Stevens papers, Sir Robert Borden to Stevens, April 23, 1934.

89. P. M. Richards, in *Saturday Night*, June 8, 1935.

90. Flavelle papers, E. R. Peacock to Flavelle, April 18, 1933.

91. *The Canadian Banker*, October, 1934; *Industrial Canada*, October, 1933, February, 1934, and May, 1935; *Saturday
Night, August 10, 1935; The Canadian Chartered Accountant, Vol. 24, April, 1934.

92. The Canadian Chartered Accountant, Vol. 24, April, 1934; See also the Flavelle papers, Flavelle to J. W. Tyson, January 12, 1935.

Chapter IV

THE INTELLECTUAL DEBATE ON ECONOMIC PLANNING

The recovery-reform debate revolved around the question of whether the economy should be restored in its traditional mould or fundamentally changed in the rebuilding process. One alternative to the old laissez-faire ways lay in devising a more rationalized mechanism to guide the economic process. Rationalizing meant planning and in the thirties economic planning became a much debated means by which the economy might be made to function more efficiently and equitably. A variety of degrees of planning was possible. The communist and fascist models, of which many countries took note, represented the extremes to which centralized planning could be taken. Roosevelt's New Deal was another, less extreme, example. Although Roosevelt consciously avoided clearly defined, doctrinaire programs, his New Deal legislation had the effect of enhancing the role of the central government in providing direction to the national economy. Planning by business associations under government supervision characterized the early New Deal years. It proved difficult to try and strike a balance between the demands of planning, which inherently entailed limitations on the open market economy, and the need to preserve democratic traditions and institutions. But Roosevelt's confused and untidy 'third way'
tried to tread the path between a somewhat discredited laissez-faire individualism and full scale state control.

In Canada a variety of individuals and groups actively debated the feasibility and practicability of planning Canadian economic affairs. Economic planning, however, was not widely accepted as being suitable for Canada. The most serious obstacle was the lack of consensus, not only about the objectives and means of planning, but whether planning itself was at all desirable. From the lack of consensus developed a number of specific objections. As in the recovery-reform debate, objections centered on two themes. The first was that the Canadian economy was not amenable to planning because of its diversity, vulnerability and dependence on international trade. The second was the range of ideological objections to the limitations on economic behaviour which planning demanded. The nature and strength of the objections were significant and influential. They prevented any formal governmental commitment to planning in Canada.

* * *

It was perhaps inevitable that the question of economic planning would emerge as a paramount one in the circumstances of the thirties. The topic was one which had not only a purely economic and technical dimension but also involved fundamental philosophical implications. The collapse of the free-wheeling operations of the 'invisible hand' upon which so many economic and social assumptions had previously been predicated was, for many, a severe shock. It was less
easy than it had been in the past to accept the Great Depres-
sion as merely one more in the inevitable series of cyclical
downswings which characterized the movements of a capitalist
economy. Not only did the human effects of the depression
produce intolerable burdens on society, but with the economy
operating at only about a quarter of its potential efficiency
something clearly was wrong with the economic machine. It
seemed to many not only feasible but absolutely mandatory to
search out alternative ways of organizing the basis of life.

But could men reorganize their economic life? Could
mere men plan and initiate a system of economic, and conse-
quently social, relationships which could substitute for the
traditional, familiar and known ways based on the premises
and doctrines of classical, liberal economic theory? To do
so meant moving onto unknown and uncharted ground and con-
sciously altering, or tinkering with, supposedly immutable
economic forces which had been elevated to the status of
natural law. Even among those who acknowledged that change
was desirable, there was little agreement over the extent to
which it should be carried. Was a complete restructuring of
society required; or was it possible to patch up the old
system and make it work more efficiently, effectively, justly?

What new institutional forms would planning demand? What
effect would planning have on accepted concepts of the rela-
tionships of man to man, man to society, man to government?

Was it possible to reconcile the apparently conflicting
demands of planning with traditional concepts of freedom?
What seemed a necessity to some was perceived as heresy by others.¹

A number of imprecise issues were involved in the planning debate, particularly in the vigorous defence of the old ways. Neither planning of economic activities nor the involvement of the state in the process were entirely new. Industrial activity had always required planning, of at least a technical kind, also, government involvement in economic affairs, for example through tax or tariff policies, was a relatively fixed element in the functioning of the economy. But this was planning and government intervention in a relatively uncoordinated manner, directed to ill defined ends, other than those generally accepted within a liberal, capitalist framework; that is, in a blind, undirected search for profits and thereby to the hoped-for equilibrium determined by Smithian economic logic. In Canada, as in the United States, belief and faith in *laissez-faire* economics was strong. But the ideal of a completely free economy separated from state intervention had always been just an ideal. As the twentieth century proceeded, the gap between the ideal and economic reality widened progressively. The gap became most apparent as liberal capitalism evolved into monopoly capitalism. The evolution of ever larger industrial forms through combination, merger and monopoly, with an increasing separation of ownership from control, concentrated great power in the hands of ever fewer individuals. The concentration of economic power, and the industrial planning which larger cor-
porations required, provided effective means by which social
direction could be applied. The question became less one of
whether planning was a reality, than one of identifying who
should plan and for what ends. In the thirties this trend
raised a host of problems which were not merely economic in
nature, but included fundamental moral, ethical, social and
philosophical assumptions to which individuals throughout the
world directed their attention. The debate over the relative
merits of various forms of planning was one manifestation of
an attempt to bring traditional philosophical and intellec­tual
assumptions into a more effective equilibrium with
social and economic reality. It involved a clash between
accepted tenets of the past, based on individualistic liber­
alism, and newer economic realities which seemed to require
newly defined collective action and direction.

Bridging the gap, however, was not a clearly marked
path, or one on which a consensus could easily be attained.
The problem was not merely a technical economic one, it
involved fundamental questions about the nature of society,
the justice or injustice of the existing system, and the fact
that with any fundamental readjustment in the exercise of
economic power some sectors were bound to gain and others
lose out. Disagreement was inevitable. Questions concerned
with the degree of justice in social affairs, the equitable
distribution of wealth and the possession of power cut at
least two ways even, perhaps particularly, in the depression.
The impact of the depression was quite differentiated on
various social groups and quite naturally it was perceived differently. Those who possessed power had no intention of relinquishing it. Even among those on whom the depression fell most heavily, there was a reluctance, an inability, to exchange the perils of the known for the terrors of the unknown. The unknown included toying with the allegedly unchangeable laws of supply and demand. Furthermore, against what standard could the efficiency or the justice of any economic system be judged? The attempt by Russia to create a full-fledged socialist state was one, but it was viewed by most with varying degrees of skepticism and hostility. Was there another? Was there an ethical standard which society as a whole could accept, towards which the economic system could be directed, and against which it could be judged?

There were a great many individuals and agencies concerned with such questions in Canada in the thirties. One institution in particular, The United Church of Canada, became actively involved early in the depression with the moral and ethical dilemmas posed by the economic and social dislocation. In 1932 the General Council of the United Church instructed its Board of Evangelism and Social Service to establish a Commission to inquire into the problem in depth. The Commission's terms of reference were broad and included four specific areas for examination and inquiry:

1. To ascertain what are the Christian standards and principles which affect or should govern the social order.
2. To discover how far current acceptance in these fields are consistent with these principles.

3. To inquire into the ways and means by which these principles may be applied to existing conditions.

4. To define those particular measures which form the first steps towards a social order in keeping with the mind of Christ.

The Commission was located in Toronto while regional groups were set up across the country to provide materials and comment as the study proceeded. The members of the Commission, chaired by the recently retired president of the University of Toronto, Sir Robert Falconer, were primarily laymen representing a variety of interest groups and occupations, including financiers, manufacturers, farmers, politicians, journalists, academics and a labour representative, as well as theologians. The Commission's report which was subsequently published as a pamphlet, "Christianizing the Social Order," was submitted to the Sixth General Council of the United Church of Canada in 1934.

The Commission sponsored a wide variety of papers and studies on the nature of the relations between the church and society, and on the philosophical and practical problems of attempting to apply essential Christian principles to social and economic affairs. These ranged widely, from the purely theological, for example, "The Special Teaching of St. Paul," which attempted to define more precisely the essentials of Christian ethics and principles; through the historical, for
example, "The Teaching and Influence of Christianity on Social Questions During the Nineteenth Century;" to contemporary problems of the thirties in papers on, "Christian Churches and Economic Conditions," "The Church and Social Order," and "The Essential Conditions of a Good Society." 4

One can infer from the papers which were drafted, amended and changed as they went through a series of Commission discussions and deliberations, as well as from the final, rather innocuous, report which finally emerged, that a fundamental opposition emerged among the Commission members on the nature of the contemporary problem and of possible ways of dealing with it. The division underscored the problem as one which went beyond the mere economic but was centrally concerned with the moral and ethical basis of society. While there was general agreement that neither existing institutions nor the ways in which they were functioning were effectively serving the current needs of society, there was division about possible solutions. Disagreement centered on whether the prime medium for change should more properly be the individual, or the overall economic and social system.

The debate over whether the individual or the system should be the focus of change produced an insoluble and circular argument. One problem was the impossibility of determining the extent to which men created the capitalist system, and therefore were able to change and modify it at will, or whether the system possessed its own momentum imposing an order which restricted the ability and the will of men to
subject it to change. The other was in attempting to determine whether 'economic man', motivated by the capitalist search for profits, was compatible with spiritually, altruistically motivated 'Christian man'.

The profit motive was the main obstacle on which the debate founded. Whether the profit motive, and consequently the economic system on which it was based, operated, or could be made to operate, according to altruistic Christian principles, revealed the central problem which progressively and logically separated the proponents of the individual and the systemic arguments. The differences between them became not merely ones of degree, or solely associated with the depression, but represented fundamentally different assessments of the nature and purpose of society itself. The alternatives represented on an ethical and spiritual level basically the same ones produced on the economic level by the recovery-reform debate. And in a country like Canada, which placed a high value on both its Christian and its capitalist assumptions, squaring the circle and finding a balance between the potentially contradictory motivations which drove Christian and economic man was not an easy matter.

The proponents of the individualistic argument saw no essential problem in the capitalistic system itself. While acknowledging that abuses had permeated the system, they argued that this was not due to a fallacy in the system but rather was the fault of individuals who misused it. The solution, therefore, was to devise ways and means by which
the abuses could be corrected or eliminated while maintaining the fundamental premises of the economic system, and the social system which was inseparable from it. This could be achieved by emphasizing Christian principles, by attempting to apply them in economic and business affairs, and by so doing to bridge the gap between the theory and practice of Christianity. "Real progress under the system requires a continual purging of imperfect practices and a continual raising of moral principles," read one summary of the argument,

Industry needs to be moralised—or better, inspired by a finer humanity, a nobler ethic, and a more real sense of obligation to God and man. Only a deeper sense of spiritual realities of the brotherhood of man under the Fatherhood of God can do that. The great need, therefore, is for businessmen themselves, supported by a Christian society, to establish the higher standards of business conduct, to realize those standards themselves, and to insist upon their acceptance, and, if necessary, enforcement, throughout the business community.5

This implied that while perhaps there was a need to chase some of the moneychangers out of the temple, care must be taken not to destroy the temple itself.

However this did not meet the argument that the capitalist system itself was built on the prime motivation of what its defenders called enlightened self-interest, and what its critics variously called selfishness or anti-social greed. The profit motive could produce both positive and negative results. Detecting a fundamental flaw in the individualistic reasoning, the proponents of the systemic argument considered that merely to leave the economy to its own devices, while
trying to infuse business practices with a needed measure of Christian principles, would not be sufficient so long as the prime motivation of the economic system remained that of profit seeking. They argued that the profit motive itself was un-Christian and that the two were mutually exclusive. Moreover any attempt to bring the profit motive within the control and guidance of Christian ethics would, in itself, fundamentally alter the motivations, and therefore the basis, of the system. "To advocate a higher standard of morality for the cure of the difficulties," went the counter argument, is a valid policy only on the assumption that this higher standard will alter both the motives and the methods of the system, and, therefore, the system itself. For business is non-moral; to moralize it or to Christianize it--as all of us would like--is to change its very nature as business. Anything short of this is little more than playing with the problem.

But could not simply 'playing with the problem' produce the desired results; that is, to raise the ethical base of society beyond the level of the profit motive so that business could function in a more socially responsible manner? The logical conclusion of the argument seemed to indicate otherwise because, "it is clear that every such effort on the part of society [social efforts to check economic abuse] is, in a real sense, a contradiction of free enterprise and free industry. We do not proceed by a kindlier application of these principles: we apply exactly opposite principles in order to counteract the results of the system to which we still adhere." The result was, even given the best will to instill capitalist practice with Christian ethics, a baffling
and frustrating paradox. As one of the Commission's papers concluded,

... if we grant, as we are bound to do that the hope lies in change of heart rather than in change of system, in the motive forces of the good will rather than in any mechanism devised by our cleverness, then we are left with the paradoxical conclusion that such a change must itself destroy the system which we merely wish to transform.8

Logically the moneychangers seemed to be not merely occupants of the temple but part of its foundation.

Finding a solution between the individualist and the systemic arguments posed such difficulties that the Commission considered preparing two reports. Disturbed by this prospect, one of the Commission members, W. C. Good, a veteran Ontario political reformer, attempted to devise a compromise by clarifying those points on which there was general agreement.9 Good thought that all agreed that there was an urgent need for corrective action so that the economic system might achieve its proper purpose when "judged by the degree to which it ministers to the general welfare." The main point of difference was one of the degree to which change might be effected, and the time period over which it might occur.

"The most conservative," he wrote, "will admit that remedial action must be taken where glaring evils are manifest, while the least conservative will admit that remedial action cannot be taken over the whole field at once, but should start where the need is plainly greatest." It was an idle diversion, Good thought, to create a distinction between the individual and the institution when trying to locate the proper starting
point for bringing about change. The two elements were inseparable and any process of change had to act on both if any form of progress was to be achieved: "changed people—if the change is real—will bring about changed institutions, while changed institutions must affect character." As to the speed and extent of the desired change, Good agreed that both logic and historical experience demanded a fundamental change in the capitalist system if the Christian ideal was to be attained. However, given the diversities in Canadian society, Good thought it unrealistic to expect quick agreement on full scale change as an immediate objective. Rather, he thought a mid-way objective would suffice. This he defined as a "sub-Christian stage which would proportion men's rewards to their social contributions." Rather than the principle of 'To each according to his need and from each according to his ability', Good thought an immediate goal might be expressed as 'Equal opportunities for all, and to each according to his effort.' In order to reach this goal, a broad range of measures to bring about a more effective social control of industry could be introduced without delay.

The alternative approaches revealed in the Commission's deliberations, and in Good's attempt to reach a compromise, touched on a great many social nerves. For well over a century, societies throughout the world had been attempting to come to grips with new problems which followed the industrializing process. From the late eighteenth century a structure of philosophical, economic and political rational-
izations had evolved which had elevated the concept of eco-
nomic man to the status of revealed truth. While the ideal,
laissez-faire society had never existed in its pure state,
variations which approached it in varying degrees had devel-
oped and constellations of economic and social interest groups
had become encrusted to them. Perhaps more importantly, the
ideal came to be generally accepted as fact, as part of the
folklore of society. Unfortunately for the ideal, the capi-
talist state brought with it a number of untoward effects;
inequality, both of wealth and power as well as the opportu-
nity to gain them, mal-distribution of income and others. The
equilibrium which the economic system was supposed to reach
through the free play of market forces remained an elusive
ideal. However, faith and belief in the efficacy and immu-
tability of the economic laws which underlay the system
retained a powerful hold on public consciousness.

The concern of the United Church was primarily with
the moral and ethical relationships of society but, in the
context of the depression, these invariably impinged on eco-
nomic affairs. Moreover, because Canadian economic affairs
had always been inextricably bound up with liberal capitalism,
questioning economic affairs involved itself with proposals
for change. These included the reform, perhaps the elimina-
tion, of many accepted economic practices and social insti-
tutions. In a society like Canada with its small scattered
population, in the early stages of its industrial development,
and with its mores, values and institutions significantly
influenced by a small cluster of elite groups, the hold of nineteenth century, liberal individualism was particularly strong. The idea that the Church would involve itself with questioning the values on which society was based was, then, extremely disconcerting to those who saw no need for change. Not only did many aspects of the Church's study imply a rearrangement of power and wealth in the country, but they questioned the philosophical assumptions held by many that the capitalist economic system, like the liberal political state, was divinely inspired.

As the largest Protestant denomination in Canada, the United Church included within its membership representatives of the variety of opposing viewpoints. Naturally, reconciling the ideological differences within the official position of the Church posed an insurmountable problem. Not all of its supporters thought that the United Church should dare to intervene actively in what the traditionally minded considered purely economic and political matters. Intimations that financial support for the Church would be withheld were voiced. When, in June, 1933, the Toronto Conference passed by a narrow majority a resolution condemning the capitalist economic system, the pastors of the five wealthiest congregations objected strongly to the tendency to move away from spiritual to more general social concerns. On the other hand radicals within the Church undertook to organize The Fellowship for a Christian Social Order to give a more concerted voice to their demands that the Church separate the needs of
Christian principles from the capitalist system.10

The divisions over the far-reaching implications of the questions raised in the study must have alarmed the Commission itself if its final report is any indication. The report, as perhaps was inevitable as the product of a split committee, watered down most of the radical reform proposals. It acknowledged that all was not well with the current state of society and that a more widespread application of Christian principles in economic affairs was desirable. However it failed to provide any precise guides by which the social dislocation could be overcome. In the circumstances, and given the nature of the problems themselves, it was perhaps impossible for the Church study to produce effective and readily acceptable answers.

Moreover, the divergence between the individualist and systemic positions revealed in the Church debate mirrored the range of theoretical reform alternatives with which Canadian society generally was concerned. In essentially the same terms the essence of the controversy was echoed in the editorial commentary alternatively of The Financial Post and The Canadian Forum, as well as between traditionally minded academics and the fabian intellectuals associated with the League For Social Reconstruction. The nature of the ideas and options themselves had a universal significance. They went to the heart of the matter of whether, and how, men could plan their social relationships so that they could be made to
function more justly and equitably.

* * *

The ethical alternatives raised in the United Church study were metaphysical in essence. Getting down to specifics in terms of devising effective mechanisms by which the economy might be controlled and given direction was another matter. The dichotomy between the systemic and individualist approaches revealed in the church study provided the outer limits to the debate. The most fully developed systemic argument was that devised by the relatively small but highly articulate group of socialist intellectuals associated with the League For Social Reconstruction. Published as Social Planning For Canada, 11 their systemic argument stressed that any approach other than a full recasting of the economic system would be merely palliative and ultimately ineffective. The socialists concluded that the effects of the depression were so widespread and appalling, so unjust and unnecessary, that it was neither feasible nor desirable to reform and restore the capitalist system on capitalist premises. To do so would simply perpetuate a system which had been thoroughly discredited. What was required was a fully planned socialist society. Viewing the depression as, in William James' phrase, 'the moral equivalent for war', 12 Canadian socialists demanded the full mobilization of the nation's resources on behalf of a generalized concept of the social well-being.

The logical opposite to the socialist position was expressed by those who thought it futile for man to attempt
to plan his economic and social affairs. For example, Gilbert Jackson, an economist at the University of Toronto, thought that the cause of the current depression was a combination of individual and national selfishness; the former produced margin speculators, the latter nationalist statesmen. Jackson considered it extraordinary that the times had not brought forth a religious movement to drive selfishness away. The functioning of an excellent economic system had been brought to a halt, he concluded, because of imperfect men and faulty character. A combination of character and the precepts of classical economic science alone could indicate the way out. Moral indignation at the disruption would provide the spur to action and classical economics the specific remedies. To Jackson, both character and traditional economics derived from the same spiritual and religious source, and he thought the depression had a message for both. "We have been apt to think of the depression as, in its essence, an 'Act of God!'," he wrote,

I do not think of God so meanly as to suppose that it was launched for nothing upon an unsuspecting world. The more I think of economic problems the more strongly do I hold to the view that economics is an exemplification of the moral law.¹³

Sanctioned as they were by Divine Providence, Jackson thought the ultimate folly was to tinker with economic laws. "Such sweeping experiments," for example as the United States was attempting, "closely resemble the nostrums of a patent medicine vendor at a country fair,"¹⁴ because they attempted to change the unchangeable, and he warned that churches should
avoid involvement with economic problems. Particularly while in the midst of depression, he cautioned,

There is only one attitude that we can take properly towards our financial mechanism. We must not like children, play with the machine and pull it to pieces; we must leave alone those whom we have made responsible for the conduct of it, against the time when they will feel themselves justified in using it remedially. 15

Between the extremes which these views represented lay a range of more moderate planning options. After all, economic planning was not an entirely new concept by the thirties. In both Canada and the United States the Great War had created a situation which called for considerable planning in order to support mobilization demanded by the war effort. In the post-war period the experiences of Canada and the United States differed. In the latter country a high degree of commitment to planning remained. Devised within national business associations like the Chamber of Commerce and promoted by many prominent business leaders, economic planning schemes were developed throughout the twenties. These schemes were narrow in scope and designed primarily to enhance industrial efficiency and productivity by planning away the vagaries of the open market economy, while avoiding excessive government regulation through forms of self-regulation by trade and business associations. The early phase of the New Deal incorporated many of these planning proposals especially in the self-regulatory provisions of the NIRA. Severe differences arose within the Roosevelt administration over defining the proper scope of government involvement in the
planning process but the idea of planning itself gained considerable influence.\textsuperscript{16}

Although the evidence is sketchy there does not seem to have been a similar commitment to planning by Canadian business leaders.\textsuperscript{17} \hspace{1pt}In Canada, businessmen who had participated in the war-time planning moved away from Ottawa in the post-war period and tried to restore the familiar patterns which had existed previously. As indicated earlier, one reason for this possibly lay in the fact that many of the most powerful sectors of the economy already had developed a high degree of planning through monopoly control or inter-industry production and marketing arrangements. There was, therefore, little need for any formal articulation of planning schemes. In fact such public advocacy could have proved dangerous to business interests because formal associational planning might have produced demands for government regulation on behalf of the public interest. In any case business planning schemes did not gain the prominence they did in the United States. Furthermore during the ephemeral prosperity of the twenties the need for planning did not appear to be great. But when the depression struck, and not only the ethical basis but the economic logic of the existing system came into question, the topic of planning became more germane. If the nation's resources could be mobilized in war and planned towards victory, why could they not be mobilized to combat the depression? The question prompted a search for moderate alternative means by which economic affairs might be
planned.

The debate on economic planning took place in a variety of forms among a fairly small but, later, highly influential group of economists, political scientists, writers, businessmen and others. From 1931 the Proceedings of the Canadian Political Science Association reflected a growing concern with the immediate problems posed by the depression. Beginning the following year the first of the annual conferences sponsored by the YMCA at Lake Couchiching considered the primary topic of the economy and ways in which its functioning might be improved. In the summer of 1933 both the Liberal and Conservative Parties conducted summer schools at which economic planning was discussed. In 1934 the annual study conferences of the Canadian Institute of International Affairs began to consider domestic economic and social matters as well as those concerned with international affairs. In the conference held at Kingston in 1935, for example, some forty-two academics, businessmen and others participated in domestic discussions. The series of international conferences on Canadian-American relations sponsored by the Carnegie Foundation provided another forum at which proposals for economic change, reform and planning were aired.

From these discussions emerged a range of possible moderate reforms which lay between the extremes of a complete rejection of capitalism and restoring the capitalist system to its pristine origins. From a combination of practical and ideological preferences the moderate reformers shared the
basic premise that, while adjustments were required in order to make the system function more effectively, the system of capitalism itself was fundamentally better than any conceivable alternative.

Quite naturally there were differences among the moderate reformers over the degree of change which might be necessary or desirable. One of the most restrained and respected commentators was the Canadian Undersecretary of State for External Affairs, O. D. Skelton. Certainly the most influential civil servant in Canada during the thirties, Skelton thought that any economic system could properly be judged on three criteria: production, distribution and security. Any impartial examination, he wrote, would demonstrate that a continuous line of improvement could be shown in all three categories. The data Skelton used were primarily British and American, but he assumed that the statistics were transferable to Canada and concluded that, while the system had faults, which could be corrected through rational analysis and cautious change, the premises of capitalist economics remained valid and effective. 

Like Skelton, Stephen Leacock, too, thought that the assumptions of capitalism were unchallengeable. Leacock's emphasis, however, was placed on what he considered to be the only fundamental truth of capitalist analysis; that men were motivated by economic self-interest and any attempt to challenge this truth was futile and wrong-headed. But Leacock's dislike for the manner in which the capitalist system was
functioning in the thirties went further than Skelton's relative complacency. He argued that while capitalism had been effective in increasing production, it had also brought with it much injustice and, because it was essentially directionless, went cyclically from crisis to crash. As he wrote:

The economic system of natural liberty as expounded from Adam Smith to Alfred Marshall could give social justice only to a very primitive society with unlimited resources. In the modern world it was, as social justice, mere nonsense. It helped to keep the poor in their place and to reconcile the decent rich to being rich.  

While acknowledging that the operations of modern capitalism required readjustments, Leacock did not spell out in detail the institutional changes he thought necessary. His commitment to the strictures imposed by the self-interest motivations of 'economic man' limited the range of reform options which logically could have followed from his critique. The individual pursuit of self-interest ruled out any economic system based on social altruism and Leacock was left with necessarily vague notions of harnessing the sum of individual self-interests to a generalized higher purpose. "What we need," he concluded,

is not a new game but a new set of rules—like widening the wicket at cricket and allowing the forward pass at football. The secret of the future lies in short hours, high wages, in regulation of the production of basic commodities and under it and through it all the fundamental idea of every man for himself. 

Within the group of capitalist reformers, of whom Skelton and Leacock were a part, a consensus of sorts emerged over the objectives to which reform could be directed. The first was to devise means by which the basis of the capitalist
system could be retained, while making it perform more efficiently and with less injustice in order to provide for greater social equity. Greater efficiency demanded the preservation and better direction of the profit motive; while new means were required to stabilize the economy and establish an equilibrium so that the cycles of the market economy could be made less disruptive. Social justice required that some radical critiques be adapted and combined with the essential elements of the old system to make it work more equitably.

Within these generalities the problems associated with capitalist reform could be approached from a number of directions. One possibility, which possessed considerable appeal, was to adjust monetary and fiscal policies, through planning, to counter one of the most damaging features of the depression, the severe contraction of the money supply. In the United States, Roosevelt began to manipulate gold prices to stimulate inflation in the fall of 1933 and early in the following year he raised the base price of gold by some seventy per cent. This inflation, combined with modest deficit financing by the federal government, had a positive effect in stimulating the American economy. It also had a spill-over effect on Canada, especially in promoting an expansion of the gold mining industry. In Canada, the need to provide for more effective control over monetary policy led Prime Minister Bennett to investigate the feasibility of, and finally to create, a Canadian central bank. By the forties
the governments of both the United States and Canada had begun to accept Keynesian counter-cyclical economic theories and were better able to adjust their monetary policies to the needs of their economies.

In the early thirties, however, Keynesian economics were still considered heretical. Even more so were a number of more radical monetary reform schemes. In the United States one of these was promoted by Dr. Francis Townsend. Through his program of Old Age Revolving Pensions, Townsend proposed to solve one aspect of the lack of consumer power by issuing monthly pensions to elderly citizens on condition that the money distributed be spent within the month of issue. In Canada, the most spectacular monetary reform program emerged through the guise of the social credit movement. Social credit was the economic theory articulated by the British engineer, Major C. H. Douglas. Douglas' economic scheme was designed to stimulate consumer purchasing power by using the authority of the state to expand credit. The center of Douglas' theory was his A+B theorem whereby A equalled wages and B represented the overhead costs of production. Douglas reasoned that when a manufacturer sold his product he had to include wages, overhead costs and his profit in determining the selling price. Because the wages of workers were only a small part of the total cost of production, it followed that workers could not receive sufficient return to permit them to purchase enough goods to keep the economy moving. Social credit called for making up the lack of purchasing power, the
difference between wages and selling prices, through the dis-
tribution of 'social dividends', or credit authorized by gov-
ernment, directly to consumers. Rather than backed by gold,
the increased amount of circulating money would be based on
the unexploited natural resources of the country.29

With its natural appeal to debtors and potential,
but money-less, consumers, social credit seemed expressly
designed for the economic difficulties which beset the Canad-
ian prairies during the thirties. The prairie population was
the most seriously affected by the depression. Dependent on
export wheat sales and mortgaged to Eastern Canadian banks,
Western farmers were easily persuaded that the solution of
their problems lay in using the authority of the state to
increase the amount of money available to the consuming
public. When social credit theory was joined with the funda-
mentalist appeal of William Aberhart in 1935, the electorate
of Alberta returned the first Social Credit government.

Although social credit doctrine implied that some
measure of capitalist institutional change was necessary, it
did not provide a fully developed systemic social critique
as, for example, socialism did. While Canadian socialists
aimed their attack on the system of capitalism, social credi-
tors focused on the misdeeds of Eastern bankers and financiers
whose distant money manipulations wrought havoc with the needs
of Westerners. The regional orientation of the social credit
movement, as well as the nature of its economic theory,
limited its appeal and it remained primarily representative
of Western alienation. Moreover, the overall impact of social credit control of the provincial government of Alberta was diminished because monetary policies were effected at the national level. When Aberhart belatedly attempted to implement social credit doctrine, the federal government disallowed much of the legislation. Subsequently the Aberhart government set social credit doctrine aside.30

The social credit movement was a unique phenomenon. Its emphasis on inducing inflation through the issuance of dividends bore a resemblance to other expansionary proposals which were in the air, but only a superficial one.31 While social credit theory was radical enough to frighten the Canadian financial and business community, the movement's preoccupation with monetary change ignored the many other social and economic problems which the depression revealed. Thus it played only a peripheral part in the debate over economic planning. In that debate the capitalist planners were primarily concerned with attempting to define new institutional forms which would provide more effective social control of business and industry. This went beyond monetary policy. The problem lay in reconciling the potentially contradictory claims of 'social control' and laissez-faire assumptions which permitted businessmen to function according to their own perceived self-interests without regard to more general social needs. This was a difficult circle to square. The most comprehensive attempt to devise such a system was that devised by two of the moderate capitalist planners, Francis Hankin, a
Montreal businessman and T. W. L. MacDermot, a lecturer in history at McGill University. Their analysis, published in 1934 as *Recovery by Control*, is worth considering in some detail because it touches on most of the major points of the economic planning debate.

Hankin and MacDermot began their analysis by identifying what they considered to be the fundamental motivation which governed human behaviour. "The first general fact," they wrote, "touching every individual and every organization in our community is that he is primarily self-regarding in everything. This deeply rooted and universal motive is responsible for what we call individualism." At the same time, "The second equally conspicuous fact is that of association itself, or co-operation, or combination, or union, whatever we like to call it." While superficially the two seemed at odds, they concluded that in fact they were not so at all; "For it is a paradox that mankind is always discovering that the road to liberty lies through the gate of co-operation." The problem, and this had become painfully apparent in the depression, was that imperfections in human institutions had brought the two into collision. The solution lay in devising means, and institutions, to harness the best aspects of both instincts in pursuit of common social ends.

Government action, they thought, was required to bring this about and there were two alternative methods available to governments. The first was the authoritarian, in which they placed a variety of types, Conservative, Fascist,
State Socialist, Communist. Although the types were distinguishable they shared the common characteristic of authoritarianism. The second, which they termed 'Socialarian', was, "a power which sanctions and permits whatever society as a whole pursues, rather than as an authoritarian craftsman working his will on a docile humanity." This, they thought was the only method suited to Canadian democracy, and it provided the framework within which the self-regarding and associational trends could be made to work together rather than in opposition. Such a framework would derive its legitimacy from within and could preserve the best of both because the Socialarian,

... rejects an authoritarian state because he is partly an individualist; he does not reject authority. But let that authority, the authority of the general good, come as far as possible from the convictions of the individuals who made society and you will have the self-controlled authority which is the secret of true freedom. Out of the chains of organization in all forms of social and economic life can be woven a coat of mail with which society will protect itself. Why, they asked, may not government be a co-operative organization of all our organizations in which the spirit of individualism is coming to find itself identical with that of co-operation.

The ends to which the Socialarian economic system were to be directed, and the criteria by which it would be judged, were the interacting and interdependent factors of efficiency, equity and social welfare. All three were held to be equal in importance because the purpose was to,

... create an economic system which, unless it is efficient, defeats its own purpose; unless it is
equitable, can be neither efficient nor just; and, unless it takes thought for the physical and social welfare of its workers, condemns itself as past empires and systems have done, to dissolution or decay.\textsuperscript{39}

Ultimately, the authors thought, all sectors of the community would come to accept the degree of co-operative self-control which would be required to make the system work, and which would lead to an increase in the general welfare. But in the short run because, 

\ldots vigorous as the co-operative spirit may be, it has not yet conquered all the anti-social members of society by any means, and unchecked privilege of many sorts continues to work its evil way on the economic and social life of us all \ldots \textsuperscript{40}

some forms of compulsion would be necessary and this would require some measure of governmental social control of private enterprise.

The structure of social controls which they envisaged was a moderate and flexible one. While some degree of planning was both desirable and necessary, the complexities of modern economic life, and the many conflicting interests in the country, precluded the adoption of any detailed plan. Such a plan, they thought, would soon founder as unforeseen developments occurred, and it would involve too much compulsion and central direction. Rather, the federal government should limit its involvement to creating an economic council made up of representatives of the major functional groups in the country, agriculture, banks, manufacturing, labour, the professions, etc. Members would bring to the Council expertise, and would maintain close contact with their own interest
group associations. The Council's role was to be a limited one, almost entirely advisory, but this would be sufficient, the authors thought, because the main planning initiatives would, and should, come from the associations themselves rather than from government.41

The authors' recommendations for industry were developed in two areas. First, publicly owned or regulated sectors, like railways and public utilities, would remain as they were; but in order to increase their efficiency, much greater care had to be exercised in appointing better qualified individuals to the government bodies which regulated them. Secondly, the main requirement for the private sector was a modification of anti-combines legislation. They agreed with many in the business community that the main effect of current legislation was to promote monopoly through amalgamations, while it restricted inter-industrial planning and cooperation. In their terms, the restrictions limited one of the two primary motivating trends, that of the human need to associate and cooperate. Industrial cooperation through the medium of trade associations was preferable, because it provided an element of rationalization in business affairs, which in turn increased efficiency. But allowing industries to regulate themselves would also, "mean almost unlimited opportunity for exploitation."42 To limit this possibility, and to balance efficiency with due attention to equity and social welfare, government supervision would be necessary. One way to apply this was through a system of price controls
to limit and control profits. But Hankin and MacDermot rejected this approach because monitoring controls would be too complex a process and it would also raise constitutional problems best avoided. Instead they thought that control could be most effectively applied through the taxing power of the Federal Government.43

The effective use of the taxing power, they thought, would provide a variety of inter-connected benefits and could be directly related to the associational organization which would accompany it. They suggested that the federal government ask all major industrial groups to create, if they had not done so already, associations to represent their interests. The associations would then draw up their own codes of conduct which would include provisions to control and allocate production and to fix prices. This would provide for the rationalization of resources and the stability industry was seeking. But it also would lead to consolidating the power of monopoly and monopoly-type industrial groups. So the taxing power would be applied to curb any manifestations of social irresponsibility which might follow. The authors suggested that a profit margin of about eight percent would be reasonable. All profits above that figure would then be subjected to a severely graduated excess profits tax. Such a method, they thought, would positively affect all three of their basic criteria of efficiency, equity and social welfare;

Excess profits taxation, gradually and experimentally applied would have most important results. It would help to keep prices at a reasonable level; it would result in
increased wages and therefore an enlarged purchasing power for consumer goods now so disastrously lacking; it would diminish speculation; and finally and most importantly of all, it would submit private enterprise to the same social treatment and control as that now exercised over the privately owned public utilities.44

The combination of associational planning and excess profits taxes was the most important of the proposals advanced. The authors included others; the need for greater uniformity of provincial social legislation, either through constitutional amendment or improved inter-provincial coordination; a central bank better to regulate monetary policy; the need for labour participation in the planning process (although they only vaguely referred to the subject of collective bargaining); the wider use of provincial boards to stabilize the marketing of agricultural products. But the major thrust of their proposals centered on the industrial associations from which the whole scheme would receive its impetus. And here they referred back to what they took to be the universal human need to combine, associate and cooperate for mutual advantage. The evidence for this they found in the large number of associations of like minded individuals which already existed in Canada. For example, in the industrial field alone, they identified some eighty trade associations already in being with a membership of about 12,000.45 This was repeated in all economic, professional and service sectors in the country. They took it to indicate that men, including businessmen, wanted and needed to associate, cooperate and work together as social beings. This happened
despite the strong push of the self-regarding motive which underlay economic man and the free enterprise system. What society as a whole required was to capitalize on the individualism and initiative which were derived from self-regarding, while curbing the negative aspects which led to greed and anti-social behaviour. But rather than curbing through the coercive power of the state, as state planners advocated, Hankin and MacDermot thought that the existing structure of co-operating associations could be made the basis for building a national cooperative venture. The role of the state was to act as sort of referee applying a flexible form of social control.

The system of social direction and control which Hankin and MacDermot advocated was similar in many respects to the American New Deal in its early NIRA phase. Both accepted the premise that the existing capitalist structure should be retained, while action was required to eradicate some of its more flagrant anti-social abuses. The means also were similar: to stabilize the economy by working through existing organizations. Although it is difficult to establish a direct connection, it seems likely that the authors were influenced by the many associational planning schemes which were developed in the United States in the twenties. 46 They reached many of the same conclusions that the old laissez-faire economy had been replaced by a quite different structure. The thrust of their proposed solutions to the economic problem was also similar.
Because their book was largely written before the early Roosevelt measures were enacted there is little direct reference to the New Deal program. But as the outline of the New Deal became clearer in the summer of 1933, MacDermot, for one, became a highly enthusiastic supporter. Here, MacDermot thought, was a dynamic leader giving shape and form to a plan, like his, which was reasonable and one which could prove effective. He commended it highly to Canadians. Speaking to delegates at the First Liberal Summer Conference in Port Hope in September, 1933, MacDermot said that the principles on which Roosevelt's actions were based were,

Completely applicable to Canada, they appeal to the emotional demands of the day, and to the canons of common sense. They harmonize with the note in Canadian thought, the claim and desire of all Canadians to join democratically in the economic and political salvaging of their country. They touch, too, the springs of hope and are capable of releasing a tremendous political force. They are based on a belief of humanity, and are founded on the facts of our lives, and their objectives answer to the deeper satisfactions of the common man.

To MacDermot, Roosevelt's actions seemed to be a practical expression of a theory of Recovery By Control.

* * *

In the following year a Sarnia businessman, Eric Harris, published his *The New Deal in Canada* which was another attempt to provide for a Canadian system of capitalist planning. Harris' proposals show an influence from both Hankin and MacDermot and from the New Deal. From the former, Harris accepted the scheme for industrial planning combined with profit restrictions enforced by means of the taxing
power. From the latter, Harris accepted the general, under-consumptionist, analysis of the New Deal. While the American experiment could not be followed in all its parts, Harris thought, Canada could develop policies to set its own house in order. To this end he considered the American example was one which was useful; however he cautioned that the details had to be designed to conform to Canada's peculiar condition.51

The first of Canada's peculiar conditions, he thought, was that Canada must accept a world based on economic nationalism as a fact of life. Not only did this restrict international relations but, because tariffs had always played such a large role in Canadian economic life, strong consideration had to be given them in any plan of adjustment. The second condition was the need to provide for foreign markets for Canada's agricultural products. The problem was to devise policies which would take into account the conflicting needs of economic nationalism and international markets.52 Harris' solution was similar to that of the planned internationalism of Henry Wallace. A Federal Government agency was needed to provide for "Export and Import Management". The agency would be given authority to control the types and quantities of goods which would be available both to export and import. Foreign markets would be arranged through the agency on a bilateral basis with countries which needed Canadian farm products, and which produced goods needed by Canada. This would require some adjustments and reductions in tariff rates which industry must be persuaded to accept for the general
good. Those industries which had a high social value would be allowed to retain a measure of protection. The coordination of which were to retain and which were to lose their tariff protection would be arranged by the Federal Government. The major problem with the old system of tariff protection, Harris thought, was that it was unplanned and directed to no useful social end. Demands for unlimited protection had penalized primary producers, reduced money available for consumption, and made it difficult to export goods which provided consuming power for the bulk of the population. Planning exports and imports, and adjusting tariffs, he thought, would overcome the problem.\textsuperscript{53}

Harris' reasoning developed from his assumption that the prime problem facing Canada was the decline in the amount of money available for consumption. His proposals to stimulate exports were designed to increase the circulating money supply by putting more money into the pockets of farmers. For example, he thought a system of "Controlled Capitalism" required that investment be regulated by government. By taking firmer control of stock exchanges, and directing capital investment to socially productive ends, wasteful duplication could be eliminated and a good portion of the national wealth could be diverted from savings to increased consumption.\textsuperscript{54} In addition, one of the factors which reduced consumption was the small Canadian population. Therefore, Harris concluded, it was unproductive for the government to deport people but rather it should improve social conditions and
actively promote immigration. Finally, he thought, a measure of inflation would be required in order to restore the balance between debts, prices, and income, to the 1926 level. This could be done most effectively, he thought, by reducing the gold content of the dollar and beginning a major program of public works.

Harris' plans demanded that a number of Federal Government agencies would be needed to coordinate all the facets of the recovery program; a publicly owned Central Bank to regulate the money supply; an Investment Commission to channel investment; an Export and Import Management Commission to analyze and plan domestic and foreign requirements; an agency to oversee industrial and business plans; a Federal Public Ownership Commission to recommend in which economic sectors public ownership would be most beneficial. To coordinate the operation of these agencies on a national level, Harris proposed the creation of a National Economic Council with both advisory and positive supervisory functions.

Harris' proposals went much further than did those of Hankin and MacDermot. For one thing he had their analysis to work from, as well as the practical example of the New Deal in the United States. He also gave a much more prominent place to international and trade factors which limited the range of possible Canadian planning experiments. These led him to increase the role of government greatly beyond that advanced in *Recovery By Control*. Hankin and MacDermot's associational planning was, in a sense, a first step from
which, they assumed, a number of benefits would flow. Harris elaborated on the next steps, and, he thought, "It is the only policy which adequately takes into consideration those controlling facts which must be recognized."57 One of the controlling facts, foreign trade and external markets, was paramount, and from a plan which adequately met this problem a great many other steps could follow. He concluded that,

... the Government must take control of exports, stop non essential ones, and find markets for the balance by barter and specific trade agreements with other countries. Through legislation which will force a greater share of produced wealth to the mass of the people, and prevent too great concentration of wealth in a few hands as has been the case in the past, it must attempt to build up the consuming capacity of the people, in order that greater imports may be consumed, providing thereby the outlet for greater exports. Such a dissemination of wealth will not only increase consuming power to the general good, but will also create conditions whereby it will once more become feasible and proper substantially to increase the population of the country through immigration.58

* * *

The detailed proposals by Hankin and MacDermot and by Harris were important in the sense that they presented valid analyses of the Canadian economy and provided recommended solutions through planning. But although their books were frequently reviewed and seem to have been fairly widely discussed, their proposals do not seem to have had much influence. The authors' enthusiasm for planning was not widely shared even among the other moderate reformers. Most were more cautious. There was, for example, general agreement that an economic advisory council might be advisable. A council could collect and analyze data on which governments
could call in formulating economic policy. But even here, individuals and groups differed over whether an economic council should possess merely advisory authority or be granted executive power to implement economic plans. The summary of the discussions of one study group of the Canadian Institute of International Affairs underscored the potential problems which any economic planning body would face. Not only would it be difficult to locate competent planners, the study warned, but implementing plans in Canada would be an extremely complex process. While the relatively self-sufficient United States could possibly afford to experiment with planning, the fragmented and vulnerable Canadian economy was less amenable to central direction. Consequently, beyond endorsing an expanded, though unspecified role for the federal government, the study could only recommend that it "would be wise to make haste slowly." 59

The central problem which all the moderate planners faced was in devising and implementing plans to control the economy while retaining democratic forms and institutions. A necessary condition for this was to identify plans, and planners, which would be acceptable to the various regions and interests in Canada. A social and political consensus was necessary in order to support whatever plans were devised. This was a difficult process. In time of war a degree of economic planning had been accepted because of national need. But the war analogy to which some pointed was not readily transferable to the conditions of the depression. In war the
enemy was readily identified. War produced, at least on one level, social and political cohesion.60 The depression, however, exacerbated regional, class and ideological differences which obstructed the formation of a consensus which would give support to planning goals. The nature of the Canadian economy provided the framework within which the differences were emphasized.

In the thirties Canada's dependent economy was particularly vulnerable and fragile.61 The early period of industrialization based on the National Policy of railway building, wheat production and protective tariffs had worked well enough initially. But it left a legacy of internal contradictions for which major readjustments were required by the end of the Great War. The optimistic development of railways left an extremely heavy debt load and an overextension of carrying capacity for a small population. The rise of newer, provincially based industries, as well as the unwillingness and constitutional inability of Ottawa to provide coordinated direction for industrial development, resulted in a fragmentation of the nation's economic life. That the lines of most of the newer provincial industries ran to the United States rather than along the East-West axis of the old National Policy, compounded the fragmentation. The Canadian economy developed into a collection of regional, staple producing, dependent economies in which,

Large parts of Canada are amazingly endowed for the production of some one thing only. Over a great part of the West it is 'wheat or nothing'. In large areas of the
northern parts of central Canada it is 'pulp and paper or nothing', or 'copper or nothing'. And so it goes on. Vast areas of Canada which under a happy conjunction of economic events are great sources of wealth, simply have no alternative economic activity.\textsuperscript{62} There was little in the way of an overall developmental strategy, comparable to the old National Policy, to coordinate the variety of disparate activities towards which the concerted efforts of the country as a whole could be directed, and in which all regions shared mutual interests. The economic parts and regions were largely dependent, not on each other, but on outside markets and external forces.

The regional economies were primarily based on the export of staple products over which they had little internal control.\textsuperscript{63} The production of wheat was subject both to natural forces and to a price level set on world markets. The price for pulp and paper was largely set by demand in the United States, as was that for industrial minerals. So long as foreign demand was maintained the exposed position of the export economies could be disguised. But when the depression hit, as world industrial production trailed off, and as foreign markets were closed by tariffs, the dependence and fragility of the regional economies became apparent. As foreign markets disappeared, bringing down the price level of raw materials, those sectors of the economy dependent on exports were left virtually defenceless.

At the same time a strict rigidity characterized other sectors of the national economy. Producing primarily for domestic consumption, the manufacturing sector, located
overwhelmingly in Central Canada, was dominated by a relatively few large firms many of them firmly protected by tariffs and carrying a large burden of fixed, overhead costs. The combination of debt, monopoly, and tariffs provided an internal price rigidity for manufactured goods which was the opposite of the widely fluctuating international price level to which primary producers were subject. In addition, because Canadian economic development had been financed largely by borrowing, the fixed costs of servicing both governmental and corporate debts were high, and this further exacerbated the rigidity.64

The national debt structure compounded technical rigidities and therefore the difficulties in applying adjustments.65 As with the dependence on foreign markets Canada was also dependent on foreign capital, traditionally on London, and in the post-war period on New York. By 1933 more than half the government's bonded debt was optionally payable in foreign currency, in pounds or American dollars. Given the contemporary assumption that the country would remain dependent on the importation of foreign capital, the servicing of the foreign held debt was granted first priority in the expenditure of government funds. The maintenance of the national financial integrity, in order to retain a solid credit rating with foreign bankers, was a prime article of faith of both major parties. But with a firm commitment to avoid compromising the future availability of foreign funds, the possibilities for flexibility in the country's economic
response to meet the demands imposed by financial contraction were severely restricted.\textsuperscript{66}

Internal aspects of the debt structure also limited the range of response. As Professor Deutsch pointed out in 1940,\textsuperscript{67} the war-time government of Sir Robert Borden had had two options open to it to finance the extraordinary expenses of the Great War; taxation or borrowing. The latter method was adopted and the bulk of bonds floated were purchased within Canada, the vast majority of them by large financial institutions and wealthy individuals. This left a large burden of outstanding debt in the post-war period. It also involved a significant transfer of wealth, from the majority of less wealthy Canadians to the wealthier sectors of the community, because the repayment of the bonded debt had to be funded from general tax revenues.\textsuperscript{68} Thus the entrenchment of a powerful rentier group, with a strong self-interest in the maintenance of the existing debt structure, increased the opposition between creditors and debtors and intensified class antagonisms already present. Furthermore, because the rentier interests were located in Central Canada, against which Western monetary reformers railed throughout the depression, regional fragmentation was increased. It made practically impossible the adoption of national monetary policies which would be both acceptable to the general community, and economically helpful in getting the economy moving. Current policies obviously were not working effectively, commented one economist because,
Given the existence of a large public debt and an unwillingness of the rentier classes to invest their interest receipts in new enterprise, the collection of taxes from the masses to be paid over into the idle savings deposits of the bond-holders represents a deflationary process of the first magnitude.\(^69\)

But adopting policies to counteract the deflation was bound to produce a reaction from powerful sections of the community, because,

If there is a lesson to be learned from it, [the depression] it is the extreme tenacity with which these sheltered classes cling to their special privileges in the face of a great rise in the purchasing power of money and the even more spectacular fall in the incomes of the exposed classes in the export industries and elsewhere.\(^70\)

With a fragile economy largely dependent on forces and trends outside its immediate control, and with a range of internal opposition of interests, the problem of defining the depression in terms of a 'moral equivalent for war' was perhaps an even more difficult process in Canada than it was in the United States. While all looked for economic improvement, there was little agreement on the means by which it could be attained. Some degree of more active leadership on the part of government seemed to be indicated, and this possibly meant some form of economic planning. But piecemeal planning to correct narrowly defined, specific defects, wrote Henry Angus, of the University of British Columbia,

... is probably the only type of planning which is practicable in Canada today, because the sphere within which governmental planning can be effective is limited by the extent to which substantial unanimity of opinion prevails in the community.\(^71\)

The range within which 'substantial unanimity of opinion prevails' was extremely confined. Regional interests
clashed; sympathy with the plight of debtors was not enough
to persuade creditors to sacrifice their opposing interests;
provincial governments had no intention of turning their pre-
rogatives over to Ottawa; free-traders and protectionists
viewed the country's problems from quite different prespec-
tives; agricultural and manufacturing groups each equated
their own interests with the primary national interest.  

The first requirement for any type of economic planning was
an overall objective to which plans would be made to conform.
This was almost impossible to conceive in the circumstances.
And even granted the possibility of defining the aims and
objectives of planning, the question of ways and means, of
identifying who would plan, remained as obvious points of
potential disagreement. This was worrisome to some who, like
Harold Innis, saw the necessity for direction but also some
practical problems which it entailed. "The specific charac-
ter of the Canadian economy," Innis wrote,

demands specific types of control. General remedial
measures applied to the economy as a whole are limited
because of the varying characteristics of basic elements
of the economy . . . . Those who object to proposals for
control must present the case for an economy responsible
for the present unfortunate conditions. They will find
the farmer, the labourer, and the capitalist difficult
to convince. On the other hand the state of the social
sciences will not support the arguments of those who
favour the introduction of strait jackets.  

In more strictly economic terms, Innis' and Angus'
conclusions were similar to those reached by Good; some middle
way must be found between the extremes of leaving things as
they were, and adopting plans which would restructure com-
pletely the basis of Canada's economy, and hence society. This necessarily involved finding an acceptable balance between individualistic and collectivist norms, and devising policies to implement and maintain the balance. Like Good, moderate economic planners found themselves caught between the arguments of the systemic reformers who emphasized the futility of attempting to reform capitalism, and those who acknowledged neither the need nor the desirability of tinkering with what were considered to be immutable, capitalist economic laws.

In the circumstances it was extremely difficult if not impossible to generate a consensus in Canada which would press for and support economic planning. The problem of identifying who would plan and to what ends remained insoluble. The lack of consensus also strengthened the position of those who objected to planning on strict ideological grounds. As one prominent economist has commented about more recent planning experience,

I firmly believe that effective economic planning is more likely to be handicapped in the future by deeply ingrained prejudices about what governments should and should not do than by our inability to determine what correct economic policy should be.74

In the thirties the many practical objections to planning were supplemented by ideological criticisms based on 'deeply ingrained prejudices'. They were largely similar to those raised against reform in general. Planning entailed rearranging economic relationships and the notion offended influential policy makers and powerful interest groups.
Raised in a world in which the free-enterprise economic model was accepted as the dominating reality, the non-planners saw no reason to challenge fundamental precepts of the past simply because the economy had faltered. The way back to prosperity, and order, they argued, was to refrain from tinkering with economic laws, restrict government activity to balancing budgets, reduce taxation, avoid expensive and unnecessary relief programs, and allow the economy to right itself as it had inevitably in the past. Above all, there was a primary need to reject impractical notions that men could, or should, attempt to plan their way out of the depression. Planning, they remained convinced, would mean the extension of government involvement in the economy which would, in turn, restrict individual economic and political freedoms.  

There was a strong fatalistic bent in the arguments of the non-planners. They rejected the idea that man could effectively plan his economic activities counter to the dictates of immutable economic laws. Also implicit in the strictures was an anti-intellectual theme. Economic planners were seen as being committed to Utopian, unproven theories which were completely divorced from the real world in which business decisions were taken. Academic theorists who attempted to plan economic activities from newer, theoretical bases came in for sharp criticism because they were viewed as meddling in affairs about which they knew nothing because they had had no practical experience in the world of business. Universities and schools which harboured such potentially
dangerous theorists were advised to limit such heresies. The criticisms were directed impartially towards the 'Brains Trust' which was assumed to be directing the wrong headed policies in Washington and to what was perceived to be its Canadian equivalent, especially those intellectuals associated with the LSR. Rather than toying with impractical, idealistic schemes which demanded positive government direction, or meddling, the non-planners remained committed to their familiar *laissez-faire* ideals.76

* * *

Judged by results, economic planning did not obtain widespread acceptance in Canada during the thirties. Not only was socialist planning rejected but the ideas of the moderate planners were also viewed as being unacceptable. Not until the nineteen-fifties was an Economic Council established and even then it was assigned only an advisory function. Few effective efforts were made to provide a mechanism which could give national direction to the economy. Rather, the attenuated *laissez-faire* model was retained as the basis for Canada's economic relationships. Regional, class and other differences prevented the definition of a national consensus around which economic plans could be structured. The divisions which clouded a consensus were argued in terms of the vulnerable structure of the Canadian economy and the ideological difficulties which planning involved. Economic planning involved a violation of many strongly held assumptions about the proper manner in which
capitalism functioned. Planning demanded a positive role for government; a role in which it would either set national social goals and implement plans to attain them or, at the least, act as the arbiter between the claims of competing interest groups. Either implied major adjustments in the ways in which economic and political power was exercised. To implement concepts of planning, a commanding political will was necessary, as well as coordinated political support to make the plans acceptable to the electorate as a whole. But finding or creating a consensus which accepted the necessity for planning was virtually impossible. Planning went too much against the grain of accepted economic and political thought.
1. Perhaps the most influential 'heretic' of the times was John Maynard Keynes. His influence evolved from the status of a relatively unknown critic in the twenties and early thirties to become the fount of conventional economic wisdom by the forties. Above all, he argued that men could indeed plan and organize their economic relationships. He wrote in the early thirties that the economic problem was, "nothing but a frightful muddle, a transitory and an unnecessary muddle. For the Western world already has the resources and the technique, if we could create the organization to use them, capable of reducing the economic problem, which now absorbs our moral and material energies, to a position of secondary importance. . . . The obstacles to recovery are not material. They reside in the state of knowledge, judgment and opinion of those who sit in the seats of authority." Quoted in Harold Callender, "Critic of Britain's Muddling Through," in J. F. Naylor (ed.), Britain, 1919-1970, Chicago, Quadrangle Books, 1971, pp. 56-62.

2. The following description of the Commission is from materials located in the Archives of the United Church of Canada, Victoria College, file UCCGC5C5C4, "Commission on Christianizing the Social Order." The New Outlook commented editorially on the same theme; "Are modern Governments actually coming to see that none of their great problems social or economic, can be solved apart from the application of a vital spiritual principle? What else can we infer from the ever-increasing demand for a cleaning up of morally offensive situations? The insistent drive for social justice in Great Britain, the 'new deal' in the United States and the Stevens Inquiry in Canada are based on something higher than mere expediency. Men may call it what they like, but it is religion that is behind every move for the betterment of human society - religion translated, as true religion must always be, and applied to human living." The New Outlook, November 28, 1934. For a cursory treatment of the activities of the church during the depression see, J. W. Grant, The Church in the Canadian Era, Toronto, McGraw-Hill Ryerson, 1972, pp. 136-159.

3. Later, the 1936 General Council authorized the creation of a semi-permanent Economic and Social Research Committee. It was organized by December 1937. Its Chairman was Walter T. Brown, and Secretary, J. R. Mutchmor. The
Committee presented its views in a brief to the Royal Commission on Dominion-Provincial relations. See file on "Commission for Economic and Social Research," United Church archives.


6. Ibid.

7. E. J. Urwick and I. M. Biss, "Modern Industry."

8. Ibid.

9. W. C. Good papers, Box 10, Good to John Line, April 30, 1934. The following summary and quotations are from this letter.


11. The major statement of the socialist position was, The League for Social Reconstruction, Social Planning For Canada, Toronto, Nelson, 1935. For others see, I. M. Biss, "What Can We Hope From Economic Planning," in Addresses and Outlines of Addresses Given at the Canadian Institute on Economics and Politics, Lake Couchiching,
1934, located in the pamphlet collection, University of Toronto Library; and, the following radio scripts prepared for broadcast in Toronto in late 1933 and early 1934. I. M. Biss, "Does Economic Planning Mean Socialism?" Lorne T. Morgan, "The NRA and Canada." F. H. Underhill, "The Problem and Its Solution," all in the J. S. Woodsworth Papers, Box 10.

12. In the United States Henry Wallace, among others, referred to James and he thought in 1934 that, "Cautiously and tentatively the New Deal in America has already worked a little of this spirit," by properly directing a "social discipline." In America Must Choose, New York, Foreign Policy Association, 1934.


15. Ibid., pp. 71-72. See a summary of Jackson's views and those of an opposing analysis by W. H. Alexander of the University of Alberta in The Canadian, January 1934, pp. 1 and 42-43. The Financial Post approved of Jackson's views and thought he possessed, "a sympathetic understanding of L'esprit Canadien by living in intimate and sustained association with the economic world." (Jackson later took a position with the Bank of England). The editor thought less of other University of Toronto economists who, "have been distracted by the preconceptions of people steeped in the background of other and older nations but [who were] unable to translate them to our own scene with a degree of truth that would demand recognition." April 27, 1935.


19. The annual series of discussions held at Lake Couchiching, The Canadian Institute on Economics and Politics, was begun in 1932, under the sponsorship of the National Council of the YMCA and the Board of Evangelism of the United Church of Canada. One of the discussions was concerned with evaluating the New Deal. See Maxwell S. Stewart, "The New Deal in the United States," in Addresses and Outlines of Addresses given at the Canadian Institute on Economics and Politics, Lake Couchiching, July 30-August 11, 1934.


22. The 1935 Conference was held at The St. Lawrence University, Canton, New York, and the proceedings published as, W. W. McLaren et al. (eds.), Conference on Canadian-American Affairs, New York, Ginn and Co., 1936; the 1937 Conference at Queen's University and published as, R. G. Trotter et al. (eds.), Conference on Canadian-American Affairs, New York, Ginn and Co., 1937; the 1939 Conference again at The St. Lawrence University and published as A. B. Corey et al. (eds.), Conference on Canadian-American Affairs, New York, Ginn and Co., 1939.

23. O. D. Skelton, "Is Our Economic System Bankrupt?"


29. Macpherson, pp. 107-112; Young, pp. 81-83.

30. Aberhart was content to delay any attempt to introduce social credit legislation after his election until he was pressed by the backbenchers of his party. See, H. J. Schultz, "The Social Credit Back-Benchers' Revolt, 1937," Canadian Historical Review, Vol. 41, March, 1960, pp. 1-18.

31. The other main method of countering deflation, which eventually gained respectability as Keynesian theory became accepted, was through large scale government expenditures financed either by borrowing or by the direct creation of money. This was strongly advocated by, among others, the British Columbia radical monetary reformer, G. G. McGeer. See, Brecher, pp. 212-213.

33. Hankin and MacDermot, p. 326.

34. Ibid., p. 327.

35. Ibid., p. 20.

36. Ibid., p. 19.

37. Ibid., p. 20.

38. Ibid.

39. Ibid., p. 329.

40. Ibid., p. 21.

41. Ibid., pp. 348-350.

42. Ibid., p. 339.

43. Ibid., pp. 339-343.

44. Ibid., p. 340.

45. Ibid., pp. 199-200.

46. See also Francis Hankin, "The Future Economic System of Canada," in Vincent Massey, (ed.), The Liberal Way, Toronto, Dent, 1933, pp. 53-75. Hankin wrote to W. D. Herridge; "I have come to the conclusion like so many others that there are only two ways, (1) government regulation of business in which self-government must be encouraged and allowed--this would allow of the retention of political liberty, (2) comprehensive state capitalism which will result in the loss of political liberty (vide Russia)." Bennett papers, Vol. 276, Hankin to Herridge, February 23, 1935.

47. There are only two footnote references to the NRA and the New Deal in the book because, as the authors state, their book was prepared before the New Deal was enacted. There is no reference to the preparation of the book in the MacDermot papers located at Bishop's University.


50. Ibid.
51. Ibid., Chs. 6 and 8.
52. Ibid.
53. Ibid., Chs. 13 and 14.
54. Ibid., Ch. 12.
55. Ibid., Ch. 16.
56. Ibid., Ch. 10.
57. Ibid., p. 54.
58. Ibid.
60. I refer here to general support for the need to mobilize the nation's resources to prosecute the war effort which involved an active participation by government in the direction of the economy. Ethnic and other differences, of course, disrupted the national consensus by 1916 but in the economic sphere these differences were largely over the means and methods of government direction. In war an external enemy provided a form of cohesive focus for the nation's response. The depression, however, did not produce a readily identifiable external enemy. Regions and classes saw the enemy as other regions and classes within Canada. Hence the fragmentation.
mary producers with large fixed debts and no markets. Unilateral inflationary action was not feasible, wrote A. C. Hardy to Mitch Hepburn, because Canada had to follow the lead of the United States; it owed that country too much money. He cautioned Hepburn to be wary of Western complaints; "They have been spending money like drunken sailors out there in the West, publicly and privately, and now want to get out of their debts for which no one can blame them." Hepburn papers, Hardy to Hepburn, January 31, 1933. See also C. L. Monteath Douglas, "Problems of Canadian Unity," C.I.I.A. Reports, Vol. 1, 1933-39/40, Fifth Study Conference, Ottawa, 21-22 May, 1938, pp. 43-66.

63. Canada derived, "over one-third of its national income from abroad and two-thirds of whose exports consist of raw materials. . . ." Report of the Royal Commission on Dominion-Provincial Relations, Book 1, pp. 143-147.

64. By 1937 the servicing of all government debts absorbed almost one-third of total government revenues. Ibid., pp. 174-175. For further comment on the problems involved in scaling down the debt see the exchange of correspondence between W. C. Good and W. C. Clark in the Good papers, Box 9. Good thought there were three options open; repudiation and cancellation through bankruptcies, writing down through negotiation, and action to raise the price level. Clark thought that the prime need was for international action and that any national measure would be, "beset with many difficulties, and it is hard to see clearly what can be done effectively and without the danger of doing more harm than good." See also, D. C. MacGregor, "The Problem of Public Debt in Canada," Canadian Journal of Economics and Political Science, Vol. 2, 1936, pp. 167-194.

65. See W. O. Scroggs, "The American Investment in Canada," Foreign Affairs, Vol. 11, July, 1933, pp. 716-719; and W. T. G. Hackett, "Canada's Optional Payment Bonds," Canadian Journal of Economics and Political Science, Vol. 1, 1935, pp. 161-170. Hackett commented on the vulnerability of the Canadian economy which was compounded by the debt problem. He concluded that the corollary of this was that it would be extremely difficult, if possible at all, to isolate the economy and apply recovery programs as the United States was attempting. This, he thought, would destroy the confidence of foreign investors who would sell their Canadian holdings and this would further depress Canada's credit structure. Scroggs pointed out that in meeting its debt obligations, the Canadian Government discriminated against its domestic creditors by paying them in currency depreciated by fifteen per cent, while paying
American creditors in one hundred per cent American currency. This was the opposite of the American practice which, after payment in gold to foreigners was stopped, paid foreign debts in depreciated money and domestic holders at full value. See also, W. T. G. Hackett, "The Australian Recovery Plan," The Canadian Chartered Accountant, Vol. 28, 1936, pp. 32-38.

66. The restrictions included inhibitions against depreciating the currency; "This palliative was considered worse than the disease; it would shake confidence, harm public credit, impede the necessary readjustments and hence merely delay recovery. These views of the Government faithfully reflected the most widely held opinions of businessmen, bankers and professional economists. The depreciation of the exchange either directly or because of unorthodox monetary expansion, unless forced by extreme circumstances, was regarded as an act of 'international immorality', carrying with it the stigma of default." Report of the Royal Commission of Dominion-Provincial Relations, Book I, p. 152. The Canadian Mining Journal commented acidly on this attitude; "At all costs our national credit must be preserved booms the voice of politics with the rotundity of phrase and word . . . . A nation that pays its outside debts, and yet allows the strong to plunder the weak through the abuse of privilege within its own borders, and forgets the common rules of life will inevitably some day find its national credit weakened. Our national credit does not lie along St. James Street. Funnily enough it lies in a million homes scattered across thousands of miles of country. It lies in the hearts of the people, not in the mouths of the few." November, 1933.


68. The process continued in the post-war period; "Generally speaking, it seems reasonable to suggest that in an economy where the accumulation of savings continues to be a private function, while the demand for capital tends more and more to be a social demand, some indebtedness of the community to the saving class is bound to occur. Since the sanctity of the community's contract to the saving classes has, on the whole, been recognized, particularly in Anglo-Saxon countries, none of which resorted to inflation after the war, there has been a tendency for the indebtedness of the community to the saving class to accumulate rapidly." D. C. MacGregor, "Outline of the Position of Public Finance," in H. A. Innis and A. F. W. Plumptre, (eds.), The Canadian Economy and it's Problems, p. 57.
69. Ibid., p. 58.

70. J. L. McDougall, "Financial Interrelationships," in R. G. Trotter et al. (eds.), Conference on Canadian-American Affairs, p. 51. He went on to say that, "our economic institutions are so ordered as to resist any spreading of the strains of depression and/or deflation over the whole community," p. 52.


72. The Canadian Countryman commented on the urban-rural divisions; "It is the custom in this country for urban people to delude themselves by thinking that country and city people are inter-dependent. At annual meetings and conventions of various kinds speakers get up and propagate this false doctrine. The fact of the matter is that farmers as a whole are not dependent for their prosperity at all on the urban people of Canada. Their prosperity depends on the prosperity of the people who buy their surplus farm products, that is, the urban people of Europe." June 17, 1933.


75. Great stress was placed, by those who objected to planning, on the eternal verities which had allegedly always guided social and economic behaviour. See, for example, Reece H. Hague, "Social Precepts - 1936 Model," Saturday Night, July 4, 1936; Beaudry Leman in MacLeans, January 1, 1936; "The Country Banker," The Bank of Nova Scotia, Monthly Review, March 1935. Objections to government participation in planning were directed to a number of specific complaints. Governments were expected to be passive, reduce taxation, eliminate inefficiency and avoid placing too many restrictions on free-enterprise. For examples see, The Family Herald, February 14, 1934; Floyd Chalmers, "Public Affairs," Queen's Quarterly, Vol. 44, Autumn, 1937, pp. 395-403; The Financial Post, April 14, 1934; Charles Dunning papers, Box 10, G. H. Barr to A. DeV. Leigh, August 8, 1935; T. A.
Crerar papers, A. K. Cameron to L. A. Taschereau, nd; J. W. Dafoe papers, Reel M77, T. A. Crerar to Dafoe, December 7, 1935; Pulp and Paper of Canada, April 1932; and the editorial campaign carried on by MacLeans from January through July 1934, for a 'National Plan of Debt Control'.

76. Many of the above criticisms of government involvement in the planning process contained anti-intellectual aspects. Great stress was placed on the necessity for practical experience in the school of hard knocks of business. J. B. MacLean wrote to J. W. Dafoe about the Canadian railway problem; "the chief cause, outside of political control, is the almost entire absence from higher executive offices of men who have worked their up from section hands. Instead we have National society favourites, the majority of them friends of mine, delightful companions in a drawing room or at the club but utterly ignorant and incapable in understanding the railway or other business problems." Dafoe papers, MacLean to Dafoe, January 8, 1935.
Chapter V

POLITICS AND REFORM

The alternatives which the debates over recovery-reform and economic planning illustrate were presented in the form of a dichotomy between traditionalism and change. In the context of the depression these were universal questions. Throughout the world, societies became inevitably involved in a search for measures which might relieve the adverse effects of depression. International capitalism had received what appeared to some, both supporters and critics of that system, a fatal blow. The social and economic values on which capitalism was predicated also came in for severe questioning. As within the theoretical alternatives described in the study of the United Church Commission, opinions varied over whether it was desirable or feasible to try to restore the pre-depression economic system without change, reform it as it was being restored, or replace it altogether with one based on quite different values.

Inevitably these problems were inseparable from the political process. Specific policies derived from the theoretical options had to be devised politically. Moreover the problems contained vital ideological implications. The thirties were years of revolution and reaction fought out in ideological terms. Fascism and communism presented the
extremes to which some societies reverted. Between these lay a variety of more moderate alternatives providing the means of reforming the capitalist system in order to save it. All, however, involved ideological choices because they were concerned with the exercise of political power, and consequently with identifying which groups and interests in society stood to gain or lose from whatever choices were made.

The New Deal in the United States provided an example of one type of moderate reform. Perhaps the most notable aspect of the New Deal was that the political process produced a President who not only acknowledged the flaws of capitalism during the depression, but one who was fully prepared to press strongly for the reform of that system. Roosevelt accepted the depression as a 'moral equivalent for war' and did not hesitate to mobilize the authority of the state to fight it. Calling on an American reform tradition which dated back to Thomas Jefferson and which incorporated various shades of old populists, progressives, radicals and business reformers, Roosevelt was also able to generate enough political support nationally within the Democratic party to sustain his programs. In retrospect the New Deal appears as essentially conservative. At the time, however, Roosevelt's programs seemed radical because they expanded the role of government in society in unprecedented ways on behalf of the unprotected sectors of the country and against the perceived interests of business and financial groups which previously had dominated the political process. In economic affairs, national polit-
ical responsibility was brought into a new relationship with the demands of a national economy. Socially, the Welfare State was introduced. Politically, Roosevelt was able to formulate a new coalition of sectional interests prepared to support his reforms. Although Roosevelt was criticized for not pressing reform much further, the New Deal did represent considerable movement in the direction of change. As such it came in for sustained and bitter criticism particularly from business, industrial and financial groups who reacted against the restrictions which the New Deal placed on customary methods associated with *laissez-faire* capitalism.¹

In Canada the impulse for a reform program did not achieve a nationally successful focus. A fundamental restructuring of political support within the two party system, one party representing reform, the other reaction, did not take place. Neither was a national leader with Roosevelt's commitment to reform elevated to power in Canada. Consequently there was very little movement towards change during the thirties. The dominant reaction was to reject the notion that the depression represented a 'moral equivalent for war' requiring an active reform program. The traditional premises of capitalism were not seriously challenged, nor were many significant programs devised which seriously affected the ways in which Canada's market economy usually functioned. Canadian radicals and reformers were not able successfully to challenge the dominance in society of entrenched interests whose values were inseparably bound up
with the tenets of *laissez-faire* capitalism.

As the political vehicles of private enterprise, the Liberal and Conservative parties were unlikely carriers of reform programs. While the pressures of the depression forced both to examine their ideological premises, this was a confused process because both parties previously had eschewed ideological labels. Rather than on ideology, Liberals and Conservatives were most readily distinguished by the differences among the sectional, ethnic and religious groups from which each gained its electoral support. Liberals were identified by their appeal to French Canada and the Prairies, while Conservatives looked especially to Ontario and other urban sectors primarily interested in maintaining high tariffs. Both parties crowded the political center as they attempted to establish themselves as consensus, non-ideological parties acceptable to the many conflicting and contradictory regional and other interests in the country. Some differences in the stances of the two parties were identifiable. The Conservatives traditionally looked to Britain and the Empire, were more inclined to rely on the authority of the federal government, and they remained committed to high tariffs and economic nationalism. The Liberals looked less to Britain and more towards an undefined Canadian autonomy, were more ready to accept constitutional and political limitations on the scope of federal activities, and said they rejected economic nationalism. But even here differences were more of degree than of solid substance. For example,
Liberal economic policy before their defeat in 1930 leaned decidedly towards tariff protection, and closer Imperial commercial relationships; while Conservative policy afterwards was marked by a refusal to sacrifice Canadian economic interests for any conception of a greater Imperial need. As Escott Reid commented, "the Liberal party was nationalist in politics and imperialist in economics, the Conservative party imperialist in politics and nationalist in economics."²

Whatever the differences between the parties, they were of degree rather than substance. More significant in the depression was the fact that both shared, supported and promoted the values of traditional liberal capitalism. As Professor Young has noted, between Liberals and Conservatives, "There was no clash of values; there was only conflict of interest."³ As defenders of property within the private enterprise economic system both parties were guided by an essentially nineteenth century view of society which held that the role of government was best minimized. Initially, at least, neither party was disposed to view the depression in terms which demanded change, reform and adjustments in the value system on which capitalism was based. Their prescriptions for the ills of the depression were orthodox and well within the bounds of pre-Keynesian, economic conventional wisdom. Both parties shunned ideas of inflation, unbalanced budgets, high progressive taxation, excessive government involvement in economic affairs and radical proposals to adjust the country's debt structure. Neither party regen-
erated itself in a manner comparable to the change the Demo-
cratic party underwent after Roosevelt was elected President.
Both remained aligned with, and representative of, those
elements in Canadian society which stood firmly against change
and reform.  

This is not to say that the Conservative and Liberal
parties reacted exactly in the same way to the depression.
As indicated below, the Conservatives exhibited a strain of
tory democracy which, when combined with the pressures of
holding office, led the Bennett government to move away from
its initial orthodoxy. Haltingly after 1933 the Bennett gov-
ernment began to devise legislative means designed to try to
reform capitalism in order to save it. However even this
mild reformism was rejected by Bennett's party. It was
rejected more strenuously by those capitalist groups which
had supported the Conservatives in 1930. By 1935 they found
their interests more compatible with the policies of the
Liberal party whose leaders also rejected Bennett's essay
into reform. Most of the major Liberal leaders remained in
full agreement with Bennett's initial orthodoxy, particularly
his mistrust of inflation, his firm defence of property and
his insistence on maintaining private and public obligations
to contracted debt. In opposition before 1935 and in office
after, the principal reaction of the Liberals to depression
problems was to wait it out until better times returned
according to the dictates of cyclical inevitability. For
example, it was not the orthodox Bennett but the former and
future Liberal Finance Minister, Charles Dunning, who could comment on the underlying basis of the depression:

In the meantime, economic law is working in its usual inexorable fashion, and there is no doubt that what is going on in an economic sense is a severe dose of medicine for humanity, but if the patient survives the severity of the medicine, his after condition will be very much better.6

From this analysis, the conclusion was drawn that retrenchment and a return to orthodox economic first principles was the only feasible way to respond to the depression. Anything else, especially government economic involvement in other than established ways, would not only delay recovery but would fundamentally challenge the values of liberal capitalism.

The impact of the depression itself, however, presented a severe challenge to liberal capitalist values. It became increasingly clear that those values were part of the depression problem. The individualistic excesses of private enterprise exacerbated the problem. Firm leadership by government to redress the imbalances between social and economic groups in order to correct the injustices which the depression illuminated seemed to be called for. Consequently the old parties were faced with an ideological problem in trying to mediate between their predisposition to individualism and the collective needs of society. Just how this problem would be worked out politically remained unclear for a time. But a polarization of society on ideological lines seemed a distinct possibility.

One possibility which was actively considered during
the early thirties was the need for a National Government. Because they shared the same capitalist values and depended largely upon the same business and financial interests for their support, the possibility that Liberals and Conservatives might abandon party allegiance and join in forming a coalition, union or national government, was seriously raised.

The British experience in resorting to a National Government in 1931 provided a model which Canada conceivably could imitate. Such a government, formed from the leadership of the old parties, would have represented a polarization of the political right committed to the defence of orthodoxy and property. The movement was promoted primarily by business and financial interests who thought that the inherent conservatism of both old parties would be reinforced by such a consolidation. Had the rhetoric and policies of the League for National Government ever been put into effect, the result would have been a Canadian version of a fascist government.\(^7\)

Although the National Government movement never came to fruition, it was significant in that it reflected the extreme concern with which capitalist interests in Canada viewed the strength, or potential strength, of the left. The formation of a government of all capitalist talents would have provided the means whereby socialism could have been forestalled. When it became clear after 1935 that the rights of property were in the safe care of the Liberal party, the movement waned. In Canada, reformers and radicals of the left never did achieve a viable political entity strong enough
nationally to challenge the capitalist value system which the Liberals and Conservatives represented. Consequently there was no vital need for a more fully developed and articulated rightist party.

The National Government movement represented, extremely, and the Liberal and Conservative parties more moderately, economic, social and political traditionalism in Canada. As the political agents of the Canadian 'charter group elite' the old parties had little inclination to try to overcome the considerable resistance to reform and change within the groups which supported both parties. The main impulse was to stimulate economic recovery by traditional means, that is by creating conditions which fostered business confidence, and retain the pre-depression economic system. The premises of capitalism were accepted as remaining viable although the impact of the depression brought them into question from some quarters. Thus it was held that there was no need for reform. The principal threat was viewed as reform itself and an active defence against reform and change could be viewed as being in the national interest;

It was assumed by the elite and its parties, that its position not only reflected the best interests of the country at large, but encompassed the views of all its citizens as well. In the absence of evidence to the contrary, it inevitably thought of itself as the embodiment of the Canadian consensus.

Judged by results, the values reflected by the two old parties embraced, if not the Canadian consensus, at least the majority opinion in the country. But given the severity
of the depression and the fact that there were inevitably more have-nots than haves in Canadian society, it seems likely that the electorate might have given support to a party promising reform as the American electorate gave to Roosevelt. A reform program, however, would have had to have been articulated within the limits imposed by the value system on which capitalism was based, because, "Most Canadians were unwilling to see business, profits, and competition as evils." Significantly, in Canada, the reform issue did not achieve a political focus similar to that which developed in the United States. By the time R. B. Bennett began to sponsor reform his administration had lost credibility. The Liberal party was not only disinclined to accept the need for reform, but discerned political advantage in presenting itself as the party dedicated to limiting the extension of government activity and preserving individualist values.

While the dominant values in Canada remained those associated with liberal capitalism, the depression did produce a variety of reactions against the manner in which the economic system was functioning, or more accurately, not functioning. The most spectacular occurred on the provincial level. A number of strong provincial leaders emerged, ranging from the monetary fundamentalist William Aberhart through the populist Mitch Hepburn to the new-dealing T. Dufferin Pattullo. Reflecting their own provincial concerns, these Premiers and others challenged claims to federal leadership and their activities diffused expressions of indignation or
resentment which might have led to a concerted national demand for change. Political and constitutional fragmentation had already caused almost insurmountable obstacles, obscuring the definition of an overriding national interest which could subsume competing and sometimes contradictory regional interests. The depression compounded the difficulties because it created nation-wide problems which required national solutions. Furthermore if the solutions were to be oriented towards reform, some degree of ideological polarization on the political left was necessary in order to bring a reform government to power in Ottawa. But the same regional pressures which made Liberals and Conservatives brokerage, consensus parties also made it extremely difficult to locate a focus which would give effect to reform sentiment in Canada. With a large population, widely scattered and loosely linked, not politically conscious and unaccustomed to ideological debate, the definition of commonly acceptable reform goals was almost impossible. While West Coast longshoremen, Prairie farmers, Hamilton steelworkers, Montreal textile workers and Maritime fishermen possibly could agree that the existing capitalist system was not producing the best of all possible worlds, it was quite another matter to focus their discontent and provide it with a political expression. Any reform party faced even more difficulties than did Liberals and Conservatives in effectively meeting the pressures caused by sectional, regional economic and ethnic fragmentation. It also had to surmount ideological differences within the broad
range of reform sentiment in the country.

* * *

Reform sentiment in Canada was not united in its assessment of the depression. Reformers and radicals differed among themselves over the degree to which change should be implemented. They were also divided over whether to press for a measure of capitalist reform through the medium of one of the old parties, or attempt to gain full systemic change by creating a new party based on quite different, socialist, values. Both old parties contained a minority of supporters who considered that reform was desirable and some tried to influence their party leadership to accept the necessity for change. Others, alienated from the party system and mindful of the fate of the Progressive movement in the twenties when it was swallowed up by the Liberal party which promptly forgot about the issues which gave it rise, considered that the only practicable way to achieve reform was to form a new party. However on a general, theoretical level there was a measure of agreement among reformers and radicals about the nature of the depression and the type of policy approach which could rectify it. Not surprisingly they viewed the depression from the opposite perspective of those who clung to traditionalism.

The economic argument of the reformers centered on the proposition that the depression was caused, and its effects exacerbated, principally by the mal-distribution of wealth and, therefore, that the way to prosperity lay in devising methods which would re-distribute the national
wealth. They agreed that the large portion of the country's money which had been voluntarily impounded in savings must be put back into circulation. But they pointed out that profits could only be generated if consumer demand was stimulated. The problem was that the great mass of potential consumers had little or no money to spend. This was so because the national wealth was badly distributed and was hoarded by creditor and rentier interests. Therefore, the argument went, government must take steps to redistribute wealth by, for example, progressive tax reform, raising wages, scaling down debt charges and inducing monetary inflation. By increasing purchasing power through these methods, money would be placed with consumers who would be able to buy more goods. This would stimulate production, increase employment and bring about recovery. In the view of reformers, recovery and reform were not incompatible but complementary. As one writer in referring to the New Deal described the logic of the reform argument,

Industrial recovery, the older economists maintain, must begin 'at the top'; profits and the prospects of profits must precede re-employment and must be the forerunner of capital investment and industrial expansion. The President believes that this particular recovery—if it is to take place at all—must begin at the bottom: that a nation-wide program of re-employment regardless of profits will create purchasing power, and that the purchasing power so applied will stimulate production and restore trade to profitable levels. Besides their economic arguments, the reformers were morally outraged at the spectacle of so much want in the midst of so much potential plenty. Not only could a reform program be justified on purely economic grounds but, because tradi-
tional methods of *laissez-faire* capitalism had collapsed and produced incredible hardships, a new, changed or reformed economic and social system was justified in order that fundamental moral and social injustice might be corrected. Whether it was identified and explained on regional, class or idealistic grounds, the sense of injustice was shared by a variety of reformers.

Indignation about existing conditions did not, however, go far to correct injustice or induce recovery. Defining the proper mix of reform and recovery was an elusive process. Some moderate reformers in Canada looked upon the American New Deal as a positive reform model. To the editors of the *New Outlook*, for example, Roosevelt's reform initiatives were viewed as justifying their own commitment to reform. They had maintained that, "Men are vastly better than capitalist philosophy suggests," and Roosevelt was both talking and acting as if he was in full agreement. He, like they, questioned the assumption that the economic motivation of profit was the sole driving force of men and seemed committed to the ideal that, "cooperation for the common good must supply the driving power rather than free competition for private gain." "After all," one spokesman wrote, "there is no merely 'economic man' [and while] the President does not proclaim the immediate end of the capitalist system . . . [his program] so overrules the central motives of that system as to initiate a new order." While the church reformers had been criticized for their excessive idealism and impracti-
cability because they questioned the assumption that man was solely motivated by economic gain, the President of the most capitalistic nation was attacking the very same assumptions with an active reform program. "It Couldn't Be Done--But He Did It!" wrote one of the church reformers and he suggested that Roosevelt's example was one which could well be emulated by Canadian political leaders.14

Others echoed this view. A. E. Havelock, for example, wrote that he was hopeful about Roosevelt because he considered the alternative to his moderate reforms would be so much worse. "The New Deal, if it succeeds," he wrote,

will therefore fulfill a historic function in 'keeping the ring' for the socialism of tomorrow. . . . . The alternative is the gradual breakdown of the existing machinery altogether, and then, an American brand of fascism.15

The fact that Roosevelt was 'keeping the ring' by promoting moderate reforms in itself seemed sufficient to the less radical reformers. Correctly assessing the nature of the New Deal, the editors of the New Outlook thought that charges of socialism which were being raised by the orthodox in protest against reform were unfounded. The charges were, . . . of course the natural and common cry of capital anywhere. It is born of fear and the instinct for self-defence. What the capitalists of America do not seem yet to realize is that President Roosevelt's National Recovery programme is perhaps the world's most desperate attempt to save the capitalistic system from the scrap heap. For that reason it is being watched by every nation from Russia to Patagonia.16

It is impossible to measure how much support existed in Canada for reformist arguments of this kind. There was no
fully developed body of opinion which consistently pressed for a Rooseveltian type solution for Canada's depression problems. With the sometimes exception of the Toronto Star and the Vancouver Sun, the bulk of newspaper comment was critical of Roosevelt, his methods, or both and urged Canadian political leaders to avoid New Deal experimentation. Such support that Roosevelt's approach generated in Canada was reflected in other printed media only irregularly. More important, the argument was somewhat irrelevant to Canada's situation. The American New Deal did not provide an appropriate model for Canada. No national leader like Roosevelt and no political apparatus like the Rooseveltian coalition was available in Canada to implement a comprehensive or even more moderate capitalist reform program. The New Deal was built upon an American reform tradition which was not only stronger than, but different from, Canada's. Canadian moderate reformers could not identify with a comparable political home. After 1933 Bennett attempted to fill the reform vacuum but the origins of his Tory reform program produced more skepticism than enthusiasm. Some reformers drifted, from habit, to the Liberals but that party equated reform with collectivism and rejected both. Consequently the most fully articulated body of reform opinion received its expression through the formation of a third, socialist party, the Cooperative Commonwealth Federation. 17

Although it did not achieve much success as a third party, the formation of the CCF introduced a host of new
calculations into Canadian politics. In the first years after its founding in 1932 few were sure how much support it would attract or what ultimate effects a socialist party would have on the Canadian political process. Both Liberal and Conservative parties had to take the new party into account and their policies were influenced by the potential challenge from the left. The National Government movement was one manifestation of the concern which the new party caused. Some observers thought the British experience, when the rise of the Labour party caused the demise of the Liberals, might be repeated in Canada. Speculation differed over which of the old Canadian parties might become redundant. Ultimately, although the CCF party did not achieve notable success, the CCF movement and the policies it represented had considerable effect in moving the old parties in the direction of reform. This did not take significant effect, however, until the 1940's. During the thirties the main impact of the formation of the CCF was to polarize the reform movement in terms of a socialist rather than a capitalist political alternative. As such the party had to overcome not only the normal difficulties which parties faced in their attempts to attract electoral support, but also the additional one of selling socialism in a country in which capitalist values prevailed. Whereas in the United States even radicals were absorbed within the Rooseveltian reform movement and were able to provide an impetus for change, in Canada radical opinion became isolated from the mainstream of political
action and decision making. In the process reform became associated with a socialist value system which majority Canadian opinion rejected as being alien. While many voters would accept, indeed promote, capitalist change, fewer could accept the complete social restructuring which socialism required.

In a sense it is misleading to describe the CCF in strict socialist terms. Like the old parties, the CCF was an amalgam of disparate groups. To the mixture of Marxists, Fabians, urban socialists and discontented farmers who made up the party, the cooperative commonwealth which the new party was dedicated to create was a blank cheque which each group filled according to its own ideological preference. The party's initial ideological banner, the Regina Manifesto, was "a mixture of Christian, Fabian, and Marxian socialism, shot through with progressive reformism." As such there were inevitably almost as many shades of ideology represented in the party as there were members or supporters. But despite this caveat it is possible to describe the main body of thought in the CCF as socialist, especially in its early years. Furthermore the party presented itself nationally as a socialist alternative to the Liberals and Conservatives. Its principal objective was to replace the capitalist economic system with one based on a humanitarian value system which placed the social welfare of people above that of the profit motive. As the preamble of the Regina Manifesto thundered;

We aim to replace the present capitalist system, with
its inherent injustice and inhumanity, by a social order from which the domination and exploitation of one class by another will be eliminated, in which economic planning will supersede unregulated private enterprise and competition, and in which genuine democratic self-government, based upon economic equality will be possible. . . . We believe that these evils can be removed only in a planned and socialized economy in which our natural resources and the principal means of production and distribution are owned, controlled and operated by the people.23

The fourteen sections of the Manifesto set out the specific objectives and methods of the proposed socialist program. The centerpiece was the National Planning Commission, "consisting of a small body of economists, engineers and statisticians," which would be created and charged with planning the economy, "in the public interest."24 Within the purview of the Commission was to be included the supervision and direction of a wide range of financial institutions and industries which would be socialized. The Commission would also conduct the research necessary for the preparation of economic plans designed to coordinate the varied economic activities in the country and direct them to clear national objectives. Other items were concerned with setting national labour standards, rationalizing the basis of external trade, encouraging co-operative institutions, devising a more equitable tax system, providing socialized health services and establishing an emergency unemployment and relief program. In order to provide national standards, the British North America Act would be amended so that the Constitution could be "brought into line with the increasing industrialization and the consequent centralization of economic and financial
power—which has taken place in the last two generations." Although the section on agriculture, which stressed the "security of tenure for the farmer" rather than the nationalization of land, diluted the purity of the Manifesto's socialism, the document was, nevertheless, radical, socialist and, consequently, extremely provocative.

Beyond the specifics of the socialist program was the challenge it presented to the value system upon which the capitalist system was based. In order to convince the electorate, the CCF had to try to educate the population so that it would come to accept the need for full scale systemic change. Socialist economics demanded a complete recasting of the priorities and methods which were the prime movers of capitalism. Competition, selfishness and the individual search for profits had to be replaced by a value system based on cooperation, selflessness and a collective search for the common welfare. To those CCFers who followed this conclusion to its logical end, it was not possible to reform the capitalist system itself in ways which would bring about the cooperative commonwealth. In terms identical with those expressed in the United Church study, socialists argued that it was futile to try to eliminate the inequities in capitalism by trying to make the profit motive function more benignly. The profit motive itself was the cause of capitalist injustice. Appeals to individual capitalists to moderate their drive for profits for the sake of the general welfare, therefore, were pointless. So long as capitalist values remained, the
capitalist system was inevitably bound to operate according to the impersonal search for individual gain. As Eugene Forsey commented, "To see the problem in terms of 'good' people and 'bad' people is to rule out the possibility of solution. That is the pathetic fallacy of some capitalist reformers." And Forsey concluded that,

A flock of archangels administrating capitalism would be under the same compulsion, [that is, the profit motive] and their actions could not be appreciably different. . . . This is not an ethical judgement about capitalism but a fact; and it holds good irrespective of the moral or intellectual qualities of individual capitalists. It is the qualities or defects of a system, not of individuals, which are in question.²⁸

The logic of this argument inevitably concluded that the cooperative commonwealth was unattainable within the limits of capitalist ethics. Trying to induce change within the restrictions imposed by the capitalist system was irrelevant because it was the premises of capitalism themselves which led inherently to chaos and injustice. Capitalist critics of the CCF charged that private economic enterprise, profit seeking and the rights of property were central tenets in the country's tradition. They said that the capitalist system, based on economic self-interest, was rooted in human nature and that challenging the drive of the profit motive ran directly into the very basis of human existence. Socialists naturally rejected the notion that capitalism was either biologically or divinely inspired. Men, they answered, possessed the rational means to create new social forms which could change the basis of their economic existence. Educa-
cation could enlighten men to perceive more clearly where their social self-interest lay. Equally important, the problem was one of will; if men wanted badly enough to change it was within their power. Great effort would be required to displace entrenched groups which benefitted from the inequalities of the status quo. But the potential for change was limitless if the desire to change was present, for,

To those who object that capitalism is 'rooted in human nature', we answer; Possibly, but so was cannibalism. We no longer eat each other. A civilization is within our grasp in which we shall no longer exploit each other.29

To meet that part of the same criticism which held that legislation could not change human behaviour, the socialists answered that only by legislation could behaviour be changed for the better.

Economic planning was the principal means which the socialists advocated to bring about the changes they considered essential.30 But planning in itself was merely a technique. The important questions were the objectives towards which the plans were to be directed, and the motivations of the planners themselves. As one sympathetic, although non-socialist, observer commented,

The effective results of economic planning naturally depend on who are the planners and for whom they plan. Planning by big business, planning for scarcity, planning for profits may, with a docile and ignorant working class, produce stability; but it will be stability on a low plane and the stabilization of gross inequality.31

The major objective of the socialist planners was to eliminate inequality. Planning, they said, was already a
fact of life, despite the professions of the defenders of capitalism. But such planning was for the wrong reasons, and for the benefit of only a small minority of entrenched economic interests. Consequently plans must be redirected to serve other ends. Rather than serve the interests of a relatively few profit-taking capitalists the economy should be planned so that it would serve the needs of the population as a whole. By setting long range goals in behalf of the general social welfare, and devising rational means to attain them, the socialist planners aimed to create an economy which would respond to the collective human needs of society rather than merely to the profit motive.

The CCF was only indirectly influenced by the reform tradition in the United States. It was primarily an indigenous movement whose intellectual points of reference were the traditions of British Fabians, Western agrarian radicals and the Social Gospel. Moreover the CCF emphasis on socialist systemic change meant that the American New Deal did not provide a model which the party wished to emulate. Given their socialist premises, it is not surprising that CCFers did not look to Roosevelt for their inspiration. Because it was essentially committed to a capitalist reform program, Canadian socialists rejected the New Deal for the same reasons that they rejected any other partial reform programs. They considered that Roosevelt's policies begged the fundamental questions of economic power which were all important. Leaving the levers of economic power in the hands
of the same entrenched private interests which had consistently misused them, they said, avoided the essential aspects of any meaningful reform. Some became much alarmed over the significant role played by business planners in the operations of the NIRA. Planning by businessmen guided by capitalist assumptions would lead, they thought, to a corporate or fascist state dominated by big corporations.33 "State capitalist planning" would simply mean greater, government sanctioned profits for the few and higher prices and further exploitation for the many. In the conditions of the depression the result would be,

Under capitalism the 'public interest' is served only so far as it happens to be identified with the interest of the dominant capitalist group. When capitalism was competitive and expanding, there was room for the liberal ideal (shared by Mr. Roosevelt, Mr. Bennett and their school) of increased welfare all round: rising profits and rising wages. But declining monopoly capitalism thrusts on us the grim choice of profits or plenty. That is why state-capitalist planning is bound to develop towards Fascism.34

But however skeptical some CCFers were about Roosevelt's attempts to correct the more blatant abuses of American capitalism, others were ambivalent about the New Deal. Some adherents, less rigidly committed to a doctrinaire socialist goal, viewed the projected cooperative commonwealth as a society "in which labour received its due reward and the institutions of liberal democracy operated as they were supposed to operate."35 Some thought the New Deal was attempting to create the same conditions. Through active government intervention Roosevelt was attempting to curb the power
wielded by private concentrations of wealth in order to restore some approximation of the Jeffersonian ideal so that the democratic process could be made to function more equitably. Although only a half-loaf, Rooseveltian reform seemed better than none at all. Consequently, as well as skepticism, some Canadian socialist comment included an element of approval of the New Deal.

The ambivalence towards the New Deal can be seen in reactions of The Canadian Forum and one of its principal contributors, Frank Underhill. As one of the founders of the League's comprehensive Social Planning for Canada and the author of the first draft of the CCF's Regina Manifesto,36 Underhill was intimately involved with the whole range of socialist protest in Canada. But Underhill's socialism was relatively mild and did not fit well within the usual pattern of socialist categories. He claimed he had never read Marx.37 His socialism was derived from the Fabians. But Underhill was also influenced by the variety of North American agrarian radical movements which had been founded in protest against economic domination by capitalist creditor interests. These farmers' protest movements were essentially individualistic in outlook rather than collectivist, and Underhill's socialism was much moderated by his concern for democracy and individual freedom. His social philosophy harked back to Jefferson rather than Marx. Canada's problem, he thought, was that individual freedom was being trampled upon, not promoted, by capitalism. The definition of social and national policies
by private concentrations of economic power made a mockery of traditional freedoms. Traditional liberal notions of individual political freedom, he argued, had little meaning in modern society. They had been overtaken by events and the reality of inequality of condition had made a parody of freedom itself. Without some measure of economic security, which liberal theory ignored, individual political and economic liberties remained subject to gross exploitation. The state, therefore, not private capital, had the prime responsibility to define and set social priorities so that the democratic ideal might be attained by all citizens. Socialism was required in order to enhance individual freedoms.  

Rather than Marx, Underhill called upon the political ideology of Jeremy Bentham. He thought it could be applied to the realities of the thirties. Underhill discerned two streams of thought in the writings of the philosophical radicals; that which stressed the concept of individual freedom and that which emphasized the need to use the authority of the state to devise rational collectivist means to promote maximum individual happiness. He called the radicals "political inventors devising means for artificially forwarding the happiness of the greatest numbers." Liberals had always stressed the individualist arguments of Bentham, but Underhill concluded that the British Fabian socialist tradition had developed from the same Benthamite mould because, "English socialism has always emphasized that it is only another method of seeking the same ends which the individualistic generation
that preceded it had in view." Underhill thought that while Bentham had opposed the elevation of the State itself as an abstraction above the needs of individuals in the state, he had not been "necessarily opposed to the development of the collectivist community." Therefore what was required was a reformulation of society's institutional means to promote individual well being within a wider conception of collective needs. As he concluded:

The chief need of 1932 is a new Bentham adapted to the changed environment of the twentieth century, which will combine with the wider social vision . . . that passion for maximizing the happiness of individuals which Jeremy Bentham established for his generation.  

Underhill was not sure that Roosevelt would be able to order affairs in the United States according to the updated Benthamite principles he considered necessary. Initially Underhill was highly impressed with Roosevelt's leadership qualities. In the summer of 1933 he commented,

In gathering to himself wider powers than have ever been held by a President of the United States, he has assumed a responsibility such as only the most courageous man would dare to face. . . . One may doubt the wisdom of some of his proposed measures or his ability to rehabilitate the prostrate economic life of the nation; but one can hardly refrain from admiring the courage with which he has accepted the challenge of the situation. Public life has produced no more daring gambler in our generation--but the hazard is justified by the tremendous stakes.  

But Underhill was also doubtful that personal leadership would be enough to provide for effective lasting change. Fundamental institutional and political reforms were required in order to make permanent any changes which were introduced.
Although he acknowledged that Roosevelt had obtained his political legitimacy through a new alignment of electoral support, Underhill doubted that a mere reshuffling of the electorate within the ideological limits imposed by liberal capitalism would prove to be sufficient to bring about the change he thought necessary. Roosevelt's successor would be able to nullify any reforms which had been enacted. Political realities demanded a reformulation of political action, supported by a campaign of education, in order to raise the political consciousness of the electorate. Otherwise reform would be merely temporary. The formation of a new party dedicated to lasting reform would provide a more stable base. Without a radical new party, Underhill thought, when Roosevelt left the scene the American political process would continue to alternate between the Tweedledum-Democrats and the Tweedle-dee-Republicans. Thus Underhill sympathized with Norman Thomas, the American socialist leader, and he enthusiastically received the third party alternative proposed by Paul Douglas, then a professor of political science and later a United States Senator. But in comparing the American with the Canadian political system, Underhill considered that the chances for third party success were much better in Canada.

As the limits of the New Deal were defined, and as Roosevelt began to encounter strenuous opposition from business and financial interests, Underhill's skepticism was reinforced. Roosevelt's failure comprehensively to educate the American people about the true nature of society's ills was
a fatal flaw. Lacking an enlightened electorate which pressed consistently for change, the New Deal appeared about to be coopted by the entrenched interests it was supposed to eradicate. At best Roosevelt was a reformist liberal democrat whose policies possibly would make the capitalist system operate more humanely, but would do no more than shore it up. At worse Roosevelt's refusal to reject traditional capitalist economic assumptions, which gave higher priority to economic recovery over reform, would lead to increased social misery and repression in order to ensure higher business profits. In a radio address Underhill decried speculation that Roosevelt was a radical socialist. Rather he was simply a well meaning liberal whose objectives were laudable but whose program would be taken over by "unregenerate capitalists" because it did not go far enough to challenge powerful capitalist interests.44

While his hopes for the success of the CCF remained high, Underhill could down grade the importance of Roosevelt's reforms. But as it became clear that CCF political success was unlikely, the New Deal appeared again in a more favourable light. Rather than Canada leading the United States in social reform through a new party, by 1937 Underhill thought that Canadian reform would follow its enactment in the United States. In reviewing Andre Seigfried's book Canada, Underhill criticized the author for failing to recognize signs of coming change;

He failed to catch any breath of the new breezes
which are blowing across the continent, and which are the sign of a fresh effort to make real the American dream of equal opportunities for everyone to life, liberty and the pursuit of happiness. 45

While Underhill acknowledged that there was not much appearance of change as yet in Canada, the breezes from the South were propitious;

Mr. Siegfried's thesis should have taught him to look for the future of Canada in the present trends of the United States; and there a man of his insight should have been able to detect a significance in such phenomenon as the New Deal or the CIO. 46

By the 1950's, in looking back on the reform experiences of the two countries, Underhill was even more impressed with the American political example. He noted that Americans like Paul Douglas and Walter Reuther who had been socialists in the thirties had moved into the Democratic party and made it more reform conscious. What Canada required, Underhill concluded, "in the affluent society is something like the American Democratic party whatever it may call itself." In the thirties Underhill had been particularly concerned to make the program of the CCF sufficiently radical so that the party would not be subject to absorption within the Liberal party as the Progressives had been. In hindsight he implied that a more broadly based reform party which could incorporate a wider range of reform perspectives might be more effective politically. This hinged on the matter of leadership, he cautioned, because, "if the Liberal party can't produce an FDR as the Democrats did in the thirties, I think some kind of new party will still be necessary." 47
Forsey's and Underhill's analyses differed in their approaches but were directed to the same objective; the establishment of a democratic socialist state. With similar differing emphases the various groups of Fabian intellectuals, Marxists, farmers and urban socialists who made up the CCF were dedicated to achieving the same end. Their collective decision to try to attain the cooperative commonwealth through the medium of a third party seemed to be the only feasible way at the time. Neither the Liberal nor the Conservative parties seemed capable of instituting a meaningful reform program during the depression. However the new party was not able to force a political polarization on the issue of reform. Although both old parties ultimately were pressured to accept many of the policies proposed by the CCF, neither was replaced by the new reform party. Government continued to alternate between the two capitalist parties. The socialism of the CCF contained too much of a challenge to the Canadian electorate.

* * *

In the 1930's reform meant using the positive authority of the state on behalf of the general welfare. It involved the need to devise means to correct abuses which the liberal capitalist economic system had produced and which the depression revealed so starkly. The range of possible means was extensive. The major question was whether the system could be reformed so that it would function more equitably, or whether the economic system itself had to be replaced by
one based on a quite different value system. The reform-traditionalism dichotomy was raised in different forms, as for example in the debates over economic recovery vs reform and economic planning. The controversy was vitally important because it involved the exercise of power in society and the definition of which groups were to wield it, on whose behalf. A degree of polarization on even loosely defined ideological lines between those who perceived the need for reform and those who rejected it was inherent in the problem. Ultimately the matter had to be expressed through the political process.

The reform movements took different tracks in Canada and the United States. Just as the economic aspects of Roosevelt's New Deal reforms were generally rejected as being inappropriate for Canada, so the Canadian reform movement did not emulate Roosevelt's political example. In the United States the New Deal was designed in conformity with the American reform tradition and did not challenge the capitalist value system. Roosevelt was able to generate a national political coalition within the framework of the Democratic party to support his programs. In Canada the reform movement was diffused. Demands for change emerged through the traditional mode of regional protest. In the thirties the CCF attempted to fuse many of the regional and other discontents and added an additional, socialist dimension to them. The factor of socialism caused problems which capitalist reform movements like the New Deal did not encounter because
socialism meant not merely institutional change; it demanded a fundamental shift in values. The effect was to define the Canadian reform movement in a manner which made it relatively ineffective politically during the thirties.

Professor Horowitz has identified the collectivism which socialism represented as being legitimately within the rubric of Canadian culture. This may be so, but it remained a minority view. Canadian reformers who pressed for a collectivist response to the depression were not notably successful during the thirties. The CCF achieved its greatest political success in British Columbia in 1933 but elsewhere it did only marginally well. It was headed off by Social Credit in Alberta, blunted on the Prairies, decimated by internal feuds in Ontario and was unable to crack the social conservatism of Quebec and the Maritimes. In its first federal election, in 1935, the party gained almost nine percent of the popular vote but captured only seven seats. The fact that the party fielded only three candidates east of the Ottawa River emphasized its limitations as a national party. In that election the party's socialist orientation was attacked as being alien to Canadian traditions and the CCF's campaign was characterized primarily by a populist appeal against the domination of 'the people' by banker and capitalist interests. However much of the party's potential populist appeal was drained off by the Reconstruction Party of H. H. Stevens which presented itself as the representative of small businessmen struggling against the depredations of
large concentrations of economic power. As the political vehicle for Canadian discontent, the CCF did not deliver during the thirties.

It remains unclear whether, quantitatively, there were fewer reformers in Canada relative to those who opposed change, or whether the nature of the political expression the reform movement created, the socialist CCF, weakened the appeal of reform. Given the breadth and extent of the depression it seems inconceivable that there were not more Canadians who would have favoured a full scale reform program than those who rejected it. But the reform issue was not presented in such simplified terms in Canada as it was, for example, in the United States where the reform Roosevelt administration was juxtaposed with the conservative Republican party. In Canada, reform became inextricably tied to socialism and the CCF, and there were fewer Canadians prepared to accept the socialist alternative. Socialism presented a challenge to Canadian social conservatism and traditionalism and only a minority of Canadians were prepared to reject their commitment to capitalist, private enterprise values. Politically these were expressed through the Conservative and Liberal parties.
NOTES--CHAPTER V


4. Ibid., pp. 287-302.

5. See below, Ch. 6.

6. Charles Dunning papers, Box 10, Dunning to Joe Budd, May 10, 1932.

7. The National Government is an untold story. There was considerable speculation that a strong attempt would be made to form one. One common assumption was that such a government would be formed with big business support to forestall radical reform legislation, and would probably be led by Charles Dunning. See Grant Dexter papers, Vol. 10, draft of an article for G. F. Chipman, February 8, 1933. J. W. Dafoe saw the National Government as a means to bring about a program of railway
unification under the direction of the CPR and was bitterly critical of it. See J. W. Dafoe papers, microfilm reel 76, Dafoe to Grant Dexter, December 30, 1932; reel M77, Dexter to Dafoe, January 7, 1935; June 3, 1935; July 11, 1935; Graham Spry to Dafoe, July 19, 1935; Dafoe to J. M. Macdonnell, August 27, 1935; Brooke Claxton to Dafoe, August 29, 1935; A. K. Cameron to Dafoe, October 15, 1935. In the summer of 1935 the Family Herald mounted a campaign in support of the movement. See the issues and editorials during the months of July and August. In a similar vein H. M. Daly wrote to R. B. Hanson that there were not enough true Conservatives in Canada to operate two parties and that an attempt had to be made to form a new party in order to rally "all the best people." Hanson papers, microfilm reel C3076, Daly to Hanson, August 19, 1936; also The League for Social Reconstruction, Social Planning for Canada, Toronto, Nelson, 1935, pp. 477-488.

8. For a sociological examination of the role of elite groups in Canadian politics see, John Porter, The Vertical Mosaic, Toronto, University of Toronto Press, 1965, Part II.


11. Young, p. 289.

12. In many ways the Report of the Royal Commission on Price Spreads and Mass Buying supported the reform argument particularly in its use of the term 'imperfect competition' to describe the Canadian economy. However reform and Keynesian arguments did not gain much respectability among academic economists. See I. Brecher, Monetary and Fiscal Thought and Policy in Canada, 1919-1939, Toronto, University of Toronto Press, 1957.


14. All the above in Ernest Thomas, "It Couldn't Be Done - But He Did It," The New Outlook, Vol. 9, June 28, 1933.


16. The New Outlook, November 8, 1933.

18. See for example B. K. Sandwell, "What is the Political Outlook in Canada?"


20. As Horowitz has commented; "the young men who became New Dealers in the United States became CCFers in Canada." In Horowitz, p. 33.


22. Ibid., p. 45. On the ideological mixture of the CCF Young has written that the party had a doctrine with no flaws, "one consistent with Christian societies, liberal democracy, bourgeois ideals and the North American myth of prosperity for all . . ." p. 54. To combine all this with a socialist program was no easy task.

23. The complete text of the Manifesto is in Young, pp. 304-313.

24. The section on planning was cited as the first item of the Manifesto and its introduction read; "The establishment of a planned, socialized economic order, in order to make possible the most efficient development of the natural resources and the most equitable distribution of the national income." Ibid., p. 305.

25. Ibid., p. 310. Other sections, not directly related to economic affairs were concerned with external affairs, freedom of speech and assembly, and social justice.


28. Ibid., pp. 101-02.


30. The major statement of socialist planning was in Ibid.

32. See Michiel Horn, "The League for Social Reconstruction," PhD thesis, University of Toronto, 1971, especially Ch. 5. Also J. S. Woodsworth Papers, Box 9, transcript of taped interview Frank Underhill and Paul Fox.

33. Eugene Forsey and J. F. Parkinson were two who expressed concern over the corporatist implications of the New Deal. J. W. Dafoe papers, Vol. 7, Dafoe to H. A. Sifton, July 11, 1933.


35. Young, pp. 35-36.


37. Young, p. 54.


40. Underhill, "Bentham and Benthamism."

41. The Canadian Forum, June, 1933.

42. Ibid., June, 1934, July and December, 1936.


44. Underhill papers, Box 2, draft of a radio address for the LSR, nd.

45. The Canadian Forum, April, 1937.

46. Ibid.

47. J. S. Woodsworth papers, Box 9, transcript of taped
interview Frank Underhill and Paul Fox.


49. Horowitz, *Canadian Labour in Politics*.

50. The different sectional responses to socialism have, of course, remained. In 1961 Pierre Trudeau suggested that the socialist movement should concentrate its activities on the provincial level rather than the national so that the quite different states of political consciousness in the regions might better be coped with. See P. E. Trudeau, "The Practice and Theory of Federalism," in Michael Oliver (ed.), *Social Purpose For Canada*, Toronto, University of Toronto Press, 1961, pp. 371-393.

51. The CCF fielded only fifty candidates for the eighty-two available seats in Ontario. British Columbia was the only province in which the party contested all seats. In the prairie provinces almost all seats were contested. See J. M. Beck, *Pendulum of Power*, pp. 220-221.

52. Young, pp. 88-89.
Chapter VI

POLITICS: CONSERVATIVES

While the CCF was able to define a socialist theory of positive government in the relative luxury of political opposition, the Conservative government was faced with the unenviable task of governing through the worse years of the depression. Significantly, the circumstances of the depression forced the Conservative government of R. B. Bennett to consider and accept the necessity of using the authority of the state positively on behalf of a concept of the general welfare. This was not an easy process. The Conservative party obtained much of its support from the major business and financial interests in Canada whose view of the national interest was largely confined to the protection of property and the maintenance of the Canadian version of a free-enterprise, capitalist economic system. The millionaire Prime Minister Bennett was the epitome of success in that system.

However while economic individualism was a principal article of faith of perhaps most Conservative supporters, there was also an element of collectivism in the background of the Canadian Conservative party. Derived from the British tradition, conservative collectivism emphasized that the state had a responsibility to ensure the maintenance of the proper conditions for the preservation of social order and the
national collective well-being. This included a willingness to involve the state directly in the economic life of the country. The types of ways in which the state might intervene varied. One was to extend government financial assistance to ensure the soundness of major economic institutions. Sir John A. Macdonald had done this to aid the Canadian Pacific Railway in the nineteenth century as did R. B. Bennett in 1933 when he provided a guaranteed loan of sixty million dollars to the railway. Another was to promote public ownership of major economic enterprises. The most significant example of public ownership was on the provincial level when, in the early years of the century, the Conservative government of James P. Whitney created the Hydro-Electric Power Commission of Ontario. On the federal level, Conservatives in the Union government played an active part in establishing the Canadian National Railways, and in the early thirties the Bennett government brought radio broadcasting within the scope of the public domain with the creation of the Canadian Broadcasting Commission. A third type of state intervention was in the broader area of economic regulation and social welfare. The Union government of Sir Robert Borden embarked on an ambitious though short-lived, attempt to control economic activities by establishing a Board of Commerce in 1919 to oversee and regulate the market place. And although there was little unanimity on the question, R. B. Bennett considered that the party platform adopted by the 1927 Conservative convention provided the authority for his government to enact a
full program of social welfare.\textsuperscript{4}

Conservative collectivism should not, of course, be over-emphasized. Any party given the responsibility of governing will, of necessity, respond to some extent to the collective needs of the society. Moreover the various examples of Conservative collective action should not be taken as an indication that Canadian conservatives seriously challenged the capitalist system. For example the two most widely cited instances of public ownership in Canada, Ontario Hydro and the Canadian Broadcasting Commission, had their own unique origins and objectives. They were not meant primarily to limit private enterprise. The purpose of the latter was to protect Canadian cultural life from the onslaught of American broadcast networks.\textsuperscript{5} The former was enacted at the instigation of one group of business interests whose economic welfare was being threatened by another group which had private control of electric power.\textsuperscript{6} But although the collectivist tendencies within the Conservative party were relatively mild, the tradition cannot be ignored either.

Finding a balance between the competing claims of individualism and collectivism created a continual tension within the party. Defining the proper means and limits of government regulation of economic behaviour posed particularly complex problems. They became noticeably difficult during the thirties when the excesses of economic individualism became identified with the causes and effects of the depression. Identifying the national interest from among conflict-
ing regional, class and group interests presented almost impossible demands on governments throughout the world and Canada was no exception. The major determinant which defined the Conservative government's response was the reality of holding office. The government had to govern. Especially during the depression this meant using state authority in new ways to meet the unprecedented demands of the depression. Consequently, however strong the predisposition towards individualism may have been, governing demanded that the state act.

A variety of conflicting pressures from within the party came to bear on the Conservative government. Prominent Conservatives like Arthur Meighen, H. H. Stevens, Robert Manion, W. D. Herridge and others pressed Bennett to adopt various reforms, while conservative financial interests pressured him to avoid change. Bennett was caught in the middle of the pressures and ultimately the definition of government policy rested with him. Bennett's dominance of the government has become legendary. As Professor Beck has commented, "Of all the administrations since Confederation his, without doubt, came closest to being a one-man show." The fact that he had largely financed the 1930 election campaign from his personal resources set the stage for his assumption of personal authority over the party. As Prime Minister, Bennett demanded, and received, blank-cheque authority from Parliament and then dominated the Cabinet charged with formulating and executing policy. Thus any consideration
of Conservative policy in the period 1930-35 must necessarily emphasize the person of R. B. Bennett. And present within Bennett was the same uneasy dichotomy between individualism and the collective needs of the nation which confronted the Conservative party and government. The relative emphasis which Bennett and the government gave to each changed during the Conservative term of office as the depression hung on and policy adjustments had to be made.

As the party of government, the Conservatives were faced with a host of practical problems which, by their very nature, demanded positive action by the state. Frustrated when traditional economic policies failed to promote economic recovery, the government was forced to depart from traditional and familiar standards and try new ways. Financially squeezed between the falling revenues returned from a stagnated economy and increased costs, for example for relief, the government found itself forced to devise new policy alternatives. Despite individual preferences, the collectivist factor came to be emphasized because the state was forced to react to pressing problems. Finding a workable balance was no easy matter. There were a great many difficulties in devising new means to define the proper relationship between government and governed. The Conservatives never were able to produce a resolution to the problem satisfactory to the electorate before they were defeated in 1935. But between 1930 and 1935 they moved considerably in that direction. In the process the pillars of traditional Conservative policy were consider-
ably moderated. While their high tariff commercial policies and mistrust of the United States were not completely abandoned, the Bennett government found itself forced to try to establish closer trading relationships with the United States. As well, the government was forced by conditions to intervene actively in the economic affairs of the country in unforeseen ways. The result was that the government moved well along the path of social reform.

* * *

In the late summer of 1933, R. B. Bennett outlined for a gathering of Conservative party supporters the situation which he had faced on assuming office three years earlier. The depression had struck the country, he recalled, and few at the time had appreciated its scope and extent. No one had foreseen how long it would last, or imagined the world wide implications of a long term slump. In Canada, unemployment was rising and industrial production falling. The country had a potentially disastrous balance of payments deficit on its trading account and foreign markets were closed or severely restricted. Payments to Canada's external creditors in gold-backed currency continued to fall due, government revenue was declining and the country was approaching bankruptcy. Strong leadership and strenuous government action were urgently required.

Looking back from the perspective of 1933, Bennett was reasonably pleased with the results of the actions he had taken to alleviate the country's problems. He had responded
to the situation, he said, with traditional and familiar policies which had, in the past, worked to counter similar problems. The most important means he adopted was actively to manipulate tariff policy. Tariffs were raised and the barriers had stopped, then reversed, the balance of payments problem. Tariff action was also designed to produce other results. By excluding competing imports, the Canadian manufacturing sector was stimulated, existing factories had been encouraged to resume production, and a great number of new industrial concerns had been encouraged to locate in Canada. Some additional employment had been created. This, he had hoped, would act eventually to increase consumer demand which, in turn, would force the price level upwards, stimulate production and bring about recovery. To provide temporary relief, until the stimulating effects took hold, the government had made an extraordinary appropriation for relief and had begun a program of government sponsored public works.10

Bennett acknowledged that full recovery had not as yet been attained but this was so, he said, because the depression was a world wide phenomenon. Canada was directly affected by the world slump and domestic policies could not, by themselves, be fully effective. But, he claimed, his tariff policies had worked. Bennett pointed to the number of new industries which had been opened up, as well as to balance of payment statistics, as proof that Conservative tariff policies were having a desirable effect on the economy. Above all, his policies had protected Canada's industrial base
which he considered central to the national interest.¹¹

Even more important than tariffs in defending the national interest, Bennett claimed, was that his government's vigorous leadership had had the effect of stabilizing the potentially disastrous situation which had faced it in 1930. The depression had threatened to bring down the fundamental economic and financial institutions of the country. The collapse of these institutions would have destroyed the nation's credit with the foreign bankers on whom future prosperity depended. In Bennett's view his government's leadership had prevented destruction and the financial integrity of the country had been preserved. Unlike in the United States, the Canadian banking system had remained solvent. Foreign debts had been repaid in real currency and the worst had been averted. As he told the House of Commons in commenting on the government's efforts to ward off national bankruptcy

This result in Canada has not been effected by accident; it has been effected through the most tireless efforts both day and night on the part of the administration to see that that precious thing called public credit, upon which the integrity of this country has depended for half a century, should be maintained and that no cheap nostrums in the form of quack remedies supplied by printing presses should take the place of a proper discharge of our contractual obligations.¹²

From Bennett's perspective, warding off complete disaster had been a major accomplishment. The means on which he relied, tariffs to protect the industrial sector and orthodox financial measures to prevent loss of business confidence, were traditional factors in Conservative policy. That Bennett
should have fallen back on familiar methods in the early years of his administration is not surprising. Both however, came to be moderated during Bennett's term of office. When neither high tariffs nor economic orthodoxy proved to be effective in relieving the depression, pressures mounted on Bennett to change. And whether by inclination or from desperation, Bennett displayed a flexibility for which he is not usually given credit in attempting to respond to the pressures. In adapting his economically orthodox views, the indirect influence of the United States is apparent. In moderating the particulars of his economic nationalism, the influence of the United States was more direct.

* * *

Like Sir John A. Macdonald and Sir Robert Borden before him, R. B. Bennett was a complex mix of Canadian nationalist and British imperialist. All attempted with varying degrees of success to reconcile the contradictory pressures on Canada of nationalism, imperialism and continentalism. The problem of devising means whereby a viable Canadian nationalism could be sustained, while maintaining the historic connection with Britain and at the same time creating a practicable and profitable economic relationship with the United States, was not a new one. From the mid-nineteenth century the economic dimension of the problem was invariably focused on tariff policy. Devising means to create a satisfactory and lasting triangular commercial relationship was a problem which faced Canadian governments from before Confeder-
It is one which Canada still faces in the 1970's. During Bennett's term of office commercial policy was perhaps even more difficult to resolve than at any other time because of the severity of the depression. In his case the economic problem was compounded by his emotional commitment to Britain, his strong sense of Canadian nationalism, and his wariness of the United States.

Like other Canadians before him, Bennett equated his nationalism with a dedication to the Empire. In defining his nationalism in Imperial terms Bennett commented that, "I would be indeed a poor Britisher if I were not a Canadian first . . . . that man is the best Britisher who loves Canada the most." In the late nineteenth century he was able to include commercial relationships within his dual commitment, and he gave his support to the Imperial Zollverein schemes advanced by Joseph Chamberlain. But by the time he attained office as Prime Minister, Canada's position internally and within the Empire had been drastically altered. Not only could Britain absorb only a small part of Canadian production, but Canada had been transformed from an agrarian to an industrial country. The National Policy had had the effect of creating an advanced industrial and manufacturing base and Canada's economic needs could no longer be satisfied by remaining a supplier of primary products for Britain. A wide range of financial and investment commitments had been made to the industrial sector which could not be abandoned. Moreover, industry was the only feasible means to satisfy the
country's employment needs. By the thirties it was plain that Imperial needs had come to clash with those of Canada's domestic economy.

In Bennett's view Canada's national economy required an active defence. Commercial weapons were needed and as Bennett asked rhetorically, "What is the great weapon with which nations must fight the battles of commerce . . . . The only weapon we have is the weapon we call the tariff."\(^{17}\) Logically the tariff weapon had to be deployed against all commercial rivals and these included Britain. Furthermore when he was elected in 1930 the major economic reality which faced him was that most countries throughout the world had deployed their own tariff weapons. Commercial exclusion was a world-wide phenomenon and Bennett responded by raising Canadian tariffs to unprecedented heights. So doing, he promised, would provide the means by which he would be able to "blast his way into the markets of the world."\(^{18}\)

The series of Imperial consultations which culminated in the Imperial Economic Conference in Ottawa in 1932 provided the forum in which the conflicting elements in Bennett's views became painfully obvious. The British reluctance to impose food taxes on their own people for the sake of a greater conception of Imperial need could not be overcome. Neither could Bennett be persuaded to lower tariffs and thus permit freer access to the Canadian market for British manufactured goods. Accepting an Imperial Zollverein, he argued, ignored the reality of Canada's true economic situation as a
manufacturing nation. Such a policy would restrict future economic development to producing foodstuffs and primary products for the British home market. This he was not prepared to accept and the final result of the Conference, to maintain protection against British manufactured goods while retaining even higher barriers to keep out non-Imperial products, was not a satisfactory solution for any of the countries involved. As it emerged, Bennett's policy was to maintain the direction which had been set two years earlier and which was designed,

Firstly, to reserve the Canadian market for Canadian agricultural and industrial producers so as to dispense with the necessity of importing from the United States, to transform into national production that which had formerly been imported; secondly, to force the movement of foreign manufacturing plants into Canada or to force complete manufacture in branch plants already existing in Canada; thirdly, to establish tariffs on raw products at a level sufficiently high to force exploitation of national resources; and fourthly, to divert those purchases which Canada must make abroad to Empire and other channels on the basis of strict reciprocity, securing in return export markets in compensation for the market lost in the United States.

But Bennett's economic nationalism was not absolute; with the economy dependent on foreign markets, Canada could not isolate herself completely. And, Imperial bi-lateral agreements were insufficient outlets. At the same time Canada's bargaining position was not particularly strong. Canada's primary products were no longer in demand as they once were. Ideally Bennett would liked to have arranged to trade off Canada's primary products, while maintaining the tariff structure of the manufacturing sector. But all
countries wanted to sell, and few wished to buy. Bennett's tariff weapon lacked ammunition because Canada could not muster power sufficient to force concessions without giving concessions of her own. In good times this situation was tolerable. The East-West economy of the National Policy provided a market in the West for manufactured goods produced in Central Canada; paid for by the returns Western producers received from their foreign sales. But in depression, when markets dried up, railways stopped moving wheat, and Western farmers went broke, the economic structure collapsed. Foreign markets were required in order to complete Bennett's vision of Canada as a budding industrial nation. But where to find them? The Imperial alternative was not sufficient. The other major alternative was the United States.

Bennett's wariness of the United States dated from the time of his up-bringing in New Brunswick. As a boy he had directly experienced the difficulties involved in trying to establish a workable commercial agreement with the United States. The abrogation of the Reciprocity Treaty of 1854 by the United States twelve years later had had a harsh effect on the economy of the Maritimes. One lesson drawn from the experience, by Bennett as well as by many other Canadians, was that it was futile for Canada to depend upon the United States. There could be no assurance that any future commercial treaty would provide the stability which a developing economy required. Once a treaty was made, it would significantly shape future economic development. The types, nature
and location of investment, industry and crops would be altered to meet the economic realities presented by a commercial agreement. But stability demanded that the altered economic structure be guaranteed to last. Otherwise the basic lines of the country's economic relationships would have to be rearranged once more if the agreement was terminated. The experience of the disruption caused by the abrogation of the Reciprocity Treaty led many Canadians to distrust the United States. Regardless of the intentions and professions of the particular American government which signed a trade agreement, there was no guarantee that, from unwarranted Congressional pressure, a later government might not abandon it. This line of argument was one of the major themes in the debate in 1911 which saw the defeat of the proposed Reciprocity Treaty of that year. Doubts about the wisdom of treating with the United States were increased in the post-war years. The succession of tariff measures, which by 1932 effectively closed the American market to Canadian exports, gave little encouragement to those who saw merit in a more open trading system.23

The converse of the argument, which opposed trading with the United States on the grounds that any agreement reached would not be honoured, was that too close commercial ties would ultimately lead to a loss of Canadian independence. Bennett criticized Liberal proposals for freer trade on these grounds. Lowering tariffs, particularly unilaterally, would open up the floodgates to American made manufactured goods.
Canada's industrial base would be driven into bankruptcy, its workers forced out of jobs, and its financial institutions destroyed. Canada would be forced into the role of a supplier of primary, raw materials and a buyer of manufactured goods. The American economy would come to dominate the Canadian.

This, he argued in 1930, would be the result of the countervailing duty schedules contained in the Liberals' Dunning budget of 1930, adopted in retaliation against American tariffs. Once economic control was lost, Bennett warned, political independence would be lost as well. As he wrote in 1929,

> As I read history, no country, economically dependent of others, ever long retained its political freedom. Channels of trade are being created that are becoming more and more difficult to change and if once you have a situation so completely established that to change it would mean financial disaster, the end is not far off.

But whatever Bennett's misgivings about the nature of Canada's trading relationships with the United States, he could not ignore it; depression conditions forced him to try and expand commercial ties. And, as Hume Wrong, the Canadian Chargé, reported from Washington, "While some small gains may be made as a result of negotiations with other countries, the United Kingdom and the United States are the essential markets for Canadian products." Wrong went on to describe that with Britain moving towards an increasing protectionist policy with regard to agricultural imports, the American market loomed even larger as Canada's principal alternative.

Bennett's secretary, R. K. Finlayson, has recorded that as
early as 1932 Bennett was thinking about expanding Canada's American ties. Immediately following the passage of the United States Revenue Act in June, which raised duties on Canadian metals and lumber considerably, Bennett gave instructions that Canadian tariff and trade exports were to begin preparing materials which could be used in trade negotiations with the United States. Finlayson recalls that the instructions were so surprising that Bennett had to convey them personally. 

The election of Roosevelt portended possible new directions. Not only were the Democrats traditionally inclined to more open trading policies, but the United States had, potentially, much to gain from a relaxation of trade barriers. While, as in Canada, strong protectionist sentiment limited the possibility of drastic change, there were influential economic interests in the United States which stood to gain from a more open trade policy with Canada. Opposition from American farm interests remained firm, but many industrial and manufacturing concerns wanted access to the Canadian market. Access to Canada was also one way by which American exporters might be able to re-enter Imperial markets to which they had been restricted by the terms of the Ottawa agreements. As Finlayson commented, "It was the transfer of British purchases from the United States to Canada implicit in the Ottawa agreements of 1932 that excited interest in the government of the United States." 

Initial signs seemed to indicate that the incoming
Democrat administration would be interested in establishing closer relations with Canada. Even before his inauguration, Roosevelt deputed Henry Morgenthau, later Secretary of the Treasury, to approach the Canadian Government to talk about mutually curtailing wheat production.\(^2^9\) Rumours began to circulate in Canada that Roosevelt's approaches might lead to changes in the Conservative government's tariff policies.\(^3^0\)

In February, 1933, William Duff, Liberal Member of Antigonish-Guysborough, introduced a motion in the House which called for the opening up of negotiations with the United States. In the long debate which followed, Bennett did not foreclose the possibility of negotiations; he pleaded for additional time, and said that nothing substantial could be accomplished until the coming London Conference was concluded.\(^3^1\)

Nevertheless it is evident that Bennett considered that changes in his policies might be required. In April he had a lengthy conversation with the American Chargé in Ottawa, Pierre de L. Boal, at which the topic was raised.\(^3^2\) Bennett described to Boal the problems which Canada faced. Canadian industry required a measure of tariff protection, he said, but it was also desirable that Canada and the United States reach whatever agreement they could over trade problems. He stressed that any agreement must provide for long range stability, and that it should include both trade and currency arrangements. Significantly Bennett did not raise the point that the Ottawa agreements precluded changes in Canadian policy. He left the impression with Boal that he
would not consider himself completely restricted by the Imperial arrangements made at Ottawa. In fact he commented that he would support proposals which would lead to a three-way expansion of trade between Canada, the United States and Britain. If the United States lowered tariffs on Canadian farm products, Bennett said, he would not object if Britain lowered her barriers to American goods. Immediate, partial agreement, he suggested, would probably improve the chances for success in the pending discussions at London. He concluded his talk with Boal by stressing that Canada's main problem in its American relationship was the need to provide for stability; that it was not in Canada's interest to establish firm commercial links which could easily be discarded. He recalled that he had once commented to Arthur Meighen: "Give me the control of the tariff policy of the United States for a period of ten years and I can do more for the welfare of Canada than I could do for it as Prime Minister."  

But however much Bennett may have been receptive to establishing closer ties with the United States, a great many difficulties lay in the way. In April Bennett travelled to Washington to meet with Roosevelt and both leaders agreed that a search should begin for suitable means to increase an exchange of commodities. It was explained to Bennett that the President planned to ask for wide Congressional authority to enter into trade agreements without the usual requirement of Senate approval. By this means it would be possible to arrange a more acceptable agreement.  

But in the meantime
domestic economic and political considerations forced a change in American intentions. Roosevelt's plans to request broad powers from Congress to negotiate trade agreements were abandoned temporarily. Rather, the American government concentrated on its domestic problems and the New Deal went into its first, economic nationalist phase. The Canadian Embassy registered protests at the change during the summer of 1933, but the State Department replied that the time was not as yet ripe to begin full scale negotiations with Canada.35

The American economic nationalist policies continued for a year and it was not until June of 1934 that the Reciprocal Trade Agreements Act was passed, giving to the President broad powers to negotiate trade agreements on a bi-lateral basis without the customary two-thirds vote of approval by the Senate. The Trade Act opened the way to begin negotiations and in August the Canadian Embassy again approached the American Government but without success.36 Finally in November, in an attempt to force the United States to move, the Canadian Minister, William Herridge, presented a formal note to the State Department which set forth the Canadian position.37

The submission of the Canadian note and the American reaction to it underscored the competing, rather than complementary interests of the two countries. Essentially, Canada wished to sell its farm and other natural products to the United States, while maintaining its protective system for manufactured goods. The American interest lay in protecting its farmers, while gaining access to the Canadian market for
its manufactured products. The presentation made clear that the old basis of Canada's American economic relationship had been disrupted by the depression. Previously, Canadian shipments of gold, and expenditures by American tourists, had offset Canada's interest and dividend debts; while the deficit on commodity trade had been paid for by the large scale influx of American capital. By 1931, however, the movement of capital had stopped. Canada had been forced to reduce its imports. It had also been driven to float a large domestic loan in order to pay maturing obligations in the United States. New approaches were needed to meet the changed circumstances. The Ottawa agreements did not prohibit a Canadian-American arrangement, and the Bennett government said it was prepared to declare a long-term common objective in attaining the "freest possible exchange of natural products." As a first step the note proposed a general relaxation of tariff barriers, although it remained vague on just how far Canada was prepared to go in relaxing its tariffs on manufactured goods. Canada requested an immediate reduction by the United States of fifty per cent on a number of specified natural products, and declared that Canada's aim was to create the conditions whereby the two way commodity trade between the countries would be brought into balance.38

The American government was somewhat embarrassed by the formal Canadian presentation. Its first reaction was to try to persuade Canada to amend the note, deleting all reference to a fifty per cent reduction of the tariff on natural
products. This, it was said, would generate considerable political opposition in the farm belt which might jeopardize the chances of reaching an agreement which the United States wanted. But despite Bennett's refusal to amend the original note, the American reply was cordial. It expressed a desire to enter into discussions, although it emphasized that it would not consider itself bound by the specific details of the Canadian note. Privately the American assessment of the Canadian position was more critical. Warren Robbins, the American Ambassador in Ottawa, prepared a detailed critique which pointed out possible American objections. Particularly, he criticized the assumption that it was at all practicable to equalize commodity trade on a simple two-way basis. Rather the attempt should be limited to restoring trade to its previously "normal proportions," which was far less than Canada requested. Moreover, he pointed out that the American interest remained that of selling Canada manufactured goods, and that the Canadian note was imprecise in indicating to what extent Bennett would relax tariffs on these goods. Particularly unsettling was the fact that the note made no mention of Canada's adjusting its system of valuation of imported manufactured products, so that upward valuations would not be used to defeat the purpose of tariff reductions.39

It was not until the summer of 1935 that negotiations were finally begun. They moved quickly from that point and, by the time the talks were suspended because of the Canadian election, most of the details had been worked out. Following
Bennett's electoral defeat, one of Mackenzie King's first acts was to go to Washington to sign the Reciprocity Act of 1935. The outline and most of the details of the agreement had, however, been largely arranged by the Bennett government. Bennett later criticized the agreement on the grounds that he could have forced additional concessions from the United States. It may have been that the American government suspended negotiations before the election because they preferred to deal with a Liberal government but there is little hard evidence that this was so. Concessions had to be made, and given the fact that Canada badly needed some agreement with the United States and had little power to force concessions unacceptable to the American government, much the same agreement probably would have resulted regardless of which Canadian party formed the government in 1935.40

The evolution of Bennett's commercial policy from 1930 through 1935 pointed up the essential reality of Canada's economic vulnerability. His initial response was a pragmatic one. He had to try and stabilize a quickly declining economy heading for default. This could be done by increasing exports or reducing imports. In the circumstances the former was practically impossible, particularly in relation to trade with the United States. Bennett turned to the Imperial alternative but it was soon apparent that Imperial outlets could not satisfy Canada's export needs. With the election of Roosevelt the chances for freer American trade were increased, and Bennett quickly moved to explore the possibilities. American
policy precluded a settlement until the New Deal shifted from its domestic preoccupations in 1934. After that, the Canadian government consistently pressed the Americans to begin negotiations, but the competitive trading interests of the two countries delayed a settlement. For Bennett, reducing the demands imposed by his economic nationalism remained a severe problem and he could not bring himself to eliminate tariff protection entirely. In his view tariffs represented the principal weapon which could be used to protect the national interest. However the demands of office forced him to move well along in that direction. That he moved as far as he did was in itself somewhat surprising.

* * *

In domestic economic and social affairs Bennett was also forced to respond in ways which seemed at odds with his background and ideological orientation. Beginning as a staunch traditional capitalist, self-confident and sure of the structure of beliefs which underlay the free-enterprise system, Bennett was to declare, in 1935, that the familiar forms of *laissez-faire* capitalism had to be discarded. From orthodox economic policies which set strict limits on the ways in which government might involve itself in economic affairs, Bennett was to introduce legislation which went a long way in redefining those limits. From policies which in the early years of his term of office were confined to promoting economic recovery on business terms, Bennett was to become something of a champion of reform.41
But Bennett's metamorphosis from defender to critic of Canadian capitalism was not completely sudden. Just as he was a complex blend of nationalist and imperialist, Bennett's social, political and economic philosophy was also made up of a number of disparate elements. One major factor was derived from his orthodox and eminently successful capitalist background. Another developed from his interpretation of British conservatism, which included the strain of tory reformer. Compounding these potentially contradictory aspects was, again, the fact that the responsibility of holding office placed great pressure on him to react to events. The depression created unprecedented problems to which Bennett was required to respond in unpredictable ways.

From the beginning of his term Bennett needed no urging to provide active and orthodox government leadership. He was temperamentally inclined to action and moved quickly after his election to exercise the authority of the state. In his view, government leadership and state action were required to protect the collective interests of the state. Using the tariff weapon was one method; and firm action to preserve the fundamental institutional structure of the country was another.

In 1930 preserving the country's institutions was no easy matter. At that time the spectre of default on the country's financial obligations seemed a distinct possibility. Although Canada's banking system had remained intact, not all observers thought it invulnerable. The federal, provincial
and local governments as well as the major Canadian financial
and industrial concerns all depended on foreign, chiefly
American, capital. Any possibility of default to foreign
creditors was viewed with great alarm. In 1930-31 the combi-
nation of mounting trade deficits and the devaluation of
British currency threatened complete collapse in Canada.
Canada needed to maintain a large volume of exports to Britain
in order to pay for its imports from the United States.
British devaluation had had the effect of lowering the value
of the pound below that of the Canadian dollar, and raising
the value of American currency in relation to Canada's. This
not only penalized Canadian exporters but it also made it much
more difficult to service Canada's debt obligations to the
United States. The declining situation prompted Bennett to
raise tariffs to cut imports, and also to float a large domes-
tic loan in order to pay its maturing obligations in the
United States. In purely economic terms, it was mandatory to
avoid default in order to protect the country's credit stand-
ing. But beyond the economic factor, interfering with con-
tractual obligations was, in Bennett's view, unethical. Cur-
rency manipulation, and refusing to pay debts in full,
challenged the basis on which individual and national obli-
gations had been contracted. To change these unilaterally
was the same as breaking a man's, and a country's bond. This
was immoral and un-British. As R. K. Finlayson described
Bennett's views,

He would not dream of repudiating a foreign debt
because, as he saw it, that reduced Canada to the status of a banana republic. The banana republic had nothing to gain by paying its foreign debts. A country like Canada, an end product of a thousand years of British constitutional development, had everything to lose by refusing to pay.42

Maintaining Canada's foreign credit rating was one aspect of the economic orthodoxy of Bennett's first years. His approach to other economic problems was similar. It meant, in effect, defining the national interest in terms of the needs of the existing economic institutions in the country. While Bennett did display both private and public concern with those elements of society which suffered from his restricted view of the country's needs, he thought that the only practicable means to relieve the depression was to provide support for the major economic institutions and prevent them from failing. These, in turn, would provide the economic driving force which could stimulate recovery. Thus the principal thrust of his policies was to provide financial support to business, promote recovery by maintaining the financial and industrial structure, and produce the conditions in which business would invest and produce once more. And, of course, he defended his orthodox policy as being in the interest, not only of those capitalists who received government aid, but of the collective needs of the nation. Because the depression was world wide, his action could accomplish only so much. It could, however, protect the economic structure so that when world conditions were stabilized, Canada would be in a position to profit from general recovery. As
he commented in 1933 on his refusal to embark on large scale
deficit financing to pay for public works;

The normal method of accomplishing the results we seek is to restore to the owners and employers of capital that confidence which comes from a realization that the period of disastrously low prices is past. This confidence is now apparent and must not again be subjected to undue risks and dangers. . . . If the country deals lightly with the constitutional power to create new Dominion notes, the whole structure of security is impaired. Once confidence is lost, its security is destroyed. The position which we have maintained during the depression is sufficiently sound to enable us to take immediate advantage of that more enduring confidence which will come when world exchanges are stabilized.43

But at the same time that he accepted the responsibility of using the authority of the state to provide a milieu in which business and finance could feel comfortable, Bennett also called on the financial leaders of the country to accept the responsibility of acting in their own and in the country's interest. One way they could fulfill their responsibility, he reminded them in his New Year's message of 1933, was to put their accumulated wealth to work in stimulating the economy;

Our ears are deafened and confused by the advocates of monetary nostrums but there are also a few old-fashioned prejudices. One of the latter is the notion that money or wealth can be separated from enterprise and cloistered in safe keeping away from the call of industrial needs. If industry fails in your country, your wealth, savings insurance and investments will melt like snow before your eyes. It is not unnatural that those possessing wealth should have put it aside while a precipitate decline in prices was in progress. That downward movement having now been definitely arrested and an upward trend being in evidence, it behooves all those who have capital available to turn it as far as possible to productive use.44

Bennett's view that financial leaders had a responsibility to act in promoting more general and collective needs
was also a part of his own conservatism. And in the tory reform tradition conservatism did not preclude initiating change. The state, he thought, had to play an active role in the country's affairs. This, he said, was within the ideological tradition of British conservatism. To his supporters he quoted Tennyson,

That man is the true conservative
That lops the mouldered branch away.

And he explained;

Why? Because by experience, by observation, by analysis we have been able to determine that the branch is mouldered and then it must be struck away and not conserved. That is conservatism. But in lopping off the mouldered branch you have to be certain that you do not destroy the vital sap of the trunk. That is the duty of statesmen, of electors, of those who govern everywhere. Reject, of course! Lop off, of course, but it must be the mouldered branch.45

Locating and identifying the mouldered branches which deserved lopping in the conditions of the depression remained, of course, the central problem. To Liberals, the mouldered branches were labelled high tariffs; to socialists they were the premises and assumptions which underlay the capitalist system. Conservatives differed among themselves about which particular branches, if any, should properly be struck. The tension within Bennett and the Conservative party between financial orthodoxy and the tory reform impulse made the problem of identification a difficult one. Much earlier in his political career Bennett had given an indication that the mouldered branch included some aspects of traditional *laissez-faire* capitalism. In his first Parliamentary address
in 1911, Bennett had called for governmental leadership in controlling industry to make it behave more responsibly.\textsuperscript{46} Like Vincent Massey he had expressed approval of Woodrow Wilson's comment that, "a radical is one who goes to the root of any given matter." He agreed with J. S. Woodsworth that government had a responsibility in providing for social security. He called on the example of Lord Shaftesbury to show that conservatives properly had a reform role to play in society. Above all he accepted the charge that government had a responsibility to lead and direct policy and not merely follow the public in a passive way.\textsuperscript{47}

From 1933 the two strains of orthodoxy and tory reformer appeared side by side in Bennett's rhetoric and his actions. The chief problem was in trying to find a balance; to retain the essentials of Canadian conservatism while creating new financial and economic mechanisms which might prove effective in beating the depression. There is evidence that he read Keynes. He agreed with Keynesian prescriptions for countering inflation but could not bring himself to agree with the notion that governments could spend the way out of deflation. He noted that once governments began large scale spending programs, they would never be able to resist popular political pressures and discontinue them.\textsuperscript{48} But despite strong opposition from within the Canadian banking community Bennett set up a Royal Commission to study the problem of central banking, and in 1934 the Bank of Canada was created.

A good deal of attention was paid by the government
to what other countries were doing to bring about recovery. British, Australian and American experiments were all examined closely to see which aspects, if any, of their policies could be made applicable to Canada. The Canadian Embassy in Washington reported fully and regularly on all phases of the American experiments. In addition, in the fall of 1933 a Civil Service Committee under O. D. Skelton was set up to examine the New Deal in detail. Bennett expressed his approval of some of Roosevelt's measures but like many others he was not sure where they were going to lead. Both the Embassy and the Skelton Committee reported negatively on the New Deal and said that Roosevelt's actions were of dubious benefit to the United States, let alone to Canada with its quite different economic situation. Bennett, too, largely disagreed with the methods of the New Deal. He was unsure whether Roosevelt intended to abandon the capitalist system altogether. But particularly, he thought, that while perhaps the United States could afford to abandon its foreign trade in order to raise prices and wages, "Any Canadian government would be recreant of its duty" if it undertook at that time a policy similar to that adopted by the United States.

Bennett also began receiving proposals from his political colleagues. In the summer of 1933 Robert Manion, the Minister of Railways and Canals, submitted a proposed "Bennett Recovery Programme" in which he suggested a three phase plan to combat the depression. First a 'conversion loan' would be floated, scaling debt charges down proportion-
ately to the reduced price level in order to reduce government expenditures. Secondly, a large scale public works program would be started, paid for by means of a low interest 'Recovery' or 'Loyalty' loan. Then business leaders would be called to Ottawa and persuaded or pressured to cooperate by starting investment and works programs of their own. The whole program would be publicized as a national recovery program and "prominent churchmen and other leaders of thought" would be called upon to help present the program to the country. Bennett's initial response to Manion's suggestions was not favourable; Manion recalled that Bennett termed it 'communistic'. But later, Bennett spoke favorably about the plan in Cabinet and accepted some of the proposals as his own.52

By September of 1933, Harry Stevens, the Minister of Trade and Commerce, also began to talk of reform. It was time, Stevens thought, that the government should begin to apply pressure on business and industry to force them to cooperate in stimulating recovery and behave more responsibly in the public interest. Action was required, he thought, to make industry pay wages commensurate with the amount of tariff protection it received. In addition, Stevens suggested, banks and insurance and loan companies should be told pointedly that, unless they provided the short term credit required by business, their capital would be socialized.53

Stevens was perhaps the prime Canadian example of those who wished to reverse the trend towards bigness in
business and economic concentration. He wanted to return the economy to the first principles of the competitive market. The development of monopoly control, he wrote, was dangerous because it created a "costly, extravagant, over-weighted, managerial body supplementing shrewd, intelligent and economic administration of the smaller units," and against this power small business could not effectively compete. This forced the small businessman out of the economic process because he was increasingly unable to obtain his fair share of return in the market. The ultimate result of failing to curb the trend to bigness, Stevens thought, would be to destroy the basis of capitalist society. The misuse which inevitably accompanied monopoly power would eventually force governments to step in to control the economy by nationalizing the few huge corporations which dominated it. This would mean socialism. The alternative was to devise means which would curb the power of bigness and allow smaller businesses to compete.

Stevens did not elaborate on just what means he thought might prove to be effective to this end. Although he denied that he wanted to emulate the NIRA code system the implications of his thinking led him in that direction. He was attracted to the idea of allowing trade associations a greater freedom to combine and cooperate in establishing fairer rules for the conduct of business, but primarily for the purpose of enhancing rather than limiting competition. Paradoxically one of the means Stevens thought necessary was to relax and refine the provisions and administration of
existing anti-combines legislation. Rather than preventing monopolies, he thought, the Combines Act had made them possible while at the same time it prevented smaller, independent firms from getting together to cooperate among themselves to establish orderly marketing procedures. Changing the basis of anti-combines legislation would allow small businesses to stabilize their operations and curb price-cutting and 'chiselling' by permitting some degree of inter-business cooperation in setting prices. Stevens was receptive to a request from the CMA to amend anti-combines legislation, and his position agreed with that of one businessman who wrote,

We would suggest that under the Department of Trade and Commerce, at Ottawa, it should be possible for a group of businessmen, collectively or individually, to approach someone in authority and find out what they can do legally in a combined effort to stabilize conditions in their own industry, rather than to have the continual threat of an investigation under the Combines Act held over the heads of any two or three competitors who happen to get together for a friendly lunch.

Stevens' proposals were analogous to those of the trust busters in the United States who gained influence in the New Deal toward the end of the thirties. Stevens remained committed to trying to improve the competitive position of the small businessman. His Reconstruction party gave political expression to his views in the 1935 election. But Stevens' means bore an affinity to those aspects of the NIRA which sanctioned a degree of planning by trade associations. He thought associations of small businessmen operating free from strict anti-combines regulation could have a mediating effect on the economy. Stevens did foresee a role for government in
the process to protect the interests of consumers, producers and wage earners, but he did not indicate in detail what form this should take.

While Stevens wanted to break up large concentrations of economic power Arthur Meighen, the Conservative leader in the Senate, was an advocate of accepting concentration while devising mechanisms to control and regulate it. Meighen thought that economic problems in the thirties had been brought about by, "formidable forces brought about by the machine age." Machines had progressively displaced manual work. Therefore new means had to be developed to deal with the resulting unemployment and, "A method of distributing leisure must accompany successful efforts to distribute the products of industrial organization." Furthermore, he wrote,

Unrestrained and mutually destructive competition also follows in the wake of machines. The competition of years ago was a competition of quality; the competition of to-day in a vast array of products is a competition of chicanery, and results in progressive destruction of capital.59

What was required, Meighen concluded was a system of government supervision, "of the distribution of leisure, and governmental sanction of a code suited to the character of the present industrial struggle."60 He was, therefore, receptive to the NIRA approach adopted by Roosevelt to control and regulate business and industry although he had reservations on a number of points of detail. As he remarked in a Senate speech in January, 1934,

I myself look with a great deal of sympathy on the efforts of the Government of the United States to surmount
the troubles which have affected that country. . . . I do believe that industry as constituted to-day cannot operate under the old principle which we thought was eternal--free competition, the better surviving. I do believe there has to be a code in industry, and I think the Government of the United States is on sound ground when it seeks, with the sanction of law, to establish codes to supervise competition. 61

Meighen's conclusions went further than most other public figures in acknowledging, accepting and dealing with changed economic realities. They were directed to building on existing circumstances to make the economic structure work more effectively. Bigness in itself did not alarm him but the evolution of big business dominance, he thought, did call for more realistic forms of control. In this regard Meighen's proposals were similar to those of the business planners who increasingly were dominating the operations of the NIRA.

By 1933-34 Bennett was being pressed from a number of directions. The failure of economic orthodoxy to relieve the depression forced him to consider alternatives. Manion's proposals to accept deficit financing, and Meighen's and Stevens' advocacy of methods to create new controlling mechanisms, pointed to change. The most consistent urging for a Canadian reform program came from W. D. Herridge, the Canadian Minister in Washington. Herridge's suggestions for a domestic reform program were bound up with the tariff negotiations he was attempting to bring about with the American government. The depression, Herridge concluded, had made obvious the fact that Canada's future destiny lay in its American relationship. Trade with the United States was of paramount importance, he
wrote, "We have long talked about the North American continent as an economic unit and have bewailed the fact that present national interests apparently compel an arbitrary division of it." The answer was to develop a free trade system in North America. The first step was to gain free trade in natural products. Then as Canadian industries developed to the point where they could export themselves, tariff protection could be dropped and the scope of the free trade relationship extended.\(^62\)

But trade policy was only one part of Herridge's proposals. The other was related to the need for a full scale reform plan to go along with it. He called for a new approach by which the federal government would intervene actively in the economy in order to provide direction and coordination. In a world in which Canada's needs demanded, paradoxically, full acknowledgement of competing economic nationalism, and new more open trading relationships with the United States, the Canadian government must accept the responsibility for planning economic affairs. Herridge urged that,

The United States is moving towards a planned economy. In Canada we are also moving towards a planned economy, although we may not yet be aware of that fact. Could we not say that now, when at last both countries are in a position to regulate production, etc., etc., the old objections to free trade no longer prevail, since the hardships under the old system can now be guarded against?\(^63\)

The role of the Conservative Party, Herridge proclaimed, was to take advantage of the changed circumstances which had laid to rest the "unbelievable medievalism of Billy King,"\(^64\) with
its vision of a restoration of a *laissez-faire* economy. Instead it should provide leadership in bringing about a fully planned economy. The 'invisible hand' could then be controlled, and the competing parts of the Canadian economy made to work in harmony. All this could be subsumed within a greater Canadian nationalism and effected by a new reformist Conservative party. As he wrote,

> This is a new era of economic nationalism. The dominant political force in Canada today should naturally be a new sort of Toryism. . . . Tariffs and economic planning are two of its essential elements. The blast is its battle cry, 'Canada First' is its guiding genius.65

Herridge was strongly influenced by the evolution of the New Deal. He formed a number of close relationships with members of the Roosevelt administration,66 and kept Bennett fully informed of the strengths and weaknesses of the American legislative actions. The details of Roosevelt's measures, Herridge thought, were not as important as the psychological impact of the dynamism of the New Deal programs. The Canadian government, he urged, should establish an economic 'general staff' to formulate the outlines of a similar reform program and then present it dramatically to the Canadian people. In Herridge's view, the Canadian people would respond to leadership if there was some hope for relief and the correction of some of the more obvious injustices. The appearance of reform leadership, he thought, was even more important that the substance and details of the legislative reforms themselves.67

Along with R. K. Finlayson, Herridge was responsible
for preparing the series of radio addresses with which, early in 1935, Bennett attempted to present himself as a national leader bent on curbing the obvious faults which the capitalist system had spawned. Finlayson has recalled how he and Herridge went off alone to Harrington Lake during the autumn of 1934 to draft the forthcoming New Deal speeches. Of the two Herridge was much more the radical. "Whenever I picked up a book of a Liberal economist," Finlayson noted, "Bill would tell me to 'throw the damned thing away'."68 The radio talks which Bennett sprung on an unsuspecting population early in January reflected Herridge's views. Bennett severely castigated the capitalist system. Reform was urgently required, he proclaimed, and,

Reform means Government intervention. It means Government control and regulation. It means the end of laissez-faire. Reform heralds certain recovery. There can be no permanent recovery without reform. Reform or no reform! I raise that issue squarely. I nail the flag of progress to the masthead. I summon the power of the State to its support.69

The legislative program which Bennett presented to Parliament in 1935 went far in the direction of change. However the legislation was not as dramatic or extensive as the speeches had implied. Despite Herridge's urging, the American New Deal model was not closely followed. After the radio talks Herridge's influence seems to have waned. When Bennett was preparing the Throne Speech which would introduce his reforms Herridge, apparently, questioned Bennett's ability to prepare such a speech. As Finlayson recalled,

The result was dramatic. The lead horse took over.
He figuratively kicked Herridge out of the office, dragged me along with him to finish the Throne Speech and left the 'New Deal', with all its social gadgetry on the road to nowhere. We seldom saw the prophet of the 'New Deal' again until six months later when the time had arrived to prepare for the general election.\textsuperscript{70}

Bennett's reform program, which actually started before the New Deal legislation, was designed to meet purely Canadian conditions. Bennett looked to British reform experience rather than the American. He claimed that his interest in promoting change was simply to bring Canada up to the level of British practice in social welfare. Nevertheless the effects of the reforms Bennett introduced would have been similar to Roosevelt's attempts to formulate a new balance between the demands of a national economy and the need for a more centralized political responsibility. The Farmer's Creditor Arrangement Act provided means to mediate the claims of distressed farmers against those of their creditors. The Natural Products Marketing Act permitted regionally organized boards to regulate the flow of goods, and their prices, to markets. Other measures established national standards for wages and working conditions. The Dominion Trade and Industry Commission Act was designed to move away from a traditional anti-combines approach to industrial problems towards one which regulated industrial practices in ways more realistically attuned to structural economic realities.\textsuperscript{71} As one student of the period has commented,

The New Deal programmes in both Canada and the United States are historically significant in marking a transition from a \textit{laissez-faire} concept of government in which national policy was framed largely to execute a police
function, domestically or externally, to a notion of government as an active intervenor in and 'Regulator' of the economy.\textsuperscript{72}

Bennett's motives in bringing in a reform program have been variously interpreted. Liberal critics charged that Bennett's conversion was entirely oriented to the coming election, and that Bennett was being dishonest and hypocritical in presenting himself as a reformer after five years of orthodoxy. The business and financial community recoiled in horror at the prospect of reform and said that Bennett was deserting the Conservative Party with his sudden conversion. But while no doubt political calculations played their part, they do not fully explain Bennett's reformism. As J. R. H. Wilbur has pointed out, Bennett's reforms began much earlier than his dramatic radio addresses.\textsuperscript{73} As early as 1933 Bennett's policy began to display a flexibility both in foreign economic and domestic matters. His initial orthodoxy came to be moderated when familiar responses did not produce recovery. His early commitment to recovery began to shift to emphasize reform. Grattan O'Leary explained the shift as having originated from Bennett's Methodist past which had made him something of a moral reformer. And, in noting that his reforms should be considered on their own merit without being obscured with party or ideological labels, O'Leary wrote that,

Indeed, compared with what is happening in most of Europe, or with what Mr. Lloyd George suggests for England, or with what Mr. Roosevelt is doing in the United States, they are good conservatism. We are asked to bemoan the fact that Mr. Bennett has swallowed himself, that after having condemned the Roosevelt 'New Deal', in so far as its application to Canada was concerned, he is
now preparing to adopt it. That is nonsense. Between what Mr. Bennett proposes doing there is no analogy whatever. Ostrich eggs don't come pullets.74

However imperfect and relatively mild the Bennett New Deal legislation was, it did not come to fruition. Bennett could not carry his party with him. H. H. Stevens severely criticized the legislation for not going as far even as the Price Spreads Commission Report recommended. Stevens broke with the Conservatives and accepted the leadership of the Reconstruction party to contest the 1935 election. Eight of Bennett's Cabinet members retired from active politics before that election. Business and financial interests refused to support a Conservative Prime Minister bent on introducing economic reforms. More importantly, in contrast to the American experience, Bennett's reform legislation did not survive the process of judicial review. When the legislation was referred by Mackenzie King to the Courts for a judicial opinion, the response was negative. That part of the legislation which did survive was later reversed by the Liberal government.75 Rather than a Roosevelt providing active political leadership, and a chastened Supreme Court forced to accept the reality of national political responsibility, Canada got Mackenzie King and a Royal Commission. Although the conditions of the depression made clear that the economic system required fundamental adjustments, that more effective institutional forms were needed to control the manipulations of the 'invisible hand', these were not forthcoming. It was not until the decade of the forties that the Canadian version
of Roosevelt's welfare state became possible. In the thirties the values associated with economic individualism remained dominant in Canada. These were expressed most clearly, politically, through the Liberal party. The strain of tory reformism which Bennett identified with the British and Canadian conservative tradition and which received expression through his New Deal legislation, was not strong enough to overcome the counter pressures of individualism.
NOTES—CHAPTER VI

1. The circumstances surrounding the loan were subject to criticism. The loan was for sixty millions when the railway needed only forty millions to meet its obligations; the interest rate guaranteed by the government was for five percent when the prevailing rate was four per cent or less. The details of the transaction were examined in 1934 by the House of Commons Select Standing Committee on Banking and Commerce. Among other matters, the hearing revealed the extent of the interlocking directorate of the CPR and the Bank of Montreal which had arranged the loan. Six individuals held dual directorships and this raised questions regarding the propriety of the transaction. For a Liberal view see, Norman Ward (ed.), A Party Politician: The Memoirs of Chubby Power, Toronto, Macmillan, 1966, pp. 300-305. For a view sympathetic to the railway see, D. H. Miller-Barstow, Beatty of the C.P.R., Toronto, McClelland and Stewart, 1951, pp. 129-132. In a comment on the transaction and the relations between Bennett and Sir Edward Beatty, President of the CPR, Miller-Barstow wrote; "No doubt the contract had been made between friends one warm spring evening at Pointe Claire amid lazily hanging cigar smoke and with the Transcontinental thundering by with its warning whistle." p. 132.


3. The Board of Commerce was established in 1919 and "was designed to prohibit combinations detrimental to the public interest and to prevent the charging of prices which would unduly increase the cost of living." The Board had broad powers of investigation and would have provided the means to control and regulate industrial and business activities. However in 1921 the Privy Council ruled that the operations of the Board was outside the jurisdiction of the federal government and the Board was abolished. Control of economic activities reverted to the assumptions on which anti-combines legislation was predicated, and which were not notably successful. The Report of the Royal Commission on Price Spreads and Mass Buying, Ottawa, King's Printer, 1935, pp. 258-259.


8. See the remarks on Bennett's leadership by Chubby Power in Ward, pp. 265 ff.


10. Bennett took firm, if unorthodox, action in other areas as well. Centralizing the marketing of wheat was one prime example. See Ernest Watkins, R. B. Bennett, A Biography, Toronto, Kingswood House, 1963, pp. 181-186.


13. From the late 1840's, through the National Policy and Imperial Preferences, to the 1911 election and the 1935 trade agreement, the problem was continuous.

14. In the 1970's the restrictionist policies enacted in August, 1971 by the American government combined with Britain's entry in the European Common Market have again displayed starkly the vulnerability of the Canadian economy.


17. Quoted in Morrison, p. 21.

18. The phrase probably originated with Bennett's brother-in-law, W. D. Herridge, and became the Conservatives' main campaign theme, in 1930.


23. Ibid. High tariff policy, of course, also provided a threat to Canadian economic independence because American industries found it to their advantage to open up subsidiary operations in Canada to circumvent tariff penalties, as well as to gain access to Imperial markets. For a discussion of this theme see, Stephen Scheinberg, "Invitation to Empire: Tariffs and American Economic Expansion in Canada," Business History Review, Vol. 47, Summer, 1973, pp. 218-238.


25. Quoted in ibid., p. 38.


27. Finlayson, pp. 175-185.


29. Bennett papers, Vol. 276, W. D. Herridge to O. D. Skelton, January 13, 1933; and H. H. Wrong to Secretary, January 5, 1933.

30. J. W. Dafoe papers, Dafoe to Geoffrey Dawson, January 10, 1933.


34. Memorandum by the Assistant Chief of the Division of Western European Affairs of a conversation with the Counselor of the Canadian Legation, July 15, 1933, in Foreign Relations of the United States, 1933, Vol. 2, pp. 50-51.

35. Ibid.


37. Ibid., pp. 849-857.

38. Ibid.

39. Ibid., pp. 858-874.

40. Kottman, pp. 98-100.


42. Finlayson, p. 265. On potential difficulties for the Canadian banking structure an American official in the State Department wrote; "From an economic standpoint conditions in Canada are bad. While there have been no bank failures because of the fact that they have a small number of very large banks with many branches (there are only 10 chartered banks in Canada, of which 4 have approximately three-fourths [sic] of the total deposits), there have been rumors that the Royal Bank of Canada is in difficulties. One of our officers stationed in Canada recently described to me the situation of Canadian banks as being like 'a small group of drunk men with their arms around one another, no one of whom could stand alone'." Franklin D. Roosevelt papers, President's Personal File, Canada, April 18, 1933.


45. Bennett, "Democracy on Trial," p. 16.

46. M. D. Swift, p. 40.

47. Finlayson, pp. 341-343. Watkins described his conservatism as follows: "The State should accept the duty to preserve and augment the capital resources of the country. It should raise money for the Prairie Farmers' Rehabilitation Acts and for St. Lawrence Seaway projects. But it should not use its powers of taxation to redistribute the incomes of its peoples on ideological grounds, in order that, while every one has some, no one shall have more than a set limit. That is the Egalitarian State." Watkins, pp. 218-219.


50. Ibid., file 166, "Inter-Departmental Economic Committee."

51. The Toronto Star, October 11, 1933. He also commented; "Keeping up with the Joneses has been the ruination of nations as well as of individuals," and that therefore Canada could not consider itself comparable with the United States with its much larger population, The Toronto Star, September 1, 1933.

52. Robert Manion papers, Manion to Bennett, February 1, 1934; also Manion to James Manion, January 27, March 13, and March 26, 1934.


55. Interview with H. H. Stevens, April, 1969.

56. Stevens papers, Stevens to Sir Robert Borden, April 24, 1934.

57. Stevens papers, Stevens to J. E. Walsh, General Manager of the CMA, January 3, 1934. Walsh wrote to the government asking that the combines legislation be revised. Bennett papers, Vol. 138, Walsh to W. A. Gordon, February 21, 1934.


59. Meighen papers, Vol. 214, Meighen to W. S. Bennett, November 1, 1933.


63. Ibid.

64. Bennett papers, Herridge to Finlayson, Vol. 276, August 19, 1935.


67. Finlayson, pp. 251-255. The essence of Herridge's thoughts on reform are unclear. Whether his reform proposals, had they been effected, would have been of the 'right' or 'left' is debatable. He later became associated with Social Credit but it is probable that his reforms were incompatible with that movement. Above all he called for acknowledgement of the changed realities of the industrial world, and for strong government leadership to instigate change. He looked for new methods by which modern capitalism could be made to operate more effectively. He wrote to Finlayson: "You may take all I have said on the question of the profit system and give it the precisely orthodox slant required by putting the emphasis upon the point of the salvation of the profit
system. Public ownership of certain public utilities, the action of the State by which huge concentrations of business, monopolistic in essence, are lifted out of the profit system, cannot in this sense in any way be described as an interference with the profit system beyond the point where interference is necessary to keep the profit system working." Bennett papers, Herridge to Finlayson, October 24, 1934. Herridge caused great consternation within the ranks of the Conservative party when he called for a full scale reform program in a public speech to The Canadian Club in Ottawa in December 1934. The speech is in The Canadian Unionist, Vol. 8, January 1935, pp. 190-193. For reaction see H. Borden (ed.), Letters to Limbo, Toronto, University of Toronto Press, 1971, pp. 159-162. On the 'general staff' see Bennett papers, Vol. 276, "Memorandum," nd. For further information on Herridge see Mary E. Hallett, "W. D. Herridge and the New Democracy Movement," M.A. thesis, Queen's University, 1964.

68. Finlayson, p. 253.
69. Quoted in J. R. H. Wilbur, p. 81.
70. Finlayson, p. 267.
71. Wilbur, pp. 149-190.
73. J. R. H. Wilbur, "R. B. Bennett as a Reformer," Canadian Historical Association, Historical Papers, 1969, pp. 103-111. See also McConnell, pp. 31-41.
74. Grattan O'Leary, "Mr. Bennett and His Policies," Country Guide, February 1935. Regarding Bennett's sincerity as a reformer, Eugene Forsey has written the author; "It is often alleged that R. B. Bennett did not really believe in his 1935 New Deal, or in the constitutional validity of the measures he put through Parliament to implement it. I knew Bennett and his background. I am convinced he believed in the measures. He was a Methodist (like me), and underwent an economic and social 'conversion' at the hands of his brother-in-law, W. D. Herridge. One has, perhaps, to be a Methodist to appreciate this fully."
75. Bennett based his constitutional position on Privy Council decisions in 1932 which permitted federal regulation in matters of radio and air transport. On the social legislation of the New Deal, however, the judges
of the Privy Council reverted to earlier precedents limiting federal powers. Legislation covering working conditions on a national scale and unemployment insurance was declared ultra vires, as was the Natural Products Marketing Act. The Farmers' Creditors Arrangement Act was upheld, along with much of the Dominion Trade and Industry Commission Act which relaxed anti-combines restrictions and permitted a measure of inter-industry cooperation. The Liberal Government quickly rejected this approach. See Rogers papers, Box 8, "Memorandum from Registrar, Combines Investigation Act to C. H. Sedgewick, Chief Commissioner, Dominion Trade and Industry Commission," December 24, 1935.
Chapter VII

POLITICS: LIBERALS

The response of the Liberal party to the problems of the early thirties was defined largely in terms of the collectivist alternatives represented by the CCF and the Conservative government. Between 1930 and 1935 the Liberals were able freely to criticize the Conservatives and the CCF and attempt to identify themselves as the party of moderation between the extremes of 'left' and 'right'. Within the party there was much discussion about how best this might be accomplished. The discussion involved both specific policy matters and whether and how the party's ideological foundations might effectively be adjusted to meet the challenging realities of the depression. The efforts did not produce much movement. Because the policies advocated by the CCF and the Conservatives entailed a collective response to social and economic affairs, the Liberals found it both compatible with their ideological preferences and politically expedient to emphasize their commitment to liberal individualism.

As the political expression of social and economic individualism, the Liberal party stressed two related themes in advancing their proposals to meet the needs of the depression. First was an abhorrence of economic nationalism, and a corresponding faith in the benefits of freer international
trade as the indispensable condition for Canadian economic recovery. Inseparable from their commitment to liberal internationalism was an equal abhorrence of positive government action to control and give direction to the economic affairs of the country. To Liberals, government intervention in the economy inherently entailed restrictions on political liberties. Consequently, the party rejected the notion that government should promote social reform before, or along with, measures designed to stimulate economic recovery. Similarly the Liberals rejected economic planning as being neither desirable nor necessary.

The result was that the liberalism of the Liberal party during the thirties remained oriented to the past; to the tenets of nineteenth century classical liberalism rather than to the economic and social realities which produced and exacerbated the depression. Because of their emphasis on individualism, Canadian Liberals were highly skeptical and critical of the collectivist implications of Roosevelt's New Deal.

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The ideological challenges which the depression produced posed problems for the Liberal party. Like their rivals in Canada and their counterparts elsewhere, the Liberals were faced with the fundamental problem of relating their ideological premises with the economic and social realities of the depression. How to locate a balance between the conflicting pressures of individualism and collectivism was no easy
matter. For a time it remained unclear whether the Liberals would up-date their liberalism so that the party would be better able to cope with the demands of a modern industrial society. In the end the Liberal party did not move far beyond the tenets of classical liberalism more appropriate to the world of the nineteenth century than to the needs of the twentieth. Particularly through the early thirties the ideological basis of the party remained anchored to classical liberalism's traditional emphasis on open market economic relations and its concomitant resistance to the exercise of positive government.

The party's commitment to both was, of course, much less pure in practice than in theory. Nevertheless they remained articles of faith and prime factors in the party's response to depression problems. With varying degrees of emphasis Liberal spokesmen equated the evolution of world problems in the post-war period as stemming from a failure to observe the strictures of liberal premises. Economic nationalism had produced a break-down of the international trading system and was considered to be the source of the economic problems which culminated in the depression. Logically then, the solution to these problems lay in lowering or removing trade barriers in order to revive world trade. Liberals advanced both theoretical and practical justifications to define their stance. To purists like J. W. Dafoe, trade barriers violated the very foundation of economic and political liberty, as well as being simply a manifestation of inter-
national rivalries which would lead, ultimately, to physical conflict and war. They were, therefore, wrong in theory and against the general interest. Of more immediate concern was Canada's dependence upon foreign trade and the fact that international markets were needed to promote recovery. To Canadian Liberals, the blend of Cobdenite theory and practical necessity was a reality which only fools, Tory economic nationalists and radical socialists could ignore and fail to acknowledge.¹

There was an element of unreality, if not hypocrisy, in the free trade protestations of Liberals. During their long term in office the Liberal party had made only halting gestures in the direction of freeing trade by reducing tariffs. Practical political considerations, most notably, internal party pressures from high tariff interests in Eastern Canada, kept the Liberal party from applying pure trade theory to practical tariff policy. Moreover, bridging the gap between free trade theory and the economic realities of protected national economies throughout the world was not an easy matter. Given the vulnerability of the Canadian economy, a policy of unilateral tariff reduction was a doubtful alternative and Canada did not possess sufficient economic power to force tariff concessions from other countries. The Liberals felt the vulnerability in 1930 when the Hawley-Smoot tariff measures increased drastically the barriers to Canadian products entering the American market. The Liberal government subsequently increased its own tariffs in the Dunning budget
of 1930 and fought the federal election of that year defending its retaliatory commercial actions.\textsuperscript{2} 

But however much specific commercial policies strayed from an ideological commitment to freer trade the Liberals, in opposition after 1930 to the openly high tariff policy of the Bennett Government, were able to emphasize the benefits of freeing trade almost to the exclusion of any alternative means of dealing with the problems imposed by the depression. Lowering tariff barriers, opening up clogged trade channels and removing trading restrictions, they continually argued, would increase Canadian purchasing power through greater export sales, which in turn would stimulate industrial production as farmers became consumers once more. This would lead to greater employment and higher profits as industries produced more goods to meet the greater demand for them. Thus the economy would be made right.\textsuperscript{3} 

The Liberals' economic arguments for freer trade were expanded into a more general, philosophical appeal to individualism. Continuing to follow the ways of economic nationalism, they argued, not only made Canadian economic recovery an illusion but also posed a profound threat to the maintenance of economic and political liberty. This was so, they repeated, because economic nationalism drove nations to attempt to become economically self-sufficient. If self-sufficiency was at all possible, and Liberals rejected the notion that Canada could become so, it required full scale economic planning to make it viable. Economic planning, in
turn, required an active role for government which implied strong leadership by the executive branch. Strong executive leadership and direction diluted the role of Parliament in the debate and conduct of national affairs, and all this led to a diminution of the Parliamentary tradition and the system of British liberties which flowed from that tradition. Economic planning and government control, therefore, would reduce individual economic and political freedom and would result in either a socialist or fascist state. To the majority of Canadian Liberals who found their principal ideological reference points in individualism, laissez-faire economics and political liberty in the British tradition, the active use of the state in directing economic and social affairs was a menace to be studiously avoided.  

It was within this framework that the Liberal party responded to the demands of the depression. Liberals emphasized their individualistic assumptions with varying degrees of commitment. It was impossible in a consensus center party like the Liberal to maintain a high degree of ideological purity even if some members so wished. And particularly during the depression, the tension between individualistic and collectivist alternatives existed side by side within the Liberal party as well as in the governing Conservative party. Circumstances dictated which was to be emphasized in a given situation. For example, the fact that the Liberals were in opposition between 1930 and 1935 gave them a certain luxury and a greater freedom to define their ideology in terms of an
enhanced individualism. Had the Liberal party been faced with the responsibilities of office, it is debatable whether it would have responded in a way materially different from the Conservatives to the practical problems brought on by the economic collapse. Leeway in developing domestic policy was sharply circumscribed by external forces. The problems of the depression were world-wide in scope, and so extensive that they were largely beyond the control of any one country or political group. In opposition, however, the Liberals were able freely to criticize the Conservative government without the immediate need of implementing policy alternatives of their own. The party could afford to do as little as possible until Bennett's term ran out, and then move in to pick up the pieces. After their election in 1935 the Liberals, too, found that they could not ignore demands for collective, state action to which they had to respond as a government and not simply as a party. 5

In addition to this overall context, there was a strong ideological predisposition among the major Liberal leaders to place great stress on individualism and the need to limit government intervention in the economy. To the Liberal leadership, intervention meant change and represented a movement away from liberty and freedom. State action by the Bennett government posed a threat from the right and on behalf of protected and privileged groups in society. As J. W. Dafoe characterized the implications of Conservative intervention;
... the instinctive belief of a Tory government is that the State—its powers, its functions, its possessions—are justly disposable by it for the furthering of party and individual interests. For what other purpose do they aspire to office? they would ask in surprise in answer to a challenge if they were frank.6

With its unknown but feared potential, the CCF represented a challenge from the left, and it provided a similar force in driving the Liberals further along the channel of laissez-faire individualism. State intervention from the left was no more preferred than from Tories. Thus during their period in opposition, the Liberals' attempts at self-definition drove them to emphasize the inter-connected factors of their individualistic doctrine, liberal internationalism and laissez-faire economic and social policies. They defined their role as one in which they could present themselves as the defenders of political and economic liberty from encroachments by the Bennett government on the right and from the CCF on the left.

Within the Liberal party there was a considerable range of opinion on the matter of individualism. The Liberals' self-definition was not an absolute one. On one side were the attitudes of classical nineteenth-century liberalism exemplified by Liberals like J. W. Dafoe, E. J. Young, W. H. Moore, Charles Dunning and T. A. Crerar. They would have found general agreement with the criticism of modern society expressed by the Montreal businessman and Liberal supporter, A. K. Cameron. "The nation is being turned from a mental state of self-reliance to a state of dependency", Cameron
complained to Crerar in 1931,

... and we are being taught from every side that salvation is from the Government. ... I am inclined to think the social legislation upon which the Dominion, the Provincial, and municipal governments have embarked is the most insidious and evil influence against which we must fight. It is a disgrace, if not a crime, that in a young country like Canada we should be paying Old Age Pensions, Widows' Pensions, Mothers' Pensions, Health Pensions, etc. It is all a form of mendicancy. 7

On the other hand there were Liberals like Vincent Massey, T. W. L. MacDermot, Norman MacLeod Rogers and W. D. Euler who saw a need to move the Liberal party beyond the confines of its nineteenth century origins and make it more relevant to the needs and demands of modern society. The former Liberal Minister of Railways, W. D. Euler, was one who did express some tentative philosophic assumptions on which a modernized Liberal party might build. "I believe that legislation of some sort," he commented in the House,

... by planning or by some adjustment, there should be brought about in this country a condition whereby the spread between the return to labour and the return to capital should not be so great. ... You say that [government intervention] is interference with what is usually called rugged individualism. That term does not appeal to me particularly. Rugged individualism has done a great deal of harm; it has led to the piling up of great fortunes and the exploitation of the weak by the strong. ... It is said that law restricts personal liberty, and that if you have complete personal liberty you have nothing less than anarchy. I would have no hesitation in interfering—not unnecessarily—even with the conduct of business, in some respects, if it would mean the greatest good to the greatest numbers. 8

It was left to Mackenzie King to try and reconcile, not only the clash of ideological premises, but the political pulls within the party between the advocates of individual and collective action. To answer critics who questioned the
adequacy of the Liberal party's emphasis on an individualistic approach to economic problems, King went to great lengths to deny his commitment to laissez-faire economics. Both laissez-faire and social control had their place in Liberal philosophy, King declared in a Parliamentary address in which he elaborated on the distinctions he drew between the two:

Now liberty and laissez-faire are not the same thing. Liberty is secured sometimes by regulation and sometimes by laissez-faire. Laissez-faire is simply a method, just as regulation is a method, a means to a particular end, that end being liberty, and when liberty has been threatened by too great an encroachment of officialdom or arbitrary power then the Liberal party has stood for liberty and for freedom secured through laissez-faire. When, on the other hand, the individual has not had sufficient protection, then similarly in the name of liberty and freedom--at one time political freedom, at another time social freedom, at another time religious freedom--the Liberal party has stood for such regulation as was essential to that end.9

It is noteworthy that King did not include the necessity for economic regulation in his defence of freedom and liberty. But it was on the question of devising means to regulate the innumerable forms of economic interaction that the solution of the fundamental problems of the depression depended. Economic problems demanded institutional economic solutions, but as one of King's biographers has commented, "Mackenzie King never thought of the depression as an economic problem. To him it was a political problem."10 Despite his earlier reputation as a leader intellectually able to cope with the problems imposed by modern industrialism, King's economic views remained extremely orthodox.

On many fundamentals King's economic conclusions were
markedly similar to those held by R. B. Bennett. With Bennett's financial orthodoxy King agreed, particularly in their common aversion to inflation. When, for example, two former Liberal cabinet members, W. D. Euler and James Malcolm, unsuccessfully attempted at one point to persuade Bennett to issue a series of non-interest bearing government bonds, they found to their dismay that King, "agreed with every word Bennett said and seemed rather pleased that R. B. should have so successfully evaded the question." Malcolm concluded from the experience that,

The plain fact of the matter is that both of these leaders are, in my opinion, heavy holders of bonds rather than physical possessions. Their personal inclinations, therefore, would be against any inflation of money which would bring higher prices for commodities and lower values for securities.\textsuperscript{11}

Whether or not this was accurate, King's aversion to financial unorthodoxy remained until well into the decade of the thirties. To both Bennett and King, inflation was viewed as being essentially dishonest because it challenged the stability of the currency, and it bordered on the immoral because it affected the terms of contractual obligations.\textsuperscript{12} It was also considered harmful to Canadian foreign economic relations, and King's commitment to maintaining the nation's financial integrity seems to have been as strong as Bennett's. King commented to T. A. Crerar in a tone indistinguishable from Bennett's that,

Confidence in the soundness of our national institutions lies pretty much at the foundation of all else that pertains to the nation's stability. If that were shaken,
I do not know what might happen to the country as a whole.13

In fact it is possible that had the Liberals held office, financially orthodox policies would have been applied even more stringently than they were by the Conservative Government, if the following expression of King's is any indication:

I do not think that I was ever on saner, or safer, or more prophetic ground than in what I said at the special session and the first regular session of parliament respecting the course that should be pursued with reference to unemployment—the need for great caution with respect to outlays for relief, the discontinuance of grants in aid to the Provinces and the need for conferences between the Provinces and the Dominion, etc., etc., I am perfectly sure that if the Liberal party had been returned to office, while Canada would still continue to feel the effect of the world depression, at least one hundred million dollars would have been saved and taxation would have been quite other than what it is at the present time. Trade, too would have been enormously different.14

Carried to such an extreme and applied to policy, King's sentiments would have meant retrenchment with a vengeance and it is improbable that this would have provided much effective social or economic relief from the depression.

One major area of difference between Bennett and King was in their conflicting views of political leadership. Unlike Bennett who was temperamentally inclined to take strenuous individual action, King emphasized his role as mediator between the conflicting and contradictory groups which made up the Liberal party. King characterized his leadership role as one which required him to rely on a "faith in the collective mind."15 But what was the Liberal 'collective mind'? It presumably included a desire for some sort
of reform; but what sort? King saw himself as a leader of the reform elements within the party and as such set himself three tasks;

1. To draw into one fold all those who believe in reform.

2. To assist and guide the advocates of various particular reforms in finding common ground on which all can agree.

3. To hold them together as a strong enough fighting force to wield political power effectively, so that the reforms on which they are agreed can be put into practice.16

But reform, of course, meant quite different things to opposing interests, ranging from government retrenchment and budget balancing, to breaking corporate monopoly power, to freeing trade, to nationalizing the economy. The collective mind was made up of so many contradictory elements that leading it, particularly in the direction of increased state intervention, became virtually impossible even if the will to do so had been present. The result was a form of non-leadership. To King and the Liberal Party, reform came increasingly to mean presenting themselves as the defenders of individualism and political liberty, against demagogues like Harry Stevens, autocrats like Bennett, and the state socialists of the CCF. The nature of King's leadership, and his emphasis on political reform in a traditional sense, qualified considerably the capacity of the Liberal party to devise fundamental institutional reforms, and made it an unlikely vehicle to institute an effective reform program.

Along with ideological preference, there were poli-
cal advantages in limiting the party's approach to the depression to the related factors of expanding trade and avoiding the advocacy of positive government. Each of these aspects could be expected to appeal to one of the two most fertile sources of potential Liberal electoral support, the low tariff West and the province of Quebec. Tariff policy had to be handled carefully. While low tariffs could be expected to appeal to Western agricultural producers, any firm commitment to abandon protection completely was bound to alienate business and financial support in central Canada. The juggling which this entailed, and in which the Liberal party was practised, required a rhetorical appeal for increased trade while avoiding specific commitments which might later prove to be embarrassing. At the same time the business community had to be reassured that any future Liberal government would be receptive to the views of business. This potential difficulty was considerably eased after the Bennett government embarked on its 'New Deal' which business and financial interests perceived as heretical and disastrous.

Henceforth business had little choice but the Liberals. They increasingly appeared to be the least of the apparent political evils represented by the socialist CCF and the tory reformism of R. B. Bennett. Even when it became clear that tariff revisions were going to be implemented, as the trade negotiations with the United States proceeded, financial interests had nowhere to go but to the Liberals. In order to appeal to contradictory tariff views, therefore,
the Liberals placed a premium on generalized, ideological liberal appeals to freeing trade while avoiding specifics which would tend to polarize the electorate and alienate potential political support. At this the Liberals were adept.

The Liberal party managed to skirt the difficulties which the tariff question entailed. Eventually the 1935 reciprocal trade pact with the United States, which loosened trading restrictions while keeping tariffs, fit in perfectly with Liberal policy. The other major theme in Liberal strategy, that is, in stressing individualism, posed even fewer problems. To a considerable extent, the party's stance was derived from the external factors of the collectivist alternatives of the CCF and the Bennett government. However the Liberals seized the opportunity willingly and their emphasis on individualism struck, apparently, a responsive chord in the country. Individualist values were those commonly assumed to be those on which Canada had been founded and developed. In English Canada they were most vociferously articulated by J. W. Dafoe and the Winnipeg Free Press. They also accorded with the views of the business community whose support King wished to woo away from the Conservatives.

In Quebec the situation was more complex. There the principal task of the Liberal party was to regain the position it had held prior to the election of 1930 at which time it had lost twenty-four seats to the Conservatives. The first step was initiated when the federal Liberal high command actively participated in the provincial election of 1931 to
help return to power the Liberal administration of L. A. Taschereau. In that campaign, the federal policies of the Bennett government became an issue and the defeat of the provincial Conservatives gave an indication that the federal Conservatives had little chance to maintain the gains they had made in 1930.\(^{18}\) The passage of time and the continuation of the depression inherently favoured the Liberals.

The social and economic conservatism of Quebec also favoured the Liberals. Internally the depression signalled a period of dislocation and disaffection in the province. This became manifested primarily in an appeal to French Canadian nationalism which culminated after 1936 in the administration of Maurice Duplessis.\(^{19}\) In Quebec, as in the rest of Canada, the depression caused unprecedented economic, social and political turmoil. But in Quebec strong social and religious opposition effectively excluded the socialist alternative which, after 1933, became politically active and available in English Canada.\(^{20}\) With the Conservatives becoming increasingly tainted by the depression and the CCF incompatible with the social conservatism of the province, the Liberals appeared as the only viable political alternative. Like the business community, Quebec had little political choice but the Liberal party.

MacKenzie King was no doubt aware of the situation and of the political importance of the Quebec vote to the Liberals.\(^{21}\) Whether the political necessity to appeal to Quebec conservatism followed from, or helped to formulate,
King's ideological views is impossible to discern. In any case they were mutually reinforcing and eminently compatible. This became particularly apparent after Bennett began to enact his reform program. Bennett's reforms entailed a considerable extension of the centralized powers of the federal government, and against this Quebec was bound to react vehemently in the name of provincial rights. Moreover neither the ends nor the means of Bennett's reforms were ideologically acceptable to Quebec. As Premier Taschereau complained:

Mr. Bennett cannot be trusted because after being considered a safe man at the beginning of his career, when he seemed inclined to maintain the best political and social traditions of Canada, and to retain the elements which had made the country great and prosperous, he tore those leaves from the book of his political life and, unfaithful to his past, launched into a Socialist venture bordering on Communism. ²²

The reaction to positive government and all that it implied was very pronounced in the province of Quebec, "one of the strongest bulwarks of rugged individualism on the North American continent . . . which believed in a laissez-
faire state where misery was alleviated by private or ecclesiastical charity," ²³ rather than by government, especially federal government, regulation and control. This was true on the political as well as on the more general social level. Quebec conservatism was similar in outlook if perhaps not in purpose, to the views and values held by the business community. The Taschereau government epitomized the business outlook and shared the negative business reaction to reform and change. ²⁴ As one observer who was intimately involved
with the "dictatorial" Taschereau administration described the limitations of that government,

... a well founded suspicion exists that only two classes may expect favours from the present government—(a) relatives of the Premier and (b) the big interests, trusts, banks, paper companies, and power companies.25

Opposition to Taschereau did emerge from among some Liberals in the province. Provincially, Liberal dissidents joined with other critics and launched the Action Libérale.26 On the federal level, relations between Taschereau and the Ottawa Liberals became strained because some of the latter viewed Taschereau as being too reactionary.27 But the Liberalism of the federal French Canadian leaders was hardly radical, or even inclined to reform. The most influential Quebec leader, Ernest Lapointe, was a liberal of classical proportions. He did not display much interest in economic or financial affairs.28 Whatever radical or reform impulses he may have had were theoretical and philosophical;

His radicalism is not quite so pronounced when it comes to definite action. Under these circumstances he is sometimes hard to move leftward. He prefers what he calls a middle course—what some people term standpatism.29

Standpatism, of course, fit in perfectly both with Liberal political strategy and with King's cautious approach to change. He preferred to avoid any commitment to contentious issues which would tend to alienate support. Thus Quebec's conservative outlook was not only ideologically satisfying but politically expedient. Consequently, Liberal policy towards Quebec was entirely compatible with King's own
predispositions and with his attempt to present the Liberals as the defenders of individualism. Standpatism, that is, limiting federal initiatives, observing provincial rights, avoiding any centralization of authority in Ottawa, decrying positive government and emphasizing liberal individualism, appeared to be the way to gain political success. By doing as little as possible and avoiding concrete policy commitments, the Liberals were likely to gain from a convenient conjunction of ideological preference and political reality.

* * *

MacKenzie King's reluctance to broaden his conception of the needs of modern liberalism was challenged by some Liberals. Following their electoral defeat in 1930 there was some questioning within the party of whether King was capable of providing effective leadership any longer. Younger members, particularly, objected to King's conservatism and thought his lack of dynamic leadership qualities blocked the changes they thought necessary to reconstitute the Liberal party in a modern image; one which would have an appeal and a credibility to the electorate. With the formation of the CCF and the possibility that it would attract younger, creative individuals away from the party, the necessity for dynamic, attractive leadership seemed even more important. One group of young Liberals presented their case through George Ferguson of the *Winnipeg Free Press* to J. W. Dafoe and asked for his advice. In the first place, reported Ferguson to T. W. L. MacDermot of McGill University,
He has every sympathy with men who do not feel that Billy King makes much of a leader for young fellows with instincts such as you and I possess (or say we possess). But he feels that working in some way with one of the larger parties is a more practical way of serving the cause you want to serve than by the methods advocated by Frankie Underhill who says there is no hope, and that independent action is needed.30

Dafoe thought, of course, that the Liberal party was the only conceivable, though imperfect, vehicle to bring about the changes in Liberal outlook they thought necessary. He suggested that the younger, dissatisfied members could play a positive, helpful role in bringing the party back to its true Liberal origins by organizing themselves within the party so that they could provide a stimulus for change.

Dafoe's ideas for change did not extend beyond those of returning the party to its nineteenth century free trade basis by purging it of its high tariff Eastern protectionists, and stopping the compromise of its principles by retaining "within the party men enamored of Tory performances which should excite the ire of every Liberal."31 By working within the structure of the Liberal party, Dafoe thought, the younger dissidents could dilute the influence of protectionist reactionaries and swing the party around to its true, free trade orientation. But Dafoe's classical Western Canadian, fundamentalist liberalism, did not go far enough to hold all the dissidents and a number of potential Liberals drifted to the CCF. Nor did it cater to the outlook of Eastern Liberal protectionists who defined their liberalism differently, and the party continued to try to appeal to both wings.
Positive steps were taken in 1932 to shore up the party's organization and attempt to devise a statement of principles upon which a policy platform could be built. After the 1932 Imperial Conference in Ottawa, with its combination of Tory economic nationalism and British Imperialism both of which the Liberals rejected vehemently, the Liberals set about to formulate their own alternative. In September the Liberal high command, King, Dafoe, Ernest Lapointe, J. L. Ralston, Norman Lambert and Vincent Massey met at the latter's home in Port Hope to begin the planning process.

Their first concern was to formulate a philosophic statement within which limits specific policy positions could be fitted, and which would serve to differentiate the Liberal alternative from both Tories and socialists. "The central theme would have to be a re-statement of the division of rights between the individual and the State," Dafoe recorded in his notes of the conference;

The idea would be, while not limiting the reasonable employment by the state of collective power for the furthering of common purposes, to deny the Tory policies of employing the State's powers for the benefits of a privileged class, and equally to challenge the Socialist conception, to which the Progressives have now subscribed, of the socialization of industry and the denial of individual initiative and rewards.32

Further study and organization work followed in various forms. In November, the National Liberal Federation was established with Vincent Massey as President and Norman Lambert as Secretary.33 A study group centered on Massey and including C. A. Curtis, A. W. F. Plumptre, W. E. Rundle and
O. M. Biggar met regularly to discuss financial matters, out of which was developed the Liberal commitment to establish a central bank. Various Liberals wrote individually to King and pressed specific policies on him. T. A. Crerar stressed the need in the West for low tariffs and banking reform. G. G. McGeer, the British Columbia monetary reformer, pressed King to accept a variety of radical monetary reforms. King regularly turned to Normal MacLeod Rogers, until 1935 a political economist at Queen's University and later Labour Minister, for advice on economic and constitutional matters which Rogers freely offered.

The attempt to devise a credible political and economic alternative to both the Conservatives and the CCF was not an easy task. The Liberals had to formulate a policy statement which steered between the two and also contained some degree of specific commitment, while at the same time retaining a liberal ideology and avoiding the alienation of any potential political support. King presented the final product in a Parliamentary speech in February, 1933, and his statement formed the basis of Liberal party policy through the election two years later. Of the fourteen points in his statement six were concerned with the need to revive trade, although just how this was to be accomplished was not made clear. The others included pledges to reform securities legislation, to use existing anti-combines legislation to break up economic concentration, to establish a central bank, to reduce debt charges and taxation, to repeal section 98 of
the Criminal Code and establish the right of free speech and free association, and to balance the budget and reduce government expenditures. The policy statement, like King's philosophic oration on *laissez-faire* and state regulation cited above, was general enough to invite a variety of interpretations. Both depended on how and in what circumstances they were applied to specific problems. Neither moved much beyond a continuing commitment to the twin pillars of Canadian liberalism in the thirties; freer trade relations and the retention of economic liberalism.

There were those in the party who wished to expand the concept of liberalism to include a broader range of functions. Vincent Massey was one influential figure who made an attempt to reorient the party and redefine the role of liberalism to make it better able to cope with the problems inherent in a modern industrial society. The reactions of traditional party members to his efforts shed light on the limits of Liberal reform in the thirties.

In the summer of 1933 Massey gave a number of public addresses in which he attempted to define a broader role for the party and rally reform elements in the country to its support. In one of these, at Windsor Ontario, Massey called for a full scale reconstruction program and offered to cooperate with the CCF to bring it about. In his address which was reminiscent of Sir Wilfrid Laurier's confession of his liberal faith some fifty years earlier, Massey emphasized the distinction between British liberal-radicals and others. The
British liberal, Massey said, was "a man who wishes to get at the root of the matter," while,

In the sense in which the word is used in the United States a radical is a man who wishes to tear things up by the roots. . . . The present day needs radicals in the former and constructive sense of the word. There is a place in the new Liberalism for all such men and women. But if there was to be room in the Liberal party for such British radicals it quickly became apparent that it would be at the expense of older, more traditional, Liberals. While Massey received some support, his proposals also caused one member of the National Liberal Federation to resign in protest.

Massey persisted and he encountered continuing opposition within the party. He has described in his memoirs the difficulties he encountered with party stalwarts when he organized and acted as host to the Liberal Summer Conference in the summer of 1933. He wanted the conference to be a gathering of intellectuals and others who would exchange ideas about a reconstruction program feasible for the party. He met with members of the former Liberal Cabinet to try to persuade them that the Conference could prove beneficial to liberalism. The meeting had indifferent results because the idea of such free discussions, "fell foul of the Liberal Party in Parliament." King, himself, was unenthusiastic. He attended the Port Hope discussions but Massey thought his apprehension was apparent when he acted throughout like a headmaster checking on what the young people were up to. King's major address to the delegates put a damper on reform
enthusiasm. In it he emphasized the need to proceed slowly, the difficulties in reaching a policy consensus, and the necessity of relying on the experience of the past while avoiding dangerous experimentation. He did not embrace Massey's call to move the party forward, and he recoiled from Massey's suggestion that some form of 'planning' was required in order to meet current problems.

Massey had already expanded on his ideas on 'planning' in another context when he addressed the delegates at the second annual Couchiching Conference that summer. He had concluded from the failure of the London Economic Conference that any immediate chance for a resumption of international trade was then impossible. Canada, therefore, had to formulate policies which would acknowledge that fact. This demanded an approach which took into account the realities of economic nationalism, and meant that Canada had to adopt long range plans, based on barter agreements with other countries, to exchange surplus products. This, in turn, required a measure of internal economic planning by the federal government, much along the lines advanced by Henry Wallace in the United States the following year. Massey's proposal produced a vehement reaction from within the Liberal party. Presumably with King's blessing, Norman Lambert wrote to him that,

On the basis of political philosophy you and Mr. Keynes are presenting the best case possible for a fascist government for Canada—not necessarily as autocratic as Italy's, nor as insolent as Bennett's but in principle a centralized, more or less arbitrary administration which would perform functions such as the marketing of wheat, the importing of steel, cotton, wool, etc.
Massey, of course, denied the charge that he was advocating fascism. He protested that he was simply facing the realities imposed by world-wide economic nationalism and formulating a feasible Liberal approach to them. But his views on planning remained a minority view within a party which rejected planning as being opposed to the doctrines and practices of Canadian liberalism. Planning involved, or at least implied, a measure of regimentation, control of economic activity, and a high degree of centralized government direction, all of which the Liberal party found unpalatable.

* * *

The Liberal party's collective aversion to schemes of economic planning and controls became more clearly defined when the Conservative government began to move in that direction from 1934. When Bennett committed his government to substantive change by legislative measures like the Natural Products Marketing Act, and when later he adopted the full mantle of tory reformer with his New Deal, the Liberals had further need to clarify their approach to problems of industrial regulation and control. The Liberal party's response to both provide examples of the nature of their clarification.

The Natural Products Marketing Act, (NPMA), was one of the most significant of Bennett's legislative actions to meet the depression problems of primary producers. Influenced in part by marketing schemes then being introduced in Great Britain, the NPMA granted a large degree of permissive authority for local producers to cooperate in the production
and marketing of their products. When a majority of producers of like products in a given area agreed, they were sanctioned to establish a local board which would introduce regulations governing the production and sale of their products. The local boards scattered across the country were supplemented by the creation of a Dominion Marketing Board to provide for general supervision and administration of the marketing system. The Dominion Board was also granted wide authority to investigate market conditions and enforce provisions to prevent the undue enhancement of prices at the expense of consumers, and to prevent restraint of trade. Provision was also made for a range of stringent penalties for those who broke with the marketing arrangements established by the boards.

In all, the NPMA marked a major step in the direction of planning for the production and marketing of primary products in an attempt to increase the purchasing power of farmers and to provide a more efficient balance between production and consumption. And, as such, the NPMA received a wide range of support from primary producers in Canada. But the NPMA also required a large degree of government intervention in the economy, and it was primarily on these grounds that the Liberals came out firmly against the legislation.

Before the details of the NPMA were revealed, T. A. Crerar advised King that the Liberal party must oppose any such scheme and he advanced a number of arguments to be used in opposition. First, Crerar advised, the approach of solving
production and marketing problems through restricting produc-
tion and controlling sales at higher prices was wrongheaded. 
Increasing trade was all important, and rather than trying
to boost prices the proper approach should be to get costs 
and prices down, and in this way increase export sales. But 
even more importantly, Crerar thought that the whole system
of controls which would be involved was another prime example
of the perfidy of the Bennett regime. They were in the same
category as tariffs, economic nationalism, autocratic personal
leadership and privileges for a protected class which he con-
sidered the hallmarks of the Bennett government. They all
led to a controlled state, potentially fascist, and therefore
were to be fought at all political costs in the name of
liberalism. Crerar expanded on the nature of his objections
to A. K. Cameron and his complaints are worth quoting at some
length because they sum up many essentials of the Liberal
view. "This legislation is the most extraordinary that has
ever been submitted to a Canadian Parliament," he wrote,

It has to be taken in conjunction with the wheat mar-
ketmg legislation, identical in its provisions, passed
by three legislatures, or presently to be passed by them.
The Legislative Acts and the Federal Act must be taken
together. The powers secured are almost unlimited. It
is true it is claimed that this legislation will not be
made effective unless the need arises but without ques-
tion, reasons will be found to establish the need.
Bennett has shackled the consumers of Canada pretty com-
pletely to the protected manufacturer. He now proposes
to shacktle the farmers to a Government bureaucracy in the
marketing of their products. . . . The whole thing raises
interesting reflections on how far we have gone in the
last four years in extending the idea of arbitrary gov-
ernment control. The administration of the Customs
Department under the arbitrary power it possesses; its
flouting of the tribunal set up by the Government that
was supposed to take the tariff out of politics; the extraordinary powers given the government year after year on the pretext of handling the relief problem; and now the extraordinary powers covering the marketing of Canadian products, carry us a long way indeed from the conceptions of liberty and freedom we once looked upon as our proud heritage. It is rather a curious coincidence, but every assumption of arbitrary political power in Europe, with the exception of Russia, has been preceded, if my memory is serving me right, by an arbitrary assumption of economic power by the Government. I think in all this thing there is a vital principle at stake and I have no hesitation in saying that in my judgement the Liberal party in the next election should put that principle before the Canadian people and fight, win or lose, upon it. Bennett will stop at nothing to win the election and I am not blind to that fact that there will be a good deal of plausibility in his appeal for support on the extraordinary powers he has taken, but I believe too that instinctively the Canadian people dislike conferring extraordinary powers on governments, that they have an instinctive desire for freedom and liberty. These issues would have provided a battleground that I think would have rejoiced the heart of Sir Wilfrid Laurier.  

The whole gamut of Crerar's objections was taken up by The Canadian Liberal Monthly when the legislation came up for discussion. The lines of polarization were starkly presented; Bennett, the Conservative government, economic nationalism, the controlled state, planning and a "tendency towards fascism," were placed in fundamental opposition to King, a democratized Liberal party, internationalism, decentralization and the free society. And throughout the long Parliamentary debate on the NPMA, the party's opposition was developed on these lines. As Senator Dandurand commented, when the Senate considered the matter,

By this Bill an effort is made to substitute the principle of compulsion for the principle of competition—the absolute freedom of the individual to dispose of the product of his labour. This is the most radical legislation ever submitted to Parliament, and tends to the socialization of industry. To my utter amazement it is
sponsored by a Conservative Government.  
Although it was more difficult to formulate, the Liberals developed a similar reaction towards the Stevens Commission hearings and the Bennett New Deal legislation which developed from it. The popular demand for corrective action to deal with the appalling abuses uncovered by the Stevens' Commission prevented the Liberals from opposing outright either the hearings or the social objectives of the recommendations contained in the final report. Despite some internal pressures to condemn the whole thing, the strategy King adopted emphasized Liberal agreement with the need for reforms, while disagreeing with the methods recommended as well as the manner of their presentation by the Conservatives. Bennett was an insincere reformer, the Liberals charged, and his reform program was simply an election gimmick. They were able to exploit the split between Bennett and Stevens, and the disarray within the Conservative party generally which Bennett's reform program produced, besides questioning the constitutionality of the legislation. They countered that while a reform program was perhaps desirable, a number of obstacles stood in the way of the Bennett program, the constitutional one being simply the most obvious.

The liberal members of the Stevens' Commission expanded on the party's objections in a memorandum of reservations which they included with the final report. Their reservations and Liberal objections voiced in Parliament and elsewhere fell into three categories. First the Commission
recommendations did not place the proper emphasis on the necessity of reviving trade; by overemphasizing marketing methods the fundamental problem of finding additional markets was ignored. Secondly, they said, the most effective way to control prices, monopolies and protect consumers was not through economic controls but by relaxing tariff controls; not by sanctioning the operations of monopolies as the Commission recommended, but by using existing authority under the Combines Investigation Act to break them up. Lastly, they stressed, the delegation of powers to independent bodies like the Trade and Industry Commission was dangerous because Parliamentary responsibility was thereby diminished. They concluded that the main thrust of the Commission's recommendations, attempting to combine a controlled internal economy and sanctioning monopolies with an external trade policy of surplus dumping, was characteristic of a fascist state.54

The reservations of the Commission's Liberal members and the public stance of the party emphasized the political need to appear to agree with the recommendations presented, while expressing disagreement over methods. It was left to the Western Liberal, E. J. Young, to express the classical case for Liberal disagreement with the Commission's approach in a dissenting report he appended to the Commission's findings. In Young's view the depression had a simple cause; markets for primary products had disappeared and that part of the Canadian population which depended on their sale had stopped buying goods as a result of the loss of purchasing
power. Tinkering with tariffs, price-raising schemes and other forms of state interference were useless, Young said, because, "We can no more control [prices for primary products] than we can control the tides." The great need, he said, was to restore parity between the prices primary producers received for their goods and the prices they had to pay for other products as consumers. And the only feasible way to go about this, he concluded, was to eliminate protective tariffs, open up competing sources of supply, cut costs and regain markets.

When many of the Commission's recommendations were presented in legislation in 1935, the reaction of King and the Liberal party was dictated entirely by political calculation. They disagreed with Bennett's New Deal measures but could not oppose them outright for fear of the political consequences. Consequently they expressed their approval for the general objectives of the legislation while registering their disagreement over the methods it implied. They questioned the constitutionality of the measures, the effects of granting wide powers to independent commissions, the sanctioning of combines and the severity of the judicial penalties they included. Underlying the specific objections was the continuing mistrust of government involvement in economic affairs, and its intervention in the free market place.

The Liberal party's objections to the Bennett reform program went beyond the customary opposition role to oppose. They were founded on fundamental differences in approach to
the economic problems posed by the depression. Had they held office, the Liberals probably would have had to emphasize the collectivist part of their make-up more; but in opposition their individualistic predispositions were made more obvious. This qualified the party's approach to reform considerably, and along with objections to the specifics to Bennett's reforms lay doubts that fundamental institutional reform was necessary or, if it was, whether reform in the midst of depression was at all feasible. "Social reform is excellent," wrote Charles Dunning, "but entirely useless unless it rests upon a sound base. We are, at present, merely increasing the number of those who lean upon Government and are making it more difficult for those who support Government to do so." 57

And King warned that reformers were sometimes, "Wolves in sheep's clothing," because social reform was very often made into an excuse for dictatorship. 58 Simply because the reforms of which Stevens spoke, for example, were applauded by "the 'down and outs', the dissatisfied elements, the discontents," was no reason why they should be accepted uncritically if at all. 59 An emphasis on 'security' through dangerous legislation could lead to an erosion of individualism, personal initiative and freedom. Besides there was no way in which reform could be enacted until the economy was made productive once more. The difference between the Liberals and Conservatives in 1935, King stressed in one election speech, was that Bennett confused reform with recovery measures. He wanted to introduce reform legislation from which economic recovery
might follow; while the Liberals promised to bring about recovery first, then reform, to build the house from the bottom up because it was impossible to erect a system of social services on "stationary or diminishing national income." The need to promote economic recovery before enacting reform as the Canadian business community, for example, insisted, set close restrictions on the Liberal party's ability to provide needed institutional change.

* * *

It was from within this same framework of individualistic norms that Canadian Liberals reacted to the United States, Roosevelt and the New Deal. Quite naturally, they judged American events and policies against their own liberal standards, applauded those which accorded with their predispositions, and deplored those which strayed from what they considered true liberal faith. There were, of course, numerous shadings of differences and degrees of emphases among various liberal spokesmen but, despite this, they found common ground principally on the two pillars of liberal internationalism and economic and political individualism. Their reactions to Roosevelt's measures were, therefore, fairly predictable and generally critical.

Mackenzie King was ambivalent in his reactions to Roosevelt and the New Deal and this developed out of the internal tension between reformism and conservatism within King and his party. Like most Canadians he approved of Roosevelt's victory in 1932 and welcomed the change which it
implied. The opportunity seemed at hand to abandon Republican protectionism and begin the process of liberalizing commercial relationships. King, like many other Canadians, at first assumed that Roosevelt was a liberal internationalist and thought that, "Roosevelt with his liberal views and policies will be able to do very much in saving a very critical situation." But when in the summer of 1933 American policy turned away from internationalism, a combination of factors caused King to express doubts.

Perhaps most important was the movement away from internationalism, but King's doubts about American economic nationalism were compounded by his fears over the radical implications of Roosevelt's policies. Embarking on a course of inflation, which would probably prove impossible to control once set in motion was, to King, eminently reckless. Just where it would end, he was not sure. "What I fear most is the recourse to inflation," he wrote to John D. Rockefeller, Jr.,

Should the experiment not succeed, just what might follow in the wake of inflation one hesitates to contemplate. I can see wherein the present must be a time of very grave anxiety to you, and you have been and shall continue to be very much in my thoughts. Moreover, King became highly concerned about the "extent to which Mr. Roosevelt has assumed the powers of a dictator." The factor of individualism in King's make-up, and his professed regard for parliamentary control of executive authority, led him to react against what he saw as the assumption of virtually unlimited powers by Roosevelt. The
trend of the modern age to rely too strongly on strong, individual leadership, he thought, was dangerous, and he deplored the fact that society depended, "Not sufficiently upon the importance of argument and persuasion in the working out of policies by deliberative assemblies." Roosevelt's apparent freedom from Congressional checks seemed to lead to autocratic power. King's mistrust of the executive was doubtless immeasurably increased while the Conservatives held office in Canada. His negative reaction to Roosevelt's legislative authority was no doubt a partial reflection on this fact.

Other Liberal spokesmen shared King's misgivings about the potential threat to democratic institutions. They were skeptical about the changes which Roosevelt had brought about in the historic relationship between President and Congress. Many assumed that Congress had granted Roosevelt virtual dictatorial powers by abandoning its system of checks and balances. However it remained unclear just how Roosevelt would exercise his supreme authority and what the full implications of his apparently radical policies would be. The basic ideological problem was in attempting to reconcile the competing claims of individualism and responsible collectivist action and at the same time locating a workable balance between the demands of leadership and traditional freedoms. All of this had to be made effective in terms of devising legislation which would cope with the depression while maintaining democratic institutions. It was a difficult task. To Liberals the principal indication that the American balance was failing
was Roosevelt's exercise of positive state authority. Enhancing the role of the State, it was assumed would inevitably lead to either fascism or socialism. The latter seemed to be the more serious threat. With Roosevelt in power in the United States and with the CCF in the process of establishing a political base in Canada, the foundations of North American capitalism seemed to be under direct attack. A. K. Cameron expressed these widely held fears to T. A. Crerar. "I have read with considerable interest the program of the CCF," he wrote,

For my life I cannot see that there is very much to choose between what is proposed by Woodsworth and his colleagues and what Roosevelt is doing or is beginning to do in the United States. In one case you have the proposals on paper, in the other you have the initial stage of the revolution well under way. The more I examine what is being done in the United States, the less optimistic I am of the outcome. The feeling is that the last state may be worse than the first. I do not think it is possible for a Government or a nation to embark on a program such as Roosevelt has without going all the way and taking control of everything and if that is done what is there to choose between Russia and the United States.64

If socialism appeared as the principal bogey, fascism was, to some, another possible end result of unwarranted government activity. For example the Liberal Toronto Star, which approved of Roosevelt while disagreeing with his economics and his methods, was agog at the spectacle of the United States seemingly abandoning its historic commitment to individualism. "That it is an interesting program no one will deny--," read one editorial commenting on the early phase of the NIRA,

a great experiment in economics which no one would have
regarded as practicable in prosperous times. For here are the captains of industry, put, for two years at any rate, under state colonels and generals. It is a measure of state control over private business such as private business would have declared outrageous a few years ago. It would have been denounced as rank socialism if it had been proposed to industrial leaders.65

But J. W. Dafoe was less sanguine about the implications of limiting competition and sanctioning business associational planning which the NIRA entailed. Although he did not consider that Roosevelt himself was so inclined, the end product might turn out to be the same, a fascist or corporative state, because,

... after the corporations are turned into guilds and get into working agreements with one another they will constitute a power that will tell Government and Congress what to do.66

Dafoe's main concern was with the implications of tinkering with the laissez-faire basis of economic and political affairs. He was also concerned about the possible effect the American experiment might have on Canadian Tories and wondered, "whether R. B. may try something like this in Canada; it would make Holt, Gordon et al. the kings of Canada."67

However King's reaction to Roosevelt and his policies was not entirely negative. Alongside King's rejection of some of the specifics of Roosevelt's policies went an admiration for his leadership and for the ends to which the New Deal was directed. It is difficult to test the sincerity of his regard for what was being attempted by the New Deal apparatus. He may have believed that Roosevelt remained a good liberal temporarily gone astray, and when American policy shifted in
1934-35 away from economic exclusion to liberalizing trade
King naturally approved. There also was a measure of polit-
ical advantage in muting criticism of the New Deal. To those
elements in Canada who were looking for reform, Roosevelt's
leadership was attractive. His leadership generated consid-
erable popular enthusiasm in the United States and some
portion of this percolated across the border. Many in Canada
adversely compared Roosevelt's activity with the somnolence
displayed by Canadian leaders. There was considerable poten-
tial advantage, therefore, in identifying with Roosevelt's
reformist image, and the Liberal party appears to have gone
to some length to identify King and the Liberal party with
the objectives and ends of the New Deal while rejecting its
methods as ideologically and practicably unsuitable for
Canada. Roosevelt was a shining example of 'liberalism', The
Canadian Liberal Monthly, commented,

It is not of the N.R.A. or A.A.A. or any of those
numerous administrative plans that President Roosevelt
speaks: it is of the great underlying principle of popu-
lar or democratic government, the active interest of the
people in the process of government. No finer tribute
to Liberal principles could be paid.68

The most obvious manifestation of this theme was in
the publicity given to the alleged similarities of the under-
lying principles of the New Deal with those advanced years
earlier by King in his Industry and Humanity. King himself
claimed the principles were similar, although Roosevelt's
approach, he thought, was markedly different. "Curiously
enough," he wrote,
since the introduction of the N.I.R.A. many persons have begun to draw attention to the similarity between certain of its underlying principles and those which appear in my book, and already a demand for fresh copies has made itself felt both here and in the United States. There are, I think, many similarities as to the underlying fundamental principles of industrial reconstruction but the methods by which I had hoped these might find application are quite different from some of those which appear to be finding expression in the United States. There is, of course, a difference in the political institutions of the two countries, and a difference as well in existing economic conditions.69

To meet the rekindled interest in King's philosophy of industrial reconstruction a new, abridged edition of Industry and Humanity was brought out in 1934. In addition, a number of articles comparing the two approaches in King's favour appeared. In the fall of 1933 one series was published in The Labour World. Their author, Bernard Rose, later published the series as a pamphlet with the objective of gaining a wider circulation for the comparison.70 It is not clear whether the pamphlet was published under Liberal party auspices but early in 1934 the National Liberal Federation did publish a similar compilation of comparative articles first carried in The Toronto Star.71 Clearly the Liberal party was interested in publicizing the idea that there was a relationship between the reformist Roosevelt and King via their common liberalism.

But Canada was not the United States and King was no Roosevelt willing and prepared to lead a dynamic reform administration. King's ambivalence was difficult to contain. He wanted to identify himself and the Liberal party with Roosevelt, his leadership and his reform image, but at the same
time he could not carry this too far because Roosevelt's whole approach was opposed to the two primary tenets of Canadian liberalism, liberal internationalism and a continued reliance on individualism and free economic enterprise. King's reform commitment was much qualified, and did not extend his philosophic acceptance to substantive policy because it could not bridge the gap between classical political liberalism and the problems of the depression which were primarily economic in origin, and whose solution required basic economic institutional readjustments. This led him to emphasize his sympathy with Roosevelt's objectives while rejecting his policies.

King elaborated on the distinction he made between his agreement with Roosevelt's ends and his objections to the methods of the New Deal in the Throne Speech debate in Parliament in January, 1934. In the course of a four hour address King referred to the Roosevelt program in reference to a remark Bennett had made on his return from the London Conference that Canada could not afford to experiment with a program of higher wages and shorter hours. King's interpretation was ingenious if nothing else. First he congratulated Bennett on his conversion to the Liberal argument that Canada's dependence on foreign markets made the adoption of a cost raising scheme impractical. But he then belaboured Bennett on the grounds that Bennett's stand was anti-labour and directed against Canadian workers. Unlike himself, King argued, Bennett rejected both the ends of Roosevelt's policies.
which he, King, found admirable, and the means which he found objectionable. Bennett's policies, he went on, would act to raise prices, but would restrict wages and thus was an anti-labour policy which contrasted starkly with the pro-labour policies of liberalism.

King's Parliamentary remarks on the American experiments were much more restrained than those indicated in notes of an earlier draft of his speech. In Parliament King referred to the United States only obliquely in rejecting the New Deal approach as impracticable for Canada. The notes reflect a much more critical and negative view of the New Deal. In them King assumed that the United States had accepted a form of dictatorship and sympathized,

... with those Americans who criticize the Administration [on the basis] that the powers given at a moment of crisis to deal with an emergency are being exercised far and away beyond that end; are being used, in fact, to bring about, by arbitrary methods, a complete change in the social and industrial structure of the United States; a change which some believe is not desirable, and which others, who hold it to be desirable, feel cannot be accomplished in that way, and which, if it is to be enduring, must be brought about by methods which accord more generally with the spirit of American institutions and of democracy.73

The arbitrary methods, he thought, were fully in accord with Bennett's style of leadership but they were not the sort which could be made compatible with Canadian democracy, because,

What, therefore, may be held to justify dictatorship in the United States, or in countries like Italy, or Germany, or Russia, where the institutions of government are wholly different from our own, and the spirit of British freedom little known or understood, will not justify similar methods here.74
King probably left these passages out of his Commons remarks in order to avoid critical public comment on the internal affairs of the United States. But taken with others of his comments they reflect an antagonism to the New Deal, particularly regarding its methods, but extending also to the concept of reform itself, at least while the depression lasted. Recovery before reform, caution, the danger of experimentation and the avoidance of restrictions of economic behaviour remained the foundations of Liberal thought.

The limitations of King's views were, naturally, frustrating to critics who identified a compelling need for a more positive approach to the problems of the depression. The assessment of B. K. Sandwell, the editor of Saturday Night, was revealing and much to the point. After noting King's repeated emphasis on individual liberties, the harmful effects of government controls and the doctrine that economic freedom formed the basis of social and political liberties, Sandwell concluded that Liberal philosophy was identical with that espoused by the American Republican party. And after reviewing Herbert Hoover's treatise, The Challenge to Liberty, which was primarily concerned with attacking Roosevelt's reform program, Sandwell thought King and Hoover indistinguishable in terms of their common commitment to an individualist political and social ideology.⁷⁵

But whether through an accident of timing, or whatever, King's political fate was not similar to Hoover's. In their successful 1935 election campaign, King and the Liber-
als placed great stress on the need to proceed slowly, within the narrow limits of possible constitutional action, and bring about economic recovery before experimenting with reforms. Stephen Leacock commented that, in 1935, "The Canadian people voted Liberal to show how conservative they are." Escott Reid documented the basis of the fundamental conservatism of the Liberal party in noting that,

Indeed it might be said that the election has made the Liberal Party a center party, with 23 per cent of the votes to its left, and 30 per cent to its right. One cannot, however, with any degree of assurance, call the Liberal Party a center party, since it is probable that, if the advocacy of state intervention in economic life is a left-wing doctrine, the greater part of the Liberal Party lies to the right of the greater part of the Conservative Party.

The conservatism led the Liberals to avoid American type New Deal experiments. As one journalist commented, King, either with prescience or "temperamental repugnance to any form of novelty," refused to let himself be carried away with the popular aspects of New Dealing;

As straw votes, which show the way the wind is blowing, continue to indicate that it is blowing from the north-east where the bankers, puritans and steel makers have their habitat, Mr. King will undoubtedly trim his sails accordingly and firmly restrain any tendency towards radicalism which may crop up in the back benches.

In the circumstances of the thirties the Liberals found it both compatible with their ideological predispositions and politically expedient to define themselves as the defenders of traditional freedoms against the collectivist challenges of the left and right. This meant that efforts
within the party to devise more appropriate and effective means to cope with conditions posed by the depression were severely restricted. Liberal proposals were largely confined to their commitment to enlarging international trade. Restrictions on economic behaviour, either internationally or in the domestic sphere, were viewed as threats to the foundations of political liberties. Attempts to involve the state more actively in directing and controlling economic affairs were, therefore, resisted. Liberal rhetoric and policy remained largely similar to the objections to positive government advanced by the Canadian business community. The need to emphasize economic recovery before reform and a rejection of economic planning characterized the Liberal party's response to the depression. Reactions to Roosevelt and the New Deal followed from this position. The Liberals wanted to look upon Roosevelt as a true liberal in their own image. They also saw some political benefit in associating their own stance with Roosevelt's leadership. But when Roosevelt strayed beyond the bounds of what was seen as proper liberalism by, for example, enlarging the scope of federal government leadership, Canadian Liberals looked askance. They rejected the substance of New Deal reforms.
NOTES--CHAPTER VII


3. The basic flaw in the Liberals' free trade argument was, of course, that there were few countries willing to purchase Canadian products. It seems doubtful that a unilateral reduction of tariff barriers would have assisted the Canadian trade position. It was not until 1935 that the American market began to open up, and it is doubtful that had the Liberals formed the government they would have been able to obtain an American treaty before then.

4. J. W. Dafoe wrote; "Everything that is now happening tends to confirm me in my conviction that there is such a thing as doing more harm than good by the experimental activities of humans who pit their weakness and their ignorance against great natural tendencies and forces." Dafoe papers, reel M77, Dafoe to Graham Spry, July 24, 1935. See also W. H. Moore, "Parliament and Economic Control," University of Toronto Quarterly, Vol. 4, 1934-35, pp. 315-326.


7. T. A. Crerar papers, Cameron to Crerar, November 20, 1931.


11. James Malcolm papers, Vol. 2, Malcolm to Andrew Malcolm, March 29, 1933. Malcolm remarked about King and Bennett on another occasion: "I wonder when we will have time to get on with the business of the House. Between these two men, both bachelors, and therefore spoiled by women, we waste more time than on anything I can think of. If either of them, or both, had been married, they would have had all this nagging at home from their wives and wouldn't have indulged in it in public before the whole people of Canada." Quoted in Norman Ward (ed.), *A Party Politician: The Memoirs of Chubby Power*, Toronto, Macmillan, 1966, p. 282.

12. King papers, Vol. 196, King to Peter Gerry, September 16, 1933. H. B. Neatby has commented: "Mackenzie King was against inflation. His views on money were rigidly orthodox—inflation was dangerous, would probably be disastrous, and was most certainly dishonest." In "William Lyon Mackenzie King," in R. L. McDougall (ed.), *Canada's Past and Present: A Dialogue*, Toronto, University of Toronto Press, 1965, pp. 1-20.

13. Crerar papers, King to Crerar, January 24, 1933.

14. Rogers papers, King to Rogers, April 3, 1933.


16. Ibid.

17. While business reactions were not unanimous, it is safe to characterize business reactions to Bennett's reform program as negative. For a variety of views see, "Five Views of Mr. Bennett," *The Canadian Forum*, February, 1935, pp. 167-170.

18. See Norman Ward, pp. 311-327.


21. Chubby Power had the dual tasks of organizing the federal Liberal parliamentary opposition in Ottawa and acting as the provincial party organizer in Quebec. See Ward, pp. 261-278, 311-327.


24. One observer commented on the relations of dominant interest groups in Quebec as follows: "Four and a half years of depression, in fact, have done little else than reveal how harmonious are the relations between the three persons in the provincial trinity--the Liberal party machine, the Roman Church, and St. James Street. Scarcely a rift has appeared to disturb the equilibrium of the theo-pluto-bureaucracy." J. E. Keith, "The Fascist Province," The Canadian Forum, April, 1934, p. 251.


26. Ibid., p. 337-338.

27. Ibid., 338-340.

28. Ibid., p. 280.

29. Ibid., pp. 333-334. On the other major Quebec federal leaders Power observed: "Cardin is not a bit radical. He is exceedingly realist and opportunist. . . . Rinfret makes wonderful speeches at times, and is a bit advanced. . . . Lucien Cannon will, in all probability, be back in the game, and though he is not very radical either, he will know what kind of campaign material is best suited for the purpose of destroying Toryism. The remainder of the Liberals will take their clue from these four gentlemen." Ibid., p. 334.

30. T. W. L. MacDermot papers, Ferguson to MacDermot, June 8, 1932. One observer commented sardonically that while the Liberal 'new guard' was talking, the 'old guard' was making policy designed for electoral success by avoiding utopian schemes and looking for money. See "Backstage at Ottawa," MacLeans, January 15, 1934.
31. Dafoe papers, Dafoe to Vincent Massey, December 7, 1931.

32. Dafoe papers, microfilm reel M76, "Notes for Policy Conference at Massey's, September 7, 1932."

33. The National Liberal Federation was formed from the moribund National Liberal Organization Committee. The Committee had been formed after the 1919 Liberal convention but had not met between then and 1930. The Federation was created to provide a more effective mechanism for raising financial resources for the party the need for which was made apparent by the revelations of the Beauharnois scandal. See, H. B. Neatby, *William Lyon Mackenzie King, 1924-1932: The Lonely Heights*, Toronto, University of Toronto Press, 1963, pp. 327-28, 369, 387-90; and Vincent Massey, *What's Past is Prologue*, New York, St. Martin's Press, 1964, pp. 210-11.

34. Rogers papers, Box 1, exchange of letters between Rogers and Steven Cartwright, 1931-33, also Vincent Massey to Rogers, March 2, 1933 in same box. For an account of the development of the Liberal Party's policy in relation to the Central Bank see, H. B. Neatby, "William Lyon MacKenzie King."

35. Crerar papers, Crerar to King, June 30, 1933, September 2, 1931, August 22, 1932.

36. King papers, Vol. 197, McGeer to King, March 9, 1933 and reply March 14; also McGeer to King, May 22, 1935, King to McGeer February 18, 1933.


statement was a sufficient explanation of Liberal policy and binding on his government after 1935. See Gibson, p. 140, and Ward, pp. 279-280. For a sympathetic and somewhat exaggerated statement of the reform aspects of King's platform see, Bruce Hutchison, The Incredible Canadian, New York, Longman's, Green, 1953, pp. 180-188.


41. Ibid., pp. 211-212.

42. Ibid.


44. Vincent Massey, What's Past is Prologue, pp. 212-216. Massey sent King a copy of Roosevelt's book Looking Forward. King's reaction to the book is not known. King papers, Vol. 197, Massey to King, July 10, 1933, and reply on July 11, 1933. One notable aspect of the Liberal summer conference was the lack of participation by French Canadians. See Massey, p. 212; also the T. W. L. MacDermot papers, draft of speech reporting on the Liberal conference, nd.

45. Vincent Massey, "Canada and Foreign Affairs," Address delivered to the Canadian Institute of Economics and Politics, August 7, 1933, at Lake Couchiching.

46. Massey, What's Past is Prologue, p. 216.


48. Because the effective implementation of the NPMA required that farmers organize, a national movement was begun in 1935. At an organizational meeting in November held in Toronto, The Canadian Chamber of Agriculture was formed to express the views of farmers. The Chamber went on record as favoring the NPMA and provincial models of it. More than twenty provincial and functional farmers' groups affiliated with the Chamber. See the George Coote papers, "The Canadian Chamber of Agriculture."
49. Crerar papers, Crerar to Cameron, nd, also Crerar to King, January 8, 1934, April 6, 1934 and June 19, 1935.


52. See the account of the Liberal reaction by D. F. Forster, "The Politics of Combines Policy: Liberals and the Stevens Commission," The Canadian Journal of Economics and Political Science, Vol. 28, November 1962, pp. 511-526. The political effects of either supporting or opposing the Commission were not clear. T. A. Crerar for one thought there might be political advantage in opposition. He wrote; "I sense that a doubt is growing in the public mind concerning Stevens. One of the important contributing factors to this is the remarkable decline in popularity of the N.R.A. in the United States and the further fact that a consumer consciousness is commencing to develop. When Stevens talks about regulating mail order houses and chain stores, it is associated in the public mind that he means to compel them to raise prices, and that is poor medicine at the present time, at any rate out here in the prairies. The fact of the matter is that the retail merchants and the rest of the crew that have been prodding Stevens, have not certainly in late years enjoyed any great popularity. Stripped to its bare bones, their motive in supporting Stevens is essentially selfish, and in any case Stevens is not by any means invulnerable." T. A. Crerar papers, Crerar to A. K. Cameron, May 18, 1934. In a similar vein see Grant Dexter papers, Vol. 10, G. F. Chipman to Dexter, August 10, 1935.


54. Ibid.


57. Dunning papers, Dunning to E. N. MacDonald, February 15, 1935.

58. King papers, Vol. 211, "Notes for Speech on "Social and
Industrial Reconstruction'."

59. Ibid.

60. Ibid.

61. King papers, Vol. 198, King to Sir Herbert Samuel, March March 13, 1933.

62. King papers, Vol. 198, King to J. D. Rockefeller Jr., September 15, 1933.

63. King papers, Vol. 196, King to Peter Gerry, nd.

64. Crerar papers, A. K. Cameron to Crerar, July 21, 1933.

65. The Toronto Star, July 4, 1933.


67. Ibid. In a similar vein John Collingwood Reade analyzed the Canadian and American political scenes and concluded that; "The United States in her own fashion, has precipitated a Fascist transformation. The President has probably undertaken measures on his own responsibility which might better have waited until he had created an effective technique of cooperation with industry, finance, labor, agriculture and the professions. In point of fact, the United States has many more of the alarming features of a dictatorship than has Italy, where strong leadership is too often mistaken for dictation." "Is Canada Fated to Go Fascist?" Saturday Night, October 21, 1933.

68. The Canadian Liberal Monthly, January and February, 1934.


70. The series published in The Labour World was prepared in pamphlet form in the fall of 1933. A copy of the pamphlet is in the Special Collections section of the Douglas Library, Queen's University.

71. Published as "Industry and Humanity: Mackenzie King and a New Social Order," and issued by the National Liberal Federation in 1934; copy in the Grant Dexter Papers, Box 21.


73. King papers, Vol. 190, "Notes for Speech, The Prime
Minister and Labour."

74. Ibid.

75. Saturday Night, September 29, 1934. For critical comment from the political left on King's lack of boldness see, for example, The Canadian Forum, September, 1933. Bennett, also, was frustrated by King's somewhat unconstructive criticism. See, Debates, 1934, Vol. 1, p. 59.

76. See the collection of speeches for use in the 1935 campaign by King and N. M. Rogers in the Rogers papers, Box 5.


79. Robert Caygeon, "The Reaction from Radicalism," Saturday Night, January 18, 1936. Conservative opinion in the United States welcomed the 1935 election results. An editorial in the Review of Reviews commented; "It is a direct response . . . to the Liberal protest against all forms of dictatorship, whether they incline towards fascism, socialism, or sovietism, and equally against endless and dangerous experimentation in matters of government. . . . It proclaims the end of the superman idea . . . . A wholesome revulsion has set in against the terrible meddlesomeness of Washington in the affairs of the people of our forty-eight states. It would be beyond endurance for the Canadian people to have our 'Yankee' New Dealers trying to overrun the Canadian provinces with their immature ideas and their mischievous experiments. . . . The sanity they have shown in this test at the polls will help the people of the United States to shake off the absurdities of our own New Deal regimentation." Vol. 92, December, 1935, pp. 18-19.
Chapter VIII

CONCLUSION

The depression of the thirties produced much social turmoil and provoked considerable debate about whether, and how, societies might be reformed. This was a world-wide phenomenon and for many societies the thirties marked a watershed in their historical experience. For Canada, the depression experience does not seem to have been such a watershed. It is true that a number of new institutions were developed during the period, for example, the Bank of Canada, which provided the structural means whereby new types of economic problems could be coped with more effectively. Eventually Keynesian economic prescriptions became available and provided better tools with which to control economic affairs. But while granting that some change occurred, especially toward the end of the decade, the impact of institutional reform was not felt until the war years. Significantly, most proposals for reform and change which were advocated during the depression were rejected. The depression did not provide a primary motive force for social change in Canada.¹

If Canada encountered a watershed experience in this era, in terms of social change and reform, it seems that it should more properly be located in the 1940's. During the early thirties very little substantive change was effected.
Most attempts to introduce change by reforming institutions ran into such strong internal opposition that they were abandoned or laid to rest. Economic recovery, within limits set by business interests, was given much higher priority than reform; non-planners were able to restrict the appeal of economic planners with a host of practical and ideological objections. The rejection of R. B. Bennett's reforms, which would have marked the beginnings of a major attempt to provide national solutions for national problems, is perhaps the prime example. The fate of the Rowell-Sirois recommendations provides another. Objections to change abounded, and they were largely successful in restricting and confining change within severe limits.

The lack of movement towards reform in Canada is particularly notable when contrasted with events during the thirties in the United States. Roosevelt's New Deal was essentially conservative in the sense that it was designed to save the capitalist system from its own excesses. But it was also radical in that much of its legislative action challenged traditional centers of economic, social and political power. Institutional change was introduced, collective bargaining was not merely tolerated but was accepted as being in the general interest and social security introduced the welfare state. But above all, for good or not, the premise that government had no legitimate role to play in the nation's economic and social affairs was replaced by one which accepted the need for positive government leadership and direction.
While in the early years political imperatives moved the Roosevelt administration in the direction of positive government, in Canada a similar movement was much more hesitant. This was demonstrated most dramatically when, in 1935, MacKenzie King could interpret his electoral mandate as being one which called for no reform. King rejected the collectivist oriented reforms of both the Bennett government and the CCF. His idea of reform was to try to return Canada to a world of nineteenth century liberalism and it was not until the end of the decade that King began grudgingly to accept new approaches.

There was, of course, no compelling reason why Canada should have imitated the American example in its details. Canada has had a quite different historical tradition. The country's political system, its constitutional relationships, and its economic development produced different realities. Roosevelt's response to the depression evolved out of an American reform tradition which was materially different from the Canadian experience. But at the same time, the depression produced many problems which were common to both countries. Economic dislocation produced social distress, the break down of the capitalist economic system produced demands in both countries for a national collective response to meet the problems. In the United States many of the obstacles and objections in the way of a national response were overcome, during the depression. In Canada a similar process did not occur until the coming of war. In war the
federal government was forced to provide national leadership. Constitutional inhibitions and prohibitions were overcome and massive government spending for war needs brought the government actively into the market place. The political process supported the centralization of power. What had not been possible in depression, became so in war.\(^3\)

One important factor which was called upon to limit the exercise of national authority in meeting the unprecedented demands of the depression was the variety of constitutional objections to the use of federal power in economic and social affairs. By the thirties the ability of the federal government to involve itself in social matters had been severely restricted. The scope of provincial responsibilities had been correspondingly enhanced. And while during the depression the provinces continued to oppose increasing federal powers, many did attempt to devise their own legislative programs to meet the new demands imposed on them. By 1938, for example, six provinces had provided legislative sanction for collective bargaining; Ontario had extended the provisions of its minimum wage laws; British Columbia had embarked on a New Deal of its own which included the creation of industrial relations and provincial marketing boards, an economic planning council and the extension of welfare services. In 1934 Alberta passed a Department of Trade and Industry Act which was directed to providing comprehensive regulation of provincial service industries. Within the scope of their constitutional, political and economic limita-
tions, some provinces attempted to devise suitable responses to the demands placed on them.\textsuperscript{4}

Legislation on the provincial level could not, however, be fully effective in meeting the depression. Provincial legislation was necessarily fragmented, uncoordinated and piecemeal. As critics pointed out, provincial legislation which attempted to provide for change and reform was potentially harmful if all other provinces did not conform. For example, with no national standards, minimum wage laws enacted by one province drove industry out of the province to low wage areas.\textsuperscript{5} Other reforms were similarly self-defeating for the provinces enacting them. A premium was thus set on diluting reforms so they would not be economically harmful. The Alberta government, for example, by 1936 found it necessary to limit the application of the provisions in its Trade and Industry Act in order to reassure business groups who were unhappy with regulation.\textsuperscript{6} In Ontario, the Industrial Standards Act, originally designed to improve the position of labour, was abandoned and by 1937 the provincial government of Mitch Hepburn was embarked on a bitter anti-union campaign.\textsuperscript{7} This proved to be the fate of much of the labour legislation which was passed on the provincial level. To make it effective, labour legislation required active enforcing agencies ensuring compliance, but little attempt was made to provide them. National standards were required to improve the lot of labour and, unlike in the United States, these were not formulated in Canada.\textsuperscript{8}
In addition to practical criticisms, the same ideological objections to national reforms were also directed towards provincial reform programs. Critics charged that reform legislation had the effect of delaying economic recovery, that planning on the provincial level also went against the grain of accepted economic law, that enhancing the rights of labour discriminated against employers and infringed on property rights. To those who objected to reform in general, provincial action was just as nefarious at that taken on the national level.9

Constitutional objections were also raised against provincial reform programs. As they had in the past, constitutional limitations remained an effective means whereby private interest groups were able to prevent or delay change.10 By exploiting constitutional frailities in the name of provincial rights, ideological opponents of change and reform were able to limit government intervention at both levels of government because, as one historian has noted, "At the heart of much national-local conflict . . . was an individualistic ideology which called for a decentralized form of federalism."11 And, as an anonymous contemporary observer commented, "Upheld with an almost suicidal tenacity, provincial rights have become national wrongs." Moreover,

Worse still, under cover of all this has been preserved the legal, political and economic philosophy of laissez-faire utilitarianism-free enterprise, as little control over business as possible, individual competition and initiative; with concessions of social legislation here and there in the name of efficient nationalism.12
The nature and purpose of constitutional prohibitions were not confined to differences among jurists; they went to the heart of fundamental social and economic issues concerning individual and collective rights.

The numerous tangible objections raised against reforms in Canada, at both federal and provincial levels, partially explain why Canada did not follow the New Deal example more closely. There were major economic, political and constitutional differences in the situations of the two countries. But also extremely important was the nature of the objections directed towards reform and social change. Whether opposition was argued in terms of giving higher priority to economic recovery rather than reform, or in favour of traditional conceptions of *laissez-faire* economic law as against economic planning, the end result was to limit the possibility of initiating fundamental reform. This in itself was not surprising. There was bound to be opposition to change in the thirties. Not all Canadians were adversely affected by the depression and the inherent conservatism of many others led them to avoid experimenting with the unknown. Change was unsettling.

Objections to change were also strenuously voiced in the United States by extremely powerful interests. But in contrast to Canada, the opposition to change was generated as a reaction to a reform administration. While those who objected to reform in the United States were at times successful in moderating many aspects of Roosevelt's policies, they
were not entirely so. In Canada, the objections to change were, by and large, successful in severely limiting government attempts to enact reform legislation. Why? One major factor was the structure of ideas and attitudes in Canada towards reform and change. And a dominant aspect of the attitudinal structure was the extent to which traditional, business-oriented views were held among Canadian leadership groups and in the community in general. The proponents of the status quo represented a much more significant force in Canada than did those who pressed for reform, and their views, as judged by results, largely influenced policy during the depression.

Reformers were not notably successful during the decade. The formation of the CCF represented the most important attempt to consolidate sentiment and devise a reform alternative. But assessing the impact of the CCF is like trying to decide whether a glass is half-empty or half-full. While the socialist party-movement remained outside the Canadian political mainstream it did, over time, have considerable effect in persuading the old parties to accept many of its proposals, even if they refused to accept the socialist premises from which they were derived. Professor Horowitz has posited that the socialist tradition came honestly to Canada as the reverse side of an operative toryism. This may be so, but if socialism was legitimatized by Canadian historical experience, its impact during the thirties remained marginal. In fact it is conceivable that one major effect of the presence of an active socialist party in Canada was to
delay change and reform. In the United States where the socialist movement was moribund many committed, would-be, and sympathizing socialists involved themselves in the political process through the Democratic Party, or in many of the agencies established to effect New Deal policies. They gave to the New Deal much of its reformist impulse, particularly in promoting and supporting industrial unionism. In their relatively minor opposition role there was little opportunity for Canadian socialists to influence Federal government policy directly. They were also unable sufficiently to convince the electorate to abandon its general commitment to liberal capitalism, or reject the orthodox arguments of those who stood against fundamental change.\(^{13}\)

The arguments of those who rejected the necessity for reform were epitomized by the rhetoric of the business community. It would be misleading to equate completely the point of view articulated within the business community as being entirely typical of that of Canadian society as a whole. But it would be equally erroneous to underrate or downgrade the importance of business arguments in the thirties. There are sound grounds for considering that business arguments found much greater and more general acceptance, among a larger public, than did those of Canadian reformers. Measured in terms of impact on public policy, and in a less definable sense on influencing public consciousness, the proponents of a business-oriented point of view occupied a dominant position in Canadian society. And it is most likely that business
views were as influential as they were because they were derived from the essentially traditional and conservative nature of the Canadian value system within which the views of the business, commercial and financial community have always been strong.

A fairly general consensus has emerged among those who have studied Canadian society that it has been characterized by its traditionalism and conservatism. Terms like, 'elitist', 'deferential' and 'authoritarian' have been widely employed to describe Canadian society, particularly when compared with that of the United States. Whether derived from its counter-revolutionary past, its more conservative institutional structure, or from the continuity of its historical connection with Europe, descriptive and analytical accounts of Canadian society picture it as being essentially traditional and conservative. In addition, incorporated within the structure of traditional values has been a general acceptance of the premises and assumptions which have formed the basis of classic, liberal-capitalist economics.

Moreover it is evident that active efforts were made in the past to reinforce the hold of capitalist economic values within the general public. In his study of the CMA, for example, S. D. Clark has described how the diversity of its membership, and the necessity of avoiding potentially internally divisive issues, led the Association to focus its rhetoric on generalized, "formulas, symbols and beliefs . . . [until] there was created, notwithstanding differences in
interests between particular groups, a distinctive way of looking at things."15 This approach allowed the CMA to reach a much wider public than its membership roles would indicate, and it was able, as a result, to exert a strong influence in shaping more general community values. The result was, again in Clark's words, that, "By means of propaganda, advertising, and informal contacts, values, notions and doctrines formulated within such organizations as the CMA tended to become a part of the cultural sediment of the great mass of Canadian people."16 Similarly one of the major self-defined functions of the Canadian Chamber of Commerce was that of propagandizing business values in order to persuade the public fully to accept them. As one of the Chamber's publicists wrote in the thirties;

Fallacious thinking . . . . all too frequently supports moves and measures that hamper business. These last few years the demagogue and the radical reformer have been rampant in high places and low. Again, through the distribution of authoritative information, the Chamber has been using its influence to inform the public what business is trying to do. The fact is not enough that our present business system should be the best for a democratic country like Canada but the people should be told it is the best and why. They must come to know the truth about it. Radicals always use hard times as a good opportunity to undermine the confidence of the people in existing authority and throughout the last few years a Public Relations Committee of the Chamber has been countering continuously these subversive influences by the encouragement of sound thinking, plain speaking and clear writing.17

By the thirties business oriented propagandizing had had considerable effect. Professor Neatby has commented that, "Until the 1930's the successful entrepreneurs had been seen as the makers of Canada. The successful leaders were men from
the same social class, men who were at ease in the corporate boardroom and who cooperated in the national enterprise. They had the mark of the magnate."18 Frank Underhill thought that the cultural sediment of business values had hardened by 1935 into a conception of the national interest. Of the post-Con­ federation period Underhill wrote,

It was inevitable that . . . [the] national interest should be interpreted primarily in terms of the interests of the industrial-financial group which was steadily emerging into a position of economic dominance . . . and the two generations since Confederation have resulted not merely in the victory of industrial and finance capitalism but in the imposition of its ideology upon our society as a whole.19

The identification of the interests of industrial and finance capitalism with the national interest was anchored in political relationships. Close government-business ties were not new in the 1930's; they were imbedded in Canadian tradition from before Confederation. The association of Sir John A. Macdonald and the Conservative party with the Canadian Pacific Railway provides only the most obvious example. In the developmental era of the late nineteenth and earlier twentieth centuries it was perhaps natural that business needs would be favourably received by governments. Not that businessmen felt their interests completely secure from government interference; many felt they were persecuted by governments who favoured other social groups.20 But on balance, the interests and views of businessmen were shared by Canadian governments at both the national and provincial levels. As L. G. Reynolds commented at the end of the decade of the
The greatest advantage of business . . . is the prestige which it still retains. Most members of Parliament are still convinced of the superiority of business leadership and that 'what is good for business is good for Canada'. Cabinet members do not need to be bribed to accept the business viewpoint. They already think like businessmen.21

In a similar vein the editors of Fortune22 thought, in 1938, that Canada, in a virile developmental stage and largely free from unwarranted government restriction, remained the "white hope of free capitalism." In a lengthy article revealingly entitled "Canada the Siren," the Fortune editors described Canada from the point of view of American business. They were largely pleased with what they saw; a Canada worthy of the attentions of American business because it had not been made to endure a New Deal. Canada appeared as an "Entrepreneur's Haven,"

. . . the subject of a legend that is growing and crystallizing in the minds of American businessmen until it quivers with an allure more seductive than the swirling current of a salmon stream and resounds with a beat more inspiring than the dithyrambs of Robert W. Service. . . . For the stories that have been filtering across the border picture Canada in the act of repeating the halycon days of U.S. business history. Canada is still in that stage of development. There is still need for capital and a healthy respect for it. The people are conservative and hard-working. And (sounds of angel voices in swelling chorus) there is no government-and-business problem comparable to ours. Business is allowed to conduct itself as it sees fit, while government buckles down to the salutary job of balancing the budget.23

The similarity of viewpoints between government and business raises the question of the relationship between the active use of the state and the promotion of business and industrial development. A widely held assumption in Canada
is that, historically, Canada has avoided the individualistic excesses characterized by American capitalism. The state, so the argument goes, has intervened in Canada to moderate the effects of rampant capitalism with legislation designed to protect the collective well-being. Did not, it may be asked, the presence of an active Canadian collectivist tradition, possessed of a broad and general social concern whether in the form of 'tory democracy' or democratic socialism, moderate the demands of capitalist development?

The assumption that benevolent government action has limited the demands of the business community in Canada is, however, much open to question. Revisionist historical analyses in the United States have demonstrated that much of the legislation in the late nineteenth century designed purportedly to regulate and control business was initiated primarily in the interest of business groups themselves. It is most likely that a similar process occurred in Canada. As Melville Watkins has noted, the traditional theme that government has played a significant role in "promoting and shaping Canadian economic development" is deficient;

It would be more accurate to argue that a national government allied with the private elite was committed to use the state to create economic development, but not at the risk of weakening elite control; high tariffs and lavish railway subsidies expressed the limits of political action . . . .24

Professor H. V. Nelles, who massively documented the economic development of Ontario, has also questioned the motivations which underlay state intervention in Canada. The ways
in which the Ontario government intervened in economic affairs were largely confined within limits imposed by the interests of business groups. Because of the nature of the intervention, he comments,

It would appear that we have been altogether too eager, in our own efforts to draw a firm line of demarcation between Canadian and American political traditions, to interpret the mobilization of public enterprise for narrow business interests as evidence of an operative Toryism. The mere fact of state intervention should not obscure its origins, benefactors, and abuses.25

Legislation designed to promote the interests of business was not necessarily, of course, identical with those other groups in society. In Ontario, Nelles concluded, business retained the upper hand.

The Ontario experience seemed to indicate that responsibility for most industrial enterprises narrowed the vision of government and deadened its sense of responsibility to other social groups. Businessmen had succeeded in generalizing their ideology, or in identifying their interests completely with the public interest, largely through their political influence.26

These conclusions seem valid in the light of the experience of the thirties. However valid the benevolent, collectivist tradition may be, it was not much in evidence during the depression. Neither the tory democratic nor the socialist versions of collective action achieved a great deal during the thirties to moderate the values or the practices of liberal capitalism. R. B. Bennett's reforms never came to fruition, and the CCF remained politically ineffective. Canadian society, at least as judged by the legislative record of its elected representatives, remained committed to liberal capitalist ideals which had taken root much earlier.
The reaction of those who held strongly to traditional views of economic and political relationships provides the most significant theme in the Canadian reaction to Roosevelt and the New Deal. Through this lens the New Deal was judged and found wanting. Those who objected to the New Deal, indeed to reform and social change in general, were concerned above all with defending the foundations of the status quo which were shaken but not brought down by the depression. In the United States Roosevelt threatened, or promised, to rebuild the foundations according to different specifications. In Canada, the same possibility seemed to be at hand and the defenders of the status quo fought to keep the old order. One means which they used was to point out and emphasize the alleged failures of Roosevelt's programs, particularly his efforts to combine a reform program with legislation designed to promote economic recovery. It was a handy tool and an effective one. There was sufficient substance to the criticism to make it acceptable. Judging by the lack of an equivalent Canadian reform program the recovery arguments retained their hold on the public and their influence with government.

The Liberal party was the chief recipient of the political benefits from such a stance. The Liberal leadership rejected national reforms on both practical and ideological grounds. They emphasized the vulnerability and international dependence of the Canadian economy. Economic controls and restrictions were viewed as being incompatible with the needs of a liberal, trade-oriented economy. The economic argument
merged with and was inseparable from the ideological basis of the Liberal party. Restrictions on economic behaviour were considered to be a threat to traditional political and social liberties. In the circumstances, the Liberal party became highly ideological. Faced with what were held to be collectivist challenges from the left and right the Liberals strove to identify the party with traditional, liberal, laissez-faire values more appropriate to the world of the nineteenth century than with the realities of the thirties. This stance was not merely politically expedient. It was effective because the Liberal ideology appears to have been "more consistent with the outlook of the majority of the populace," than the other political alternatives available at the time. Liberal ideology did not incorporate a national reform program on the Rooseveltian or any other model. The Liberal rejection of New Deal type reforms epitomized the dominant Canadian attitude towards the American experiments.

Canadian perspectives on Roosevelt's leadership changed over the years. Initial reaction had been favourable and embraced much of the political and ideological spectrum. But as Roosevelt's policies became clarified, the early approval was much moderated. Few Canadians were sure what the end results of his unprecedented actions would be. Socialists feared that the New Deal would end up as fascist, the economic orthodox thought that socialism was at hand, liberals recognized implications of both. In a few years the coming of war altered the perspective. Then Roosevelt's
leadership was welcomed once more because it was being exercised towards a common end. Even J. W. Dafoe, so bitterly critical in the early years when Roosevelt's liberal image became tarnished, saw him differently. By 1942 Dafoe would echo Bennett in commenting: "If the New Deal was revolution, Roosevelt was the revolutionary; if it saved the United States from disaster and disruption, Roosevelt was the Conservative in Tennyson's sense: 'For he's the true Conservative who lops the mouldered branch away'."
NOTES--CHAPTER VIII

1. For a contradictory view which argues that the decade of the thirties was in fact a watershed see, H. B. Neatby, *The Politics of Chaos: Canada in the Thirties*, Toronto, Macmillan, 1972. I am more inclined to agree with the view of one observer who commented in 1940 when comparing the Canadian and American experiences: "In Canada no Securities and Exchange Commission regulated finance, although what was known as the Price Spreads Inquiry in 1934 indicated that there was as much need for it. It has no Federal Trade Commission keeping trade practices fair and advertising veracious, no National Labor Relations Board to enforce collective bargaining or Social Security Board to provide unemployment insurance, no Reconstruction Finance Corporation or Export-Import Bank to supply capital, no WPA to provide work." John MacCormac, *Canada: America's Problem*, New York, The Viking Press, 1940, p. 194.


5. See Bora Laskin, "Legal Status of Trade Unions in Canada," in V. Anderson (ed.), *Problems in Canadian Unity,*

6. See the account of the Alberta experience in The Canadian Grocer, March 20, 1936.

7. N. McKenty, Mitch Hepburn.

8. The major difference in the labour legislation of the two countries was that in the United States the enactment of The National Labor Relations Act, Wagner Act, in 1935, made compulsory, collective bargaining a reality on a national scale. The Wagner Act, "started with the positive assumption that desirable social objectives could be achieved," through collective bargaining. Moreover, "There was a clear assumption in the American law that the road to industrial peace was paved with collective bargaining. The role of government was therefore to make this process compulsory and then let it work by itself, with only an incidental assist from conciliation where this might be useful and the parties might be willing to accept it." H. V. Woods and S. Ostry, Labour Policy and Labour Economics in Canada, Toronto, Macmillan, 1962, pp. 71-72. The National Labor Relations Board created by the Wagner Act provided an enforcement agency. The implementation of the Act also received strong impetus from the investigations of the Senate's LaFollette Committee in the late thirties. See Jerold S. Auerbach, Labor and Liberty: The LaFollette Committee and the New Deal, New York, Bobbs-Merrill, 1966. In Canada a comparable approach to set national standards was not accepted until the forties and even then it seems doubtful that collective bargaining was accepted as being positively helpful in itself. Rather the emphasis in Canadian law was on conciliation. "The Canadian approach was to intervene in the actual dispute itself or in an anticipated dispute. . . . Any support for collective bargaining was incidental to the conciliation and investigation of specific disputes. There was nothing in Canadian law comparable to the Wagner Act statement of principle, nor, although Canadian law has since incorporated the basic principle of compulsory collective bargaining, has there appeared in either Dominion or provincial law any policy statement such as that which the Wagner Act and its successors have included." Woods and Ostry, pp. 71-72.

9. The objections that reform legislation delayed economic recovery were also raised against provincial measures. See for example, Saturday Night, September 1, 1934.


16. Ibid., p. 83. See also G. R. Cook, The Maple Leaf Forever, Toronto, Macmillan, 1971, pp. 211-212. Cook quotes the President of the CMA saying in 1903, "We are not manufacturers merely of articles of wood and stone, and iron and cotton and wool and so on; we manufacture enthusiasm; we manufacture Canadian sentiment; we manufacture a feeling of pride in our country; and we manufacture a spirit of independence, and a spirit of national pride." He goes on to quote the response to such statements by the Grain Growers Guide; "Always bear in mind that the good old patriotic slogan of the CMA, 'Canada for the Canadians,' means Canada for 2,500 Canadians."


18. H. B. Neatby, "Politics: The Opiate of the 1930's," The Canadian Forum, April-May, 1970, p. 18. Neatby concludes that the depression had the effect of diminishing the prestige of Canadian businessmen. To some extent, no doubt, this is probably so; but I find little evidence that business ideals, and business-oriented viewpoints, lost much ground, particularly in terms of influencing political policies.


23. Ibid.


26. Ibid., pp. 646-647.


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