

Subsidies

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OURS is a strange world. Every day men are brought hard up against the fact of scarcity. They are compelled to recognize that the great bulk of the population of this world does not get enough to eat and that most of the rest of us do not get a good diet. They see it, not as a temporary fact arising from war, but as a continuing condition. Even in the relatively favoured parts of the world, the unfilled wants for shelter and a few modest quasi-luxuries, are real and urgent. If there were no unfilled wants there would be no science of economics, for economics is the study of how to apply scarce materials to satisfy alternative demands. The true price of everything we have is the failure to satisfy alternative wants which are rejected, not because they are in any way wrong, but because the means are not adequate to permit the satisfaction of all of them. Something must be foregone. Each tries to apply the means at his disposal so as to get the greatest satisfaction from them. We are not always right in our judgments; but we make our choices daily and hourly upon that basis because it is compelled upon us.

But ever since the beginning of time men have carried a dream of utopia. In past ages, utopia was in the same still earlier state of grace from which the human race had somehow fallen away. The problem was how to regain that blessed state. Our own age is the first to put utopia in the future, and in one country after another men struggle to make a vast change in the structure of society which will make

it possible to realize it. Any degree of suffering and privation for two or more generations appears as a price, not only a necessary but a reasonable price, to pay for the attainment of it. Russia, which leads the procession, has built a structure of mass compulsion of fearful range and power to that end and, to the outsider at least, seems farther than ever from its goal.

In Russia, zealots seized power, and also in Italy. In Germany the people voted them in. But despite the evil consequences wherever these methods of violence, following on the concentration of power, have been used, these failures have not yet seriously qualified the enthusiasm of those who would have used methods similar in principle to bring utopia to other countries.

II

CANADA, as a federal country of great geographic diversity, and with a high degree of dependence upon external trade, has come off rather lightly in this movement. It is not as easy to bring such compulsions into play here as it is in a unitary state which is more nearly self-sufficient. Nevertheless, we have moved down the same path with other countries. Within the limits set by our natural environment, we have made a similar attempt to use the power of the state to bring in the reign of virtue; but ours has been, of necessity, moved toward the use

of the financial power of the central government to bring about this condition. We have tried to bribe our way into the Kingdom of Heaven upon earth.

Subsidies are our means and one need look no further than the current proceedings of the Royal Commission on Transportation to see how unquestioningly this particular technique is accepted. In a community which is already using subsidies lavishly—to all parents, to the old and to the blind, to air, highway, and inland water transportation, to housing, to the movement of feed grains, to the production of gold, of fish, steel, butter and potatoes, to the production and marketing of coal, to the marketing of Nova Scotia apples, to name a few of the outstanding cases—the several provinces have come forward with proposals which look toward a vast extension in this system of payments from the treasury on the transportation of goods without giving any serious indication that they considered the additional costs or the methods of meeting them as being serious.

The Province of Nova Scotia made a number of recommendations for help to it (and to the other Maritime Provinces), but seemed to take the implementation of its proposals as a mere routine matter. If it was a problem at all, it was dismissed in the following words:

“If the adoption of any of the measures advocated in this submission requires the furnishing of financial assistance from the Dominion Treasury to the Railways, it is respectfully submitted that such assistance should be given.”

The Province of New Brunswick asked for a drastic extension of the Maritime Freight Rates reductions.

The Province of Manitoba contemplates the extension of direct loans by government to the Canadian Pacific in lieu of allowing the earnings of that Company to rise to a level at which it could borrow from the market. In fairness, it ought to be added that this particular recommendation seems to be conditioned by a recognition of the peculiarly destructive effects of a heavy corporate income tax upon a business with a high ratio of investment to annual sales. To that extent it stands

upon the side of the light in showing awareness of the fact that actions have consequences.

The Province of Saskatchewan proposes that “an effective freight rate reduction, at least equal in degree to that provided for in the Maritime Freight Rates Act, shall be made applicable to all freight shipments (other than those covered by the Crow’s Nest Pass Agreement) leaving or entering the Prairie Region”. This is, they say, “of paramount importance”.

The Province of Alberta, while it does not enter an explicit claim for subsidies, definitely does not rule them out. Its favoured remedy for the existing ills of the railways is such an out-pouring of capital funds within the Province as would almost certainly amount to the greatest of all subsidies.

The Province of British Columbia proposes the reduction of all higher rates to the level of average cost under current conditions. Low rates, on the other hand, are not to be increased where such increase would be disturbing to industry and subsidies seem to be indicated as the balancing factor.

III

ENOUGH has been said to show that there is no unwillingness to accept subsidies, but rather the contrary. Each province testifying was quite ready to accept anything that could be got. To the ordinary citizen this appears as an extraordinary attitude. How can one explain the demands for subsidies, in the first place, and the blunt refusal to consider their costs, in the second place. It is a problem that cries out for discussion.

The first thing that must be remembered in considering this problem is that there is something of the old-fashioned horse-trade about these demands. Even if no one expects to get all he asks for, it is generally regarded as best to ask for plenty and not to recognize that there may be reasons for not giving—just as in a horse-trade, no man admits to a blemish on his animal. There is therefore an air of unreality over

the whole proceeding when one begins to collate the proposals of the various provinces. Each one is asking for more than it expects to get; and none of them contemplates the consistency of its claims with those of the other provinces—or, for that matter, with the national interest.

This general attitude explains why none of the provinces considered the effect of trying to raise the amount of money required to pay these additional subsidies. Each assumed that tax revenues flowed in to the Dominion automatically. They had no concern for the tax-payers nor seemingly, did they recognize any need to wonder whether another sharp increase in the amounts raised would have a debterious effect upon the economy. The provinces seemed in fact to postulate a Dominion tax-payer in whom they have no interest, who possesses an unlimited capacity to pay and who never grows discouraged. It almost seems too bad that each taxing jurisdiction cannot have a few stalwart supports of that kind. It might solve a lot of problems.

WHY were these subsidies asked for? The nominal reasons were various, but the real reasons seemed to be that each area wanted to retain all that it had in the way of natural advantages and to be given in addition, all the advantages anyone else had. The Maritimes, for example, asked to have rates set which would in effect, bring them inside the St. Lawrence basin. The Prairie provinces wanted all the advantages they presently have (as, for ex-

ample, the Crow's Nest rates on grain), but in addition they want the advantages of a seaboard position. This is particularly clear in the submission of the Province of Alberta on transcontinental rates.

How does one rationalise these demands? It seems an impossible task. How can one draw a thread of consistency through claims for so much assistance by people who refuse to face the fact that the Dominion can give only as much as it collects.

This is true whether they are taxed directly or through the medium of inflation. In either case, they will pay; in the case of inflation they will pay many times over. One regrets to say it, but there is here an air of studied unreality—a refusal to face the fact that transportation costs are merely one of the costs of life, in no sense different from any of the other costs, and that somehow they have to get paid.

There is, however, one aspect of all this which is rather for the psychologist than for the economist to study. Why should the provinces come one after another begging to be protected from the strains of life? One might understand it if we stood at the bottom of a prolonged depression, but how can one explain it now, except as a hold-over from the 1930's? And in any case, how can everybody hold everybody else up?

Here is one item which casts its shadow forward. What will happen to this country if everybody's reaction to difficulty is to try to cast all his troubles upon the shoulders of the government? The next five years are going to be very interesting as that question gets threshed out.

Henry George and his theories are perhaps not as well known as they were in years gone by, but it might be well to remember one word of his in his work on *Social Problems*:

“The ideal social state is not that in which each gets an equal amount of wealth, but in which each gets in proportion to his contribution to the general stock.”