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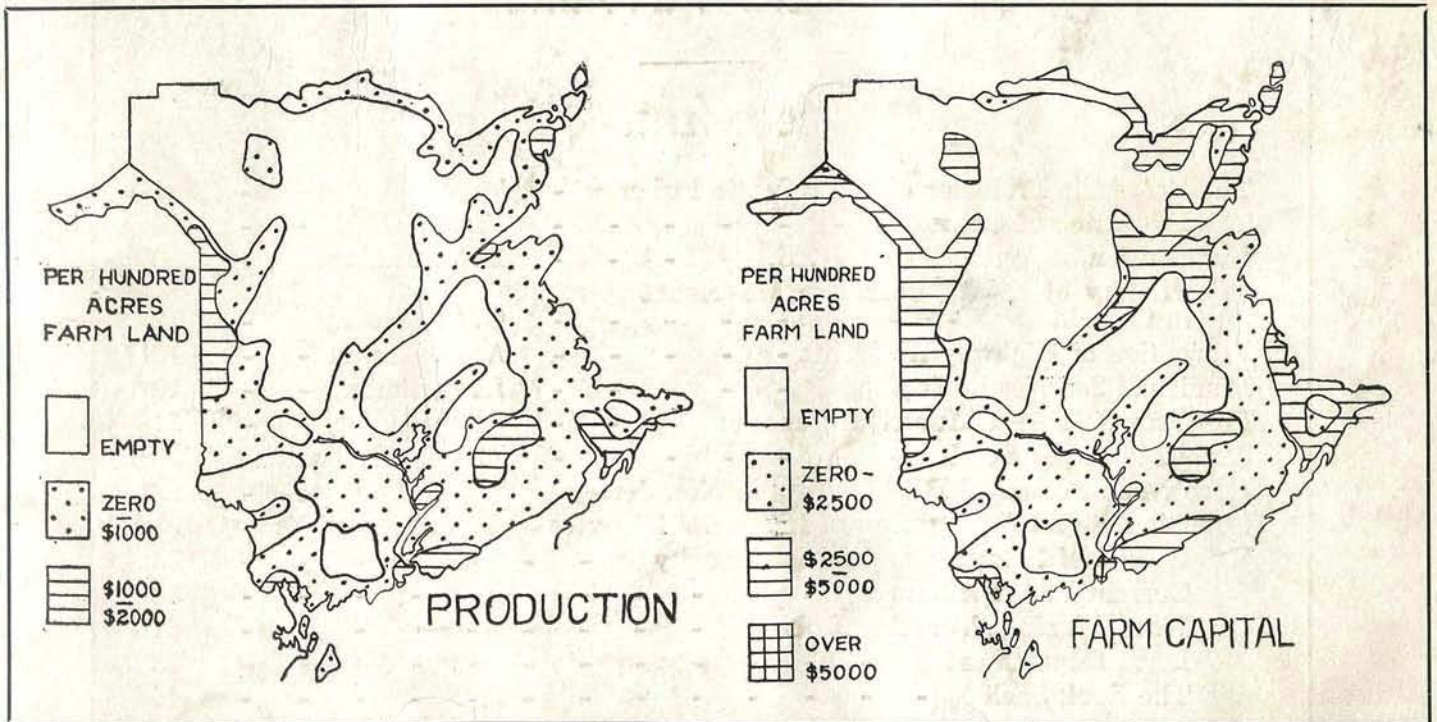
A Maritime Quarterly for Discussion of Public Affairs

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Articles on Municipal Government

ARTICLES IN THIS ISSUE

The Economic Problems of Nova Scotia Fisheries	- - - -	Stewart Bates
The Education of Consumers	- - - -	Frances Hall
Distribution of Agriculture in New Brunswick	- - - -	D. F. Putnam
The History of the Co-operative Movement in Canada	- - - -	G. S. Mooney
Prevention of Highway Accidents	- - - -	A. H. Rowan
Municipal Services in England	- - - -	Lady Simon
Fire Prevention—A Municipal Function	- - - -	Percy Bugbee
Serial Municipal Bonds	- - - -	Thomas Bradshaw
Effectiveness of Local Debt Control in New Jersey	- - - -	Robert G. Lutz
Conciliation and Arbitration of Industrial Disputes	- - - -	G. V. V. Nicholls



Distribution of Agriculture in New Brunswick
See Article by D. F. Putnam

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CONTENTS

The Economic Problems of Nova Scotia Fisheries -	Stewart Bates - -	1	5
The Education of Consumers - - - - -	Frances Hall - -	5	8
Distribution of Agriculture in N. B. - - - - -	D. F. Putnam - -	8	11
The History of the Co-operative Movement in Canada - - - - -	G. S. Mooney - -	12	16
Prevention of Highway Accidents - - - - -	A. H. Rowan - -	16	19
Municipal Services in England - - - - -	Lady Simon - -	19	20
Fire Prevention—A Municipal Function - - - - -	Percy Bugbee - -	21	22
Serial Municipal Bonds - - - - -	Thomas Bradshaw	23	29
Effectiveness of Local Debt Control in New Jersey	Robert G. Lutz -	29	32
Conciliation and Arbitration of Industrial Disputes	G. V. V. Nicholls -	33	37
Industrial Relations and Social Security - - - - -		33	
Current Public Affairs - - - - -		38	
What Municipalities Are Doing - - - - -		41	
Legal Department - - - - -		43	
The Book Shelf - - - - -		44	

1035.8
P 8
v. 3
1939/40

The Economic Problems of Nova Scotia Fisheries

By STEWART BATES

WE may begin by stating what seem to be two outstanding features of the fishing industry.

The first feature is the great variety of commodities it produces. As we all know, there are different kinds of sea products—lobsters, cod, haddock, oysters, scallops, hake, and so on. Furthermore, some of them may be processed in different forms: e.g. a fish may be sold either "round or filleted, or frozen, all of these forms being called fresh fish, or it may be dried or pickled or canned. Now each kind of fish is a different commodity: and if it is processed as fresh, or dried, it is subdivided into still more commodities, each with its own market. In that way about 80 different commodities are produced. The fishery is not *one* industry, but many: it is as highly diversified as agriculture. We don't talk about *the* agricultural problem: we talk about the difficulties of the wheat producer, the potato producer, the milk producer and so on, and recognise each of these as different problems. We may have to do something the same for the fishery, and look at the special problems of the different branches.

Another phase of the industry that we have to keep before us is the fact that the various fish products are not produced independently as are hay and potatoes in the case of agriculture. In the fisheries the various commodities are produced jointly: a trawler or schooner on one outing may produce many kinds of fish. But the fisherman cannot determine beforehand the amount of each, at least not to the extent that a farmer can determine roughly how much hay or potatoes he will get¹. The farmer

determines the various proportions by planting. The fisherman, however, takes the proportions as they come within his particular catching method. Now the various kinds of fish landed are not equally plentiful. Some are comparatively scarce like lobsters, salmon, oysters. Others are plentiful in our waters (cod, hake, mackerel), though not equally abundant every year. It is true that the shore fisherman may fish for lobsters at one season, for mackerel at another and for cod at another, but his ability to determine the catch of the various kinds is limited since some are scarce.

The first point to be established about this industry therefore, is the extremely varied nature of the commodities, their great number, the extreme perishability of some of them, and the greater abundance of some than of others.

The second feature that stands out is the fact that the industry grew up to supply an export trade, especially export of the plentiful kinds, like cod, haddock, hake and mackerel. In Canada the annual production of fish amounts to about 120 lbs. per head of our people: but the consumption is only about 30 lbs. The industry, of course, had its origin in the days before the modern methods of refrigeration had been devised, and the fish that were exported, had to be processed into less perishable forms by the use of salt. In other words, the industry grew up to supply an export market in salted fish (dried fish trade).

Now for thirty years the industry has been undergoing some change—not particularly in the methods of catching fish (except so far as schooners and trawlers have improved their techniques) but more in the methods of processing. The trend has been towards a decline in the proportion of fish sold in the dry salted state, and an increase in the proportion of fish that were processed as fresh, frozen, smoked, boneless, or pickled, or canned. Thirty or forty years ago,

EDITOR'S NOTE: Stewart Bates, M.A., is Professor of Commerce at Dalhousie University. The above article is a shortened version of a broadcast given in the Dalhousie Extension Lectures in April 1939.

1. The fishing technique used (i.e. the trawl or the hook-and-line method) affects the proportions of the various kinds caught, as well as their amount. The trawl lands varieties not obtainable by the hook-and-line, and it catches a larger proportion of haddock and a smaller proportion of codfish.

the typical Nova Scotia fishing village was noted for having its adjacent fields covered with flakes on which salted fish were being dried hard in the sun. But as many shore communities turned from the dried fish trade to the fresh trade, to lobsters, scallops, and to pickled fish, this typical scene passed away. The dried fish trade became concentrated more and more in Lunenburg, in its famous salt banking fleet. But there were still many shore fishermen whose catch was ultimately dried, and exported abroad as dried salt fish.

These changes occurred gradually from one year to another, and ten years ago the dried salt fish trade was still the mainspring of the whole fishing industry. During the last ten years, however, the changes have been very far-reaching, because of the unprecedented decline in the dried salt fish trade. In 1927 and 1928 Canada exported about 700,000 cwts. of dried fish: now we are exporting less than 300,000 cwts. More and more fishermen were forced into the other branches, into the lobster trade, the fresh fish trade, the pickled fish trade, and even into the boneless and smoked trades. We cannot over-emphasize the importance or the full extent of this decline in the dried fish trade. It caused no great change in the methods of catching fish: the industry still employs the time-worn methods of catching. Indeed the outsider cannot fail to be impressed with the fact that our 15,000 shore fishermen (who form the bulk of our fishing population) still use much the same catching methods as the disciples used on the Lake of Galilee nineteen hundred years ago. Even in the schooner fishery, it is still the dory and the line that are used. The technique has changed little as compared with the methods in some other fisheries, and as compared with the methods in some other industries.

Let us examine the cause of this great decline in the dried fish trade, before we study its effects on the whole industry.

The dried fish trade of Nova Scotia, which used to be the dominant producer in the world, had become of only small

significance in the world markets after the Great War. Since 1929 the whole world dried fish trade has been in difficulty, but the Nova Scotia fisherman has tended to suffer more than those in many competing countries. Briefly the trouble with the world dried fish trade as a whole is that the world supply has tended to increase and get ahead of the demand. After the War Iceland and Norway enlarged their fishing capacity. In the depression years after 1929 both France and Italy also expanded their fishing fleets, and so more and more dried fish were being produced. On the demand side, we have to remember that the consumers of this product are mainly Latin and Negro peoples. After the War the Negro and Spanish populations in the sugar islands of the Caribbean Sea suffered loss of income, as did also those in Brazil, because sugar and coffee prices fell violently. In the depression years after 1929 these people became still worse off, and on top of this came the political troubles with Italy and then the Spanish war, which ruined the great European markets. As a result of the new supplies and the smaller demands, the world prices of dried fish have tended to keep low since 1928².

The fish trade has become more and more disorganised. In the few remaining markets, so anxious are the firms to get a few sales that they spoil the trade still further, by cutting prices between themselves.

For all these reasons there has been, among Nova Scotian fishermen, a widespread attempt to get into other branches of the industry—to the fresh trade, the pickled and boneless trade, to lobsters, and so on. But this transfer to the other branches is not a final or a satisfactory way out, because each of these alternatives has its own difficulties at present.

Take for example the lobster fishery. What prevents lobsters from being a general alternative is their scarcity. The fact that more men fish for them, does not increase the supply: it only means that they sooner fish out the lobster.

2. For an authoritative discussion of the economics of the dried fish trade, see the article by O. F. MacKenzie in *Public Affairs*, Vol. II, p. 161.

7. A quintal (c.w.t.) is 112 lbs.

Or look again at say western Nova Scotia, at those who lost the San Domingo market for their hake: they are fishing for lobsters and scallops for the New England market. When they get a good catch, prices immediately fall. In Boston, news of a good scallop catch at Digby may break the price from 18 cents to 9 cents a pound. This market is narrow. Similarly in the pickled fish branches and in the boneless trade. There is not yet a world market for pickled fish, as was true for dried fish some years ago: indeed New England is the main market for pickle-cured cod, and there is plenty of evidence available to show that when too many pickled fish are sent there results a break in the price. These branches are serving only comparatively small markets and can therefore only absorb a small part of our production, given present prices and qualities.

The other alternative open to our fishermen has been the fresh fish trade. Of course it is not an alternative for all our shore fishermen: some of them are situated at points on the coast, where there are no means available for collecting fresh fish and getting it to market. In other words, whenever we begin to consider the fresh fish trade as an outlet for our fish catch, the question of the extremely high perishability of the article jumps into the foreground and the question of quality becomes a major problem. If fish is shipped in the fresh state, it cannot be transported far without deterioration of quality. If fish is frozen, then the possible range of transport is widened: frozen fish can be carried further and can be kept longer without becoming unpalatable.

Before we can ask if our local fishery is really suited to the development of a fresh or a frozen fish trade, we have to be clear about the nature of that trade.

In the fresh fish trade, three facts seem to be dominant. In the first place, when we try to sell fresh fish in central Canadian or other markets, we have to compete not only with fresh fish caught in the Gaspé area, in the Great Lakes, but also with other products, such as meat and eggs. If we are to be successful, very

great care is required in handling the fish from the moment of the catch until the moment it is in the housewife's pan. As Nova Scotia is further from the central Canadian markets than the other fish centres in Gaspé or the Great Lakes, we must have better facilities for handling fish than even they enjoy. That is the first obvious point.

The second point we have to bear in mind if we want to sell fresh fish is that the buyers are rather fastidious. They like a variety, not merely of meats, but also of fish. They don't want to be confined to filleted cod or even haddock and halibut: there are other fish that they consider tasty as well—fish like flounders, or soles, redfish, yellowtail and so on.

The third point is that when we try to compete with other industries like those producing meat, bacon and eggs, we have to strive to get the quality of fish up to that of the other products. Now their quality has been improving rapidly in the past twenty years. Not long ago consumers used to be afraid of the freshness of eggs, but since eggs were graded in 1924 that fear has disappeared and Canada now consumes more eggs per head than any other country. Poultry, bacon and meat, other products that compete with fish for a place on the housewife's table, have all attained a higher quality. The fishing industry, therefore, will have to meet their standards. They are setting the pace, and we may as well realise that the pace is a fast one. Producers of these other foodstuffs are encouraged to improve their qualities by government aid in details of agricultural production, by establishing grading, by marking products, by branding them and putting an expiration date on the wrapper (freshness is not guaranteed after such and such a date).

Now given these three facts—the extreme perishability of fish, especially when not frozen, the consumers' desire for variety, and the high qualities of competitive foodstuffs—is the fishing industry organised to produce fish that will meet these conditions?

The first is the fact of the extreme

perishability of fish. Under the present organisation of the industry, the fish may be fresh when it is landed on a boat, but that is only the first link in a long chain. It will have to be carefully refrigerated from that moment, through the processing stage, then through the transportation stage, and then in the retailer's stage. One bad link in that chain almost certainly means bad fish at the other end. From the outsider's point of view there are several bad links, sometimes starting at the fisherman's end of the chain. In summer time especially, it is exceedingly difficult for shore fishermen with their present equipment, to get their fish ashore in a perfectly fresh state. Again the next important link is the transport journey: the refrigeration of railway cars is being rapidly improved. The last link is the retail store, and in central Canada we know that few retailers have fish refrigerators. Who has lived in central Canada knows, just how unpalatable Atlantic fish can sometimes be. It is necessary that almost every link in this chain be improved. The fisherman alone cannot do much, but unless the industry is willing to exercise vigilance throughout the distribution process, unless it has the most up-to-date methods of catching and processing, it is not going to be able to guarantee fresh fish in a market situated one thousand miles away. This is no simple problem and cannot be met by any except bold action.

The second fact that dominates the fresh trade is the consumer's demand for variety. Can our presently organised industry provide variety? Perhaps, but it does not. We can produce plenty of cod, but the consumer likes other things as well as filleted cod or even filleted haddock. The consumer sometimes likes soles, or redfish, but we cannot supply the available markets for these kinds of fish. We have a surplus of the kinds that consumers don't want in abundance: just as we seem to have plenty of fishermen, but yet not enough of a certain kind apparently, because Lunenburg has to get fishermen from Newfoundland

every year. It is not only necessary to have some variety of fish but to have this variety with some regularity so that the consumer can get into the habit of thinking in terms of fish as a dish for any day. If there are only a few types available, or if these are only spasmodically available, there is but a small chance of the inland consumer ever getting the fish habit.

The third fact to be considered is the competition from other foodstuffs. Is our local fishery organised to compete with the meat companies, the bacon, poultry or egg industry? You have only to contrast fish as sold with these other products, to find the answer to this question. These other foodstuffs are graded, branded, packed, and sold in a manner calculated to suit the demands of the consumers to-day. But fish are quite different: no one is very willing to accept responsibility for them: they are usually nameless, have no guarantee as to the quality, their age, or their maker. They can be packaged, branded, named and graded just as eggs are, but that would necessitate a great development in the frozen fish trade. At present, however, outside the days of Lent, our fresh fish trade finds it almost impossible to compete successfully with other foodstuffs in the central Canadian market. It cannot provide an outlet for fish which in happier conditions, would have gone into the dried fish trade. The industry needs to readjust its methods of production and of marketing in order to ensure high quality fish, continuous in supply and in variety.

Such is the picture as seen by the outsider. The decline in the dried fish trade has forced the industry into other branches: but their possibilities are limited just now. They are not able to absorb the catch which has become surplus. The trawler has been almost eliminated in the last ten years in an attempt to reduce the surplus and to give employment to fishermen. The outsider cannot help wondering what would happen if we suffered still further in our export trade. Would people then demand the licensing and gradual elimination of the

schooner also? According to the present line of reasoning that would apparently be the next logical step, if the economic conditions got worse.

These difficulties are largely consequences of the depressed condition of the dried fish trade for which our whole industry is largely organised. To the outsider a revival of the export trade seems likely if this country will use the same weapons as its competitors, (i.e. use trade treaties to help, rather than

hinder the industry and use transport and export subsidies as foreign competitors do). If the dried fish trade recovered, pressure would be released from the fresh fish trade, and that branch of the industry could squarely face the quality test, and devise methods to ensure grading comparable to other foodstuffs. The potentialities of that trade are great, but cannot be envisaged even, so long as present conditions persist.

The Education of Consumers

BY FRANCES HALL

THE challenge of consumer problems has been recognized in both Canada and the United States. The steps taken in the two countries to meet it have been somewhat different, but the basic issues involved are essentially the same and each has much to gain from an acquaintance with the experience of the other. It is to Canada that we in the United States must look for leadership in two of the most important phases of the work. Not only has the Canadian government pioneered in grade labeling, but it has been helpful in setting up the cooperative project in Nova Scotia which is revealing to the world its possibilities for the low income groups. These we recognize as contributions of outstanding importance. In the United States progress is being made with the establishment of consumer cooperatives and the demand for consumer standards is becoming ever more articulate, but in neither case has the progress been as notable as in Canada. Along certain other lines, however, the consumer movement here has made advances that are highly significant. There follows the story of its development.

One might say that there are four concepts of consumer education. The

first can be called buymanship. This means spending our incomes to obtain the maximum value in each particular purchase. It is here that we try to give to consumers all that information which will help them to do their shopping efficiently. Testing bureaus, courses in commodity problems, "guinea-pig" books, all contribute a share. Above this, there is the level of personal management. This concept includes the methods of budgeting, of home management for the broader development of personal and family living, or wise choice-making, not only in use of money, but also of time and energy. The third concept is that of consumer economics. Added to the idea of consumers as individuals developed in earlier concepts is the idea of consumers as members of society, their position in the economic order, and the possibility of improving that position by means of group or government action. This level of consumer education embraces the operation of the economic system as a whole and the reaction of individuals and families to it, as well as their dependence on it. The final concept is still broader and includes what may be called consumer cultivation, that is, the development in consumers of their capacities to enjoy the resources available to them. By including this concept, it becomes possible

EDITOR'S NOTE: Miss Frances Hall is Assistant to the Director of the Institute for Consumer Education, Stephens College, Columbia, Missouri.

for us to view all education and all life from the consumer point of view in an effort to develop the maximum capacity for well-being and to derive the greatest satisfactions from life.

Most people today are ready to accept the third of these concepts. The idea that buymanship alone should be the content of consumer education has been outgrown. And this new field, like the chambered nautilus of Oliver Wendell Holmes', has grown and expanded from its former shell until it is more inclusive, nobler and vaster than before. Those working in the consumer field today realize the necessity of teaching good buymanship and definitely accord it a place of importance. They know, however, that a consumer needs not only to develop wise buying habits for himself, but also to consider the repercussions of his actions upon the economic order of which he is a part—questions such as the development of chain stores, the need for protective legislation, the rise of consumer cooperatives.

The strength of the movement springs from many sources. First, consider the schools. We find in the United States that more young people are being educated in the schools than ever before, that 65% of those between 14 and 17 are enrolled in secondary schools. They demand practical education of immediate value to them in their daily living. If children do learn by facing real problems and solving them, then the increasing tendency to put into practice what is taught in the classroom has a definite bearing on consumer education.

The study of consumption economics has been taken up by one division after another until today we find it taught in a variety of different fields in the secondary schools. Many educators feel that the most effective way of educating for wise consumership is not to teach specific courses in the subject but to come at the problems in the particular fields where they will be met after school life. Hence, we find problems of food buying in home economics, testing of commodities in general science; problems in meter reading in arithmetic; and labor pro-

blems in social studies. The Institute for Consumer Education at Stephens College, Columbia, Missouri, established "to advance the best interests of consumers as a class, and through them, the best interests of consumers as a whole," is attempting to set up a program to promote action on the part of consumers. This one-year-old fledgling is developing popular literature on consumer problems, organizing a library, promoting a yearly national conference, and publishing a monthly newsletter giving up-to-date consumer information.

Closely connected with schools, but deserving special mention of its own, is the new literature being developed to deal with the economics of consumption. During the month of May, 1939, three new books in the field came from the press. The years, 1937-39, according to Dr. Benjamin R. Andrews of Teachers College, Columbia University, "will be remembered as the time of the great flood—the flood of new and important literature in consumer education." From January, 1937, to the first of May, 1939, six new books had appeared dealing directly with consumption economics. Another indication that the consumer movement is beginning to take hold is the enthusiastic response given the first National Conference on Consumer Education held this April at Stephens College. Five hundred and forty-four people came from thirty-one different states to take part in this three-day gathering which considered the "next steps in consumer education." Consumer leaders in attendance realized for the first time the potential strength of the movement and the broad interest already manifested in it.

In the United States, the consumer movement has been given a great boost by the consumer services of the government. Thirty-two government agencies offer services of one kind or another to the citizens. Chief among these are the Consumers' Council of the Agricultural Adjustment Administration and the Consumers' Council of the National Bituminous Coal Commission. The work of the former consists specifically of

advice, research, and publicity. A bi-monthly publication—Consumers' Guide—is distributed free to all who write for it. The Consumers' Council of the National Bituminous Coal Commission, "the agency most directly charged with watching prices on the consumers' behalf," represents the public at hearings before the commission and carries on independent research projects on behalf of consumers.

A further point to substantiate the contention that the consumer education movement is becoming powerful is the fact that business groups, surprised at the spread of interest in this field, have undertaken to study carefully current developments. Forward-looking retailers are cognizant of the power of the movement and are realizing that they can profit by acknowledging it. A group of them, with certain consumer groups, established the National Consumer Retailer Council to provide a meeting place in which both consumers and retailers could consider their mutual problems. Others, such as Sears, Roebuck Company, and the Kroger Food Foundation, have set up testing laboratories which test each of their products advertised for consumer use. Several women's magazines have developed Consumer Divisions, and more than one puts its seal of approval on the commodities advertised in its pages. The Better Business Bureaus whose function is to promote fair and honest business relations also do good service for the consumers of the United States. Frauds and shady deals are revealed under their powerful searchlight, giving aid to the honest business man and incidentally to the unenlightened consumer.

Many business men are anxious to get together with consumer groups to work out problems to their mutual advantage. Consumers and producers can certainly work together in some of their efforts to gain maximum satisfactions. It is also true, that there finally comes a point where the producer and the consumer can no longer walk the same path. Dr. Stacy May, in talking before the National Conference on Consumer Education in April said, "It is no more logical

to urge that consumers should depend upon producers or distributors or advertisers to protect consumer interests than it would be to insist that those groups should give up their organizations and depend upon organized consumers for protection. "Insofar as we depend upon private enterprise, there must be a balanced registration of conflicting interests."

It seems logical now to ask, "Why has such a movement taken place? Who started it? Is there a need for it?" Many people say that it is just a flash-in-the-pan movement, a toy of which the women's clubs will tire before many years are past. But this underestimates its intensity and depth. Its inception goes back to that time when mass production began to take the place of the simple handicrafts of an earlier day. The home ceased to be the center of production activity; the factory became the typical working place. Producing and consuming were no longer closely related parts of a comparatively simple activity. And, in being separated, consumption became more definitely the *end* of economic endeavor. One worked and earned in order to consume.

New problems arose. The process of selection became a difficult one. Hundreds of brands were on the shelves to be chosen from. Each person worked to produce for others and to consume what others in their turn were producing. As the consumer specialized in one form of production, he found his job of consumption more difficult because his ignorance of all other products was greater. The first move towards a solution to this problem came in 1927 with the publication of a book by Stuart Chase and F. J. Schlink, *Your Money's Worth*. A consumer group organized to help its members make good choices and to protect itself from fraud grew out of the interest stirred up by this best seller.

The depression brought an impetus to this budding movement. Up until 1930, the people of the United States with their wages, high in comparison to many other countries, and with their vast resources attached relatively little importance to

personal planning or thrift. The sudden crisis of 1929 and the continued downward trend that followed woke Americans up to the fact that the curve of the nation's growth was no longer going up, that it was beginning to flatten out a little, and that the future would never again look so glowing. Getting one's money's worth suddenly seemed of tremendous importance.

One final point will make clear our need for the movement. All consumers have money to budget. Because of shortened hours of work and the wide variety of claims on leisure, there has come the revelation that consumers have time and energy to budget, too. Using time wisely so as to obtain maximum satisfactions is a hard job, one that takes concentration and planning. And there are also today increasing opportunities to make choices—not nearly so

much between a good that is wanted and one that is not wanted, but between two goods, both of which are wanted. The former would be easy; the second takes deliberate and careful study.

Economics textbooks expound the theory of consumer sovereignty. This is the idea that the consumer guides production, that he is perfectly sure to be able to obtain the object he wants and not what someone wants him to have, because in a market of perfect competition, the producer not making what is desired finds it unprofitable to produce. Every person has a vote every time he makes a purchase. Although consumer sovereignty does not work perfectly in practice as the theory would indicate it should, because of the economic control exercised today, the consumer movement, which is gathering momentum in America, seems to offer the greatest hope that some day it may.

Distribution of Agriculture in New Brunswick

By D. F. PUTNAM

THE study of New Brunswick agriculture presented here is to be considered as a companion to the writer's article on Nova Scotian agriculture which appeared in a recent issue of this publication.¹ Like its fellow, it is an attempt to present census data in such a way as to portray graphically the regional differences within the province. Census figures for the province are tabulated on the basis of the civil parish and, as an excellent map showing these divisions has been published by the New Brunswick Department of Lands and Mines (1927), the data can be plotted readily.

The physical features of the province are shown diagrammatically in Figure 1.

EDITOR'S NOTE: Mr. Putnam is a graduate of the Nova Scotia Agricultural College, Truro, and of the Ontario Agricultural College, Guelph, and Ph.D. of the University of Toronto. He engaged in agricultural research and is now a member of the Department of Geography of the University of Toronto.

1. Vol. II, p. 114.

New Brunswick is closely related to the region of the Appalachian foldings. The central part of the province is a highland area consisting of ancient worn-down folds in which Precambrian and older Paleozoic rocks are exposed. In addition there are large areas underlain by intrusive granites. This area is practically all more than 1000' above sea level, much of it above 1500', while the highest point, Mt. Carleton reaches an elevation of 2700'. The north western part is a plateau developed upon calcareous rocks of Silurian age, with a general elevation of about 1000'. The larger rivers have deeply entrenched themselves in these upland areas. The central and eastern portion of the province is a lowland with very few points above 500', mostly underlain by Carboniferous sandstones. The southern part, bordering the Bay of Fundy is an upland region in which the

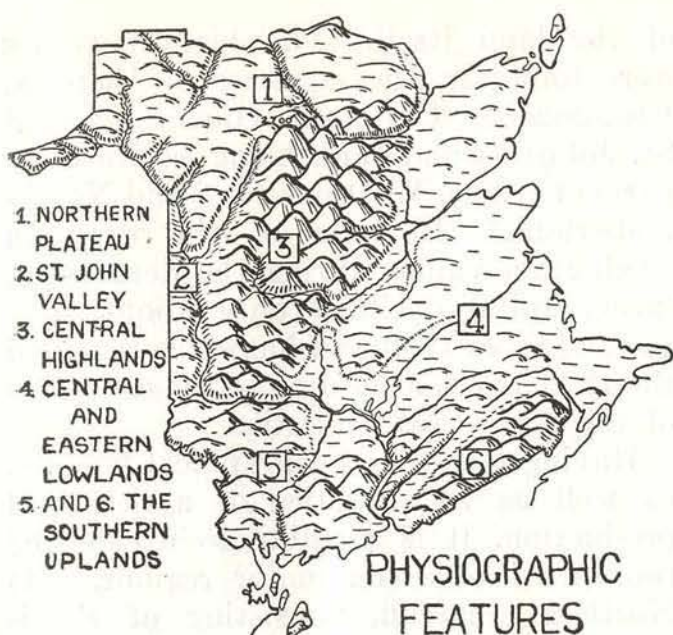


Figure 1

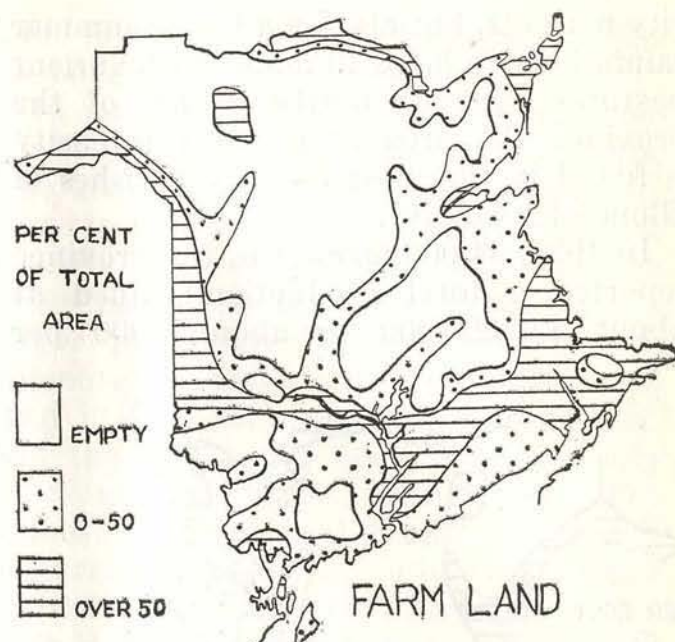


Figure 2

hills are composed of the more resistant ancient rocks. From the standpoint of topography as well as soils, it is important to know the geology of an area if one is to understand the pattern of agricultural distribution, and this is nowhere better exemplified than in the province of New Brunswick.

Figure 2 shows the distribution of the land occupied by farms. The empty areas were delimited by reference to the previously mentioned map of the Crown Lands of New Brunswick, and a map showing the natural resources of New Brunswick published by the Dominion Department of the Interior in 1921. They are not quite up to date because considerable settlement has taken place since the maps were made, but they are essentially correct for the census year 1931, for which all figures are taken. The unsettled areas closely correspond with the more rugged areas shown in the physiographic diagram. There are exceptions however. The settled area in the centre of the northern plateau is the result of a successful attempt at colonization under government direction which took place about 25 years ago. The large unsettled area in the central and eastern lowlands contains much swampy and otherwise unsuitable acreage. Only 23% of the total area of the province was occupied by farms in 1931, but, as only

about one third of the occupied land has been improved, the forest still covers more than 90% of the province.

The census of 1931 reported 4,150,000 acres occupied as farm land, of which 1,330,000 acres (32%) were classed as improved, and 960,000 acres (23% of the occupied land) were under field crops. The greatest concentration of field crops is found in the countries of Carleton and Victoria, while second rank is attained by Kings and the counties along the Gulf of St. Lawrence. (See Figure 3). The central and southern parts of the province do not seem to be well adapted to extensive cultivation.

Pasture (Figure 4) is not so important a factor in New Brunswick as it was seen to be in Nova Scotia, occupying only 13% of the farm land as against 21% in the sister province. However, there is a larger acreage of improved pastureland. Kings county is by far the most important pasture county in the province. Kings county also leads the province in milk production (Figure 5), although parts of the neighboring counties of Westmoreland and St. John are producing just as heavily. In addition to the region just mentioned, important dairy areas are found in the St. John Valley, and in York and Charlotte counties. Dairying is favoured in the southern part of the province not only by the presence of

city markets, but also by a heavy summer rainfall which helps to maintain luxuriant pastures. In the northern part of the province the area of greatest intensity is found in the most easterly parishes of Gloucester county.

In 1931, 34,000 farmers in the province reported a total production valued at about \$30,000,000 or about \$900 per

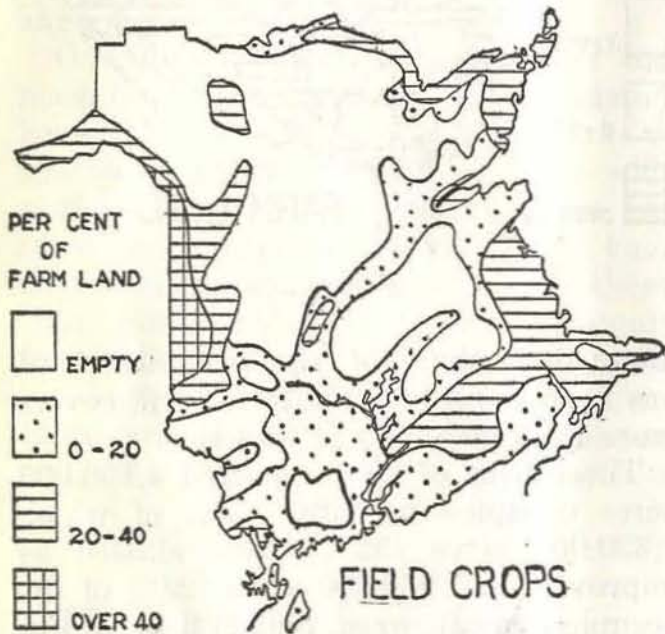


Figure 3

farm, which is an average of only \$7. per acre on the occupied farm lands. In Figure 6 farm production per hundred acres is plotted for each of the civil parishes. As was the case in Nova Scotia, the more intensive dairy regions appear to have an advantage, but so also do the parishes in the St. John Valley which rank highest in per cent of area under field crop. In this latter area potato growing is an important factor, some parishes having as much as 6% of the total farm land under this crop. In 1930 potatoes accounted for about 14% of the total farm production of the province; it has since declined somewhat, the 1938 crop of 9,000,000 bushels being only three quarters as large as the 1930 crop.

The total farm capital for the province in 1931 was estimated at \$103,000,000, an average of \$3,000 per farm or about \$25 per acre of occupied land; but of this latter sum, only \$9 represents the value

1. On cover to the left.

of the land itself. The highest values were found in the counties of Victoria, Restigouche, Carleton, Gloucester and St. John; second rank being attained by parts of Kings, Westmoreland and Northumberland.² In spite of the drop in production values during the depression, farm capital declined only about 10% to the low of 1933 and has since regained the 1930 levels, according to the estimates of the Bureau of Statistics.

Having regard to geographical position as well as to statistics of agricultural production, it is possible to divide the province into seven major regions. (1) Northern Plateau, consisting of Restigouche and Madawaska counties, (2) Northeastern Lowlands in Gloucester, Northumberland and Kent, (3) Central Lowlands in Queens, Sunbury and York, (4) Southeastern Lowlands of Albert and Westmorland, (5) The St. John Valley in Victoria and Carleton Counties, (6) The Southern Dairy Region of Kings, St. John and part of Westmorland, (7) Charlotte county.

The agricultural systems of the two northern districts are similar when judged

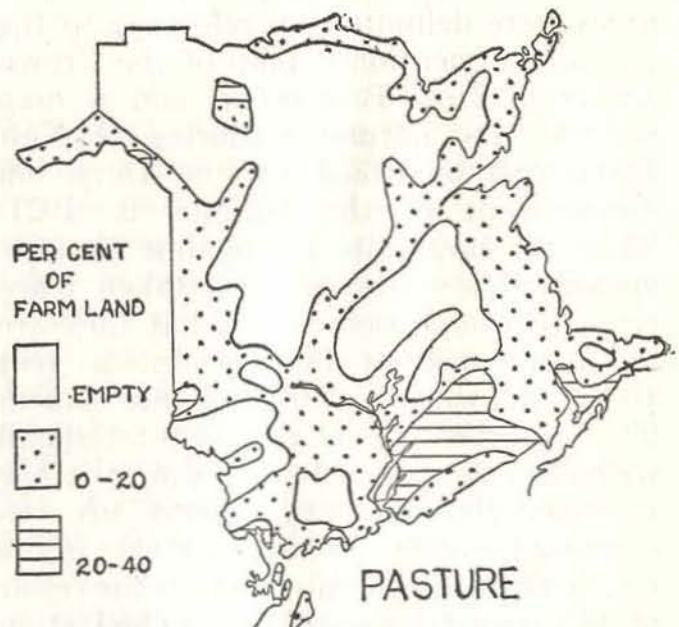


Figure 4

from the production figures; there is one outstanding difference however, in the plateau region the farms average about 120 acres in size whereas they average only 80 acres in the lowlands. The central and southeastern lowland

2. See figure on cover to the right.

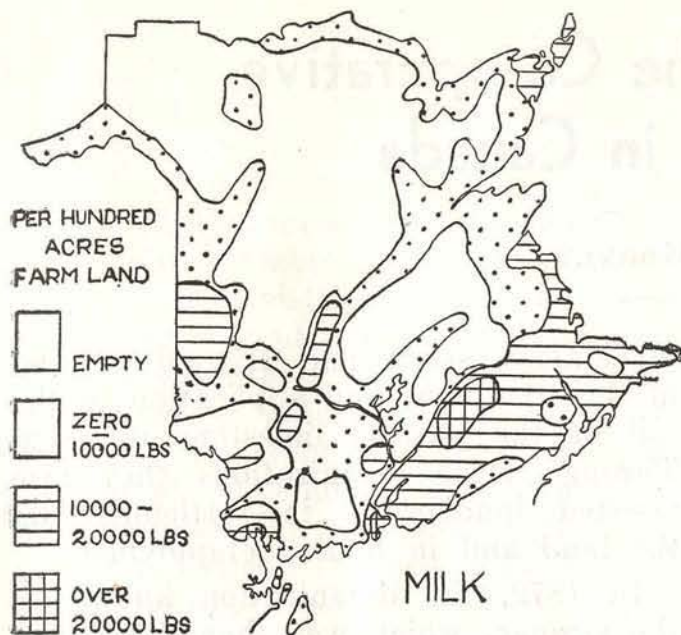


Figure 5

areas also have similar production figures, but the farms in the latter area are smaller (115 acres compared with 175 acres), and contain more improved land. There is one outstanding dairy region, Kings county, producing more milk than any other county in the Maritime Provinces. The seventh region is a small isolated area on the banks of the St. Croix river, which, if due allowance is made for the

large percentage of forest products, seems to be also a dairy region.

In comparing New Brunswick and Nova Scotia one notes several important points. The area occupied by farms is nearly the same in both provinces. The former has a much larger unoccupied area, but on the other hand, the latter seems to have a larger percentage of its population on submarginal land. The area of improved land in New Brunswick is 50% greater, and the area under field crops is nearly twice as large as in Nova Scotia. The values of farm capital and total agricultural production are also very similar in both provinces. One notes, however, that there is a greater dependence upon field crops in New Brunswick, probably in large measure due to the greater importance of the potato crop. On the other hand, the apple industry of Nova Scotia has no counterpart in the northern province, so that the gross income from fruits and vegetables is only 5% of the total. The income from dairy and other live stock enterprises is about the same in both provinces, and it is encouraging to note that substantial increases have taken place in recent years.

DISTRICT	Value of 1931 Production \$	Field Crops %	Dairy Products %	Other Livestock Products %	Fruits and Vegetables %	Forest Products %
1. Northern Plateau.....	2,900,000	50	14	16	3	17
2. Northeastern Lowlands...	6,700,000	51	15	17	3	14
3. Central Lowlands.....	5,000,000	47	18	17	6	12
4. Southeastern Lowlands...	4,400,000	47	22	17	6	8
5. St. John Valley.....	5,300,000	65	11	13	2	9
6. Southern Dairy Section...	4,400,000	40	29	17	7	7
7. Charlotte County.....	1,300,000	38	19	15	6	22
Total for Province.....	30,000,000	50	18	16	5	11

The History of the Co-operative Movement in Canada

By G. S. MOONEY

THE provinces of Quebec and Nova Scotia vie with one another for honours in establishing co-operation in Canada, for it was in these two provinces, in the year 1789, that farmers' co-operatives first dug their roots into the Canadian soil.

John Young, of Halifax, a newspaper correspondent for the *Acadian Recorder*, writing under the pen name "Agricola", during the latter part of the 18th century, is the first scribe of the new movement. His writings inform us that "the first agricultural society in Nova Scotia was instituted at Halifax on the 10th of December, 1789; and soon after, the inhabitants of the County of Hants formed themselves into a similar association, with a view to co-operating with the capital in promoting agricultural and rural economy". In the same year there is record of the formation of a farmers' club in Quebec City under the patronage of the Governor General, Lord Dorchester.

Two years later, the first agricultural society was formed in Upper Canada with provincial-wide aspirations but does not appear to have carried out its program and by 1805 had ended its brief career. Following closely after these early attempts at organization, other societies were formed from which can be traced the beginnings of our agricultural fairs and other permanent institutions.

These early co-operative societies were interested mainly in improved husbandry, and by collective action encouraged and assisted in the introduction of new

machinery, seeds and live stock and in the treatment and application to the soil of the natural limestone deposits. Through their organizations they also assisted immigrants in settlement on the land and in finding employment.

In 1872, the organization known as the Grange, which was then flourishing in the rural communities of the northern United States, and which still operates on a large scale, entered Canada and organized branches in Quebec and Ontario. A few years later, in 1877, this affiliation was broken and a Dominion Grange of the Patrons of Husbandry was established under federal charter. This organization established a number of co-operative enterprises of a business nature, none of which have survived, although the society itself still exists. In 1889, another farmers' organization made its way into Canada from the United States. This was the Patrons of Industry which also promoted and established a number of co-operative enterprises. In principle and purpose this organization differed from the Grange in that it definitely entered politics, both provincial and federal. The growth of the Patrons of Industry was phenomenal, but the organization died out rapidly after its failure in the elections of 1896. The Dominion Grange, following the principles of its constitution, has always kept out of the political field.

In the latter part of the 19th century, in addition to the further development of agricultural co-operatives, there emerged the first Consumers' Co-operatives. The honour for their establishment goes to a group of Nova Scotia miners who had come to Canada after having been members of Co-operative Societies in Great Britain. It was they who organized, on strict Rochdale principles Can-

EDITOR'S NOTE: The above article is taken from an excellent survey of the co-operative movement in Canada which was published in 1938 under the title *Co-operatives To-day and Tomorrow* for the Survey Committee in Montreal. The author who has given valuable assistance to many good causes is at present Executive Director of the Canadian Federation of Mayors and Municipalities.

ada's first Consumers' "Co-Op". Their first venture was the opening of a co-operative store in Stellarton, Nova Scotia, in the year 1861, which carried on until 1916 when it failed. The society at Sydney Mines, organized in 1863, had considerable success for several years but made the mistake of not providing for a reserve fund. This fact, together with the withdrawal of capital from the society, led to difficulties and when fire destroyed the store in 1905 there was no attempt to rebuild. The history of this organization was sufficiently encouraging, however, to lead to the formation of another society in 1906. This society, the British Canadian Co-operative Society, Ltd., of Sydney Mines, was organized more closely in accordance with co-operative principles, a reserve fund being provided for and business conducted on a cash basis. Starting with a membership of 32 in 1906, and an average share capital of \$6.00 each, the society has since grown to monumental proportions. It has recently been described as "probably the most successful consumers' society on this continent".

As an interesting sidelight on the activities of this society, Mr. W. L. Mackenzie King, who as Deputy Minister of Labour, appeared as a witness before the Federal Parliamentary Committee of 1907, enquiring into the Co-operative Movement, read into the record a letter he had received in connection with the several co-operative groups then functioning in the Maritimes, from which we quote:

"The British Co-operative Society, Ltd., of Sydney Mines, started the present year. This society is composed nearly altogether of old country co-operators. Very few of the members of the old store have so far identified themselves with them. *They are adopting old country methods altogether.* While other societies allow credit to the amount of four-fifths of the capital, this society gives absolutely no credit even to their members. They now have a membership of 78, and are doing a good business."

This society, "adopting old country methods altogether", continued to do a

good business. At the end of 1936, after 30 years of consistent and successful business development, they report a membership of 3442; four branches at Florence, Cranberry, North Sydney, Glace Bay, in addition to the main store at Sydney Mines; a business for the year totalling \$1,159,352 representing an increase of \$96,472 over the previous year; and dividends amounting to \$91,536 or 8%.

Elsewhere, as we will shortly show, the movement was also slowly developing. By the turn of the present century, Co-operation, both as a consumer and a producer movement had gained a struggling foothold in widely scattered parts of the Dominion. Farmers' Co-operatives of one form or another had arisen in most of the provinces; isolated Consumer Co-Ops were functioning in Cape Breton, British Columbia and other industrial centres; while in Quebec, under the inspired leadership of Desjardins, the first halting developments of Credit Unions, *les Caisses Populaires*, were being laid. But, as far as the urban Consumer Movement was concerned, it was only a foothold. It was later to meet with severe setbacks.

For a decade, interest continued to grow and development along with it. Indeed, the record would seem to indicate that the growth of Co-operation in Canada was keeping pace, in those days, and in all its phases, with similar developments on the Continent and elsewhere. Thus we see, during the year 1906, a Bill being introduced into the Federal House of Parliament to enact enabling legislation on behalf of the then developing Co-operative Societies. True, the Bill was defeated, after passing the Commons, in the Senate,—but only by one vote, and on the pretext that such an act would interfere with Provincial rights. Undismayed, the proponents of Co-operation arranged for similar bills to be presented during the Parliamentary sessions of 1907, 1909, 1911 and 1914, but nothing came of them. However the failure to pass Federal Legislation led to fairly satisfactory Provincial legislation. Thus, during this

period, did most of the Provinces enact their present legislation on the Co-operative Movement. By 1909, the need was apparent for some central National federation and during the year there was brought into being for this purpose The Co-operative Union with headquarters in Brantford, Ont.

The years 1900 to 1914, betokened promise for Consumers' Co-operation in Canada. But actually, with the same period, the beginning of a disheartening succession of failures paved the way for an almost complete disintegration. The record is a tragic trail of disaster. Its lessons are of peculiar significance to the present wide-spread interest in the movement.

Let us make a brief excursion back to that period. Ontario offers a good example of what happened, more or less, in other parts of the Dominion.

One of the most promising Ontario Societies, which does not exactly fall within the example of the pre-war failures, but which emerged during that period, was the Guelph Co-operative. Organized in 1904 by a group of workmen to meet what they considered the excessive prices being charged for the price of bread, the society became a flourishing co-operative business. By 1906 a grocery and meat business was added to their co-operative bakery; in 1907 a boot and shoe department; in 1908 a coal yard; while in 1925 a cash and carry groceteria was established to meet the competition from chain stores. In the same year, through circumstances which probably could have been prevented, the society had to close its doors.

The Guelph Society, as we have pointed out, survived the war period. We mention this society because its growth was typical of what was happening more or less elsewhere. For instance, in the early years of the United Farmers of Ontario, 48 Co-operative Consumer Stores were opened under its auspices. These stores were opened under the multiple or chain store plan. They were not a success and were gradually closed or turned over to local co-operative

societies¹. The high cost of living of the later war period led to the formation of numerous co-operative stores, but the business difficulties of the subsequent years, plus immature co-operative leadership and management, brought failure to most of them.

In Quebec, Consumers' Co-operatives have never experienced any particular success. A society in Valleyfield is the only one which has survived a period of years. For a while there was an active society operating in Lachine and some fifteen years ago a Consumers' Co-operative Store was opened in Verdun. For a year or two it did a fair business. But unfortunately the manager was seemingly more interested in propagating his own philosophic views on religion than in administering a co-operative business enterprise and the society finally liquidated when members withdrew in protest. A Masonic Co-operative Society functioned for a brief period several years ago but finally discontinued its activities as such, although the remnant still carries on under private auspices as a commission buying agency. The fate of a Consumers' Co-operative in Maisonneuve, immediately following the war, is wrapped up in the wrangling among its members and finally the dishonesty of its store manager. Consumers societies in Quebec rural districts have met similar fates, permitting the Provincial Minister of Trade and Commerce, in reviewing Co-operation in Quebec during the year 1934, to state, "that while the Caisses Populaires have been an unqualified success, co-operative stores have to-day completely vanished."

In other parts of the Dominion—New Brunswick, the Prairie Provinces and British Columbia, a similar tale could be told. With always the isolated exceptions which seem to prove that where efficient management, sound Rochdale principles, and loyal co-operative members are wedded together, Co-operation in Canada, as a Consumer Movement,

(1) The failure of the U.F.O. Co-operatives was due, perhaps more than anything else, to the tendency of their members to go bargain hunting at other privately owned stores.

is not an unrealizable possibility. For instance, the several British Columbia Societies, particularly in mining districts, whose beginnings go back to the pre-war period, and whose activities have met with considerable success. Likewise among the farming population of the Prairie Provinces, whose co-operative buying of binder twine and other farm supplies has been supplemented with grocery staples and household necessities.

But, by and large, up until a few years ago, Consumer Co-operatives in Canada could hardly be said to have proved an unqualified success. Their history is perhaps best summarized in an article in the *Canada Year Book* for 1925, prepared by Miss M. Mackintosh of the Department of Labour. She states:

"The record of producers' co-operation in Canada has been, on the whole, one of steady growth...but the history of consumers' co-operation shows no such development. The first co-operative stores were opened by groups of workers who were applying the principles of co-operation they had learned and practised in England. In the late 90's and in following decades, when the increasing cost of living put greater pressure on the wage earners, co-operative stores were opened in many towns. Another wave of co-operative activity followed the rising prices during and after the war. But the more individualistic character of the population and the higher standard of living made possible by higher wages appear to have rendered consumers in Canada less inclined to co-operative effort than in the older countries of Europe, so that many co-operative societies have languished for lack of funds, suffered from poor or indifferent management and lacked the enthusiasm of a membership of genuine co-operators. The success achieved by a comparatively small number of societies is all the more striking by contrast."

And in the same general article, but in an earlier section:

"Scattered as they are over a vast territory, the consumers' co-operative societies of Canada have laboured under the disadvantage of lack of communication and absence of opportunity for the discussion of common problems. *The desire to effect a saving in buying commodities has been the only motive of most of the members and there has been little knowledge of the principles of co-operation,*

with consequent failure to observe one or the other of the fundamental requisites for the successful operation of the co-operative stores. Managers have been drawn from the retail trade and have not always had any real interest in or understanding of the co-operative system. To these reasons may be ascribed many of the failures of co-operative stores in Canada."

It is to be hoped that the sad lessons of the pre-war decade are not too far removed from the contemporary scene to have lost all their significance to the present body of co-operative leaders. Certainly, mushroom growth must not be reckoned as an indication of ongoing stability. Likewise, the errors and omissions of an immature leadership, committed in what was a probably premature environment, must be safeguarded against.

Can this be done? Probably. You ask how? The answer, we think, is in the emphasis which is being placed by leaders of co-operative thought in such devices as Study Circles and preparatory Buying Clubs. Let us look to the Maritimes. The experience of St. Francis Xavier University has been heralded across the country. Its lessons are being learnt wherever Co-operation is being talked. St. Francis Xavier has perhaps discovered and added a new principle to orthodox Rochdale Co-operative philosophy. It will perhaps turn out to be Canada's contribution to this mighty world movement. Succinctly stated it might be termed: *No Co-operation without preparation*. Or in other words, *education before action*.

It is this emphasis upon adequate knowledge of the principles of Co-operation before undertaking co-operative business ventures, which will probably be the safeguard of these new groups. That, plus the fact that some of the lessons of the past have been learnt. And most of all, the basic fact that Canadians are no longer a pioneer people enjoying the upswing of an expanding economic system. Those days are gone. Economic insecurity, the propelling force which led the Rochdale pioneers to a program of self-help almost one hundred years

ago, is forcing Canadians, in ever growing numbers, in a not dissimilar direction.

Perhaps it is all to the good. We have needed something like the experiences of these latter years to shake off the hypnotic spell which a century of new and rapid wealth getting has cast over us. A new sobriety of thought grounded in an understanding of economic realities can only result in a strengthening of the national character. Self-help, rather than a reliance upon the vagaries of government or the paternalism of the rich, is a quality worthy of emulation and much to be encouraged.

The present widening interest in the co-operative idea is therefore a bright sign on the Canadian horizon. The future is still too beclouded with uncertainties to predict what may yet be before us. But there is some glimmer of hope when Canadians from all strata of society, who are not too deeply inhibited in retrospect by the seductive nature of pre-1929 prosperity, nor romanticized by the myth of its inevitable resurgence are turning in thoughtful enquiry to such methods as are represented in the co-operative ideal.

Prevention of Highway Accidents

By ARTHUR H. ROWAN

IN spite of rigid traffic regulations and constant educational campaigns to promote safer conditions, motor vehicle accidents remain one of the chief causes of death in Canada, in fact, only about ten diseases cause more deaths. Motor accidents, as a by-product of the most widely-used mode of transportation in this country, have thus become everyone's problem, for no active citizen today can avoid exposure to the hazards of the highway. But while we might well shudder at the annual waste of life, health and property were it concentrated into one calamity, the fact that it is diffused in time and place to a point where the majority have never witnessed a serious accident, is at least one reason that the tendency to treat the accident problem with indifference or apathy exists.

During the years that have elapsed since the inception of the motor vehicle we have witnessed tremendous improvements in the design and construction of motor vehicles and highways but because of the rapidity with which this form of transportation has been thrust into our

hands our demands for better cars and highways have been more insistent than our demand for safer transportation.

Unlike the locomotive which was an entirely new contrivance, requiring a special road, the first motor vehicle was a horseless carriage. In the beginning this vehicle was simply a carriage without a horse—clumsy and ungraceful in appearance and so much a product of the horse-and- buggy age that one early model was even equipped with a whipsocket. But while such vehicles would appear the height of incongruity on the roads today, many of the cars still in use bear a striking resemblance to the milk-wagon with its box-like rear and a horse out front with a radiator cap for ears and louvres to simulate the horse's ribs. The development of the motor car has thus been handicapped by either precedent or fashion.

But unlike the locomotive, the horseless carriage was adaptable to the carriage-ways used by its horse-hauled predecessor. As its advantages gained growing recognition, however, there came a demand for better roadways—the cry was 'get us out of the mud.' Subsequently came the demand for gravelled surfaces and wider roads. Later, in very recent years has come the demand for dustless, hard-

surfaced highways, banked curves, and reduced grades. In most cases, however, these improvements were applied to the old carriage-ways and despite the rapidity with which the changes were made, they lagged behind the improvements made in the speed and comfort of the motor vehicle and failed to keep pace with the extensive and intensive growth in its use.

But it is now recognized that present cars, with their speed and power, bear a greater resemblance to locomotives than to carriages and the most modern trend in highway design provides for the divided-way with independent lanes of travel as used by the railroads, as a means of reducing the possibility of conflict.

With every added mile of such highway, engineering will assume a more important position alongside the other 'E's' of safety—Education and Enforcement. But each such mile also brings us face-to-face with that far from insignificant fourth 'E'—Expense. The cost of right of way, and the cost of construction places the divided highway with its clover-leaf intersections beyond the present budgets of most highway departments and our accident situation must therefore be assessed and considered in terms of the roads we are using today—the type of road which we shall have to be content to use for some time to come. The larger share of preventive activities, as far as the highways are concerned, must therefore be directed towards the proper maintenance of roadways and the removal of various physical hazards and the provision of adequate signs and signals. Such work must be largely selective and directed towards correction of unfavourable physical hazards existing at high accident locations. Through the operation of compulsory accident reporting laws it is possible to maintain location files and spot maps in a central bureau to indicate points where accidents are happening with greater-than-average frequency and the use of the information thus obtained provides a proper foundation and guide for the engineer and the enforcement officer. Since many rural highways are inadequately policed it is essential that existing enforcement ac-

tivities be supported by adequate information concerning the time and location of greatest accident frequency and also the types of offence giving the greatest difficulty. By getting the facts about accidents—how many, where, how and why—we are in a better position to analyse the hazards of dangerous locations, to install signs or signals, to devise regulations and to apply them on the basis of scientific study rather than guesswork.

A short time ago we had reason to question the traffic department of an Ontario city in connection with an accident record which was considerably worse than that of a neighbouring city of corresponding size. The reason for the unfavourable record was said to have been due to the heavy volume of traffic on one of the main streets. On checking our records, however, it was found that a large share of the accidents were in the residential sections; also, that a large percentage of the accidents involved juvenile pedestrians. The neighbouring city had to a large degree overcome their child accident problem by a very comprehensive system of safety training in the schools and it was quite manifest that their better record was due to this activity which was lacking in the other city. Many other instances are to be found which emphasize the need for proper data when planning the safety programme.

Since our highways with their shortcomings in the light of present day traffic, will be in use for many years to come, the need for education is of primary importance. Such work in the schools is best carried out by including safety in the curriculum and providing the teachers with proper materials for teaching this subject. The problem of adult education presents greater difficulties of approach. Ontario pioneered in the use of newspaper and magazine advertising in safety education and for many years widespread campaigns using these methods as well as radio broadcasting, motion and talking pictures, billboards and other media have carried safety messages to all parts of the Province. Regular bulletins from the Motor

Vehicles Branch have been used as a means of sustaining the interest developed by the publicity campaigns. Local safety councils, because of their closeness to the situation can do much to augment the work of a highway department or other central authority in work of this kind and should with the co-operation of the public accept a greater responsibility for the application of remedial measures than is generally the case today.

In addition to 'wholesale' control, which is the purpose of education, some means of applying individual control is necessary. Control of the right to obtain a license; control of the right to retain a license once it has been issued; and control of the driver on the highway, are the three methods by which individual control may be exercised.

The first and frequently the last opportunity of assessing a driver's ability is when he applies for a license and every effort should be made to ascertain his capabilities both as regards his physical condition and his knowledge, skill and understanding. The driver's attitude or willingness to observe the rules and regulations cannot be measured satisfactorily by a driving test or demonstration and there must therefore be some record system maintained to permit our doing so. In Ontario, individual records are compiled showing the convictions, accidents, complaints or warnings received by the driver. Each time an additional entry is made on the record the case is reviewed and the action thought necessary is taken. Depending upon the nature of the record, the driver is required to submit to driving, vision or physical tests, is warned or his license is suspended or revoked. The police and courts are required to report accidents, convictions and warnings and the general public are asked to report dangerous or unsafe driving actions they observe. Through an arrangement with the Department of Health we have in recent years been able to deal more satisfactorily with persons suffering from mental or other conditions which might affect their operation of a car. In such cases it is our practice to withhold driving privileges until we have

been assured that normal health has been recovered.

At the present time we have on file the records of over 300,000 of the 900,000 drivers registered in Ontario. Of these about 130,000 are drivers who have been involved in one or more accidents since 1930, and the remainder include drivers who have been convicted of some driving offence, and operators who have been warned or suspended. In addition to the attention given to accident repeaters, an attempt is made to check the behaviour of drivers whose records indicate frequent or flagrant disregard of the traffic regulations, regardless of whether they have been involved in accidents. By requiring proof of financial responsibility when a record reaches a certain degree of seriousness we have been able to instill a greater degree of responsibility since insurance companies are reluctant to insure drivers who show reckless tendencies and the driver soon realizes that he must retain the good will of the company, as well as that of the Department if he is to remain in possession of his driving privileges.

In addition to our efforts to control in the case of persons having accumulated records, we have in the past five years been giving greater attention to drivers involved in their first accident. Persons who have had less than one year's driving experience and persons over sixty-five years of age, if involved in an accident, are required to submit to driving and vision tests. Drivers involved in fatal accidents are also required to submit to re-examination before they are permitted to drive again. Our purpose in re-examining drivers in the higher age groups is to determine if they are competent under present traffic conditions and also to determine whether they have suffered any physical deterioration which might interfere with their safe operation of a motor vehicle. A fatal accident frequently results in severe shock to the driver concerned, and our aim in requiring re-examination is to find out, among other things, whether the operator suffers from any shock or nervousness that might affect his driving. In many cases the

Department has found it necessary to withhold the license until the driver has recovered from the effects of the accident.

As mentioned before, further achievements in providing safety factors in cars and in highways are necessary, but an equally important part of our problem is to make people safer for themselves—either as drivers or pedestrians. Since practically the entire population must be reached, its attention aroused and sustained, no one person or single group of persons can accomplish the task. Considerable attention up to the present has been given to education to the point of telling people what they should and should not do but insufficient emphasis has been directed to the development of an appreciation of why such behaviour is necessary. In the majority of cases, people are not reckless because of any malicious intent or because they have no regard for their

own or others safety but rather because they have never been imbued with a true sense and understanding of their responsibility and of the need for restraint in their use of the roads. The problem of discipline, restraint or control in human relationships is, of course, extremely complicated, but when that relationship involves not only the human factor but a very mobile mechanical factor it becomes even more complicated.

Since the accident problem is essentially a social problem, progress in eliminating abuses will come slowly, but the significant fact that this problem is becoming better understood gives hope for future improvement. The interpretation of it by many agencies involved is developing a deeper interest and stability and the principles and techniques already known need only to be persistently and continuously expanded to have safety become an integral part of our every-day living.

Municipal Services in England

By LADY (ERNEST) SIMON,

UNLIKE the national Civil service, the entrance to all grades of which is by competitive examination, there is no recognised mode of entry to the municipal service. The tenacity with which local councils cling to their autonomy and freedom from central control, makes them suspicious of any suggestion that the municipal service should be unified.

Each local authority is left free to decide upon qualifications for entrants, except of the technical officers. All doctors, engineers, architects, lawyers, nurses, etc., must possess the standard qualifications, and it is true that these officials play a greater part in the municipal than in the national civil service.

In the latter, these technical officials are all under the administrative official who is the permanent head of the department, but in the municipal service the head of a department is, in the majority of cases, a technician. The medical officer of health is a doctor, the chief of the electricity department an electrical engineer, and it is becoming increasingly common for the director of Education to have been a teacher. The chief official of all—the Town Clerk—is, in the vast majority of cases, a lawyer, although there is no statutory requirement that he should be one. I will return to this point later. The rest of the staff, the administrative section, is usually recruited at the age of between fourteen and sixteen.

Some authorities insist upon a minimum age of sixteen, and the possession of a school leaving age certificate, others

EDITOR'S NOTE: Lady Simon the wife of the former Lord Mayor of Manchester, England, is a well known expert on municipal government and a frequent contributor to the British journal *Public Administration*.

like the London County Council, and my own city of Manchester, for instance, hold a special examination for entrants which, as the service is attractive—becomes a highly competitive examination. But this method is by no means usual, and some of the largest cities make no use of it. Where there is no entrance examination, the door is open to personal and political influences, and there is no doubt that this is the case in some authorities. If the municipal service were unified or, if not nationally, yet unified in a series of regions covering the country, the method of entrance by competitive examination would follow, as a matter of course.

A criticism that is made against the English municipal service is, that it offers no openings for university graduates as part of their professional training. There is no doubt that if some of the ability which enters the national civil service from the universities, could come into the municipal service, it would be an advantage.

The reasons why there is no recruitment are various. As I pointed out before, most of the chief officials are technicians, and so long as the top administrative posts are filled in this way, there is not the same inducement as in the national civil service to able young men and women to enter. Some students of local government hold that this is a mistake, that what is wanted at the head of municipal departments, and especially in the position of Town Clerk, is a man of administrative ability and this is only rarely found in combination with technical ability.

If change is coming, it is still a long way off, but quite a number of university graduates are now taking a legal

training, so as to qualify as Town Clerks, and others are teaching, with a view to becoming Directors of Education later on. In this way, some of the advantages of a broader university education are finding their way into the municipal service. Once in the service, the boy of sixteen can look forward to a useful and secure career. In the large authorities, the posts are graded, and salaries and promotion regulated. There is no question of a change of officials if the political complexion of the council changes, and certain chief officials cannot be dismissed without the consent of the central government.

The municipal officials carry a heavy burden of responsibility, but they enjoy a great deal of independence. The central government does not interfere with them, and although they are servants of their councils, they are not only responsible for carrying out its policy, but in most cases inspire this policy. Members of local councils are busy men and women, and local government is becoming each year more and more complicated. The immense increase in social legislation since the war, has put an increasing number of new duties on local councils. Administration that enters so much into the daily life of the people—often in intimate details—has become a highly skilled job, and the amateurs, who are the elected members of councils, have to rely largely on their officials, in order to come to right decisions of policy.

Although there are many improvements that I should like to see in the recruitment and organisation of local government officers, the service consists of a fine body of men and women, who combine service to the community with the job of earning their living.

Fire Prevention: A Municipal Function

By PERCY BUGBEE

THE idea of balancing fire prevention with fire fighting, making the two of equal importance, is gaining headway. Some municipalities still persist in carrying on along the old lines of doing nothing but fighting fires with all the water that can be thrown upon them, giving no thought at all to how they might have been prevented. However, the possibilities of systematic control of fire hazards have fortunately already been recognized by many cities and towns and the recognition of the practical, common sense procedure of putting out fires before they start, is becoming more and more widespread.

The first step in fire prevention that any municipality must take, is the enactment of suitable municipal by-laws covering the elements of building construction and the protection of the every day, well known fire hazards. Any municipality down to the smallest of villages should enact a by-law providing for fire limits and the construction and equipment of buildings. A building by-law does not need to be a highly technical and comprehensive sort of a document. The elementary items that should be covered in such a by-law include the establishment of a fire limit area for the community within which no building or structure of frame or unprotected metal construction should be erected. Provision for proper construction of alterations and additions to existing buildings of ordinary construction in the community should be provided and there should be provisions for the removal or repair of definitely unsafe buildings. It is desirable to impose simple limits of height and area for various classes of construction. Thickness of masonry walls should be established and provisions for protection of wall openings, stairway, elevator and

other shafts, skylights, and type and number of exits should be covered. It is most desirable to call for fire retardant roof coverings throughout the city or town limits because of the well known conflagration and fire hazard from the use of wooden shingles. A provision requiring fire-stopping in all buildings is very important. By this is meant that all walls and partitions and spaces between joists must be stopped with incombustible material in a manner to cut off all concealed draft openings. Simple provisions for the proper construction of chimneys and smoke pipes and other common heating appliances are very important.

In addition to the building by-law, it is very desirable to enact other by-laws covering such common things as the proper construction and protection of garages, the storage of common flammable liquids, the storage and use of motion picture film, explosives, fireworks, etc. It is very desirable to give the fire department the legal right to order the removal of accumulations of combustible materials, to require the proper containers for storage of hot ashes, and other dangerous materials, and to have control over bonfires, burning of rubbish, etc.

There is no excuse for any community to fail to enact proper by-laws for the control of fire. There is ample available material that can be used as a guide and the fire department, whether it be paid or volunteer, should be given the basic legislative authority to control elementary fire hazards.

Equally important with the necessary legal authority to control fire hazards is the proper procedure developed by the fire department for the regular inspection of buildings throughout the community for fire hazards. No modern fire department, even the smallest, should neglect this vital function of some sort of simple

EDITOR'S NOTE: Mr. Bugbee is Assistant Managing Director, National Fire Protection Association, Boston. He is an honorary life member of the Maritime Fire Chiefs Association.

inspection work. Even if the value of the inspection work from the standpoint of fire prevention is questioned any fireman, either paid or volunteer, must appreciate that a knowledge of the buildings in his community may some day make the difference between life and death at the time of fire. Inspection work can be arranged in any fire department so that it will not be a burden upon any of the men. Proper division of the responsibility and the cooperation of each of the men in taking their share of inspection work will prove to be in practically every case not an undue burden to any individual fireman. When inspection work is first started in any fire department, the work should be concentrated on the simple elementary fire hazards, but it should be remembered that these perfectly obvious hazards are the ones that cause the great majority of our fires and therefore the most elementary inspection work is bound to produce good results.

It has been generally recognized that any fire department should have the right to inspect business and factory properties for fire hazards. Within the last few years the large increase in the number of fires in dwelling houses has led to the development of the simple inspection of dwellings for fire hazards in a great many communities throughout the United States and Canada. This work has been done on a purely voluntary basis. The fire department does not have the legal right in many cases to enter anyone's home but if the firemen call at the home and explain that they are trying to save life and property by a simple inspection of the home for fire hazards the average householder will welcome such cooperation. The cities that are carrying on inspections of dwellings have shown a remarkable reduction in the number of fires and losses in homes

and fire prevention authorities generally have the feeling that during the next decade this idea of home inspections will become universal and that we may well expect a very substantial reduction in the unusually heavy loss of life and property in homes that we have had in the past.

A logical further step in any municipal fire prevention program is for the municipal authorities to develop a cooperative effort with the people of the community towards an improved fire record. It is entirely logical and desirable that a local fire prevention committee of citizens including representatives of the Board of Trade, the school system, the boy scouts, the insurance men, the newspapers, the luncheon clubs, and others, should be operating on a year round basis to educate the people in the observance of fire safety precautions and to back up the fire department in its attempts to reduce fire hazards. An excellent example of fire prevention educational effort has been the school essay contest conducted by the Provincial Fire Marshal of Nova Scotia for several years past. The attention of thousands of boys and girls in the Province of Nova Scotia has been focused on fire prevention work by this simple but effective contest procedure.

Finally there is no lack of evidence that any effort put into preventing fires will positively produce results. The communities that are fire conscious, have low fire loss records; the communities that fail to observe the common sense precautions against fire, have bad fire records. There is no escaping the fact. Every community throughout the Maritime Provinces should have a well considered fire prevention program backed up by the necessary legal provisions and under the leadership of its local fire department.

Serial Municipal Bonds

By THOMAS BRADSHAW

THERE are two classes of borrowings usually required by municipalities—

(a) For current purposes—chiefly to provide for ordinary expenditures in the early months of the year, in anticipation of the receipt of the current year's taxes and other revenue. These loans are obtained from the municipality's banker, should run only for a few months, and should be liquidated before the close of the fiscal year; (b) For capital purposes—such as erection of schools, municipal buildings, sewers, waterworks, purchase of parks, etc. These loans may run from 5 to 30 years, the term depending upon the character of the project and its serviceable lifetime, and are secured through the issue and sale of debentures in the open market to the highest bidder.

The almost universal principle recognized in connection with the incurring of a municipal capital debt is that, at its inception, definite provision, by way of a special yearly tax levy, is made for its complete repayment—principal and interest—within the period of the debt. From this it follows that a municipal debt should never have to be refunded, and to assist in ensuring this the plan adopted for its repayment should be both sound and economical.

It is the method of repayment of capital loans that I have been asked to discuss; that is to say, whether such loans should be repaid by regular yearly instalments, known as the instalment or serial method; or through the accumulation of an independent fund to liquidate the loan in one sum at the end of its term—10, 20 or 30 years hence—known as the sinking fund method.

In order that there may be clearly set forth the difference in operation of the two methods described and the status of the loan throughout the term, the illustration on page 00 is introduced:

It will be observed that under the serial method the loan is liquidated year by year, so that at the end of the 5th year it is reduced to about \$80,000; the end of the 10th 57,000; the end of the 15th \$31,000, and at the end of the 20th year completely liquidated. Under the sinking fund method the whole debt remains outstanding for the 20 years, while a uniform annual contribution to a sinking fund is made year by year, accumulated throughout the term at the theoretical rate of 3% interest, when at the end of the 20 years the sinking fund is sufficient to pay off the loan.

The serial method is in my opinion the soundest and most desirable, and in support I submit the following:

1. At the time the loan is established, as already premised, exact ways and means of repaying it are laid down. The by-law, the basis of the loan, authorizes the municipality to levy a specific yearly tax on the ratepayer for the whole term of the debt, sufficient to meet the yearly interest and to pay off such proportion of principal each year as will wholly liquidate it within the maturity date.

2. In the serial method of repayment, the proportion of yearly principal paid by the taxpayer is applied in the year received to the retirement of that much of the debt, and the original loan is reduced year by year until finally extinguished. In the sinking fund method, the same tax levy is made on the ratepayer, but instead of applying the principal part thereof year by year to retire a portion of the loan, it is accumulated year by year at interest and applied at the end of the term to liquidate the whole loan.

EDITORIAL NOTE: Thomas Bradshaw, C.A., of Toronto, President of the North American Life Assurance Company, is one of the best known Canadian experts on municipal finance. A previous paper by him, *A Discussion of Municipal Finance and Administration*, has been published in the *Dalhousie University Bulletin on Public Affairs* in 1937.

Amount of Loan—\$100,000.00; Term—20 years; Interest—3%.
Annual Tax Levy—\$6,721.56.

Application of Annual Tax Levy for Debt Service, and Status of Loan according to:

End of Year	Serial Method of Repayment			Sinking Fund Method of Repayment		
	Applied in payment of Annual Interest	Applied in Repayment of Loan	Balance of Loan	Applied in payment of Annual Interest	Applied towards Contribution to Sinking Fund	Accumulated Sinking Fund
1	\$3,000.00	\$3,721.56	\$96,278.44	\$3,000.00	\$3,721.56	\$ 3,721.56
2	2,888.35	3,833.21	92,445.23	3,000.00	3,721.56	7,554.77
3	2,773.36	3,948.20	88,497.03	3,000.00	3,721.56	11,502.97
4	2,654.91	4,066.65	84,430.38	3,000.00	3,721.56	15,569.62
5	2,532.91	4,188.65	80,241.73	3,000.00	3,721.56	19,758.27
6	2,407.25	4,314.31	75,927.42	3,000.00	3,721.56	24,072.58
7	2,277.82	4,443.74	71,483.68	3,000.00	3,721.56	28,516.32
8	2,144.51	4,577.05	66,906.63	3,000.00	3,721.56	33,093.37
9	2,007.20	4,714.36	62,192.27	3,000.00	3,721.56	37,807.73
10	1,865.77	4,855.79	57,336.48	3,000.00	3,721.56	42,663.52
11	1,720.09	5,001.47	52,335.01	3,000.00	3,721.56	47,664.99
12	1,570.05	5,151.51	47,183.50	3,000.00	3,721.56	52,816.50
13	1,415.50	5,306.06	41,877.44	3,000.00	3,721.56	58,122.56
14	1,256.32	5,465.24	36,412.20	3,000.00	3,721.56	63,587.80
15	1,092.37	5,629.19	30,783.01	3,000.00	3,721.56	69,216.99
16	923.49	5,798.07	24,984.94	3,000.00	3,721.56	75,015.06
17	749.55	5,972.01	19,012.93	3,000.00	3,721.56	80,987.07
18	570.39	6,151.17	12,861.76	3,000.00	3,721.56	87,138.24
19	385.85	6,335.71	6,526.05	3,000.00	3,721.56	93,473.95
20	195.51	6,526.05	.....	3,000.00	3,721.56	100,000.00

Note—(1) Usually interest is computed half-yearly, but for simplicity of illustration annually is assumed.

(2) In practice the serial debentures are issued in round amounts—\$1,000 or \$500—the payments being adjusted to provide for this. For example, in each of the first 7 years bonds would be issued for \$4,000, in the next 6 years for \$5,000, and in the last 7 years for \$6,000.

3. Recent experience has demonstrated that debentures issued for a loan repayable serially will command a higher price than debentures issued under the sinking fund method.¹ A municipality with sound credit would to-day be able to obtain approximately par for such a loan as has been described if bonds were issued payable serially (20 yearly instalments), whereas if issued on the sinking fund method (payable at end

of 20 years) it would obtain a price of only about 97, or at a discount of about 3%. This difference would represent a saving of approximately \$3,000; or in term of cost the municipality would obtain the loan in one case (serial) at close to 3%, while in the other (sinking fund) at a cost of about 3.15% to 3.20%. The reason is that there is at present a strong demand for securities running for a short term, and as a consequence they command a higher price than long term securities. Thus the first 10 year maturities of the serial debentures could be sold at a price above par, while the later maturities could be sold at a slight discount, but taken as a whole the price would approximate par, as mentioned. On the other hand, a 3% security, not

(1) Guelph, Ont., recently sold \$210,000 3% 20 yr. instalment debentures at 100.052 or on a 2.99% interest cost basis.

Woodstock, Ont., recently sold \$229,800 3½% 20 yr. instalment debentures at 104.752 or on a 2.99% interest cost basis.

Summerside, P. E. I., recently sold \$50,000 3½% 15 yr. sinking fund debentures at 102.11 or on a 3.32% interest cost basis.

Newcastle, N. B., recently sold \$25,000 4% 20 yr. sinking fund debentures at 101.125 or on a 3.92% interest cost basis.

payable for 20 years, could not be sold except at a discount of several points below par.

4. It has been shown that through the issue of serial bonds the principal amount of the debt is consistently reduced year by year, and as a result the gross debt liability in the municipality's financial statements reflects such reduction. While it is quite true that in presenting the liabilities of a municipality the accumulated sinking fund is deducted from the gross debt, not infrequently the question arises as to the composition and value of the securities in the fund, and again whether it is in a thoroughly sound condition. The municipality's credit is consequently more soundly regarded when it is known that its funded debt is being absolutely liquidated year by year, rather than that provision through a sinking fund is being made for its liquidation some years in the future.

5. If there is any unsoundness in the financial structure of a municipality, it will come to light more quickly and the opportunity to apply a remedy more promptly will be afforded, when its funded debt is required to be retired annually, rather than by accumulating a sinking fund therefor, inasmuch as one of the first signs of weakness in a municipality will be revealed in its failure to retire serial bonds promptly as they fall due. On the contrary, payments to be made into the sinking fund may be delayed; in fact in a number of instances such payments have been delayed, not for a few months but for several years. In this way the muni-

cipality's failure to maintain its obligation is not immediately brought out in the open, and the true reason for the condition is not suspected until a crisis is reached. The ultimate result, of course, is that when the debt falls due at the end of the term of the loan, the sinking fund will be found to be insufficient, and either default will have to be acknowledged or some refunding scheme entered into, which will mean that the taxpayer will have to be taxed again for the same debt.²

6. The serial method of debt repayment eliminates all dangers and pitfalls associated with the investment of sinking fund monies. It is well known that many of the sinking funds of Canadian municipalities contain investments which are themselves in default, and others which are depreciated in value and could not be realized upon except at a sacrifice. In other words, at the present time if a valuation of such sinking funds were made, it would be found that they would reveal deficits. The following is the record, according to their last available annual reports, of nine important municipalities, selected from various Provinces across Canada, setting forth the amount and percentage of default securities, as well as depreciated securities at present held in the sinking funds.

(2) As an illustration the case of one of our most important cities may be cited. Practically all of its debentures were issued on the sinking fund plan. At the close of 1938 no less than \$8,045,549 of levies which had been made upon ratepayers had not been paid by the city into the sinking fund. In addition \$3,532,293 of levies which should have been made on taxpayers for sinking fund purposes were not levied. It is feared that the true situation is not realized by its creditors and taxpayers, inasmuch as the city is still continuing the payment of interest on its debt.

	Total Investments held in Sinking Fund	Investments in Default		Investments Depreciated in Value	
		\$	%	\$	%
A	\$17,411,513	1,245,973	7.2	1,438,700	8.3
B	1,513,967	1,049,940	69.4	3,494	.2
C	6,983,978	688,948	9.9	3,137,322	44.9
D	31,880,028	1,368,853	4.3	1,866,814	5.9
E	1,671,992	226,344	13.5	330,198	19.7
F	1,994,006	253,781	12.7	37,000	1.8
G	5,150,396	40,000	0.8	118,000	2.3
H	858,132	39,004	4.5	87,424	10.2
I	362,972	.....	.....	45,000	12.4

It will be noticed that in one municipality no less than over \$1,000,000 of securities held, representing 69% of the total sinking fund investments, are in default. In another case no less than \$3,137,000 of securities, representing 44.9% of the whole of its sinking fund investments, are depreciated in value, although sound trustee securities were selling at the time at well above average prices.³ While it is to be sincerely hoped, both for the sake of those who are investors in the bonds of these municipalities and for that of the taxpayers, that defaults will be remedied, and depreciated values restored, it is almost a certainty that heavy losses will be incurred.

The serial method of repayment obviates the necessity of selecting, buying and selling securities for sinking funds, and thus avoids the possibility of any loss. It is submitted that the investment of such funds is the work of those specially skilled in that branch of finance, rather than of municipal officers and those appointed by Councils, who in most instances have not had the experience or training for doing this. Even the wisest and most conservative investors of monies incur losses, but those who are inexperienced, as already demonstrated, are placed at a very great disadvantage. Why should all this risk of loss be involved, without any compensating advantage?

7. Again, the serial plan of repayment eliminates the necessity, as is the case where bonds are issued on the sinking fund plan, for the maintenance of elaborate investment records, with the necessary staff; for the provision for the safe keeping of the sinking fund securities; for drawing up yearly statements of revenue and disbursements, assets and liabilities; for the periodical auditing and checking of the securities; for time and trouble involved in cutting off and recording coupons of investments held, and the many other details associated with the proper care of securities. The more simply and economically the

affairs of a municipality can be conducted, the better is it for Council, officials and taxpayer.

8. With the serial method of repayment, there is practically no loss from the accumulation of uninvested sinking funds. In the operation of municipal sinking funds it is often found that there are considerable funds on deposit awaiting suitable investment. These deposits carry either a very low rate of interest or no interest whatever. In the Province of Ontario, according to the most recent statement, the amount of uninvested sinking fund cash on hand of municipalities was \$3,688,012⁴. Most of this should have been earning the minimum basic rate of interest (3 to 4½%). The longer such funds are allowed to remain uninvested, the greater is the loss to the sinking fund and the taxpayers.

9. Again there is the problem associated with the investment of sinking fund monies, of obtaining suitable investments the maturity date of which will exactly match the maturity date of the sinking fund debt to be liquidated. Taking the single illustration of the loan outlined on page 00, theoretically it would be essential to purchase annually a security or securities for \$3,721.56 running from 1 to 19 years. For example, when the first instalment of \$3,721.56 is received, an investment running for 19 years should be obtained; when a similar second instalment is received, one running for 18 years should be obtained; when the third is received, one running for 17 years should be obtained, and so on throughout the whole period of the loan. Those who are accustomed to the investment of monies know the great difficulty there is in purchasing suitable investments of a specific amount to mature at an exact period. This problem does not arise when the serial method of repayment is adopted.

10. The serial method does away with possible losses resulting from a lower interest rate being earned on the investments in the fund than the basic rate

(3) Ontario municipalities alone at the close of 1937 held \$4,390,628 of Western Provincial securities in their sinking funds.

(4) Part of this amount is deposited with the Provincial Treasurer, who no doubt allows interest thereon at a minimum rate.

upon which the fund was established. For example, if the fund was established upon the assumption that the investments acquired for it would earn 4%, and if they actually only earned 3%, a deficit in the fund would arise, which would assume greater and greater proportions as the years progressed. It is quite true that in some sinking funds, some years ago when interest rates were considerably higher than they are today, investments were acquired which earned a higher rate of interest than the basic rate. For example, where the fund had been established on say a 3% interest rate, and investments had been made for the fund to yield 4%, a surplus has arisen. But in the present period of low interest yields, especially on short term investments—and those are the ones now chiefly required by sinking funds—the possibility of making surplus interest earnings on new investments is most remote.

11. The serial method of debt repayment tends to greater efficiency and more business-like procedure in the conduct of a municipality's affairs, in contrast with the sinking fund method. The officials charged with the collection of revenue know that they have certain obligations to meet throughout the year, failing which there is the possibility of default, and they are therefore keenly alive to the necessity of promptly collecting the revenue required to meet such obligations. The instalment to be paid into the sinking fund may be delayed, but the retirement of debt when due cannot be dodged.

12. The serial method of repayment of municipal debt eliminates a most reprehensible practice which has crept into the conduct of a number of municipal administrations, of selling to the sinking fund the municipality's own securities when it was impossible to find a public market for them. Where a municipality has reached the place that its own credit has gone and it refuses to face the issue and the facts, and where it has a sinking fund built up out of taxes collected in past years from ratepayers for the specific purpose of liquidation of certain specified

outstanding debts, it has not once but several times resorted to the practice of incurring further capital debt and issuing debentures, and using either the cash in the sinking fund or selling some of the choicest securities of the fund for cash in order to supply monies to purchase the debentures issued for such new additional debt. Let me quote a recent illustration in this connection; the statement is taken from the *Montreal Daily Star*, 28th June, 1939, which was discussing a crisis in the affairs of one of our prominent municipalities:

"In regard to the purchase of city bonds out of sinking fund to cover the city's share of direct relief costs, the city pays about \$350,000 roughly, into sinking fund every month, and the city's share of relief costs amounts to about \$500,000. The city can therefore go on covering its direct relief bill by borrowing from its own sinking fund, \$150,000 short every month, until the shortages accumulate to a sufficient amount to force a halt.

"In a year there will have been just under \$4,000,000 of sinking fund payments and revenues, and something over \$5,000,000 of relief costs incurred, and a gap of over a million dollars to be covered somehow.

"A suggestion was heard at the City Hall this morning, that this use of sinking fund to buy city bonds could be carried still further, if the Executive decided to do so. They could sell bonds of other corporations at present held by the city sinking fund, and use the money to buy up an equivalent issue of city bonds, which would be issued in order to pay off part of the bank overdraft. This might be carried on, it was suggested, until the only bonds held in the sinking fund were City of _____ bonds, and then that measure of relief would end, since they could not sell their own bonds in order to buy more of their own bonds. No one would buy them.

"Just how long these temporary measures of financial relief can be carried on, no one would try to prophesy, either at the City Hall or in financial circles; but agreement was general, that it is a question of postponing the showdown, and that the longer it waits the worse it will be."

The instances of abuses of municipal sinking fund monies are not at all creditable to the administration of those bodies which have been involved. The most satisfactory view, however, to take of it is that year by year those bonds repayable by the sinking fund method are maturing, and that the tendency of late years has been to refrain from establishing new debts on that basis. Within

the next 5 to 10 years very few outstanding municipal loans will be of that type⁵.

In conclusion may I emphasize some of the reasons for believing that there can be no doubt whatever that the serial method is superior to the sinking fund in the creation, treatment and repayment of municipal debts.

1. It enables the municipality to sell its debentures at a higher price, and thus obtain its capital loans at a lower interest cost.

2. It improves the credit rating of the municipality through the systematic yearly reduction of its gross debenture debt.

3. It quickly reveals any financial weakness in the municipal structure, making it possible to apply a remedy promptly.

4. It obviates the necessity of selecting, buying and selling securities for sinking fund purposes, and consequently the possibility of losses—which in the past have been considerable—through faulty or unwise choices.

5. It eliminates the cost and labour of maintaining elaborate investment re-

ords, of looking after the securities, and of providing additional accounting and auditing facilities.

6. It simplifies the care and control of all debenture debt operations, and thus facilitates the routine of municipal administration.

7. It tends to urge the necessity of prompt collection, within each year, of the municipality's revenue.

8. It removes from the administrators of municipalities the temptation to misuse and misapply sinking fund monies.

9. It tends to lighten the ratepayers' burden of taxation, inasmuch as most of the factors mentioned involve lower costs, or elimination of possible losses, simplification of operation, etc., all of which represent savings.

In fact, in the light of the past operation and experience associated with the issuance of debentures on the sinking fund method, it is difficult to conceive how a municipal Council could justify such a method, unless there was doubt when creating debenture debt that the municipality would be able to meet promptly the yearly provision for debt repayment. If such a thought did exist, then it is submitted that under no circumstances should a municipal body create new capital debt.

(5) In 1915 the whole of the City of Toronto's debt was composed of bonds issued on the sinking fund method; to-day 74% is in serial bonds and only 26% in sinking fund bonds. Since 1916 only serial bonds have been issued.

Effectiveness of Local Debt Control in New Jersey

By ROBERT G. LUTZ

IN 1933 New Jersey had the unenviable distinction of having the highest proportion of municipal debt defaults to be found in any state. Out of a total of 564 municipalities, it is estimated that from 96 to 130 were in default, depending on a definition of the term "default". This is a high proportion under any definition. Such a situation was the outcome of a combination of factors, extending all the way from ineffective legal remedies to inexorable economic forces. It appeared necessary, therefore, to re-examine the field of state-local fiscal relations and to formulate a policy to cope with this situation.

The function of state control over local debt is a comparatively new field of state activity in the United States, and New Jersey with its local bond act of 1916 was one of the pioneers in this field. The aims of this act were "to bring both temporary and permanent financing of all improvements under uniform procedure and within the scope and control of a single statute." The methods used to accomplish this were briefly these: The borrowing power of a municipality or county depends on the assessed value of property within its borders, and thus its ability to meet debt principal and interest payments. The law fixed an over-all debt limit of 7 per cent of total assessed value as being a safe maximum which a local government unit could carry. The law also established detailed procedure for issuing debt obligations of various kinds in all classes and sizes of counties and municipalities.

Sound budgetary procedures and statutory debt limitations are closely related aspects of the general field of government

finances. Thus, the following year, 1917, saw the passage of the local budget act which was designed to achieve uniform and effective budgetary techniques in all local units. It was anticipated that the two laws would result in a conscious and well considered control of revenues and expenditures which would ultimately help to prevent debt incurment for current purposes and which would help limit debt to well considered and approved capital purposes.

The situation leading up to the need for a re-examination of state-local relations was this: the municipalities of New Jersey during the twenties had undertaken an ambitious program of public improvements, financing them by bond issues. In some cases assessed values of real estate were raised to allow new debt issues; in other cases municipalities took advantage of the law permitting debt for local improvements to be deducted from the statutory net debt limit. When taxable property values and every other source of municipal revenue collapsed about 1931, local taxpayers had a sad awakening. Taxes and assessments rose beyond the ability of the taxpayer to meet them and in the next few years 96 municipalities defaulted. Many others were and still are in financial straits, though not actually in default. All of this difficulty seems to stem directly from municipal borrowing in excess of capacity to meet debt charges, which in turn is the obvious outcome of undermining by amendments the original strict limits of the 1916 bond act.

Thus in April, 1931 the legislature established the Municipal Finance Commission¹ which had the duties of passing on the issuance of new indebtedness,

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1. New Jersey, *Public Laws* (hereinafter cited P. L.) 1931, ch. 340.

reviewing the annual budget with power to limit increase, appointing an auditor to review expenditures if there were sufficient appropriations to do so, and preparing and certifying resolutions for refinancing the debt of the defaulted municipality. Municipalities could come under the jurisdiction of the Municipal Finance Commission in either of two ways: by their own accord when they realized that their position was hopeless, or through action by their bond holders. The Municipal Finance Commission acquired control over 12 municipalities between 1931 and 1935.

The legislature and the State of New Jersey as a whole realized by 1934 the seriousness of the local financial situation and the inadequacy of the measures set up to deal with it. Between 1934 and 1938 the legislature enacted five laws which, it was hoped, would put local government finances on a sound basis once and for all.

New Jersey's first piece of municipal finance legislation of the current series passed the legislature in 1934 and is commonly known as the "cash basis" act.² This act authorizes issuance of bonds by a municipality to pay or refund existing indebtedness provided that the municipality form a covenant with the bondholders to go on a "cash basis" by setting up a tax overlay. That is, actual tax collections must equal budget expenditures—the tax levy must be in excess of budget expenditures by the amount of tax delinquencies of the preceding year. The purpose of these two principal provisions is to remove all indebtedness from the current accounts and to place it with the capital debt accounts, while making sure through the "cash basis" requirement that current borrowing to supplement tax collections, formerly a constant source of trouble, will in large measure be prevented.

The second of these laws was the local bond act of 1935. This act repealed the 1916 bond act with all its amendments, and all other acts inconsistent with it. The 1935 act aimed to "simplify, revise and consolidate all the previously existing

acts and parts of acts relating to the incurring of indebtedness and the issuance of bonds by counties and municipalities." This act covers such matters as authorization of bond issue, which must be by county resolution or by municipal ordinance, all covered by exact procedure. It requires that municipalities make an appropriation in the budget of the year following authorization of the bond issue toward the cost of the project, in addition to budget requirements for principal and interest payments. The act prohibits any contract, payments under which are to be made by bond or note issuance under the bond act until the resolution or ordinance authorizing them shall have taken effect and until 20 days after the duplicate original debt statement has been filed in the office of the State Auditor. This prevents a municipality from entering into a contract before ascertaining whether it will have the legal power to finance the project. Last but not least, the debt limits of the 1916 bond act have been restored minus the numerous exceptions and exemptions. The limit is 7 per cent of assessed value for municipalities and 4 per cent for counties; any exceptions are rigidly restricted. School debt may be incurred up to 6 per cent, which allows a total school and municipal debt of 13 per cent. In large cities having relatively smaller need for school debt, the combined total limit is set at 11 per cent. The debt of self-liquidating utilities may be excepted, since they are not likely to become a direct burden on the taxpayer over and above the service rates charged.

The local budget act³ forms the third link in the chain. It requires a municipality to adopt a procedure in the liquidation of "floating" or current debt such that a mandatory "cash basis" budget could be adopted by 1943. This can be accomplished in one of two ways—either by collecting 100 per cent of the current levy, something extremely rare in practice, or by providing a "tax overlay" which means an additional tax levy sufficient to make actual tax collections cover budgetary needs. The local budget act is an essential supplement to

2. P. L. [1934], Ch. 60.

3. P. L. [1936], Ch. 211.

the debt legislation because it requires those municipalities adopting it to operate on a business basis. Their actual cash receipts from taxes and other sources must balance their budget expenditures. And as long as income and expenditures balance, there will be no need to resort to short-term borrowing, tax anticipation or tax revenue notes to provide for current services. Such borrowing is now eliminated where formerly it had to be funded, often at high interest rates, thus becoming part of the general debt burden and furnishing another step toward ultimate financial difficulty. The coverage of municipalities on "cash basis" under the 1936 local budget act is not complete nor is it expected to be before 1945. About 300 municipalities have adopted current "cash basis" financing to date; the remaining 260 municipalities have not been in a position to do so, as the law provided for when it included the "escalator clause" postponing "cash basis" for those municipalities unable to achieve it without an undue increase in the tax burden. These, however, are working toward "cash basis" by funding current debt, improving tax collections, and exercising economy in current services and their arrival at a sound fiscal position is only a matter of time.

Two years later, in 1938, the fiscal supervision act and the local government act completed this current series of financial legislation. The fiscal supervision act, an entirely new act, imposed special preventive restraints on municipalities in, or in danger of falling into, an unsound financial condition. The act lays down five tests of when an unsound financial condition exists, which include default on bond obligations; payments to other jurisdictions more than two years in arrears; in "cash basis" municipalities, a "cash deficit of the preceding year" for two years in succession in excess of 5 per cent of total property taxes levied; tax collections less than 50 per cent during the year of levy for the two preceding years, and more than 25 per cent tax delinquency of the first year's taxes at the end of the second year; liquidation of floating debt under the local budget

act requiring an appropriation of more than 25 per cent of the total of all other items of the preceding year's budget. When any of these conditions exists, no new debt obligations may be issued except for refunding, current financing or mandatory capital outlays and, with the approval of the state board, for work relief projects; the state board may authorize the liquidation of floating debt in accordance with a special plan and the commission is authorized to make a special analysis, with recommendations, of the fiscal conditions of any municipality subject to the act.

The final piece of municipal finance legislation in this chain is the local government department act of 1938. This act creates a special state agency, the State Department of Local Government, "to administer state regulatory and supervisory authority affecting local finances." Where formerly municipal financial legislation was administered by various state agencies, the new legislation combines most of this legislation under the single administration of the Local Government Board. The State Department of Local Government is composed of two units, each with separate powers and duties—the Commissioner of Local Government and the Local Government Board. The commissioner, who is chairman of the board, administers the work of the department including administration of state laws under its jurisdiction, prescription of its organization and recommendation to the board of rules and regulations for the interpretation and administration of these laws. The board itself has the duty of studying the whole field of New Jersey local government which includes promulgation of reasonable rules and regulations for administering and interpreting laws under its jurisdiction, the holding of hearings, and reporting to the Governor and legislature on its accomplishments and problems remaining unsolved.

The board received rather wide latitude to prescribe uniform accounting systems, forms for financial reporting and similar procedures as well as having delegated to it all powers and duties applying to

local government legislation formerly vested in the State Auditor. For instance, the board may determine when the "unsound conditions" specified in the fiscal supervision act shall apply, and it has so determined in 53 cases. In short, the board acts in a general supervisory position, exercising its powers with due regard for the particular needs and peculiarities inherent in municipalities of widely differing size and wealth. Municipalities no longer carry on their affairs unobserved, in good fashion or bad, as the case may be. The board is in touch with every municipality in the state through annual reports and immediately knows of any impending financial trouble. New Jersey has never had, but has long needed such a "watch dog."

The results of the period 1934-1938 in the matter of local government financial legislation would ordinarily lead one to expect that the financial troubles of New Jersey municipalities will soon be a thing of the past. The five major laws mentioned lay out a well-rounded plan of action which seemingly fill the gaps left by former legislation and make it almost impossible for a municipality to get into financial trouble. But such is not the case. The local bond act has been weakened by amendments permitting additional relief borrowing⁴ and extending bond maturity dates⁵. The local budget act has been impaired by four amendments which modify floating debt requirements, appropriation requirements, "cash basis" requirements and postpone unpaid obligations or liabilities.⁶ The fiscal supervision act was unavoidably modified to provide for certain small and financially weak municipalities which found themselves unable to comply with its provisions or those of the local budget act, particularly

the provisions concerning adoption of a "cash basis."

Certainly there has been no shortage of sound legislation. The five laws in question were not carelessly or haphazardly enacted; they were drafted with extreme care after a lengthy examination of the financial afflictions of New Jersey municipalities. At the time of their enactment they were held up as "model" laws. Yet inside of one year, three of these laws had their effectiveness impaired and if history repeats itself, within a few years more all will have gone the same road as the 1916 bond act and the 1917 budget act. The question is not, then, the effectiveness of present financial legislation in New Jersey. It has already thoroughly proved its worth during the short period of its existence. The question which confronts New Jersey is how to maintain these sound and adequate laws at their original effective level, how to protect them from amendments which seem harmless or even useful at the time, but which ultimately nullify the whole purpose of the law. What New Jersey needs are special laws applying to the 30 or 40 weak municipalities which are hopelessly entangled, pending a final solution of their affairs. The good of the state as a whole should not be made to suffer through modification of an entire program of legislation, just to bring temporary aid to a few special cases.

4. P. L. [1938], Ch. 101.

5. P. L. [1938], Ch. 236.

6. These four amendments were broad modifications of the 1936 budget act, passed specifically to relieve a few municipalities which found themselves unable, even by the greatest effort, to comply with it. In those cases where the liquidation of current debt of the inclusion of unpaid obligations and any item required by law in the budget would cause an undue increase in the tax levy, the municipality may apply to the Commissioner of the Local Government Board for relief, except that there shall be no modification as to the payment of bond interest or principal. The "cash basis" requirements of the 1936 act were for a time wiped out, but were later restored on an optional basis.

Industrial Relations and Social Security

CONCILIATION AND ARBITRATION OF INDUSTRIAL DISPUTES

Some Legal Aspects

By G. V. V. NICHOLLS.

THE report of President Roosevelt's Commission on Industrial Relations in Sweden, made public some months ago, closes with these significant words:

"Although strikes and lock-outs still occur in Sweden, they occur within the framework of a voluntary system of collective bargaining in which the settlement of differences by methods of persuasion rather than by force has become the order of the day. The endeavor of the representatives of both workers and employers is to bring about, by objective factual consideration, an understanding of the problems, with respect for each other's motives and the adoption of policies and agencies which make for peaceful solutions."

We in Canada have this at least in common with Sweden that strikes and lockouts still occur here as they do there. But it can hardly be said that in Canada they occur, to borrow the words of the President's report, "within the framework of a voluntary system of collective bargaining". It would be more correct to say that in this country they occur within the framework of a more or less compulsory system set up by statute.

Let me explain what I mean. The conciliation and arbitration of industrial disputes may be, legally speaking, of two types; private or public. Private conciliation or arbitration is that method of peacefully settling a dispute which is provided for by the parties to a collective labour agreement. The workers in a plant through their representatives, or in a number of plants through a union, enter into an agreement as to wages,

hours and conditions of labour with an employer or a group of employers. Contained in this collective labour agreement is a clause in which the parties undertake to submit all disputes arising out of it, and sometimes all disputes of any nature whatever, to peaceful settlement. By public conciliation or arbitration is meant, on the other hand, that system of peaceful settlement the machinery and scope of which are provided for by the state in special legislation. The difference between Sweden and Canada in the treatment of industrial disputes is that in Sweden the emphasis is upon private conciliation or arbitration, while here, because of the comparatively limited extent of collective bargaining, most disputes will be conciliated or arbitrated under the machinery created by the state, by legislation.

Arbitration Clauses in Collective Labour Agreements.

I should like to pay particular attention here to the provisions of collective labour agreements in which the parties undertake to submit all disputes arising out of them to conciliation or arbitration, to the so-called arbitration clauses. What is wanted in Canada, to borrow the words of the President's Commission again, is the "endeavor of the representatives of both workers and employers . . . to bring about, by objective factual consideration, an understanding of the problems, with respect for each other's motives and the adoption of policies and agencies which make for peaceful solutions". I am not criticizing the Canadian legislation, both federal and provincial, that sets up machinery for the peaceful settlement of labour disputes; it is excellent legislation of its kind. But the ideal system is undoubtedly one in which employers and workers settle their own differences without governmental interference.

As a general rule, arbitration clauses in collective agreements are now per-

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This article is taken from an address which was delivered at the Second Maritime Conference on Industrial Relations held in Halifax.

fectly legal. It used to be commonly said, and it is still a principle of law, that parties could not enter into a contract, which would give rise to a right of action for a breach of it, and then withdraw such a case from the jurisdiction of the ordinary courts. By the exercise of a certain ingenuity the courts, however, have avoided carrying this rule to its logical conclusion. While following precedent to the extent of conceding that it is against public policy to oust the courts of their jurisdiction by contract, they have held that the parties may enter into an agreement providing that no breach shall occur until after a reference has been made to arbitration. In other words, workers and an employer, or group of employers, may legally contract that no right of action shall accrue until a third person, contractually appointed and selected, has adjudicated upon any differences that may arise between them.

The case of *Caven v. C.P.R. Co.*, decided by the Judicial Committee of the Privy Council in 1925, is, I think, authority for the proposition that the decision of a board of conciliators or arbitrators, which is arrived at in accordance with the formalities prescribed in a collective labour agreement, must be respected. If the hearing has been properly conducted, the award of a private tribunal that the parties have themselves set up, is binding upon them, and the regular courts may be appealed to to prevent a violation of it.

Recently I have had occasion to examine a certain number of collective labour agreements in which an arbitration clause was incorporated. They were often inadequate. It is not enough for the parties to an agreement to express their willingness to arbitrate, if they fail also to provide the requisite machinery. Generally speaking such an agreement should leave as little as possible, in the way of procedure, to be decided upon by the parties *after* the dispute has occurred and tempers, perhaps, are running high. Detailed provision should be made for the appointment of the conciliators or arbitrators, the steps an aggrieved party

must take in order to start the arbitral machinery rolling and the manner in which proceedings are to be conducted. The question, for instance, as to whether the arbitrators should be members of a permanent board, or be specially appointed to hear a particular dispute, must be decided. So, again, must the question whether they should be nominated by the parties to the dispute, one or two by the employer and one or two by labour, or be absolutely independent and unbiased.

Canadian Legislation Providing for Conciliation and Arbitration.

I come now to the subject of public conciliation and arbitration. There is an amazing amount of legislation in Canada designed or adapted to encourage the peaceful settlement of industrial disputes. This legislation ranges all the way from the so-called "Inquiries Act" of the Dominion to the "Labour and Industrial Relations Act" recently passed in New Brunswick. It would be possible to cite no fewer than forty-three federal and provincial statutes of this type.

Much of this, of course, was not particularly designed to encourage the peaceful settlement of labour disputes, and is not, properly speaking, conciliation or arbitration legislation at all. The Dominion "Inquiries Act" and the nine corresponding provincial statutes, known in the case of Nova Scotia as "The Public Inquiries Act", provide, for instance, not so much for the arbitration of labour disputes as for the investigation of all matters of public interest. It was under the Dominion "Inquiries Act" that the Royal Commission on Dominion-Provincial Relations, the Rowell Commission, was appointed. However, if these acts were not designed, they are adapted to facilitate the settlement of labour disputes. Royal Commissions have on occasion, and could again, be appointed under them to investigate and report on an impending strike or lockout, and investigation is a necessary preliminary to peaceful settlement.

The two federal statutes of real importance from the point of view of

arbitration, properly so-called, are the "Conciliation and Labour Act", first passed in 1900, and the "Industrial Disputes Investigation Act", enacted originally in 1907. The first tangible result of the growing interest manifest in labour matters in the eighties and nineties of the last century was the passing of "The Conciliation Act", the forerunner of the present "Conciliation and Labour Act". This statute has not, perhaps, received the attention it deserves, for its provisions are of importance. In its present form it empowers the Minister of Labour, where a dispute exists or is apprehended, to inquire into its causes and circumstances, to take the necessary steps for the purpose of enabling the parties to the dispute to meet together under the presidency of a chairman with a view to arranging an amicable settlement, to appoint a conciliator on the application of the interested employers or workmen, or to appoint an arbitrator or arbitrators on the application of both parties to the dispute. Some of these powers are not exercised in practice, but it is under the authority of the "Conciliation and Labour Act" that the federal Department of Labour undertakes its conciliation work. The Department has resident conciliators stationed at Ottawa, Montreal, Toronto and Vancouver. Through their efforts, carried on without publicity, a great number of disputes are settled without the need of setting up formal boards of conciliation or arbitration.

The "Industrial Disputes Investigation Act", or, as it is popularly called, the Lemieux Act, is designed to aid in the prevention and settlement of labour disputes in certain industries affected with a public interest, namely in mines and in industries connected with public utilities, such as railways, steamship companies, telegraph and telephone companies, gas, electric light, water and power companies. While the Lemieux Act is particularly aimed at disputes occurring in public utilities, a difference in any industry may be submitted for settlement under its machinery upon the written request of both parties. The

Act is thus of wider application than is generally assumed.

In 1923 the constitutional validity of the Lemieux Act was attacked in the courts by the Toronto Electric Commissioners, whose employees had applied for a board of conciliation and investigation under its provisions. As might be expected, the case of the *Toronto Electric Commissioners v. Snider et al.* gave rise to much difference of judicial opinion. To be sure, the sections of the British North America Act that distribute legislative powers between the Dominion and the provinces were of little help to the judges, for they do not assign jurisdiction over industrial disputes to one or the other. However, in 1925, the case finally reached the Judicial Committee of the Privy Council, their holding being that the Act was ultra vires as interfering with the exclusive right of the provinces to legislate on property and civil rights.

Following upon the decision of the Privy Council the Dominion amended the "Industrial Disputes Investigation Act" to restrict its application to disputes occurring in mines or public utilities clearly under the legislative jurisdiction of the Dominion. At the same time the amendment provided that any dispute within the exclusive legislative jurisdiction of a province could by legislation of that province be made subject to the provisions of the Act. Most of the provinces took advantage of the permission extended them and there are now in all the provinces of Canada, except Prince Edward Island and British Columbia, Industrial Disputes Investigation Acts, which provide that the federal Act shall apply to every industrial dispute of the nature defined in it (that is, disputes occurring in industries affected with a public interest) that otherwise would have been within the exclusive jurisdiction of the province.

These acts were not of course the first provincial statutes to provide specifically for the conciliation and arbitration of industrial disputes. The first legislation of this kind was passed in Ontario in 1873 and a Mines Arbitration Act was passed in Nova Scotia in 1888 and re-

enacted in 1890. As a matter of fact, Nova Scotia has been a leader in the enactment of arbitration legislation. "The Mines Arbitration Act" was followed by "The Conciliation Act" in 1903 and both these statutes were repealed by "The Industrial Peace Act, 1925". Rather curiously, "The Industrial Peace Act, 1925" was itself repealed in 1926 by the "Industrial Disputes Investigation Act (Nova Scotia)", the limited application of which I have already referred to, and there is in consequence no general statute in Nova Scotia at the moment covering the whole of industry.

During the past year no less than four provincial acts of general application have been passed in Canada, namely, in Alberta, British Columbia, Manitoba and New Brunswick. As a result of this legislative activity only in Prince Edward Island, a non-industrial province, is there no legislation aimed directly at the peaceful settlement of disputes arising between employers and employees. You will be particularly interested in the "Labour and Industrial Relations Act"* of New Brunswick, which came into force on April 9th, 1938.

Neither the New Brunswick "Labour and Industrial Relations Act" nor the federal "Industrial Disputes Investigation Act" set up a system of what is technically known as "compulsory arbitration". Both statutes of course have compulsory features. For instance, the fundamental principle of both is that strikes or lockouts are prohibited prior to or during the submission of a dispute to a board of conciliation. Again, not only do they provide that their machinery can be set in motion at the request of either party to a dispute, but they give a minister of the Crown power of his own initiative to apply their provisions. Nothing, however, prohibits a strike or lockout, in the case of the federal act, after a memorandum of settlement has been signed or after the board has reported to the Minister of Labour, or, in the case of the New Bruns-

wick statute, after the parties have voted on the recommendations of the board. Nor is the finding of a board of conciliation under either act binding upon the parties to the dispute; they are free to accept or reject the award unless they have expressly agreed to be bound by it. This freedom to accept or reject is inconsistent with so-called compulsory arbitration.

Procedure under the two acts is very similar. Actually the "Labour and Industrial Relations Act" of New Brunswick is seemingly wider in that it provides for a preliminary investigation by a conciliation commissioner before a board is constituted. His duties, in the words of the Act, are "to make all such suggestions and do all such things as he may deem right and proper for inducing the parties to reach a fair and amicable adjustment of their differences". In practice, however, the difference between the two statutes is not material for it is the custom of the Department of Labour, where an application for a board has been made under the federal act, to attempt as a preliminary to bring the parties together by informal mediation. The Department does so under the authority given it by the "Conciliation and Labour Act", the effect of which has already been explained.

No system of conciliation or arbitration, be it established by the parties in a private agreement or provided by the state, is workable unless employers and workers bring to it a spirit of cooperation, a willingness to concede that the other side may be at least partially right. Because of the limited extent to which the principle of collective bargaining has been applied in Canada, as compared to Sweden, the state has seen fit to intervene in this country and set up machinery of its own for the conciliation and arbitration of labour disputes. This machinery will become less and less necessary as there is a progressive increase in collective bargaining. The experience of Sweden at any rate would seem to suggest that the spirit of cooperation so essential for the peaceful settlement of labour disputes is most likely to be

*The main features of this Act have been discussed in PUBLIC AFFAIRS, Vol. II, No. 2, p. 93.

found in a framework of collective bargaining.

The method of settling industrial disputes by means of machinery provided by the parties themselves is also to be preferred because it is consistent with our general way of doing things in a democratic country. In other words, it applies in the industrial field the same principle of self-government that experience has proved to be sound, for us at least, in the political field. Until such time, however, as employers and employees accept the full implications of the principle of self-government and proceed to set their own houses in order, our legislatures will no doubt continue to pass arbitration statutes designed to do for industry what it is not doing for itself. But in passing them, it is submitted that, in the interests alike of employers, employees and the general public, three principles should be kept in mind:

1. that legislatures should pass only those arbitration statutes that are absolutely essential;
2. that there should be the greatest possible measure of uniformity in these statutes throughout Canada, assuming of course that the provinces are to have jurisdiction;
3. that state arbitration machinery should be recognized for what it is, namely a stop-gap until private arbitration is more generally accepted.

Recent Labour Legislation in New Brunswick

During the last session of the New Brunswick Legislature a number of important acts affecting labour conditions in the Province were written on the statute books. We give the following brief resume taken from an article in the *Canadian Congress Journal*.

Industrial Standards Act: A new Industrial Standards Act, somewhat similar to the Nova Scotia Act was adopted. Its provisions are confined to jobs costing \$100 or more, and apply only to construction work. It provides for the

appointment of an inspector, who can call conferences of employees and employers for the purpose of drawing up working agreements which when signed by both parties, may, on the recommendation of the Minister, be proclaimed by the Government as the conditions to prevail in that trade during the life of the agreement in the specified zone. Penalties are provided for non-compliance with the Act or any schedules brought under it by proclamation.

Early Closing of Retail Stores: A new Early Closing Act was passed which gives Civic and Municipal Councils much wider powers to pass early closing by-laws. The two principal provisions being: "every municipal council is hereby authorized and empowered to make by-laws requiring that (a) during the whole or any parts of the year retail establishments shall be closed and remain closed on each or any day of the week between such hours as any such by-law shall specify: (b) retail establishments shall be closed and remain closed during the whole or such part of each or any holiday as any such by-law shall specify" and "any municipal council may make by-laws under the authority of this Act of its own motion or upon petition of such proportion of persons engaged in any class or classes of retail trade as shall appear to the council to be truly representative of such class or classes."

"The Act also provides for penalties for the violation of any of its provisions or any by-law made under it."

Unemployment Insurance Endorsed By United Church of Canada

The Bay of Quinte Conference of the United Church of Canada held in Kingston, Ontario, during the past month, went on record in favour of a national contributory unemployment insurance scheme operated in conjunction with Employment Exchanges. Expressing the view that even though all workers would not benefit by such a scheme in the beginning, it was held there was immediate and urgent need to lay its foundation.

Current Public Affairs

Economic Council of Nova Scotia.

The Nova Scotia Economic Council has published a Report of its activities for 1938. Among the submissions to the government made by the Council during 1938 are the formation of an economic survey committee, the establishment of a lumber bureau, a program for land settlement, suggestions for marketing apple products and dried fish, and a survey of Canadian-West Indies trade agreements.

The Report on Land Settlement in Nova Scotia indicates a growing interest on the part of both the Government and the Economic Council in problems and policies relating to agriculture. In order to give some direction to a provincial land settlement program, the Council reviewed the operations of many settlement schemes in Canada, the United States and Europe.

The suggestions of the Council are based on the fact that "Agriculture in the past has suffered because many of the young people most suited to farming have left to pursue other occupations that have held out greater inducements. It is not suggested at the present time that these persons be urged to go 'back to the land' but it is recommended that many young persons now on farms be encouraged to remain instead of swelling the ranks of other already crowded occupations. Moreover, it is doubtful whether employment opportunities elsewhere will ever again be sufficient to absorb the excess number of farm workers as they have done in the past."

Two policies are suggested by the Council. The first, predicated on the results of the economic survey, would provide settlement on lands designed to produce certain products. The government authorities would, of course, take an active part in supervising the settlement and agricultural activities. The second, a temporary program would be of an experimental nature designed to aid and supplement the observations of

the survey committee. Such settlers as might be chosen would be given preliminary training in the various branches of agriculture.

A *Maritime lumber bureau* is recommended on the ground that, unlike most other Canadian products, lumber is not sold at a uniform or consistent price on the British markets. To help overcome the resultant unsatisfactory market conditions, to contribute toward some degree of price stabilization and to find some means of bringing together the small units of the lumber industry into some plan of merchandizing, the creation of a Maritime lumber bureau has been proposed.

It is gratifying to note that the Council's recommendation has led to prompt action. A bureau for the industry has been established with headquarters in Amherst and has already started operation. Stanley Cumming, M. A., is in charge.

The bureau will act essentially as a clearing house for market information. It will collect, compile and distribute as complete data as possible on current prices for various types of lumber. Price information will be particularly helpful to these small lumbermen who are often unable to obtain credit. Hence when they are forced to sell are apt to be exploited.

In order to compete successfully in world markets it is essential that some form of uniform grading be established. Should the bureau be active in establishing and maintaining a method of grading comparable to that used by other countries, the sale of Maritime lumber would be stimulated on world markets.

An Economic Survey Committee for Nova Scotia

The Economical Council of the Province of Nova Scotia recently recommended the formation of a committee to make a survey of the natural resources of the province. The government has com-

plied with the recommendation and has appointed as members of the Committee Dr. A. E. Cameron, Deputy Minister of Mines, Dr. F. H. Sexton, President of the N. S. Technical College, L. T. Chapman, B.S.A., Principal of the N. S. Agricultural College in Truro, G. W. I. Creighton, B.Sc.F., Provincial Forester, Dr. D. B. Finn, Director, Fisheries Experimental Station and Geo. V. Haythorne, Secretary of the Nova Scotia Economic Council.

The tentative plan of the survey includes an examination of the geology of the various localities minerals associated with these districts and an analysis of agricultural possibilities throughout the province.

"It is not proposed that this work should be done directly by the members of the government departments though no doubt their services will be called upon. The proposal is that the services of professors and competent senior students of the universities and colleges in the province should be employed. This would enable the work to be done at a moderate expense and would provide valuable training for students, particularly in the summer months."

That such a survey will be useful is beyond question. To complete an investigation of such magnitude probably will require a number of years. Certain phases such as soil and product analysis will be helpful immediately and should assist the provincial authorities in formulating a program of land settlement. It is hoped that the people of the province will lend the support that such an undertaking deserves.

The Maritime Co-operator

Under the above title a journal has been started by a committee of co-operative leaders with the assistance of the Extension Department of St. Francis Xavier University. In June and August two issues have been published and beginning September, the *Maritime Co-operator* will appear regularly twice a month. The June issue sent to us shows all the valuable features

which made the St. Francis Xavier *Extension Bulletin*, whose place the *Maritime Co-operator* will take, so popular. It promotes the co-operative movement by discussing the social and economic developments which have made co-operation necessary, and it describes these difficult problems in clear and understandable language. From the program issued by the Extension Department we learn that the *Co-operator* will also have a section devoted to the cause of labour. "It will campaign for a vitalized rural economy and culture and will seek to promote the solidarity of all groups." The subscription is only \$1.00 a year. The committee in charge hoped to get 30,000 subscriptions by the end of November. The fine contents of the first issue certainly justifies that hope.

Convention of the Maritime Fire Chief's Association

The annual Convention of the Maritime Fire Chiefs' Association was held in Liverpool July 12th to 14th. The program had been prepared with the assistance of the Institute of Public Affairs and the Secretary of the Institute was present at the sessions. Among the papers presented on problems of a non-technical nature, one dealt with fire in industrial plants which was given by J. T. Dexter, Engineer of the Mersey Paper Company in Liverpool. W. C. Clairmont, Senior Fire Prevention Engineer in Ottawa spoke on the educational aspects of fire prevention showing at the end of his address an excellent film prepared by his Department for demonstration in schools.

A number of important resolutions were passed. One of them was concerned with accident insurance for fire fighters, a subject which had been before the Convention previously. The Institute of Public Affairs was asked to make an inquiry as to the best methods of affording adequate protection to fire fighters whether by amendment of existing Workmen's Compensation Acts or in other ways, and a committee consisting of the

Fire Chiefs of Halifax, Amherst and Yarmouth was appointed to co-operate with the Institute in this study.

Canadian Council of Nutrition

"To-day we have reliable information that the level of public health depends upon the nutritional state of the people. The old idea that when people have eaten to satisfy their hunger they are properly fed is disappearing. We now wish to know whether we are securing the food we need to keep us healthy. Because a great deal of research has been done along the lines of nutrition in the past thirty years we can say which foods to use so that children may grow properly, that all of us may be as healthy as possible and that we may work more efficiently."

The above sentences taken from a recent statement of the Canadian Council of Nutrition indicate the important task which the Council has to perform. The Council was established by the Department of Pensions and National Health at the end of 1937 and is composed of scientists, economists, representatives of consumers and of agriculture. Parliament has recognized its importance by voting at its last session the sum of \$14,000 for the Council's research work. As was stated in the House of Commons by the Minister of Health, it will be the purpose of the Council to study Canada's status and food consuming habits; to outline standard methods of collecting data; to set up a nutritional standard for Canada; to interpret this standard in terms of specific foods; to co-ordinate nutrition study and research in Canada and outside; and to conduct educational and publicity campaigns to correct unsatisfactory food habits.

The layman will be especially interested in the Council's endeavour to make available to the Canadian public the results of scientific food research. In the near future the Council will under-

take a general revision of the Canadian dietary standard and a pamphlet is being prepared which will contain a list of menus based on this standard.

As part of the Council's scientific programme surveys are being undertaken of the food consumption among low income groups in order to determine whether the food intake provides for the necessary amount of calories. One such survey is at present being conducted in Halifax County by E. G. Young, Professor of Dalhousie University.

Canada's European Industries

A considerable amount of publicity is attendant to the immigration of many European industries into Canada. In general terms, the industry proposes to supply capital, management and technical skill. Canada is prepared to supply the workers, raw materials and access to domestic and foreign markets.

From Montreal comes the despatch that a resolution has been adopted by several thousand workers and union members in the shoe trade throughout the Dominion to petition the Federal Government to ban the establishment of the Bata Shoe Company of Czecho-Slovakia in Canada.

The Bata firm is building a plant at Frankfort, Ont., and also intends to bring over three hundred key-workers from central Europe.

According to the Bata firm the plan is to set up not only a shoe factory but an engineering and research institution. Of the eighteen hundred employees that Bata hopes to have on its payrolls in Canada within the next year or two approximately twelve hundred will be engaged in machinery manufacture, engineering and research. It seems therefore unlikely that the highly skilled workers that will be brought over from Europe will compete unfavourably with the general run of Canadian labour.—*The Philadelphia Inquirer.*

What Municipalities are Doing

Contributions from Municipalities to this Column will be most welcome

Convention of the Union of Nova Scotia Municipalities

The Thirty-Fourth Annual Convention of the Union of Nova Scotia Municipalities will be held in Bridgewater from the 29th to 31st of August. An elaborate program has been prepared by the Executive of the Union in co-operation with the Institute of Public Affairs and the municipal officers of Bridgewater, Lunenburg Municipality and the towns of the district. Visitors will not only hear addresses on important municipal problems delivered by well known experts from inside and outside the province but will also be given an opportunity of seeing one of the most beautiful parts of the province which attracts a good many tourists just at the present time. A cruise on the famous Lunenburg schooner *Bluenose* is included in the entertainment program. Of the papers to be delivered at the Convention the following may be mentioned:

AUGUST 29th.

Presidential Address—A. M. Butler, C.A.,
City Auditor, Halifax.

Unemployment Insurance and the Municipality
—L. Richter, J.D., Sc. Pol. D., Dalhousie
University, Halifax.

Some Problems of Municipal Administration—
Hon. L. D. Currie, K.C., Minister of Mines
and Labour for Nova Scotia.

AUGUST 30th.

*The Contribution of the Victorian Order of
Nurses of Canada to Public Health, 1898-
1938.*—Miss Beatrice Creasy, R.N., As-
sistant Superintendent, Ottawa.

Provincial-Municipal Relations—Hon. Eric
Cross, M.A., K.C., Minister of Municipal
Affairs and Public Welfare for Ontario.

AUGUST 31st.

Review of Municipal Legislation 1939—G. E.
Romkey, M.L.A.

Course in Municipal Administration in Bridgewater

Following the Convention of the Union of Nova Scotia Municipalities there will be held Friday, September 1st, a Short Course in Public Administration for municipal officers and officials sponsored by the Institute of Public Affairs at Dalhousie University.

The Course will deal with practical problems which are in the foreground of municipal interest. The program has been drafted after careful consultation with municipal representatives. Each subject will be introduced by a lecture given by a man with special experience in that particular field. The lectures, it is hoped, will be followed by an extensive discussion.

A special feature of the course will again be the answering of questions. Municipal officers taking part have been invited to send in written questions which they would like to have answered concerning legal or administrative problems in the municipality. The Institute of Public Affairs will convey these questions, provided they are sent in time, to persons qualified to deal with the subject matter.

The following is the program of the Course:

FRIDAY, SEPTEMBER 1st, 1939.

Morning Session—10.00.

Chairman:—His Honour, Judge Arthur Roberts.
Some Actual Municipal Problems—H. J. Egan,
Assistant Municipal Commissioner for Nova
Scotia.

Answering of Questions.

Afternoon Session—2.30.

Chairman:—A. H. Sperry, Municipal Clerk,
Lunenburg.

*The Administration of the Nova Scotia Health
Act*—Dr. P. S. Campbell, Deputy Minister
of Health for Nova Scotia.

Assessment Rules—Research Associate, Institute
of Public Affairs.

The Annual Convention of the Union of New Brunswick Municipalities

The Annual Convention of the Union of New Brunswick Municipalities will be held the 12th and 13th of September in Fredericton. An interesting program is being prepared which, however, was not finalized at the time this issue went to press. In the fall issue a report of the Convention will be given.

New Glasgow

New Glasgow, like most industrial towns has its problems, especially with the unemployment situation. It has tried to help those deserving relief by the undertaking of works projects including the repairs to water main lines and sewers. Last fall and winter the works projects included the widening of the main road to Thorburn, the cleaning up of the river bank and clearing of all brush and trees from the town approaches. These projects enabled the town to provide work and money for those otherwise unemployed.

Several residential streets have been paved with concrete and at the present time the town anticipates borrowing for the purpose of completing the paving of other residential streets in the town.

The Federal Government has stated their willingness to spend \$20,000 on the development of a municipally owned airport if and when airport lands are deeded to the Department of Transport. Should this project be undertaken it will not only provide considerable work for the unemployed but should be of benefit to the people of Pictou County.

Branding Reckless Drivers

A plan to make motorists safety conscious through embarrassing reckless drivers has been worked out by city officials of Scranton, Pa., according to reports of the International Association of Chiefs of Police. The plan involves the painting of circles on the rear of violators' automobiles.

A yellow ring would be painted after the first offense, a red ring after the second violation, and for a third offense,

the colour would be blue. It is proposed to leave the circles on automobiles for thirty days. The city legal department is studying the plan to determine whether such punishment is lawful.—*The Municipal Review of Canada.*

No Relief for Newlyweds

Welfare officials at Charles City, Iowa, have been struggling with the problem of persons on relief, marrying and establishing a new home and family, dependent upon relief, of course. Latest action taken is to deny relief to newly wedded persons during their first year of married life.—*The Municipal Review of Canada.*

Examination of Tubercular Suspects in Ontario

A recent amendment to the Sanatoria for Consumptives Act for the Province of Ontario authorizes the medical officer of health, with the approval of an inspector, to give notice to any person suspected of suffering from tuberculosis to submit to an examination at the time and place specified in the notice. The expenses of such examination are payable by the local municipality.

Upon admission of a patient to a sanatorium, notice is to be sent to the clerk of the local municipality in which the patient is reported to be a resident. The clerk is required to reply to such notice within thirty days, stating whether the patient is or is not a resident. If the clerk fails to comply, the patient will be deemed a resident of that municipality.

Under the act the superintendent of a sanatorium is authorized, when he requires information as to the ability of a patient to pay for his maintenance, to request such information from the clerk of the municipality in which the patient was resident at the time of admission. If the clerk fails to give the necessary information, or reasons why it cannot be obtained, within thirty days, the municipality will be required to pay the patient's maintenance charges at the rate set for provincial aid, com-

mencing thirty days after the mailing of the notice, and continuing until the clerk has complied.—*The Municipal World*.

Municipally Administered Beer Halls in South Africa

In an effort to suppress the number of crimes of violence and general disorder which accompanies the lack of suitable recreational facilities for the native population of Johannesburg (South Africa), the municipal government of that city has devised a plan for providing a partial solution which takes the form of municipally administered beer halls.

To provide for the planned extensions of the city's activities in this direction, the City Council will this year build the largest brewery in halls throughout the municipal area. The Council's first

canteen was opened in the early part of 1938 and during the first eight months of its operation it proved successful from the social as well as the economic standpoint. Following the success of the first canteen, the City Council is pushing ahead with developments which are believed to be the foundation upon which a complete solution to past problems will be effected.

The experience of the first canteen has shown that the profits from this government enterprise will be of considerable importance as a source of revenue as well as presenting a practical solution to a serious municipal problem. The profits will be paid into the Native Revenue Account and will be devoted to native welfare, rent reductions, improvement of recreational facilities and assisting educational institutions.—*Local Government Administration* (South Africa).

Legal Department

Important Decision of the Supreme Court of Nova Scotia on Municipal Liability

Peddle vs. The City of Sydney (not yet reported).

Thomas Peddle was walking upon a sidewalk in Sydney. To pass other pedestrians he walked toward the outer edge of the sidewalk and stepped on a circular iron cover of a catch-pit. The cover tilted and he fell and sustained injury.

The plaintiff claimed damages on two grounds:

- (1) Unlawful and negligent construction of the manhole. The Court decided it was properly constructed.
 - (2) Failure of the City to keep and maintain the manhole in a good and sufficient state of repair.
- The manhole was constructed prior to the incorporation of the City. The

City was under no Statutory duty. What was its responsibility at common law?

The Court declared that if this were simply a case of non-repair of a highway the law is well settled that there is, in the absence of a Statute, no liability of the highway authority for damages.

It is, however, misfeasance and not a mere nonfeasance to erect or place in the highway any *artificial structure*—such as a sewer with a manhole opening—which is not itself a part of the highway, and then to allow that structure (as opposed to the highway itself) to fall into a dangerous state of disrepair.

The Court found as a fact that the iron cover over the course of 35 years had worn away the concrete base into which it should fit securely. This erosion left the cover unstable and in consequence it was liable to be displaced by the step of a pedestrian. This happened. For this misfeasance the City was liable.

The Book Shelf

Denmark, A Social Laboratory by Peter Manniche. G.E.C. Gad, Publisher, Copenhagen; Oxford University Press, 1939.

The book, as stated in the Foreword, is an introduction to those phases of Danish social life which have won attention outside the country. The Co-operative Movement and Folk High Schools are in the foreground but we also hear about the Danish farmer and his environment, the comprehensive social insurance system of the country and about village life in Denmark. There is a lot to be learned from this excellent book but as the author, the well known Principal of the International Folk High School in Elsinore is an experienced educator, learning gives real pleasure. The book is to be warmly recommended to all interested in social progress. A large number of fine photographs add to the value of the book.

Canadian-American Relations 1849-1874 by Lester Burrell Shippee. New Haven: Yale University Press. Toronto: The Ryerson Press. Price \$3.25.

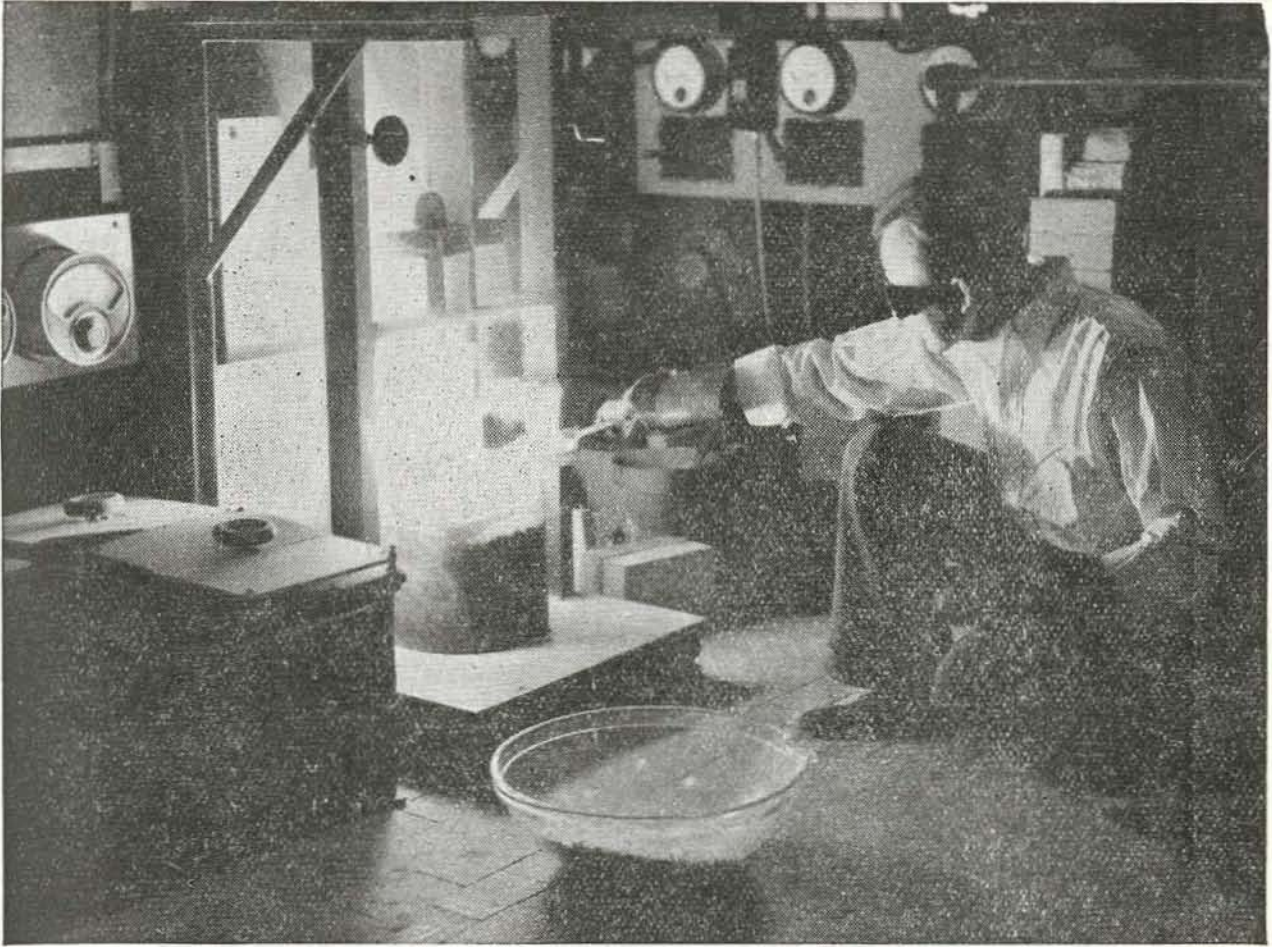
The Carnegie Endowment for International Peace has sponsored a series of studies in "The Relations of Canada and the United States", with the intention of demonstrating to the world how two great neighbouring nations can live peacefully together and settle amicably all conflicts if there is an earnest wish to do so. The economic, cultural, social and political relations between the two countries have already been dealt with in a number of valuable monographs. Now an historical series begins to appear with a book on *Canadian-American Relations 1849-1874*, written by Professor Shippee. The volume is of particular interest to the Maritimes as the period under discussion includes such important events as the Reciprocity Treaty, the American Civil War and Confederation. The effects of these events on the Maritimes have been dealt with by Professor Shippee in great detail. His scholarly book makes a fine contribution to Maritime political and economic history.

Health and Unemployment. Some Studies of Their Relationships, by Leonard C. Marsh in collaboration with A. Grant Fleming and C. F. Blackler. Oxford University Press, 1938.

The book is the latest volume in the McGill Social Research series which has done already so much to explore social conditions in Canada. It gives the results of a comprehensive survey made among groups of unemployed in Montreal by medical men and sociologists. Similar surveys have been made in other countries but it is the first time that the method has been employed in Canada. The result is an excellent piece of research which can be recommended as a model for similar surveys to be undertaken in other districts. They will show, as has been the case in Montreal, the imperative need of making organized health services available to the unemployed.

Local Government Activities and Their Cost, Published by the Municipal Finance Officers' Association, 50.

In these days of decreased municipal revenue from its principal source of supply, namely the tax on property, many civic executives ask themselves the question put forward in a brochure recently published by the Municipal Finance Officers' Association of the United States and Canada: "Is it possible to bring into balance the demand for local services and the financial resources available to carry them out, and do so within the present framework of democratic local self-government?" Before coming to its final answer of a qualified "yes" the brochure, (which was prepared by a special committee, including two Canadians, L. Roberge, Director of Finance of the City of Montreal, and E. T. Sampson, City-Clerk-Treasurer of the City of Outremont) covers in a masterly and concise manner the whole subject of modern local government services, their administration and their cost. This brochure of 75 pages, which costs only fifty cents, should be on the desk of every municipal executive.



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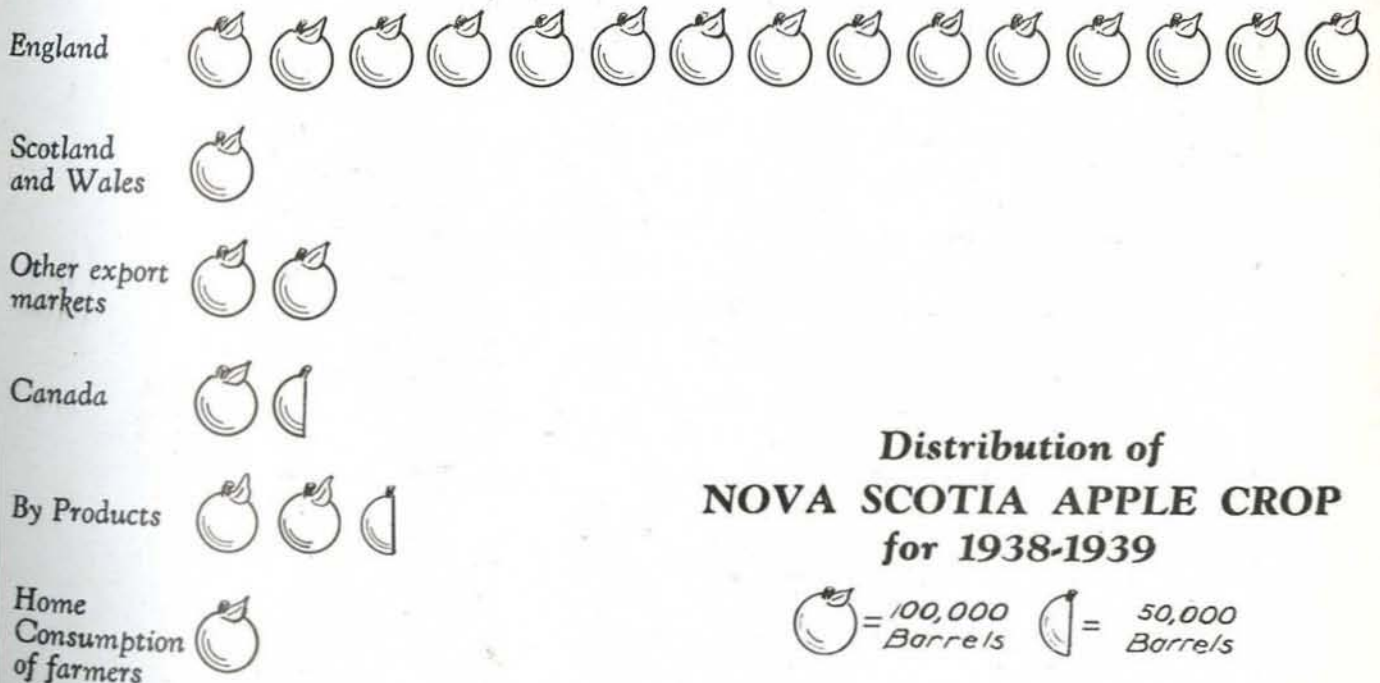
DECEMBER, 1939

A Maritime Quarterly for Discussion of Public Affairs

Articles on Maritime Economy

ARTICLES IN THIS ISSUE

War and the Maritime Economy	- - - - -	W. F. Lougheed
Modern Methods of Using Coal	- - - - -	F. W. Gray
Economic Planning for Nova Scotia	- - - - -	G. V. Haythorne
Marketing of Nova Scotia Apples	- - - - -	A. W. MacDonald
Farm Credit in P. E. I.	- - - - -	J. T. Croteau and A. M. Linkletter
The Meaning of Unemployment Insurance	- - - - -	L. Richter
Handicrafts in New Brunswick	- - - - -	S. E. Hayes
Proportional Representation—A Voice from England	- - - - -	T. E. Harvey, M.P.
Some Problems of Sanitation	- - - - -	P. S. Campbell
Educational Aims of the Civilian Conservation Corps	- - - - -	H. W. Oxley



See Article "Marketing of N. S. Apple Crop"

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Union of Nova Scotia Municipalities Union of New Brunswick Municipalities
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PUBLIC AFFAIRS

CONTENTS

War and Maritime Economy - - - - -	W. F. Lougheed - -	53
Modern Methods of Using Coal - - - - -	F. W. Gray - -	57
Economic Planning for Nova Scotia - - - - -	George V. Haythorne	60
Marketing of Nova Scotia Apples - - - - -	A. W. Macdonald -	64
The Meaning of Unemployment Insurance - - - - -	L. Richter - - -	72
Handicrafts in New Brunswick - - - - -	S. E. Hayes - -	74
Proportional Representation - - - - -	T. E. Harvey - -	77
Some Problems of Sanitation - - - - -	P. S. Campbell - -	80
Educational Aims of the Civilian Conservation Corps - - - - -	Howard W. Oxley -	84
Industrial Relations and Social Security - - - - -	- - - - -	87
Current Public Affairs - - - - -	- - - - -	89
What Municipalities Are Doing - - - - -	- - - - -	92
The Book Shelf - - - - -	- - - - -	95
Legal Department - - - - -	- - - - -	96

*War and the Maritime Economy

By W. F. LOUGHEED

IN the light of Canada's past experience as a belligerent it is natural to expect that the present war will tend to alter the economic as well as the social structure of the country. The resultant effects, of course, will depend upon a number of factors; particularly, the duration and intensity of the war and the extent of Canada's participation. The present examination, therefore, deals in so far as possible, with initial effects of the war and their possible influence on the Maritime economy and particularly the economy of Nova Scotia.

The economic resources of the Maritime Provinces and the manner in which they are utilized are included in the general term "maritime economy". Over a period of years certain relationships between groups within the province have been created and maintained both by governmental and private activities. Since each geographical and political sub-division of the country has its own peculiar set of problems, such changes as may occur as a result of war are of vital interest to the respective areas.

It must be remembered, at the outset that the Maritime economy is an integral part of the Canadian economy. Thus, changes in the economy of Canada as a whole will result in repercussions throughout the various groups within the country. While it is natural to consider the province of Nova Scotia as an entity in itself its activities are to a great extent subject to changes beyond the ability of the province to offset. Rearrangements of the monetary system, changes in Dominion fiscal policies and shifts in both domestic and foreign consumption and production all have an effect on the economy as a whole and ultimately on

the various sub-divisions. Hence, in order to appraise the initial effects of war on Nova Scotia, it is necessary to consider the possible repercussions in Canada as well as in the province.

Although the war is only weeks old, certain definite features are beginning to emerge. The Canadian economy at the present time is not in a position to produce many war materials merely in the hope that they might be used. Industry is not so geared physically or financially. The major stimulus to Canadian industry centres on (1) the needs of Canada in preparing for and carrying out defensive operations on this side of the Atlantic and (2) the intensity of demands from abroad for troops and war materials. Contracts and orders must be forthcoming in order that industry will be able to formulate some tangible production policy. Furthermore, credits or cash must be available in order that demands may be met. In so far as domestic production is concerned the Dominion Government is in a position to create and transfer purchasing power within the country. Economic expansion resulting from allied orders must be met in the main by the creation of credits to England—a policy apparently not yet fully operative.

The great bulk of British purchases for war materials are being made through a central purchasing agency under the direction of a Ministry of Economic Warfare. The normal independent buying and selling arrangements in existence prior to war now are practically nonexistent. Thus, great care must be exercised in determining when and where demands of the British purchasers exceed the normal demands of peace time. Even under existing conditions Canada will undoubtedly export many commodities. But, the mere fact that orders are being placed through a central board is not sufficient to assume additional demands on the economy.

EDITOR'S NOTE: W. F. Lougheed, a Torontonian is Research Associate of the Institute of Public Affairs.

*The reader is cautioned that any appraisal at the present time of possible effects on the Maritime economy is based on such facts as are available. Such an appraisal therefore, is "dated" and as new facts emerge the analysis is subject to change.

The outbreak of the war was accompanied by anticipations (partly conditioned by the experience gained during the later stages of the war of 1914) that Canada would become a "sellers market." But, at present, competition from other countries, particularly the United States, tends to alter the degree to which Canada can be in this position. Efficiency in production thus becomes a prerequisite. Tariffs, preferential trade agreements and other devices designed to assist production can offer little. Furthermore, the buyers are motivated not only by alternative price quotations but also by political, financial, and strategic factors. Hence the degree of stimulus that Canadian industry will receive from external sources will be determined to a great extent by the ability of industry to meet competition and the needs of the purchasers.

Internally, certain conflicting features are beginning to emerge. The first complication in the economic system may be seen in the money markets. In the first place, the possible curtailment of the London and New York markets to Canadian borrowers will shift the burden directly on Canadian financial institutions for the provision of capital to the Dominion, to the provinces, to the municipalities, and to private industry. The Dominion government, in order to prosecute war, unquestionably will make heavy demands on Canadian capital. At the same time, provinces finding it necessary to maintain their financial structure will be seeking loans if for no other purpose than to refinance maturing debt obligations. Likewise those private industries that must expand in order to supply war materials may be seeking loans in the market. For those investors who favour the purchase of bonds, many alternatives will be available, but the rate of interest that will be demanded will tend to increase as it has already been doing. Thus the fixed charges on governments, particularly, will tend to increase according to the degree of financial need, ultimately placing an additional burden on the taxpayer.

The second complication arises as a result of the avowed Dominion policy

of "pay as you go". Additional tax burdens must be met by industry and individual taxpayers throughout the Dominion. The incidence and effects of various war-time taxes cannot be seen immediately. The short run effects of commodity taxes, however, are beginning to emerge—food prices have gone up. In a province that has enjoyed little prosperity since the last war, the increased regressiveness of the tax system will have an adverse effect on the standards of living, particularly in the lower income brackets.

As pointed out above each geographical or political sub-division has its own particular economic structure. It is likely that each area will be called on to supply those commodities which it is most suited to produce. Under present circumstances, it is unlikely that Nova Scotia will be called upon to supply wheat or aeroplanes to the allies but, should the need arise, Nova Scotia would be in a position to supply lumber, steel, coal, fish and some manufactures based on these commodities. However, until the demands become intensified certain possible repercussions may be considered.

The prosperity of the fishing industry at present depends to a large extent on foreign markets, especially those purchasing dried and salted fish. In fact the industry has been so geared that the fresh fish markets could not serve as a suitable alternative in the event that foreign markets are lost. By virtue of the control placed in the British Ministry of Economic Warfare for the purchase of sugar for the Empire and the fact that Britain appears to be purchasing fish from Scandinavian countries and Newfoundland, it may be that foreign markets for Maritime fish will be curtailed should fish purchased by England be bartered for sugar.

An examination of the fishing industry during the last war indicated that the demand for fish, particularly in North America, increased nearly fifty per cent. This was attributed in a large measure to the demand of the Allies for meat, both fresh and canned, causing a shortage in the domestic market—fish becoming

a substitute for meat. For certain types of fish there is a likelihood during this war that markets will expand but unless additional markets for fish are opened up, it is unlikely that the industry as a whole will show substantial gains.

The Maritime steel industry appears to be anticipating an increase in business. This is based on the possibility of increased demands for steel of all kinds. However, the Canadian steel industry has not received, since the outbreak of war, abundant foreign orders for steel products. Furthermore, the British steel industry at the present time is geared up to produce at a greater rate than at the conclusion of the last war. From an investment point of view under present conditions, it is absurd to expect additional plants and equipment to operate in the province for the duration of the war and then be forced to close down as a result of a diminished or negligible demand for the products.

The coal and coke industries are receiving some stimulation due to the difficulties of obtaining imported coal. Major increases in demand for Nova Scotia coal, however, will be conditioned by the price of American coal, the extent to which the British supply to Canada is curtailed, and the needs of domestic industry. There is a functional relationship between the coal industry and other industrial activity. Until other industries utilizing coal expand, production in the coal industry will receive stimulation only as a result of scarcity of imported fuel.

The apple industry stands to suffer as a result of war.* Great Britain has been the principal market for Maritime apples, Nova Scotia usually shipping between fifty to seventy per cent of its apple crop each year across the sea. But it is likely that British buying will be curtailed since restrictions have been placed on certain consumable goods for the duration of the war. In addition, freight and insurance rates have increased making the return to the apple producers relatively low. If the market is seriously

curtailed and prices drop, the only alternative is to sell the apples in Canada and the United States. In 1937 over one million barrels were shipped to England, while Canada absorbed one hundred and thirty thousand barrels. This indicates the present problem of marketing the apple crop.

The Dominion Government has appointed a Board to act as a central agency for the purchasing and marketing of Nova Scotia apples. The appointment of such a board may prove effective in opening up new markets since one objective of the Apple Marketing Board is to make top grade apples available for domestic consumption. Also the British Food Ministry is considering at the moment the possibility of purchasing dried apples. Changes in the processing and marketing of apples are likely to occur which may result in the expansion of the apple industry.

Curtailement of shipments of pulpwood since the outbreak of the war has affected the lumbering industry. Large amounts of pulpwood ordered by German interests were not transported after August of this year. But the demand by British markets may offer a considerable degree of compensation for the loss of other European markets. An additional possible market for Canadian lumber may open up in the United States since Sweden, Canada's chief competitor in the United States markets, has prohibited further shipments of pulp and timber by sea. But, liner freight rates on lumber have increased nearly fifty per cent, while the rates on tramp freighters have increased over one hundred per cent. It is necessary therefore that some form of price stabilization be established before the timber cutting begins if the lumber industry is to operate effectively.

Small craft, particularly anti-submarine boats are listed among the needs of Britain as well as Canada. There is no question that the province is admirably suited for boat construction. The main factors (other than political) affecting production will be the price, the speed with which the boats can be produced

*See the article: Marketing of Nova Scotia Apples by A. W. Macdonald on p. 64

and the organization of the industry.¹ During the last war, small craft were being produced on assembly lines in automotive plants at very nominal prices and relatively rapidly, but for the construction of certain types of boats, there is every indication that the Maritime ship-building firms will be able to meet most if not all requirements. Any orders that may be made with the Maritime firms should have the effect of stimulating the activities in all subsidiary industries.

It is evident at the moment that the cost of living is increasing or being increased. In order to offset those increases in price resulting from a lack of supply, the Minister of Agriculture has been encouraging an increase in the planting of various crops within the province. The present objective is to increase the number of acres under cultivation from 114,000 acres to 170,000 acres. Any activity in stimulating agriculture should result in a greater utilization of productive resources and the encouragement of more scientific methods of production. While such results may not appear in the short run, their long run effects should materially benefit agriculture throughout the province.

The increasing importance of the port of Halifax accompanied by an increase in employment necessary to cope with the increased activity should be reflected in the gross incomes accruing to the retail business. Also, increases in the army, navy and air force stationed in the province result in an increase in the purchasing power reflected in additional gains to the real estate and hotel trade, the consumption goods businesses and the

amusement centres. The less immediate effects will be felt throughout the economy as the readjustments are made.

From the financial point of view certain effects of the Dominion monetary and fiscal policies will be felt throughout the economy. As pointed out above intensified demands on the Canadian financial institutions will force up interest rates. Thus, municipalities and towns as well as the province will find it increasingly difficult to refinance maturing obligations at low interest rates. This will be reflected in increasing fixed governmental charges. Should expenditures continue at existing levels the net result will be increased taxes. If a general rise in prices occurs as a result of the policies of the government designed to meet war-time demands then annuities, pensions and legacies will shrink in terms of purchasing power. Such possibilities must be considered in the light of a long drawn-out war.

The war in its present stage of development is far more an economic war in every sense than that of 1914. Great Britain—in a position to suffer great financial losses—is utilizing her bargaining position to ensure against inefficiency and incompetency in the acquisition of war supplies. It is fully realized by the British government that the taxpayers are going to pay for this war and that the national wealth of the country will be depleted. The British taxpayers' money is not being lavishly spent and there is little likelihood that it will be. The keynote "efficiency" in British buying and American production should serve to arouse Canadian business to utilize all available resources in the most economic manner possible.

(1) One cannot refrain from asking where suitable high speed motors can be produced at a reasonable price.

Modern Methods of Using Coal

By F. W. GRAY

COAL is of world-wide occurrence. It is found in rocks of every geological era since the Carboniferous Era, and is being formed today. The classification of coal into its numberless varieties has occupied many minds over many years and is the subject of lively interest and continuous research at this time. The methods of coal utilization are therefore as numerous as the locations of its occurrences, of its chemical and physical variations, and of the economic needs and achievements of the populations living where coal is mined. The processes and methods of coal utilization should always be viewed in relation to the varying conditions named and other conditions that cannot be covered in any brief manner. This complex of considerations precludes hard-and-fast or dogmatic approach to any given local development of the mining and use of coal. While even in our divided world civilisation the gain in technical knowledge of the constitution and uses of coal is shared more or less in common, it should not be assumed that processes called forth by local needs, say in Europe, are adaptable to or likely to be commercially successful in North America. Much capital has been unprofitably invested because this fundamental condition has not been recognised and admitted.

In Western Europe and the British Isles the native sources of petroleum are meagre or non-existent, and petroleum must be imported at relatively high cost. This economic problem has increased in importance as the use of petroleum and its derivatives has increased in industry, transportation and defence.

Much attention has consequently been given in Europe to the manufacture of motor fuels from coal, primarily from the viewpoint of national defence. It has

to be conceded that to date it has not been found possible to manufacture motor fuels from coal or coal derivatives as cheaply as petroleum can be imported, but coal-derived motor-fuels are being manufactured on a large scale with the assistance of protective tariffs and subsidies to manufacturers.

There is no incentive to the use of coal, or oil-shales, for production of motor-fuels in North America so long as ample supplies of cheap petroleum persist.

Central heating of buildings and houses is general in North America, and the use of the open grate, burning bituminous coal is not as universal a practice as it is for example in Britain. The ample supplies of anthracite, natural gas, petroleum, supplemented by high-temperature coke, and their use in central heating-furnaces avoid the public demand which exists in Britain for a fuel that will provide a cheerful open-grate fire while avoiding smoke pollution of the air of great cities in a foggy country. To meet this hotly-debated situation there have been developed many "low-temperature" coal-carbonisation processes, designed primarily to produce a relatively smokeless fuel but with sufficient volatile combustibles left in the fuel to ignite easily and give a cheerful glow in use. The other main object of low-temperature processes has been to produce light oils suitable for motor fuel.

While valuable additions to the technical knowledge of coal carbonisation have resulted from experimental plants using some modification of low-temperature carbonisation, commercially there has been much more loss than profit in such ventures, and at this date by far the greater yield of carbonisation products of coal comes from high-temperature carbonisation processes, while hydrogenation methods and synthetic processes, such as the Fischer process, are making notable progress in so far as manufacture

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of light oils and motor fuels are in question.

The Report of the Secretary for Mines in Great Britain for 1937 gives the production of refined motor spirit, including motor benzole, from coal, coal-tar and coal-tar oils for that year in the United Kingdom as follows:—

High-temperature Carbonisation:	
At Coke-ovens.....	34.5
At Gas-works.....	10.0
Low-temperature Carbonisation.....	1.0
Tar and Tar-oil distilleries and refineries.....	11.8
Hydrogenation.....	35.0
From Shale.....	7.7
	<hr/>
	100.0
	<hr/>

The important position attained by hydrogenation is clear from these figures. This method is used at the Billingham Plant of Imperial Chemical Industries. It was planned to produce up to 45 million gallons of petrol per annum from coal, creosote and low-temperature tar, and it was anticipated some 600,000 tons of coal would be required each year. In 1937, 35 million gallons of petrol were produced compared with 33½ million gallons in 1936. The total quantity of coal consumed in this plant for all purposes in 1937 was 440,000 tons, of which only 110,000 tons was directly hydrogenated. The greater part of the motor spirit produced was obtained by hydrogenation of creosote (a derivative of coal-tar), low-temperature tar, high-temperature tar, anthracene oil and neutral oils. The investment required for a plant of this character is said to be from six to eight million pounds.

An interesting and unforeseen consequence of the operations of the Billingham Plant—still in its experimental stages—has been the use of coal-tars of various composition provided by low-temperature plants, by-product coke-ovens and gas works.

Indeed it now appears as if the future of low-temperature carbonisation lies in the possibility that the tars and tar-oils from such plants can be disposed of to central hydrogenation plants in sufficient volume to permit of commercial produc-

tion of the smokeless fuel for open-grate fires. The Falmouth Report in England dismissed low-temperature carbonisation as a possible major source of indigenous oil supplies because the production of oil was small relatively to the tonnage of processed coal requiring to be marketed.

The synthetic processes of making oil from coal is best exemplified by the Fischer-Tropsch method which has been developed in Germany as an aid to the self-sufficiency plans of the Reich. This method, in its bare outlines, takes water-gas or "blue gas" produced by passing steam over red-hot coke. The gas produced—a mixture of carbon-monoxide and hydrogen—is recombined in the presence of a catalyst to produce an oily compound that upon fractionisation will produce motor-spirit, heavy oils suitable for Diesel motors and waxes.

The interest of European nations in production of oils from coal is that of national defence. In Britain the whole question was considered by a sub-committee of the Committee of Imperial Defence, who recommended the guaranteed preference of fourpence per gallon on motor spirit should be raised to eightpence and made operative for 12 years from 1938.

Coal carbonisation in Canada, which is chiefly associated with steel plants and gas works, has to date been—with some exceptions interesting because of their technical nature—entirely high-temperature, with a tendency for the by-product coke-oven to replace the retort method at town gas-works. The reasons for this are that the Canadian demand is for a hard, dense coke primarily for metallurgical processes, and in so far as domestic coke is concerned an anthracite substitute is required. Also the demand in Canada is for high-temperature tars and not for low-temperature tars because these are unsuited to the products of the tar distilleries, in especial road tars.

Further, and this is probably the most important factor in coal carbonisation as it has developed in Canada, the modern by-product coke-oven is adapted to and designed for economical mass-production; enabling a uniform product to be made

on a large scale with minimum interruptions and at a minimum cost.

Much progress is being made in all countries in the use of coal for steam generation in pulverised form and in this regard Canadian practice is at least keeping pace. In Great Britain pulverised fuel installations have risen from 74 in 1929 to 216 in 1937 and the use of coal in this form has increased from 2,755,000 tons in 1929 to 6,101,000 tons in 1937.

A recent example of good practice in modern steam-boiler installation is the installation about two years ago of two large boilers at the Sydney Steel Plant. These are designed to be fired by blast-furnace gas or pulverised coal, either fuel alone or in combination, and can be converted from one fuel to the other in about 20 minutes. These boilers have a steaming capacity of 185,000 lbs. each per hour when delivering steam at 475 lbs. pressure and 750° F. total temperature.

Ideally complete utilization of the heat energy in coal should theoretically be secured by supplying each particle of combustible matter present with sufficient oxygen to effect complete combustion. An intimate and correct admixture of the fuel particles with air is therefore to be sought.

The use of coal in small particles intimately mixed with air is in effect a specification of coal in pulverised or dust form. Similarly greater efficiency in combustion is possible when the combustible values of raw coal are used in the form of oil and with still greater efficiency in the form of gas, because of the possibility of intimate and exactly measured combination with the combustion air, that is pre-heated air.

For Canadian industrial conditions and the full use of Canadian coals, pulverised-coal promises to give best results. In a contribution to the Mining Society of Nova Scotia in 1924 the writer dealt with the suitability of pulverised-coal plants for Canadian conditions, and as the statement then made is applicable to present-day conditions the following quotation seems permissible:—

“The completeness and efficiency of combustion in a properly designed dust-fired furnace permits the use of locally available coals of inferior quality, and enables them to be used commercially instead of imported coals of better quality.

That is to say, some grades of coal of low calorific value, that are not economically usable in lump form on grates, are usable in pulverised form, because of the more complete combustion thereby obtained, and the consequent more efficient results.

In the case of coals that are unsuitable for steam-raising in grate-fired furnaces, because of clinker troubles, (arising usually from a combination of high sulphur content and low-temperature fusibility of the ash content) use in pulverised form has obvious advantages, and in addition gives the benefit of any heat units that are contributed by free sulphur in the coal.

By the use of water-screens it has been found possible to precipitate the ash and cause it to fall to the bottom of the furnace in granular form, thus avoiding the deposit of the ash on the boiler-tubes and in the flues.

It is not, of course, claimed by the advocates of pulverized coal that a poor coal will be made equal to a good coal by this method, because where a good coal is available it will always give better results than a poor coal, if the same method of firing is used in each case.

There has as yet been no worth-while attempt, on a commercial scale, to utilize the poorer coals of Canada, with the exception, possibly, of some form of concentration or beneficiation, such as was attempted by the Lignite Utilization Board. This is a statement generally true of all North America, where, up to this time, so great a variety of excellent coals have been available that only the best of them have been used. Canadian industrial concerns have followed the general practice of purchasing coals of first-class quality, too often for use in out-of-date equipment. That is to say, the deficiencies of equipment have been sought to be compensated by excellence of fuel quality. It may not be inopportune to suggest that thought should be expended on obtaining the best results from local fuels of less excellence through adoption of equipment designed to use these fuels to advantage.

Pulverized-coal firing will, it may be forecasted, attain much importance in districts containing lignites, such as Saskatchewan and Alberta, and in enabling wider general use of such coals from the Maritime Provinces as combine high calorific value with the presence of fusible ash, and have a tendency to clinker where forced draft is used under grates of small area.

Any method of coal firing that enables general use of local fuels of varying quality without greatly impairing the load that can be carried by a boiler-plant, is of especial interest to Canada, if more extended and permanent use of home-mined coals is considered to be desirable. From this angle all developments of pulverised-coal firing should be closely followed by those interested in Canadian coal mining.”

In the meantime the very successful powdered-coal installation has been made at the Seaboard Power Plant at Glace Bay, where two 7,500 K.W. turbines operating on steam at 750 degrees and 420 lbs. pressure, are fed from boilers using only refuse coal from the colliery picking belts, averaging over 20 per cent in ash content.

It may be conservatively stated that combustion practice in the East of Canada is modern in outlook and is developing along lines indicated by the character of the coals available. It may also be conceded after consideration of the facts reviewed in this summary of a very large set of questions, that there is no place as yet in our Canadian economy for plants

to produce "oil from coal". We actually possess in our large high-temperature coking and gas plants the equipment best suited to our conditions and capable of being quickly adapted to production of motor fuels, i.e., benzols—in the unlikely contingency of a shortage of petroleum products in North America.

The chief problem of the Canadian coal-producer and especially of the coal producer in Nova Scotia is to get coal to market at a cost competitive with imported coal. That is our real problem. Not the uses of coal, but how to get coal cheap enough to be able to get people to use it, is the line of research which is likely to be most profitable to all interested in Nova Scotia coal-mining, operators and workmen alike.

Economic Planning for Nova Scotia

By GEORGE V. HAYTHORNE

NOT many years ago anyone speaking on the subject of economic planning would have had to explain at some length his reasons for so doing. Unless he restricted the use of the term, as is rarely done, to apply only to planning done by individuals he would have had to answer the queries of those who would claim that any thought of planning in the field of economics constituted a serious interference with the existing organization of business, which it was thought, worked best when left completely alone. These questionings and doubts, today, are breaking down and more and more people are recognizing the importance of viewing economic problems on a wider scale, of taking stock of their economy as a whole to see what effect certain policies or lack of policies are having on the various groups in the country.

There have been several factors giving rise to this change of attitude on the part of people from a pre-occupation with those matters relating to how they make their own living to a wider interest in economic questions which confront the whole state.

An earlier interest in social problems affecting communities provided something of a basis for an interest in broader economic questions. Work in the fields of public hygiene, family welfare and education served as a background for this wider interest.

The recognition that the frontiers of settlement have been reached and that steps must be taken to conserve natural resources so that they will be of value for present and future generations has played an important part in bringing about the new emphasis. Until recently many young people left Nova Scotia annually to help open up sections in other parts of Canada. Today this is

EDITOR'S NOTE: The article is the shortened version of an address given before the Rural and Industrial Conference in Antigonish last August. Mr. Haythorne is Secretary of the Nova Scotia Economic Council.

largely a question of the past and young people must look more to the development of our own provincial resources.

The desire of countries, especially in Europe, to become politically powerful and economically self-sufficient has led to the drawing up of comprehensive plans for the development of their industries. A special five year economic plan was announced in Russia in 1928. Since then many other countries have followed suit. Results achieved by these plans have had an important bearing on efforts made in other countries to see that their own economic houses are in order. Besides, the threat of war has caused such countries as the United Kingdom and France to undertake broad policies designed to give an impetus to agriculture and other important industries.

The tendency towards the centralization of industry and the growth of large cartels, monopolies, trades unions and cooperatives have awakened a deeper interest in working out policies on a collective rather than on an individual basis. In a desire to control these developments and to ensure that their growth does not harm those industries in which there is no such centralization there has arisen a demand for investigation by public authorities of the practices and methods of such groups. Thus both directly and indirectly, as a result of this trend towards collectivism, an impetus has been given to economic planning on a broad scale.

But perhaps the most important factor in giving rise to a widening of the former somewhat narrow individualistic outlook was the economic depression beginning in September 1929. This depression, which was more serious than any previous depression greatly affected activities in many industries and left in its train a large army of unemployed persons. The presence of so many unemployed, who in Canada at one time numbered over seven hundred thousand, and the fact that the effects of the depression were by no means equally felt in all industries, or in all regions of Canada, meant that much more attention than ever before had to be

given to broader community, provincial and national problems. Work projects were undertaken, land settlement schemes were promoted and direct relief was paid. With responsibility accepted by the state in these matters it was recognized that careful study of the incidence of the depression and of the best type of policies needed to meet the situation was required.

Various expressions of this changed attitude towards economic planning have occurred in Canada during recent years. In our own province it is to be seen in the appointment of the Jones Commission in 1934 to study questions affecting the provincial economy and its relation to the Dominion. It is true that there were provincial commissions set up earlier, but in each case the emphasis was on a specific industry or on a specific problem. The appointment of the Jones Commission was the first time attention was focussed on the provincial economy as a whole. More especially, perhaps, this changed attitude towards the importance of economic planning is to be seen in the establishment of a permanent Economic Council which was itself recommended in the report of the Jones Commission.

The Nova Scotia Economic Council consists of nine members, who represent as nearly as possible all phases of economic life in the province, and a full-time secretary. Outside of the secretary the members give their services without remuneration, except for expenses and a *per diem* allowance when attending meetings. It is significant that the Council is a non-political agency and, unlike a similar Council which was established in British Columbia in 1933, it is not under a Government Department, but is an outside body directly responsible to the Premier. The Council, moreover, is not a spending body but deals only with investigations and studies of economic and social questions confronting Nova Scotia. Its studies are made on as objective and as scientific a basis as possible. Meetings are held once a month during most of the year. The results of investigations carried out are discussed at these meetings. Frequently, persons with particular knowledge on matters under

consideration are invited to attend. Conclusions reached from these discussions are carefully studied, and, if the Council thinks fit, recommendations based on these conclusions are forwarded to the Premier in the form of a report. Whether action is taken on these recommendations is, of course, entirely up to the Government. The Government may have reasons for not implementing the recommendations. If they are not acted on, however, it is not regarded as a reflection on the Council whose task it is to study all issues as objectively as possible.

During the three years which the Council has been functioning some thirty reports have been submitted to the Premier. Most of these have been printed in three separate volumes and are available to anyone interested.

The investigational work carried out by the Council covers a wide variety of subjects, as anyone who has seen these reports will realize. Discussion here will be confined however, to a few specific problems which can be taken as illustrative of the work done on all.

Important work has been done in connection with agriculture and fisheries. These two industries felt the effects of the depression more than most industries. To some extent this was due to the absence of any effective organization of those in these industries which could formulate policies to offset the effects of the depression, as was done by the more highly organized and centralized industries.

One of the first studies in the field of agriculture which the Council undertook had to do with the marketing of fluid milk. It was discovered that there was a lack of uniformity in the prices paid for milk by dairies in the province and that few standards of quality were maintained. As a result of the Council's recommendation a Dairy Arbitration Commission, with power to set prices and to regulate standards, has been established. Its work so far has been confined to the Halifax area but it will likely be extended to other parts of the province in the future.

The Council has also devoted consider-

able attention to the production of fruit in the province. The importance of using only the best grades of apples in the fresh trade and of developing the manufacture of canned apples and apple juices sufficiently to absorb the poorer grades of apples, has been stressed. In this way larger sales and better prices in the United Kingdom may be assured. A study has also been made of cranberry production in the province. As a result the Council concluded that the industry should be encouraged on a commercial scale and in a report, outlined definite ways in which this might be done.

Land settlement experience in Nova Scotia and elsewhere in Canada has been considered by the Council. In a report outlining the Council's conclusions the need for providing assistance for carefully selected farmers' sons, who desire to settle on approved farms is emphasized. The importance of supplying adequate supervision, especially during the early years of settlement, is also stressed. Those who have had little or no practical experience in farming, it is suggested, should be encouraged to obtain such experience on other farms before starting to farm on their own. Before any extensive land settlement program is undertaken, it is urged that more information be obtained regarding the availability of land that is more suited for farms than for forests. Efforts that are at present being made in this connection will be mentioned later.

The Council has devoted much of its time to problems confronting the fisheries industry. Because of the number and complexity of these problems there are many investigations in this field which have still to be made. As a result, however, of the work done to date, it is clear that the large decline in our exports of dried fish, following the Canada-British West Indies Trade Agreement of 1925, has been the main factor responsible for the depressed conditions in the whole industry. Because the outlet for dried fish has been restricted the quantity of fish available for fresh or green-salted uses has increased which, in turn, has tended to lower the prices paid in these

branches as well as in that of dried fish. A recommendation was made two years ago that a bonus be paid on dried fish in order to improve the position of this branch as well as to relieve the pressure on the others. It was recommended that the bonus should be paid by the Federal Government. When this was not done the Provincial Government decided in June 1937 to pay it and continued to do so until April of this year. Stimulated by this bonus dried fish production and export sales have increased during the last two years. The policy started by the province will be continued on a federal basis under the operations of the recently appointed Salt Fish Board.

Of more importance, however, for the future of the dried fish industry is the negotiating of mutually advantageous trade agreements with countries possessing potential markets for our fish. The agreement between Canada and the United States signed in Washington last November has been of some assistance to fresh and pickled fish.

What is needed now is trade agreements with such countries as Cuba and the Dominican Republic in which former dried fish markets could be restored, if favorable trade terms can be obtained. This cannot be done, however, until the present Canada-British West Indies Trade Agreement is terminated and it thus becomes possible for Canada to grant better terms on sugar. The granting of an additional preference to empire countries some thirteen years ago made it more difficult for sugar from Cuba and other non-empire countries to be sold in Canada. As a result Cuba's sales of sugar in Canada have gradually declined. As they have done so sales of dried fish and also of potatoes from the Maritime Provinces to Cuba have also declined. The Council has prepared an extensive report on the effects of the present trade agreement with the British West Indies and on its need for revision. This report was submitted to a public sitting of the Tariff Board on sugar in Ottawa in June.

Besides the investigational work on specific economic problems confronting the various industries there is another

aspect of the Council's work which may be of interest. The Council had not been functioning long before it realized that there is much basic information concerning the resources of Nova Scotia that is not known and which is essential before long-run economic policies can be properly worked out for the industries. It must be determined, for example, what the characteristics of soil and climate are in a certain area before it can be known whether the land can be used more economically for agriculture than for forestry, or vice versa. In the same way a knowledge of the potential coal resources in a mining area is essential before much can be said about its future development. In order to obtain the information regarding our resources which is lacking and to relate it to that which is already known, an Economic Survey Committee was set up a year ago on the recommendation of the Economic Council. This Committee, which consists of officials of various government departments, has laid out a comprehensive survey program, through which it is hoped the necessary information will be obtained within the next few years. For convenience the province has been divided into a number of regions. At present attention is being focussed particularly on the four counties from Cumberland to Antigonish, or on what has been termed the North Shore Region. The Department of Agriculture has undertaken a survey of the marshes around Amherst and is continuing its soil survey work started last year around Tatamagouche. The Department of Mines is extending its investigations of the coal deposits in the region and is exploring those of manganese. Besides a reclassification of the Geology of the region has been commenced by the Geological Survey of Canada. The aerial photography of the region has been completed by the Federal Government and the Provincial Department of Lands and Forests is planning to put a party in the region to make ground checks, which are required when mapping is done from the aerial photographs. The Federal Department of Fisheries is extending its investigational work in regard to the

potential production of oysters, clams and quahaugs along the Northumberland Strait. A survey is also being made of manufacturing, based on these resources, throughout the province. The results of these and other surveys will fill in the gaps of information that exist today and will thus provide a necessary background for economic planning and policy making in the future.

The Council is also undertaking a survey of the power resources of Nova Scotia based both on hydro and coal. In the near future it is planning to survey the road and rail transportation facilities in the province.

Because the work of the Economic Council in the field of economic planning has been described at some length it should not be thought that it is the sole agency interested or involved in such planning in Nova Scotia. Several of the local Boards of Trade, some government departments, certain branches of the universities, and many other public and private bodies are engaged in such work to some extent. As examples of such activities the work of the Transportation Commission of the Maritime Board of Trade, a land utilization survey of Cape Breton County undertaken by the

Economics Branch of the Federal Department of Agriculture, an analysis of provincial finance being made by the Institute of Public Affairs at Dalhousie University and certain features of the extension work being carried out by the various universities, may be mentioned. The Economic Council in dealing with matters relating to all industries and to the province as a whole is, perhaps, more likely to be confronted with wider problems and with the need for coordinating as much as possible the planning, or the policies that are worked out, by other groups.

It is recognized that the work of all these agencies will not solve all of our economic problems in Nova Scotia overnight. It may, however, be confidently expected that, as these various groups continue to search for basic facts, to analyse them in the light of their best knowledge, and to pass on their findings to the proper authorities, they will greatly assist in the solution of many of these problems. Through helping to work out short and long-run policies for our industries a greater measure of stability for each of them may be anticipated. Such a task is not easy and in confronting it the understanding and co-operation of all Nova Scotians is needed.

Marketing of Nova Scotia Apples

By A. W. MACDONALD

EVER since the farmers in the Annapolis Valley began to grow apples for export, marketing has been a serious problem. The question has developed new complications since the outbreak of hostilities in Europe, but in the period between the depression and the war, an improved technique of marketing had been developed.

For years the industry was completely disorganized and low grade fruit, unregulated shipments and faulty packing attached a stigma to Nova Scotia fruit which even now has not completely disappeared. The formation of the United Fruit Companies improved the situation slightly, but the loose formation of the central company, and the fact that on the average the organization only shipped about one-third of the apples that were exported, made it impossible for any strict regulation to be

EDITOR'S NOTE: The above article is taken from a comprehensive survey of the Nova Scotian apple industry undertaken this summer by the author. Mr. Macdonald is an honours student in Public Administration at Dalhousie University and Editor of the *Dalhousie Gazette*.

introduced. The abnormality of the years following 1918 did not improve these conditions, and the prosperity which followed, due to large yields and good prices, only postponed the day when marketing regulation was to be introduced.

By 1926 it was evident, however, that all was not well within the apple industry. The following year two investigations were made into the marketing of Nova Scotia apples and in 1930 a Royal Commission was appointed to discover the ailments of the industry. It was not until four years later that the Fruit Export Control Board was created. Attempts to work under the federal Natural Products Marketing Act followed, and last year the province passed its own Natural Products Act to regulate distribution within Nova Scotia.

The demand for Nova Scotian apples is divided into three main heads: the British market, the Canadian market (as distinct from the local one), and the demand from home consumption and by-product plants. This is seen to advantage in the distribution of the 1938-9 crop, which may be taken as a representative yield, consisting of 2,252,275 barrels.

TABLE I
Distribution of the Nova Scotia
Apple Crop (1)
1938-39.

Destination	No. of Barrels
England.....	1,428,805
Scotland.....	49,940
Wales.....	56,937
The Continent.....	185,840
Newfoundland.....	7,407
West Indies.....	5,471
Marketed in Nova Scotia.....	93,263
Marketed in other parts of Canada.....	73,559
Home Consumption*.....	100,000
By Products: 1. Evaporators.....	245,553
(Local) 2. Cider Mills.....	5,500
Total Crop Tree Run**.....	2,252,275

The above figures bring out the fact that a great proportion of Nova Scotia apples are sold on the British market. As this trend has been consistent over the last ten years, though to a less extent

*Estimated quantity consumed by farmers themselves
 **This figure would be somewhat larger if the half-barrels and boxes were included.
 (1) Statistics from the Provincial Department of Agriculture.

than the years following the first Great War, the treatment here is devoted almost entirely to marketing conditions in Great Britain. The vital importance of this market to Nova Scotia and the fluctuations it has undergone in the period between the depression and the second Great War is revealed in the table that follows.

TABLE II
Percentage of Apple Crop Exported to
Great Britain (2)

Year	% of Crop
1929-1930.....	86.2
1930-1931.....	84.7
1931-1932.....	85.4
1932-1933.....	84.0
1933-1934.....	
1934-1935.....	58.1
1935-1936.....	72.4
1936-1937.....	46.9
1937-1938.....	57.7

The figures in this table might lead one to believe that the industry has not been producing as many apples of late years as it once did, but this is not the case. The explanation is that since 1935 the apple industry has begun to pay more attention to the demands of the British consumer and also to work in voluntary co-operation with the British competitors. The sharp fall in exports during the last five years means that only high-grade fruit is being shipped, either No. 1's or Domestics. Coinciding with this development has been the growth of canning factories and dehydrating plants, which use up much of the lower grade fruit that at one time glutted the English market.

For many years the British market was the great free market in a protected world. The justification of this policy to the British consumer lay in the low price and high quality of goods which came from the extreme competition on this open market. Even in 1931 when the swing to protection was made, the tariffs were not excessive and the keen competition continued. Thus the British consumer has been supplied for years with the highest quality foodstuffs. Not only has the Nova Scotian producer had to meet exceptionally keen competi-

(2) Report of the Nova Scotia Fruit Growers Association, 1938, pp. 119-122.

tion from rival apple growers, but competition from other fruits, notably oranges and other citrus products. The citrus fruit industry has become highly organized in the last twenty-five years and with powerful advertising campaigns has developed a serious rival to the consumption of apples. The Royal Commission of 1930 states that the importation of citrus fruits into Great Britain increased from 16,922,967 cwts. in 1913 to 25,321,276 cwts. in 1928. They go on to say that the increased demand both for citrus fruit and for apples is largely for high quality fruit, being especially true for apples where demand for boxed fruit has increased much more quickly than the demand for barrelled fruit.³

Under conditions such as these the British consumer can well afford to be particular. The regulated methods of production adopted by most countries during the last fifteen years have catered to this demand with a high-grade product attractively put up. Until recently it cannot be said that the Nova Scotia producer was as nearly fastidious as his foreign competitor. The grading system now in use has done much to eliminate discontent with Nova Scotia apples. Shady practices of by-gone years, however, have left a bad name that even now has not been completely effaced. The Nova Scotia barrel, while generally recognized to be stronger than the flat-hooped barrel of Ontario and Virginia, is not as attractive as the pack of its competitors. There has been much discontent with Nova Scotian apples even in recent times because of the high percentage of "slacks", which are barrels not filled to capacity. For years the Nova Scotian barrel was thought to be smaller than the barrel from the United States. This has been repeatedly shown to be false, yet these wrong impressions are hard to kill and cost the Annapolis Valley grower money through consumption at lower prices.

In 1934 the Hon. John MacDonald, Provincial Minister of Agriculture, went to England to see why the apples from the Annapolis Valley were not in greater

demand on the British market. This is what the great majority of the fruit brokers said to him:

"If Nova Scotia growers hope to popularize their fruit and to secure profitable prices, it is absolutely necessary to attain uniformity in packing good fruit, which has been carefully handled and properly stored, and to eliminate from shipments the poorer quality of fruit and the undesirable varieties. Undoubtedly a very good market exists for Nova Scotia apples, but shippers must not think there is a good outlet for any class of low grade fruit. In view of the heavy costs for packing the barrels and transportation, it is far preferable to throw away this fruit than to send it to the British market, where it spoils prices for even the good apples, and lowers the reputation of Nova Scotia apples in general." (4)

This was in 1934. As has been shown above, the old No. 3 grade is no longer shipped to Great Britain, but this voluntary co-operation only came about after great deal of hard feeling on both sides. These malpractices for years caused Ontario apples to be preferred to the Nova Scotian varieties. The Ontario apples, with a reputation firmly established over a period of years when world supplies were large, have always been on the market in relatively small quantities.⁵ In general it may be said that the demand has always been greater than the supply. The reverse is the case with Nova Scotian apples which up till recently have been exported with little thought to quality or quantity.

There are two main methods of disposing of apples in Great Britain once they have arrived from overseas, either through auction or private treaty sales. Auction sales take place chiefly on the Liverpool and Manchester markets, while in London the private treaty is more common. In the former case the apples are taken from the different packs to the auction room for inspection at the time of sale. The aim of the auctioneer is to get as many buyers together as possible and to sell the apples at the highest competitive price. In Liverpool and Manchester the auction rooms are what are termed "Closed Auctions", and only

(4) Address by Hon. John MacDonald, 1934, p. 4, to Nova Scotia Fruit Growers' Association.

(5) Report of the Nova Scotia Fruit Growers' Association, 1930, p. 107.

(3) Report of the Royal Commission, 1930, p. 12.

the recognized fruit wholesalers, who are registered members of the auction, are allowed to buy in the auction room.⁶ The "Open Auction" method is common at Glasgow and Southampton and there any buyer may bid.

London, with its large, concentrated population, offers an excellent opportunity for the private treaty sale. The private treaty salesman disposes of his product by direct bargaining with his customers. The advantage of selling on a market like Covent Garden is that people congregate there not only to buy apples but other fruits and vegetables. The result is that the purchaser is willing to pay slightly higher prices for the opportunity of being able to satisfy his wants all in one place. The private treaty salesman usually has his own warehouse, so that he can withhold the apples to take advantage of a rise in prices or ship them off to an auctioneer if prices are declining.

Certain shippers in the province consign their fruit to distributors in Great Britain, who either pass the apples on to the wholesaler or dispose of them through other channels. These sub-agents or wholesalers very often own outright much of the fruit they have to sell. It is too much to ask of human nature that they should confer the same attention on the fruit they have to sell on commission that they give to the apples they own themselves. This divided attention does not act in the best interests of the shipper, who suffers through smaller returns.

Regulated distribution and the question of quality are the two most important aspects of the marketing problem. Comparatively minor matters such as varieties, types of pack and a representative overseas are all involved in the matter of co-operative marketing and orderly production, and cannot be dealt with at length here. The solution to the problem will only come from compulsory marketing legislation, federal or provincial, or from the industry itself.

The annual conventions of the fruit growers of the Annapolis Valley from 1931 on indicate a growing interest in government marketing boards as a method of putting the whole industry on a more scientific basis as regards production and distribution of the apple crop. In 1933 the Nova Scotia Fruit Growers' Association put themselves on record as in favour of a Federal Marketing Act in line with the principles set forth in the British Agricultural Acts of 1931 and 1933. The apple growers in the Annapolis Valley expressed their approval of the federal Natural Products Marketing Act passed in 1934 and with the other apple producing areas of Canada formed the first export board under the new act.

The year 1935 was noteworthy for the establishment under the Natural Products Marketing Act of the Nova Scotia Apple Marketing Board. The primary intention of this Board was to regulate shipments to the Canadian market and to stabilize prices, whereas the Export Board was a national undertaking and proposed to do the same thing for shipments overseas. In 1936 the Supreme Court of Canada declared the Natural Products Marketing Act *ultra vires*, placing the boards set up under its jurisdiction in an uncertain position. The Nova Scotia branch of the Export Board, and also the Nova Scotia Apple Marketing Board, had decisions pending against certain shippers who had failed to comply with their regulations, but the judgment of the Supreme Court broke off these actions. The Fruit Export Board did not function during the latter part of 1936 and its work was taken over by the Advisory Export Council which worked in conjunction with the Fruit Branch of the Department of Agriculture. This body has done good work, but shipments prior to the outbreak of the war were still unregulated and it is obvious that this can only be corrected by a body having similar authority to the Fruit Export Board.

The present war in Europe has had disturbing effects on the apple industry. As it broke with unexpected suddenness at the beginning of the marketing season,

(6) Report on the Marketing of Nova Scotia Apples in Great Britain. W. A. Middleton, p. 12.

(1) Marketing of Nova Scotia Apples in Great Britain. Eric Leslie, p. 1.

emergency measures had to be taken to dispose of the heavy crop which for the most part could not be taken overseas. The largest producers across Canada met hastily at Ottawa and drafted a plan to cope with the situation. The country was roughly divided into zones to provide a small but assured market for each section. The aim of the scheme was to keep the low grade fruit off the market altogether, and thus keep up the price level for the No. 1's and Domestics. The five apple-producing counties in Nova Scotia; Kings, Hants, Annapolis, Lunenburg and Queens were put under the jurisdiction of the Nova Scotian Marketing Board. This body has been regulating the distribution of the apples

on a pooled basis and deciding which fruit was to go overseas and which to be sold within the province. The great bulk of the apples were to go to the dehydrators, where the federal government guaranteed a stipulated amount for the product.

That is roughly the scheme. It has not been in effect long enough at time of writing to say whether it has been successful or not. Natural conditions supplied a solution during the last war by creating a shortage of supply both at home and abroad. The large crop of the present season will not permit a similar answer to the problem. A short time will disclose whether the present method is successful or whether more drastic means will have to be applied.

Farm Credit in Prince Edward Island

A Historical Survey

By J. T. CROTEAU and
A. M. LINKLETTER

SELF-SUFFICIENCY has always characterized agriculture in Prince Edward Island. An agricultural credit system, in the proper sense of the word, has never existed in the province. A brief historical outline will show the self-sufficient nature of the industry, the beginnings of mortgage lending only in the last quarter of the nineteenth century, the long dependence upon merchant credit, and the relative newness of incorporated lending agencies.

French regime.

As far as can be determined, no credit arrangements of any consequence existed during the French regime. The Acadian settlers seem to have been neglected by the administration in Paris and for the most part had to shift for themselves. Trade was conducted through barter

and the initial capital expenditures were provided by chartered companies or by the crown. Plagues and misfortunes of various kinds led to relief measures, such as supplying of seed grain, but, as would be expected, there was little occasion for the granting of credit to the farmers of this primitive community. Possibly merchant debts existed, but it is doubtful if they were of any great significance to the agricultural life of the colony.

English regime—Mortgage debt.

For well over a century after the expulsion of the Acadians in 1758, agriculture continued to be self-sufficient and primitive. Mortgage credit was rare, due to the difficulty of securing titles to the land. In 1767 the whole of Prince Edward Island had been given to 67 British proprietors. Although on a few estates the land was sold to island farmers in the 1850's and 1860's, the proprietors in general were reluctant to sell their lands, and an organized opposition called the Tenant League arose to protest

EDITOR'S NOTE: The above article is the first chapter of a study on the operation of the Farmers' Creditors Arrangement Act in Prince Edward Island, undertaken during the summer of this year on behalf of the Institute of Public Affairs. The authors, J. T. Croteau, Ph.D., and A. M. Linkletter, M.A., are both on the staff of Prince of Wales College, Charlottetown.

against the payment of quit rents and aimed at securing freehold for the tenants. This question was finally settled in 1875 when the island government received a grant from the Dominion government, bought the lands from the absentee proprietors, and sold them to their occupants in freehold.

The agreement required the purchaser to pay the Provincial government 30 per cent of the purchase price at once and the balance in two years, although these terms do not seem to have been rigidly adhered to. In many cases mortgages were placed on the land to enable the buyer to pay his debt to the government. The money was supplied by private individuals and was usually handled by lawyers who had funds of their clients to invest.¹ Until recently practically all mortgage borrowing in Prince Edward Island was from private individuals, usually placed through lawyers. Mortgages were usually placed for a term of five years and were then left to run indefinitely. Trust Companies and other incorporated loan agencies have never bulked large in Prince Edward Island mortgage operations.

Short term credit—nineteenth century.

Short term credit was largely merchant credit during the whole of the nineteenth century. Under the system of agriculture prevailing at that time the merchant would "carry" the farmer throughout most of the year, supply all necessities which could not be produced on the farm, and then at harvest time effect a settlement by taking the farmer's surplus produce. This was open-book credit and for a large part of the year the farmer would be in debt to the merchant. Grain was the most common article of trade and large quantities of lumber were sold to the shipbuilders. The trading system might properly be described as a barter system with money as a measure of value. At times, after a poor harvest, the debt might carry over into the next year.

Occasionally, to make some needed improvement, a farmer might borrow cash from a merchant, or have a merchant back his note.

Needless to say, the merchants, who were frequently shipbuilders and exporters, occupied a dominant position in the economy of the island. Their economic power was further enhanced by their political control. Under the system of open voting, abolished only in 1913, it would be a rash debtor who would cast a vote against the political candidate favored by the merchant. Merchants frequently served in the legislature. The credit system, then, was simple, direct and personal. Probably at times it was abused. Probably the personal relationship of creditor and debtor prevented the worst forms of exploitation.² Stories are told of the kindness and generosity of certain wealthy merchants. Credit control was in the last analysis however, in the hands of that class which had political and economic control of the province.

During the first half of the nineteenth century the island merchants secured most of their goods from Halifax firms. The Halifax dealers would "advance" the island merchants and after harvest would receive in payment either produce or cash.³ Cash was greatly preferred as it apparently was easier to handle, and lower prices were customarily given when cash was paid.⁴ Money lenders existed, but, probably because of the harsh laws of the day, it would seem as if loans were made only on occasion of extreme need.⁵

The island suffered from a chronic shortage of cash. A number of currency experiments were tried, with devaluation

(2) At one time a firm in the Western end of the island attempted to farm with hired labour over 2,000 acres of land which it had seized in payment of debts. This experiment in large scale farming was not a success, however, and the land was again sold to individual farmers.

(3) Prince Edward Island Currency, "*The Colonial Herald*", No. 136, Feb. 21, 1841; No. 193, April 10, 1841.

(4) *The Colonial Herald*, Nos. 179-36, 1841-1844. The advertisements usually state that lower prices will be charged for cash.

(5) *The Colonial Herald*, No. 190, March 20, 1841; No. 193, April 10, 1841. The law providing for imprisonment for debt was repealed only in 1879. *Acts of the General Assembly of Prince Edward Island*, 42 Victoria, Cap. 15, 1879.

(1) An examination of the registry records reveals that the island banks and the Credit Foncier, which operated on the island during the 1880 and 1890's, loaned some money on mortgages during the latter part of the nineteenth century. The bulk of lending, however, was by private individuals.

as their ultimate purpose. Coins were made legal tender for more than their face value so that they would not be exported.⁶ There were perennial complaints that merchants were draining the country of cash and sending it to Halifax.⁷ All this is characteristic of a new country which has the two-fold task of securing the capital necessary for its development and at the same time caring for its day-to-day needs.

In the 40's and 50's the government encouraged the organization of agricultural societies and promoted the holding of exhibitions. Assistance was given in the form of small grants.

From 1856 to 1871 five banks were incorporated in Prince Edward Island. Agriculture continued to be self-sufficient, however, and probably few farmers borrowed directly from the banks until well into the twentieth century. During the third quarter of the nineteenth century island merchants tended to break away from their Halifax connections, and traded directly with England and the United States. As time went on, island products were exported to these countries in increasing quantities.

Change in credit practices after 1890.

Credit practices changed with the transition from self-sufficient farming to cash crop farming which began with the establishment of cooperative cheese and butter factories in the 1890's and the promotion of the poultry industry in the early 1900's. The fox boom beginning in 1908 and the large scale planting of potatoes during and after the war accelerated the change.

With cash returns for farm products the old practice of running up large store accounts was to some extent abandoned, although it has persisted to the present day. Store credit, with its two prices, one for cash and one for credit, tended to decrease during the twentieth century. The coming of automobiles and better roads brought the city store in direct competition with the country merchant,

while the mail order business competed in many lines of goods. The charge has frequently been made that the farmer pays cash in the city or sends it away to mail order houses, but when he wants credit he goes to the local merchant. During the last few years a number of local merchants, probably because of limited capital, have been attempting to enforce a cash policy. A farmer with fairly good property, however, has no trouble in getting credit, even today, although there has been a curtailing of credit to some of the poorer risks. At one time almost any farmer was considered a good risk. If he did not settle his account in a reasonable time he would sign a note. Later a mortgage might be taken as a result of continued non-payment. During the 1930's the growing of potatoes on a large scale brought in a new form of farm finance—the crop mortgage.⁸ This has since declined in popularity, however. A credit union law was passed in 1936, and 40 credit unions, most of which serve rural areas, have been organized since that date.

Farm Credit agencies in Prince Edward Island—1939.

At the present time the traditional method of farm finance, merchant credit, with merchants relying upon their own capital and upon bank loans, still predominates in the short term field.

Certain changes have become increasingly important, however. Cash buying practices are tending to become the rule rather than the exception. Direct borrowing from banks during the 1920's was practised, but seems to have declined somewhat since the depression. Installation buying of agricultural implements, of course, continues, but in a greatly decreased volume. Crop mortgages are occasionally used. Credit unions have been organized to take care of short term loans, but are yet hampered by a lack of capital. Personal loan agencies and pri-

(6) *The Colonial Herald*, No. 186, Feb. 20, 1841; No. 191, March 27, 1841.

(7) *The Colonial Herald*, No. 188, March 6, 1841; No. 191, March 27, 1841.

(8) *Acts of the General Assembly of Prince Edward Island*, 20 Geo. V, 1930, Cap. 10. This was used only with potatoes and was never very popular, probably not more than \$50,000 a year was ever loaned on crop mortgages. It had the unfortunate effect, however, of increasing production at a time of low prices and further depressing the price.

vate lenders are probably of no very great importance in the short term productive loan field.

In the field of long term credit, mortgages placed with private lenders still account for the bulk of the loans outstanding. The Canadian Farm Loan Board, however, is taking an increasingly large share of new mortgages. Just at the present time farm mortgages are not held in the highest favour with the private investor or the incorporated company.

There is no agency organized to take care of the intermediate (six months to two years) credit problems of Prince Edward Island. As a matter of fact the lack of an intermediate credit agency is felt all over Canada. The nearest approximation to intermediate credit in Prince Edward Island is found in bank loans, which are made nominally for three to six months, but which are renewed in practice so as to make them in reality loans of an intermediate term. Needless to say, these must be well secured.

Debt Situation—1931

It is difficult to make an estimate of the total long and short term debt in Prince Edward Island. According to the census, in 1931 the total mortgage indebtedness in the province was \$4,632,700. Interest rates on farm mortgages ranged from six to eight per cent, probably averaging around seven per cent.

Estimates of the short term debt in the province can be no more than a rough guess. The opinion is held that the short term debt was probably as great as the mortgage indebtedness.

Interest rates on short term debt were high; for example, seven per cent charged by agricultural implement companies and a nominal eight per cent (actually higher) charged on over due store accounts.⁹ Moreover, it was customary to charge a higher price for credit than for cash, so that even if an interest rate were not stated, buying on credit would usually cost the purchaser more.

Probably, then, the total indebtedness of the farmers in the province in 1931 was between eight and nine million dollars. Estimating an average interest rate at about $6\frac{1}{2}$ per cent, the total interest cost paid by the farmers of the province was probably over \$500,000.

The value of farm products in Prince Edward Island in 1930 was \$10,700,000. Thus the interest charge took 4.6 per cent of the total product. The value of farm products fell sharply after 1931, and the condition of the farmers continually grew worse. Interest charges during the worst of the depression probably took between eight and nine per cent of the total product.

Prices were falling all over Canada and there seemed no hope of effecting a payment of outstanding debts. Three alternatives faced the nation: inflation, bankruptcy, or partial cancellation. The middle course was chosen and the Farmers' Creditors Arrangement Act came into being. It was proclaimed in Prince Edward Island on November 1, 1934.

(9) Actually the rate was higher as the eight per cent was calculated on the total debt, whereas parts of it might have been outstanding for less than a year. Practices differed, however, and certain of the larger firms would charge a true seven or eight per cent.

The Meaning of Unemployment Insurance

By L. RICHTER

WHENEVER measures for improving the lot of the unemployed are discussed in Canada, unemployment insurance is the first to be mentioned. Indeed, Canada would have enjoyed a comprehensive system of unemployment insurance since 1935 if Mr. Bennett's Employment and Social Insurance Act had not been declared *ultra vires* by the Privy Council in 1937. It is also well known that the present government has made repeated, though so far unsuccessful, attempts to overcome the constitutional difficulties through negotiations with the provinces. Unemployment insurance therefore is on our doorsteps and we are well advised to make ourselves familiar with its meaning.

There is nothing mysterious about unemployment insurance if we examine it closely. It is an application of the old saying that you must save in good times if you want to have a reserve in times of need, but saving is on a mutual and also on a compulsory basis. The amounts saved by the workers, increased by contributions of employers and government, are pooled. From the fund thus accumulated benefits are paid to those members of the group who become unemployed. Naturally this fund cannot pay more in benefits than it has received in contributions. In a genuine insurance scheme whether private or public, the fund must be self supporting and collection and distribution of money must be based on strict actuarial principles. These principles are, however, in the case of unemployment insurance, not so easily found as for instance in life insurance. Mortality rates can be estimated more readily than future unemployment. Proper safeguards have therefore to be taken to protect the insurance

fund and this is done in three ways: by a careful selection of the groups eligible for insurance, by a fixed proportion between contributions and benefits and by a limitation of benefit periods.

All these safeguards were contained in Mr. Bennett's Act of 1935. Industries of a seasonal character such as agriculture, fishing and water transportation, industries which are of considerable importance in the Maritimes, had to remain outside the insurance scheme. They would too easily have invited abuse. There is, for instance, the problem of the farmer's son who helps on the farm during the summer and for whom there is not enough work in winter time. Naturally legislation would not allow him to draw benefits during the slack period. But experience in Europe has shown that it is possible to get around such provisions. Some European acts did allow unemployment benefits for agricultural labourers who did not work on their parents' farms. The result was that cunning farmers in the spring exchanged their children so that they might qualify for benefits in the fall. England has recently introduced a special insurance scheme for agriculture with contributions and benefits lower than in the general scheme and with special regulations adapted to the peculiar needs of agriculture. It has worked very well and seems to point to a way out of the difficulties.

As seasonal occupations are excluded from the scheme so are workers with unfavourable employment records not entitled to benefits. In order to be eligible for benefits a worker must have been employed for at least forty weeks in the two years preceding his application and must have paid contributions during that period. This device eliminates another group of bad risks.

But probably the most important safeguard is the limitation of benefit periods.

EDITOR'S NOTE: The above article is part of an address given by Professor L. Richter of Dalhousie University at the Annual Convention of the Union of Nova Scotia Municipalities at Bridgewater, August 29th.

Benefits are only payable for a certain number of days corresponding to the number of contributions made even although the insured person might not have been able to find a job during this period. It would be a great mistake to believe that it is the task of unemployment insurance to provide the insured with the necessities of life while he is unemployed. According to the 1935 Act the average worker would have been assisted for no longer than thirteen weeks.

If we try to find a short formula for all these regulations, we may say that unemployment insurance is a device intended to assist the normal worker with a good employment record over a limited period of enforced idleness, or, as Sir William Beveridge once put it, to tide over those persons who can expect to be re-employed in their old industry after a short spell of unemployment. If an insurance scheme undertakes to do more, if it disregards the safeguards necessary for its stability, if it increases benefits and extends benefit periods irrespective of the number of contributions paid previously, then a financial catastrophe is unavoidable, as happened in England in 1931. The Canadian legislature has been aware of this danger and has in its 1935 Act embodied all the safety devices discussed here, following the example of the British reform legislation of 1934 which drastically reorganized the finances of the British Insurance Fund.

What effects then will an insurance scheme as we have described it have on the unemployment problem as it exists at present in Canada? To give an answer we must differentiate between recipients of unemployment relief assisted by the municipalities and other unemployed persons. For an examination of this question we shall use the statistics published by the Department of Labour for September 15, 1938, as they are given for that date in greater detail than for later periods. The situation moreover has not changed very considerably.

At that date 132,000 heads of families and individual cases received relief from

Canadian municipalities—including their dependents, 604,666 persons. The municipalities expect that a large proportion of these persons will be taken care of by unemployment insurance. How far is this expectation justified? Of these 132,000 cases, 22,000 were partially employable and 19,000 unemployable. Since beneficiaries of unemployment insurance must be fully fit for work, it may be anticipated that only a small fraction of these persons will qualify for benefits under an insurance scheme.

The remaining 91,000 cases will only be eligible as far as they have been employed for forty weeks in the two years preceding their application for insurance benefits and as far as they have not already been assisted more than three months. Available statistics furnish us with full information as to the effects of the latter requirement. For the Dominion as a whole 70,428 cases, or 78 per cent, would be out, as they have been on relief 3 months or longer, leaving only 22 per cent of present relief recipients as candidates for insurance benefits. The percentage is even lower in Quebec, with only 15 per cent owing to extended chronic unemployment in Montreal, while for Nova Scotia the figures are more favourable—namely 38 per cent. But even from these small groups of people assisted for less than three months, only those would be eligible for insurance benefits who can satisfy the other statutory requirements, especially forty weeks employment in the two previous years. Statistics in that respect are naturally lacking for Canada but the British experience showing that half of all applications for insurance benefits have to be turned down, may be helpful in arriving at some estimate. Considering that we have already made allowance for persons who are not fully employable or have exhausted their claims, a reduction of one-quarter may be justified. In that way we arrive at the conclusion that in spite of unemployment insurance 85 per cent of present relief cases would be left on the relief registers of Canadian municipalities.

Let us now examine the effects of insurance on the unemployed who are not on the relief rolls.

If Mr. Bennett's Act had not been declared unconstitutional, at least 1.7 million wage earners would be covered by unemployment insurance on the basis of the 1931 Census.

According to the Bureau of Statistics, unemployment among wage earners was 15.1 per cent in 1938. It may further be assumed that again making use of British experience, 50 per cent of the unemployed would have qualified for benefits. Under these assumptions there would have been in Canada 128,000 recipients of insurance benefits in October 1938. Of that number 13,000 to 14,000 would be identical with relief recipients, while the remainder, about 115,000, would have lived upon their own resources if insurance did not exist. It is true that they would get their benefits in return for their previous contributions paid into the insurance fund, but employers and the Dominion would also have to make considerable payments as is the case in Great Britain. However, in contrast to that country a much smaller part of the total number of unemployed would be taken care of by the insurance fund owing to a

higher percentage of long term unemployment in Canada.

Let us then sum up. It must be clearly recognized that introduction of unemployment insurance will not be a solution of the present relief problem. It will no doubt be of considerable benefit for certain groups of industrial workers, especially those with favourable employment records. It will help them to keep up their standard of living during periods of short unemployment. It will preserve their purchasing power during that time and at the same time help to prevent too sudden a decline of prices. It will preserve the self respect of the unemployed by giving them a statutory right to benefits and not subjecting them to the degradation of a means test. But the persons enjoying these advantages will not be identical with those who at present and for a good many years to come are the rank and file of the people on relief. The sums paid into the insurance fund will not reduce the outlay for relief to any appreciable extent. The difficulties of the workers replaced by the machine, the problem of the young men and women who have never been gainfully employed, the tragedy of the older man who is not acceptable to the employer: they will be the same as they are at present.

Handicrafts in New Brunswick

By S. E. HAYES

LATE in 1937 the Department of Education of the Province of New Brunswick inaugurated a program of extension service and adult education under the Dominion-Provincial Youth Training Scheme. Its purpose was to give practical training to young men and women between the ages of 16 and 30, who were unemployed and necessitous.

The program decided upon for young

women of rural New Brunswick embraced training in the field of handicrafts— weaving, clothing and related crafts and art education—the theory of design and color. This last subject was considered very important since the value of handwork depends not only upon its durability and technical value but upon its esthetic qualities as well. Today, fashions decree that the well-dressed person be clothed according to type, design and color suitable to the individual. The art training provides this requirement.

EDITOR'S NOTE: Miss S. E. Hayes, B.Sc., (Home Economics), M.A., (Sociology), Columbia University is Supervisor of Home Economics and Adult Education for Women in the Province of New Brunswick.

The first move in developing a sound program of handicraft education was to train a number of leaders who could go to communities, equipped with the knowledge of the crafts to be taught. Graduates of Home Economics Schools and people experienced in craft work were enrolled in a three months leadership course. The course of instruction consisted of practical work in (1) weaving (2) clothing (3) art. Community activities, consisting of group singing, physical education, dramatics, folk dancing, etc. composed the evening program. All activities centered about one main objective, the community and a study of its needs. The study part was approached through the medium of study clubs. The entire class was divided into groups—each group selected a leader, whose duty it was to direct the study of some phase or problem of community life. Repeatedly the student body conducted panel discussions and general assemblies in order to acquaint all with the philosophy underlying the whole movement.

These trained leaders have an educational program to carry out—a program that has tremendous possibilities—economic, social and cultural. This is how they do it. Just as soon as a community indicates to the Province its desire for such training, certain organization work is done previous to the opening of the course. A class, averaging 20 in size, is enrolled. The course of instruction lasts one month. A hall or place of meeting is obtained and all physical factors such as heat, light, water supply, etc. are provided by the community. Any working equipment needed, that can be provided locally, is secured and in readiness for the opening date. Most important of all, perhaps, is the drawing up of an advisory committee—usually "key persons" of the community, who act as sponsors of the course, directing its activities during the training period and after the leaders leave to foster and nurture the development of the work.

Not many rural courses had been given when it seemed that we were losing sight of a very important phase of life—that being the health and nutrition of the group

concerned. Consequently, foods work was incorporated into the course of study. Enrollees study the fundamentals of balanced meals through practical work based on the preparation and service of dinners and suppers which they participate in as a group activity. It is now possible to visit courses in operation and find a group of young people baking the bread for the entire group—preparing a new type of fish dish—arranging the table service, computing the cost of the entire meal and announcing at the end of the week that the average cost of dinner per person is 6½c. In connection with our foods work there is an appalling need for more gardening and greater interests in our rural people producing more of their home food supplies. It is not difficult to discover among a group of 25 girls in a rural course that only 1 would have a garden in connection with her home. It is needless to add that the nutritional standards of such communities are discouragingly low.

It is exactly 2 years since the inception of the program of handicraft education in New Brunswick. What has been accomplished within this space of time?

Technically, 1,306 young unemployed women have enrolled in our courses—of these 604 specialized in weaving. All took training in art, in foods, in physical and health education and all belonged to study clubs for the purpose of discussing their economic and social problems.

Young men interested in carpentry have been taught how to build looms. Through these young men our demands for looms are being met locally and at the same time it is giving useful and remunerative work to a few. The credit unions have also been of valuable assistance in helping girls procure looms.

Educationally—The province, as a whole, has benefited greatly from the experience of group activities. Adult people gathered together in work and in play, discussing problems of a technical, a social and an economic nature are growing individuals—and promoting that growth is education in its highest sense. In the program of handiwork education just outlined, we in New Brunswick, hope to educate our

future home makers for the tremendous task that faces them. They are the custodians of the health and happiness of their families, obviously, they must be prepared for the role they are to play.

Culturally—Personalities are moulded under the mellowing influence of creative work. Finding an outlet for self-expression, be it in the fine arts, handicrafts, folk dancing or the art of living together makes civilized man a finer and a richer being. A new found self-confidence gives to the individual that inward feeling of tranquility in knowing "The Finer Things of Life". Enjoyable work is creative. It fosters good health, a tolerant attitude and tends to develop a better adjusted personality.

Economically—Wool produced on our farms, that may be sold for 15c. per lb. brings very little hope to the solution of an unbalanced budget but that same wool converted into a yard of New Brunswick tweed represents at least \$1.80 worth of saleable commodity. Families that previously had to depend upon what the market offered them for their wool—which at best was very little—may now clothe themselves in tweeds that are of superior quality and standard. In one of our enterprising counties, where agriculture is the basic industry and is taught as a separate subject in their County Vocational School, the graduating class had among its numbers 40 young ladies. They were dressed in New Brunswick tweeds and the cost of each outfit averaged \$2.50. It is hoped that next year's graduation exercises will find the young men as well as the young ladies smartly clothed in material produced and fabricated within their Vocational School. As this article goes to press, the author is informed that this year's class of homemakers is now weaving the material for their clothing needs. Very soon they will start weaving white cloth for the graduation outfits for both boys and girls. If we can do nothing more than stem the tide of cheap shoddy material, so often the result of sweat-shop labor, and replace it with material of quality and character—then, surely our efforts are well directed.

In New Brunswick groups of young

men are being taught to design and make furniture out of our native birch. The girls are weaving the upholstery for this furniture and draperies for the windows. By doing so, drab uninteresting homes may be converted into spots of beauty and refinement.

It must be made clear that the Department of Education does not direct all handicraft work done in the province of New Brunswick. The Department of Agriculture through its Women's Institutes, its girls clubs and through a few Youth Training centres has given prominence to the value and need of handwork. The re-establishment of weaving in New Brunswick was made comparatively easy because of the pioneer work done by the Mount Allison Handicraft Guild at Sackville, N. B. and also by the Charlotte County Cottage Crafts, under the direction of Miss Helen Mowatt of Saint Andrews. Besides the departmental programs, some private developments are active in rather unusual fields.

Pottery is a development that has won widespread fame. New Brunswick is fast becoming pottery conscious due to the untiring efforts of a young Danish couple who settled in the Southern part of the province within very recent years. After scientific investigation and years of research and study, these two artistic people succeeded in developing fine pottery from our native clay. Their glazes too are of their own composition and their original colors Autumn River Blue, Glen Green and Mountain Snow are characteristic of our natural color schemes.

Basketry is not a forgotten art among the Malicete Indians of our province. From strong ash and choke cherry wood baskets are made. In some cases native sweet grass is used along with wood colored with natural dyes. This adds a decorative note to the product. Other products made by our original inhabitants are oddly marked seal-skin moccasins, hand-wrought iron lamps and scones, pottery from our own clay and deep butternut salad bowls made from native woods. Weaving has been revived among the Indian women. The members of the Malicete Baseball Team are wearing

suits made from handwoven material. This specific accomplishment is a direct result of a Youth Training Course that was given near the Indian reservation area.

One of the striking features of rural handicraft courses is the magnificent co-operative spirit displayed by all. This spirit of support and assistance is manifested, not only by direct participants in the course but very definitely by persons who could derive no personal material benefit from them. All services offered are voluntary. It can be stated that, in general, the active support of the people grows steadily as they see for themselves the changes taking place in individuals, in groups and in the standard of community life. It is abundant proof that such schools, surrounded and supported by the life of the neighborhood, becomes a community group wherein students,

teachers, and adults live together. It is a type of training where right habits of thought and action are moulded and where a wholesome attitude towards life is created. It is done by actually *living* and *doing* worthwhile things in a worthwhile way.

It is my belief, that if country life is to reach its highest point of satisfaction, it will be found through a recovery of some of the values that have been lost in the transition from the old fashioned farm home to the modern farm where everything that is raised is standardized with the thought of selling it on the market. Grading, standardizing, and limiting production is perhaps essential for both producer and consumer, but some day it is hoped that every farmer and his family will come to realize that there are certain choice and rare things which they can have for themselves which no city person, whatever his wealth can secure.

Proportional Representation

A Voice From England

By T. E. HARVEY, M.P.

AT a time when the foundations of international life are being shaken by war it may seem an idle task to discuss the value of the application of proportional representation to the machinery of government. But if the principles of democracy are to continue and spread in influence it is of vital importance that democratic government should be conducted effectively and with regard to the considered opinion of all sections of the community. It is because proportional representation provides for this and other systems fail to do so that it is well to consider the need for its extension if democratic government is to survive the fiery ordeal

through which so many countries are now passing.

The system of election of representatives to a legislature or to local government authorities by means of a majority vote in single member constituencies is an imperfect and inadequate instrument for securing justice to minorities and not infrequently has resulted in gross misrepresentation. The grouping of constituencies so that each should return three, four, five, or more members, while each elector has one transferable vote, enables the elector to vote in order of preference for the various candidates and secures that no substantial minority will be utterly unrepresented. This method of securing proportional representation has been in practice successfully for about a generation in Tasmania, and in Eire

EDITOR'S NOTE: T. E. Harvey represents the Universities of Northern England in the British House of Commons as an Independent. Being himself elected to the House under a system of proportional representation, he has in the spring of this year introduced a Bill furthering proportional representation.

since the first constitution of the Free State came into operation; it was recommended for adoption in Great Britain by the all-party Speakers' Conference in 1916 and by a majority by the Ullowater Conference of 1930. In the Electoral Reform Act of 1918 it was applied in the case of four university constituencies, but in all other cases the old single member constituency was retained. The method of the transferable vote is, however, being increasingly used in Britain by trade union and other organizations in the election of officers and committees and has been found to work most satisfactorily. On several occasions Bills have been presented in Parliament to apply proportional representation in local elections, and the need for it in the case of town councils is in many cases very great. In a number of metropolitan borough councils under the present single-member constituency system the whole council consists of members of one party, although a large number of electors have voted for other candidates. Thus in working class districts like Stepney and Bermondsey every councillor belongs to the Labour Party, while in West end districts like Westminster and Chelsea every councillor is a member of the Municipal Reform or Conservative Party. Such a system inevitably tends to silence effective criticism, to make easier mismanagement and corruption, and to deaden the interest of electors in municipal affairs. In the sphere of wider national politics the old system of the single member constituency in effect permanently disfranchises large minorities in different parts of the county where the nominee of the majority party is practically certain of election.

It is significant that in Europe today most of the countries which we regard as democratic in their institutions have adopted proportional representation in different forms. Denmark, Norway, Sweden, Holland, Belgium, Switzerland and Finland all have proportional representation. In France the Chamber of Deputies, shortly before the outbreak of the present war, agreed to the principle of a Bill for proportional representation

in the election of the French Chamber. In the case of none of these countries has the introduction of proportional representation resulted in instability of government. In the case of Eire, although governmental majorities have been small, there have been only two prime ministers in office in the course of eighteen years. Proportional representation has enabled opinion to be represented in the Dail which could not have been under the previous system and has helped in a remarkable degree to allay the bitterness left behind by civil strife and bloodshed in past years. As Canon Luce, of Trinity College, Dublin wrote in 1938: "Proportional representation has been a healing force in our midst. Old political feuds are dying: public spirit is replacing faction. Our elections are well conducted. The voice of reason is heard and the gun is silent. Proportional representation deserves much of the credit: for proportional representation produces contented and loyal minorities, whereas the other system breeds muzzled, sullen, discontented minorities... The other system antagonizes majority and minority, accentuates the differences between them, and, therefore, weakens both. A contented minority is a strength to the majority, while a discontented minority and a bullying majority are a weakness to the whole body politic. Surely those who accuse proportional representation of making for weak governments are confusing the strength of authority, based on political consent, with the brute strength of *force majeure*. Since the establishment of the Free State we have lived under several administrations, every one of them elected by proportional representation. Every one of them has been a strong government, judged by the true test of strength. Their legislative output has been large, yet most of the grave measures has been carried by the slenderest majority. The scale only just turned, but there was consent behind it and whether we approved or disapproved, we all accepted the decisions loyally and cheerfully and made them our own; for we have been able to say to ourselves

'It is the will of the people, ascertained under the fairest electoral system ever devised by the mind of man.' We shall not be able to say that if proportional representation goes." (Letter to the *Irish Times*, 23rd. June, 1938)

It has been objected that in many cases electors would not be able to understand the system of voting under proportional representation, but the successful employment in Eire, where at the last election ninety-nine per cent of the votes cast were correctly marked, proves that this is not the case. In India, where communal division is acute, some approach to proportional representation has found a place in the new constitution, it being provided that the single transferable vote shall be used in the election of the federal Legislative Assembly. In February 1939 provision was made for the non official members of the Council of Government of Malta to be elected by proportional representation and it is also in use in Palestine in the election of the Council of Tel-Aviv and certain other bodies.

In the last year or two there has been a remarkable growth of opinion in the United States in favour of proportional representation in order to cope with the evils of municipal corruption which had arisen through the manipulation of the old electoral system by party bosses. The most conspicuous success of the movement has been the adoption of proportional representation in the city of New York, which came into force in the election of November, 1937. A combination of the old party delegates endeavoured to make proportional representation unconstitutional under the revised Constitution of New York State, but the amendment to effect this required ratification by a referendum, and after a keenly contested campaign the amendment was defeated in every county in the State, and in the State as a whole by a two to one majority. The great suburban borough of Yonkers subsequently adopted proportional representation for its own municipal elections and the system remains in force in New York City. Bills have already been introduced in a number

of other states to authorise the application of proportional representation in municipal elections, usually in conjunction with the appointment of a city manager.

Although Canada has hitherto taken less interest in this method of political reform than some other dominions, the system of proportional representation has been applied in the election of the representatives of Calgary and Edmonton to the Legislature of Alberta and in certain municipal elections, as in the case of the City of Saskatoon. The evils calling for this reform in some of the great cities of the United States may not be found in Canada, but the danger always is present that the abuses of the single member constituency which have facilitated the rule of Tammany Hall in the past, may bring about a similar situation in other countries. The example of those democratic countries of Europe which have adopted the system of proportional representation must encourage us in the belief that the growth of free institutions of government in both hemispheres of the world will be greatly assisted by the spread of this method of election alike in municipal and legislative bodies. It provides, as no other system does, for the just representation of every considerable group of electors. It will not destroy the party system, but will tend to purify it, by permitting to the individual elector a fuller choice and by allowing more than one candidate belonging to the same party to contest the same constituency without loss to that party's representation, owing to the action of the transferable vote. It removes a sense of real grievance from large bodies of citizens who feel themselves unrepresented under the existing system and encourages an intelligent interest in local and national administration wherever it is applied. Proportional representation is the natural expression of the principle of democratic government, assuring to all citizens a fair share in the conduct of the institutions which control and express their relations to one another as members of a free self governing community.

Some Problems of Sanitation

By P. S. CAMPBELL

SANITATION involves the adoption of those measures which tend to preserve the health of the community. While the term is probably synonymous with hygiene, it has come to be regarded as limited to the provisions of health in connection with the home. Briefly, it refers to the cleanliness of the environment.

Within its scope municipal sanitation embraces water supplies and their purification; protection of bathing places; sewerage and sewage disposal, garbage collection and disposal; milk production and processing; hygiene of the school, home and public places; heating, lighting and ventilation; abatement of nuisances; fly and insect control; street cleaning; housing, disinfection and to a certain extent town planning.

This article will, however, be restricted to those forms of sanitation which are of basic importance to all municipalities, viz., water supplies, sewage disposal and milk production and processing.

The main purpose of modern sanitary science is to erect barriers along the streams of infection in order to cut off foci of infection and prevent them reaching susceptible individuals. At one end of the line we have actual or potential sources of infection, at the other end susceptible human beings. Sanitation comes along and places barriers between the two. For the maintenance of proper health standards, not only in cities, but in rural areas as well, very special attention must be given the questions of safe water supplies, adequate sewage disposal and sufficient milk protection.

Obviously it is easier to dispose of sewage, to provide potable water and to furnish safe milk in cities or towns

than in rural districts. In cities or towns one better organized central authority can institute the necessary measures and pay for them out of the treasury. In rural regions where people are so far apart, common systems are less practical. Here each home owner is called upon to provide his own well or spring, refuse disposal and milk supply, and the provision of these necessities depends largely upon individual knowledge, vision and ability to pay.

Water

The Public Health Act of Nova Scotia stipulates that "Every local board shall require each owner to provide an abundant supply of wholesome drinking water for the occupants of all houses, either on the premises of each householder or tenant, by a public water supply or otherwise, and the local board may order the owner of any property to provide a well, suitably situated, where feasible and necessary." This is a reasonable provision since water is a necessity. Without it not only animal but vegetable life would cease. It is significant that the earliest settlements of all countries were in the neighborhood of water. Villages, towns and cities sprang up on the shores of lakes, on the banks of rivers and near springs. In modern times our engineering skill has enabled us to either obtain this product from deep artesian wells or to convey it from great distances by means of suitable conduits. The natural sources of water are rain and snow which are disposed of as follows: a certain portion is evaporated, another portion flows into lakes, rivers and the sea and a third portion percolates into the soil.

Our objective should be to encourage a liberal use of good water and at the same time to discourage its waste. The quantity of water required per person per day has been estimated from ten gallons up. It is true that in some places the con-

EDITOR'S NOTE: The above article is an extract from an address delivered at the Course in Municipal Administration held under the auspices of the Institute of Public Affairs at Bridgewater, August 31, 1939. Dr. Campbell is Deputy Minister of Health for Nova Scotia.

sumption may be as low as one gallon, but this amount is hardly sufficient to meet the requirements of health and cleanliness. In some cities the quantity consumed goes up to one or even two hundred gallons per capita. Much water may be wasted from defective house plumbing, leaky mains and from unmetered systems.

Water supplies either from wells or municipal systems should be protected from surface and sub soil wash, otherwise pathogenic organisms may enter them and be responsible for outbreaks of communicable diseases. In 1885 an epidemic of water borne Typhoid Fever occurred in Plymouth, Pennsylvania; then a town of eight thousand people. Over one thousand cases were recorded with about one hundred fourteen deaths. A cholera outbreak in Hamburg, Germany, in 1892 was responsible for over seventeen thousand cases and approximately eight thousand deaths. In this connection there was a striking demonstration of the value of mechanical protection. Altona which obtained its water from the same river, had previously provided a slow sand filtration plant and escaped the epidemic. Many other water borne epidemics have been recorded through the years. One of the greatest sanitary accomplishments in North America since the beginning of the Twentieth Century has been the control of Typhoid Fever. While a number of factors have entered into this conquest, one of the most important has been the introduction of purification facilities to Municipal water supplies.

The simplest source of water supply is the well which is nothing more or less than a hole dug into the earth, to a sufficient depth to reach the water table and provided with some device for bringing the water to the surface. In locating a well, due consideration must be given to surface configuration, character of the soil and the proximity of probable sources of pollution. Most pollution and contamination enter wells from surface wash.

Practically all surface waters are polluted whereas ground waters are usually free. It has been said that running streams purify themselves in seven miles. This

is a dangerous generalization. Some streams may, and many may not. Whether they do or not depends upon several conditions which time does not permit our discussing today. All municipal water supplies from surface sources should be purified and the principle methods of bringing about this purification are storage, filtration and chemical treatment. All municipal officials are advised to do everything within their power to provide chlorine treatment to central supplies. The cost involved is small compared with the protection thus afforded.

Sewage Disposal

The diseases which arise due to improper excreta disposal are Typhoid Fever, Cholera, Dysentery and others due to various intestinal organisms. While the improper disposal of sewage always creates a nuisance, a portion only of it contains germs capable of producing diseases. In order however, to render safe this portion, all of it must be taken care of as carefully as if all contained the dangerous organisms. In towns where municipal sewage and water carriage systems are found there will be little trouble. In rural districts certain difficulties present themselves, but even here at little expense it is comparatively easy to have sanitary conveniences. Any proper system should prevent contamination of wells or other sources of drinking water, scattering of excreta on the ground and access of flies and domestic animals.

It is too much to expect all people to give necessary attention to apparatus or systems that require regular care and the application of knowledge. On this account it is necessary to so design all installations that the follow up care will be negligible and the maintenance cost small.

The Health Act says "Every house shall be furnished with a suitable drain for carrying off waste water, also with a suitable water closet or privy and vault attached thereto, and the owner of any such dwelling house who neglects to provide the same shall be liable to a penalty not exceeding twenty dollars."

Milk

Milk is, without doubt, the most important single article of food, containing as it does most of the essentials of a balanced diet. It is always the chief and in some instances the only diet of infants and small children, consequently it must be an important one. Milk contains the three basic elements of diet. Viz., protein, fat and carbohydrates in apparently proper proportions. The quality and quantity of its proteins are satisfactory, as a consequence it is a splendid muscle builder and the fat and carbohydrate present furnish the energy necessary to the developing child. It contains Calcium Salts which are required to produce strong teeth and bones. In addition, milk carries a liberal supply of Vitamins, which we believe are required in a properly balanced diet. Vitamins are complex substances, and their exact composition is not known. They are found in certain natural foods and appear to be necessary to nutrition and growth. Their absence produce certain diseases of the deficiency type. Six or seven of these obscure compounds have been recognized. It is customary to designate these by letters, A, B, C, D, etc.

Students engaged in a study of food values, in many places, have come to the conclusion that no other food approaches milk in nourishment and cheapness. The statement that milk is the most valuable and cheapest food, can be better understood by comparing it with other foods. It has been calculated that one quart of milk is equal in nutritive value to one pound of steak, or eleven eggs or three and one-half pounds of fish or two and one-half pounds of chicken. Knowing the market prices of these foods we can readily see the preferred place milk occupies in economy. When we add to the price of the other foods mentioned, the cost of cooking and serving them, the cheapness of milk as a food is more apparent. It is therefore evident that where economy must be practised in the home, the quantity of other foods might well be reduced and the milk increased.

Dishonest dealers have been known to add foreign compounds to milk in order

to make it more saleable. It has been thickened by the addition of chalk or lime. Alkalies have been used to improve its taste. Certain dyes have been employed to give it a richer appearance or to cover up cream extraction or watering. Preservatives in the form of boracic acid, formalin, salicylic acid, have, from time to time, been used.

Milk usually contains some bacteria which may or may not be harmful. Generally speaking it is the type of bacteria that determines the danger and not necessarily the number. Certain germs, harmful or otherwise, may work their way up the milk ducts, hence the reason for the first milk having more bacteria than the last. Other germs are contributed by objects which the milk comes in contact with, such as the hands of the milker, particles dropping from the cow, dusty air and the milk pail. In order then to produce a low count milk, the cow should be clean, the milkers hands clean and the milk pail clean and having a small top opening.

While milk is the one almost perfect food, nevertheless contaminated milk has been responsible for more sickness than perhaps all other foods combined. For the reason that bacteria grows so well in milk, it is the most difficult food to produce, transport, process and deliver in good state. The pathogenic bacteria discovered in milk usually get into it from human sources. Two exceptions of course are the organisms of bovine tuberculosis and Malta fever.

Diseases Spread Through Infected Milk

Of the diseases that may be spread through milk Typhoid Fever, Septic sore throat, Tuberculosis, Scarlet Fever, Diphtheria and Malta Fever are important. Then there may be certain so called Summer diarrhoea's and gastro intestinal disturbances and, of academic interest only, milk sickness. Many will remember the milk borne outbreak of Typhoid Fever of terrifying magnitude which occurred in Montreal a few years ago. Fifty-one hundred persons were stricken and over five hundred died. Fortunately

most epidemics from infected milk have not been as serious as this one was; yet every year a goodly number is reported. In the United States of America upwards of thirty to forty a year occur. Coming nearer home in 1923 there was a sharp outbreak of Typhoid in a town in Nova Scotia in which there were sixty-seven cases and nine deaths. The infection was traced to a carrier who operated a dairy farm.

Pasteurization

Since milk is such an important food and, at the same time, such a dangerous one, if not properly handled; it is not surprising that much attention has been directed by Health Departments towards ensuring a clean safe supply. To this end special regulations are made and systems of inspection are in vogue. Much attention is placed upon the necessity of producing milk under the strictest cleanliness, to the health of cows and milk handlers and to the cooling of milk in storage. In order to prevent the transmission of diseases through milk, and in addition to the precautions mentioned, pasteurization of the product is recommended.

What is pasteurization? Simply this—Heating it to a temperature of 144 to 148 degrees F., holding it there for twenty-five to thirty minutes and then rapidly cooling it. Immediately after cooling, it should be placed in sterile bottles and kept stored at a temperature of 50 degrees F., or preferably lower until delivered to the consumer.

We need not worry about the effect of heating milk to the pasteurization temperature, upon its food value. There is no significant effect, especially when it is realized that all children should receive orange or tomato juice or other source of vitamin C., whether the milk they drink is raw or pasteurized. Therefore since we can easily give the child all the vitamin C. it needs why take chances on disease by feeding it raw milk. It is correct to state that scientific pasteurization does not change the appearance, taste or digestibility of milk and it is the cheapest, and most trustworthy method of rendering it safe.

It must be remembered that pasteuriz-

ing apparatus requires the intelligent care of competent persons. It is not advocated that pasteurization replaces sanitation, but it is safe to assert that pasteurization plus inspection gives us a clean safe milk.

Objections to pasteurization have been advanced from time to time but none of these rest on a solid base. It has been said that the process destroys souring which is nature's danger signal. This is not so.—Properly pasteurized milk sours just as raw milk does, but more slowly. Others have said that children thrive better on raw milk. There is no available evidence to prove this, in fact the reverse would appear to be the case. Some years ago the United States Public Health Service conducted a special study on over three thousand children to determine whether or not those who used heated milk thrived as well as those who used raw milk. The result showed the average weight of those receiving raw milk was 33.2 pounds and the average weight of those receiving heated milk was 33.6 pounds. The average height of those drinking raw milk was 37.4 inches, whereas the average height of those receiving heated was 37.5 inches. It was also found that those who drank raw milk suffered more from communicable diseases than the others. Other experiments have also given the same results.

Another objection offered is that pasteurization adds to the consumers cost and therefore is a hardship on the poor man. Even if it did add to the cost, the objection would not be a valid one. But does it add to the cost? There is evidence extant to show it does not. Some of those engaged in selling pasteurized milk have told me they would not, even on a cost basis, return to handling raw milk for the reason that the maintenance charges on their plants is at least made up for, or perhaps more than made up for, on the saving in spoiling and souring and besides they have the satisfaction of knowing they are distributing a safer product. The same saving is passed on to the consumer. It is a significant fact that in a number of places raw and pasteurized milk are selling at the same price.

Educational Aims of the Civilian Conservation Corps

By HOWARD W. OXLEY

WHEN the Conservation Corps was established in April, 1933, a new type of educational opportunity was born in the United States. The grand sweep of imagination which resulted in the creation of the Corps was inspired by an emergency—the relief of unemployment—but the organization which it created accelerated a great movement which had been initiated in the days of John Muir and Gifford Pinchot. That movement was conservation, the conservation of our rapidly diminishing natural resources. The Civilian Conservation Corps added to that movement a second and far more important phase of conservation, that of our human resources embodied in the unemployed and out-of-school youth of the nation. The camp program indeed was not a new one. William James had suggested it as long ago as 1912. The churches and many private social agencies had utilized the camp as a means for the remedy of sociological problems. European countries had utilized the youth camp, though largely for pre-military training purposes. The Civilian Conservation Corps was created as a youth work camp movement for the conservation of both natural and human resources without military implications. Today, the camps are a living symbol of a new era in American life, namely, that intelligent planning for the preservation of our country and its youth is imperative if the social and economic life of the nation is to be preserved.

The Civilian Conservation Corps has accomplished a tremendous amount of useful work in the conservation of natural resources during the past five years. Experts in these fields state that the Corps has advanced the conservation program by twenty-five years, although there still remains work to be done for many decades to come. Under the supervision of such agencies as the Forestry Service, Soil Conservation Service and the National and State Park Services, this work has been carried on chiefly in reforestation, forest protection and improvement, soil conservation, wild life restoration and the development and protection of national and state parks. Included among the many projects which have been completed by the Corps during its six years of existence are the planting of 1,741,000,000 trees, the construction of 45,000 buildings, and the expenditure of 9,000,000 man days of fighting fire and on fire prevention. The Corps has also constructed 4,700,000 check dams, seeded and sodded 380,000,000 square yards, and completed 22,400 miles of terraces. Since 1933, state parks have been increased in number from 816 to 1397 and in acreage from 3,310,691 to 4,332,000. More than 643,000,000 young fish have been planted in lakes and streams. These are only a few of the outstanding activities from among the many achievements of the Corps. Being a large, mobile and disciplined force, the Corps has also been of great assistance in a large number of major and minor disasters, ranging from hurricanes and floods to fires and the recovery of a lost child.

In addition to being a work agency, the CCC has been designated by Congress as an educational organization. The educational activities of the Corps cannot

EDITOR'S NOTE: The Civilian Conservation Corps, better known as the CCC is one of the most successful and certainly one of the most popular devices to cope with juvenile unemployment in the United States. The use of its methods in Canada has been repeatedly demanded in Parliament and outside. At the request of PUBLIC AFFAIRS Dr. Howard Oxley, Educational Director at CCC headquarters in Washington has given a broad outline of the CCC educational programme for which he himself is mainly responsible.

be dissociated from its work aspects. The enrollee cannot be a student, nor is the CCC a school in the traditional sense.

The typical junior enrollee is a young man, barely twenty years of age, who left school when he was in the eighth grade. He has had little or no work experience and has been bewildered and disheartened by his futile efforts to secure a job. A survey made in June, 1938, indicated that 56% of the men came from rural areas and 44% from urban areas. The average man has had no vocational training nor has he received any vocational guidance.

When this typical enrollee enters camp, he is subjected to a score of new influences. Work, play, study, the routine and discipline of camp life, association with his fellows and with the supervisory personnel—all of these aid in his development. The whole of camp life, the twenty-four hours of the camp day are, in the best sense of the word, educational.

From the regular hours, outdoor life and good food, the enrollee gains a sound body and good habits of health and punctuality. In the daily routine of the camp, he learns cleanliness and neatness, and acquires respect for authority, good manners and consideration for others. From his work he gains useful skills and information and the consciousness that he is able to carry a man's share of work eight hours every day. From the fact that he is earning money and assisting in the support of his family, he gains self-respect and a sense of responsibility for those who depend upon him. Travel, contact with the forces of nature, association with different types of people in various sections of the country have also played an important part in stimulating and developing the men.

In addition to these intangible values which arise from the very nature of the camp situation, organized educational activities are provided during leisure time. The program is guidance centered and is based upon the needs and interests of the men. The extent and kind of educational activities, therefore, vary in each camp.

Although the average enrollee is twenty

years of age, three per cent are totally unable to read and write when enrolled and about forty per cent have not completed the eighth grade. More than two-thirds of the men have never received any vocational training and the majority have made no plans as to how they shall earn their living. One-fourth of the men never held any kind of a job before entering the CCC and of those who had been employed, the average enrollee had been jobless for eight months prior to entering the camps.

During the past five years, since the organization of the educational program, 70,000 illiterate enrollees have been taught to read and write. More than three-quarters of a million have been enrolled in elementary, high school and college courses and 8,838 have obtained eighth grade certificates; 2,307 have graduated from high school; and 52 have completed college.

All of the men have, of course, secured work experience in the camps. The sixty major types of projects in which the CCC is engaged may be broken down into more than 300 jobs for training purposes. Most of these jobs are related to forestry, soil conservation and park development. Others, such as cooking, clerical work, and truck driving are connected with the administration and maintenance of the camp. The fact that enrollees are working in these jobs for forty hours a week provides an unusual opportunity for vocational training. In most cases, instruction on the job during work hours is combined with courses in related subjects during leisure time. It is estimated that some 1,100,000 enrollees have received vocational training of this kind.

In addition to these job training activities, other vocational or pre-vocational courses which are not related to the camp jobs are provided in the camps or in nearby trade schools for those enrollees who are interested. About 1,000,000 men have taken such courses in the camps.

There is a variety of other educational activities carried on. All companies, for example, provide instruction in health,

first aid and safety. In many camps, the officers, foremen, enrollees and others who volunteer as instructors attend teacher training, foreman training and leader training courses. Libraries are provided in each camp. Each month, more than 7,000 educational films are shown to the men.

An unusual feature of the camp program is the emphasis placed on the informal types of education such as arts and crafts, dramatics, music and other hobbies. About 400,000 men have participated regularly in these informal activities.

In summarizing the present status of the educational program, it may be said that 91% of the men participate in the organized educational activities. Figures computed from the monthly reports indicate that the average enrollee who participated in the program spends four hours per week in these activities.

It is the objective of the educational program to make the individual (a) vocationally more productive, (b) avocationally more constructive, and (c) socially more cooperative. These sum up to make him functionally a better citizen.

In more detail the program in its approach purposes (a) to develop in each man his powers of self-expression, self-entertainment, and self-culture, (b) to develop pride and satisfaction in cooperative endeavor, (c) to develop an understanding of prevailing social and economic conditions, (d) to preserve and strengthen good habits of health and of mental development, (e) by such vocational training as is feasible, but particularly by vocational guidance and adjustment activities, to assist each man better to meet his employment problem when he leaves camp, (f) to develop an appreciation of nature and of country life.

The educational program attempts to present to the individual enrollee a nicely balanced offering of personal adjustment, including both educational and vocational guidance, and of vocational training and cultural vocational activity, including as large an amount of so-called recreation as the individual may require. No formula or curriculum for enrollees en masse is accepted as valid. Each

camp program must be made out with the utmost careful reference to the attitudes and interests of the individuals concerned. These attitudes and interests more often than not are obscured and undisclosed, difficult of discovery, and seldom are revealed without sympathetic individual interviewing and counselling.

Instruction falls within the following general areas.

1. *Removal of illiteracy*—This phase of work is most strongly emphasized.

2. Formal academic instruction with the emphasis on fulfilling special individual needs, such as remedying of common school deficiencies, high school graduation, college entrance, and the like.

3. Vocational training with the emphasis on the reemployment of the individual after his discharge from the CCC.

4. Systematic instruction on the job, which includes occupational training with both a production and a carry-over value.

5. Citizenship instruction with the emphasis here on the development of right social attitudes, rather than on the imparting of intellectual information regarding the mechanics of government.

6. Health instruction with emphasis on rural sanitation, the prevention of malaria, hookworm, typhoid, venereal, and the imparting of first-aid and life-saving instruction.

7. Leisure-time activities, music, dramatics, athletics, social activities, arts and crafts, hobbies, with the emphasis on leadership, and activities with a maximum carry-over value.

The CCC has demonstrated that education and work can be successfully combined in a program of practical training for nation-wide purposes. The camp work project presents, with certain limitations, the situation which the good instructor desires as the best basis for teaching. There is an opportunity in the camp to get back to what might be called a natural type of education in which the learning processes are natural, realistic, and pragmatic—working, learning, and living are all one process.

Industrial Relations and Social Security

Industrial Standards Act

In four of Canada's provinces, Nova Scotia, Ontario, Alberta and Saskatchewan, it is possible to make binding by Order-in-Council a schedule of wages and hours of labour on all employers of certain industries in certain districts. This, however, can only be done if a petition is made from representatives of employers and employees to the Minister concerned—in Nova Scotia the Minister of Labour—, if the Minister calls a conference at which employers and employees are represented, and if that conference agrees on the measure.

By this machinery terms for a schedule of wages and hours in the carpentering industry, the plastering and cement finishing industry and plumbing industry in the City of Halifax and in the Town of Dartmouth have been made binding from July 30, 1938, to April 30, 1939, and thereafter from year to year subject to notice of change from either the employers or the employees. The schedule provides for eight hours per day, four on Saturdays and a forty-four hour week to be worked between 8 a.m. and 5 p.m., except Saturdays when hours are from 8 a.m. until 12 noon. There are also regulations for overtime which differ for the three groups. The minimum wage rate is 65 cents per hour for carpenters, 75c. for plasterers and cement finishers and 85c. for certified plumbers and steel fitters.

Hospitalization Costs in Canada

As most Canadian municipal authorities have their indigents for whom they must provide hospital accommodation, the following excerpt taken from the *Municipal World* of Ontario, is worthy of close study:

Statistics from Canadian hospitals reveal that it costs on the average in Canada \$5.01 per day for a private room, \$2.79 for a semi-private room, and \$1.98 in a public ward. These figures prevail in the average Canadian centre. From the amount of revenue thus received one

might imagine that the hospitals should be paying institutions. On the debit side of the ledger, however, is the cost per patient per day. This amounts to \$3.23 for all patients, so that there is a deficit shown with the exception of private room revenue. It might be argued that the charge for other services might be increased, but anyone entering a hospital for any length of time finds the prevailing rate sufficiently high. While conditions in the business world may vary, the hospital rates are fairly constant. In the past twelve years they have shown an increase of only 3.6 per cent.—It may be stated that the above statistics have been collected about a year ago.

Health and Sickness in United States

The new public health policy of the United States aiming at improving health services for low income groups has been repeatedly discussed in these columns. How great a need there exists for such improvements may be seen from a memorandum on health conditions in the United States submitted last year to the National Health Conference in Washington and based on comprehensive surveys carried out by the Federal administration over a period of several years. The following data taken from the memorandum throw a gloomy light on the state of health of the American people:

Fifty million Americans are in families receiving less than \$1,000 income a year. Illness and death increase their toll as income goes down; medical care decreases sharply as need for it mounts.

For the ten most deadly diseases, the death-rate is almost twice as high among unskilled workers as among professional workers. For seven of these, there is a steady increase in deathrates as income goes down.

The gross sickness and mortality rates of the poor of the large cities are as high to-day as they were for the nation as a whole half a century ago.

No physician's care is received in 28 per cent of seriously disabling illness among the

the belt of normally self-sustaining families just above the relief level.

Workers in industry have a life expectancy approximately eight years less than non-industrial workers.

For respiratory tuberculosis, the death-rate among unskilled workers is seven times as high as for professional workers.

Among gainful workers, there are on the average probably seven to ten days of sickness disability—in the course of a year—but these disabilities range from a day, a month, a year, to a lifetime.

Trade Schools in Nova Scotia

New regulations under the Nova Scotia Trades School Regulations Act prohibit the use of any misleading advertisement regarding trade schools. Trade schools giving instruction by correspondence are not permitted to indicate, either directly or by implication, that a student completing the course of instruction is assured of employment, or that there is a specific demand for workers trained in the courses offered or that there are positions available for such workers without giving full particulars and location where such opportunities exist.

No trade school is to be operated jointly with a shop or other commercial business. However, goods made by the students or services carried out by them may be sold to the public at prices approved by the Director of Technical Education. The Director must also approve all contracts made between trade schools and their students, the hours of instruction and the course of studies in the school and the instructors hired. The proprietors and operators are responsible for carrying out all health, sanitary and safety regulations.

Industrial Relations in New Brunswick

The Labour and Industrial Relations Act, 1938, was amended to provide that nothing in the Act shall be construed to restrict, limit or interfere with the right of an organization of employees to maintain an existing agreement or to enter into a new agreement whereby all employees of the employer or organization of employers are required to be members

of a specified organization of employees. A further amendment provides that where in a labour dispute the employees affected are members of the same organization but are employed by more than one employer and it is desired to make application for the appointment of a conciliation committee, the application and required statutory declaration may be signed by any two of the officers of such organization provided the application has been authorized by a majority of the employees in writing or by a majority vote of all such employees taken on a secret ballot.

Profit Sharing in American Industry

Our readers have been informed about the progress of profit sharing in the United States by an illuminating article of Professor C. Canby Balderston, author of a valuable book on that subject, in the June issue of *Public Affairs*. Now a sub-committee of the United States Senate has made a special study of the matter and has just published an interesting report. It recommends no specific legislation but reaches certain general conclusions regarding the merits of profit sharing. While, according to the report, it would be unreasonable to assume that profit sharing could either be standardized or solve all the problems confronting industry, it can, if sincerely carried out by both employer and employee, produce results the value of which can be estimated in tangible figures at the end of every fiscal year. It is interesting to note from the Report that profit sharing is by no means restricted to companies already making a profit, as it is popularly believed. The experience of various business concerns reveals that profit sharing has been employed to carry companies out of the red and into the black by securing a measure of enthusiastic co-operation and contented efficiency. That is the direct result of a belief on the part of the workers that they will not only be treated fairly by their employers, but that they have a major and predetermined interest in the results of the efforts of both workers and management.

Current Public Affairs

Governmental Activity in War

The entrance of Canada in the war of 1939 was accompanied by immediate action on the part of the Dominion government designed to place the economic system of the country on a war-time basis. Unlike the unpreparedness of 1914, Canada has had ample opportunity to formulate war-time policies and make preparations. Furthermore, the errors and mistakes of two decades ago still are sufficiently fresh to assist in the determination of present governmental activities. Thus, accompanying Canada's declaration of war—the first in the history of the Dominion—Parliament passed within one week (and without extended debate) a number of measures designed to cope with potential demands on the Canadian economy, both from home and overseas.

The chief concern of Parliament centered on financial issues. One of the most important speeches—the Budget Speech—proposed increased taxation designed to supplement the Dominion revenues in order to help finance costs of war. The acts subsequently passed were the Excess Profits Tax Act, an Act to Amend the Income War Tax Act, an Act to Amend the Customs Tariff, an Act to Amend the Special War Revenue Act and an Act to Amend the Excise Act.

Of the three statutes not of a distinct financial character that were passed, the most significant was the Act respecting a Department of Munitions and Supply. The creation of such a department is to ensure the efficient mobilization of the resources of the country and the production of an adequate supply of war materials as well as to direct the distribution of goods and services necessary for the prosecution of the war.

By virtue of the War Measures Act—passed during the war of 1914—Orders-in-Council have been passed continuously since the outbreak of hostilities. The most significant Orders-in-Council include control of shipping, censorship

regulations, the creation of the War-time Prices and Trade Board, the control of Foreign Exchange and the Agricultural Supplies Committee.

Although at present the diplomatic and military activities in Europe are not yet well defined, the government in so far as possible has crystallized its foreign policy—complete co-operation with the British government. A tangible expression of this policy has been to create boards and bureaus whose sole duty it is to gear up the national economy to a war-time basis. The positive policy of the federal government is in keeping with Canada's status as a Dominion.

Help for the Fishermen

The plight of the fishing industry and the possible remedies for it have been repeatedly discussed in *Public Affairs*. As early as the second issue an article "The Fisheries and Science" was published, written by Dr. D. B. Finn. It examined the question to what extent the results of modern scientific research could be made useful for improving the methods of the industry. In a second article that appeared two years later Dr. Finn described "Recent Developments in Processing Fish".

While the politics of the fishing industry (which are important in the Maritimes) have never been touched in these columns, *Public Affairs* has given special attention to the complex economic problems which the industry faces. They were the subject of an article by Professor Stewart Bates in the August issue after O. F. MacKenzie had explained in the June issue "Why Canada Lost Her Markets for Dried Fish."

Meanwhile the Dominion Government has taken action to assist that branch of the industry which is of the most vital importance in the Maritimes and has suffered the heaviest losses—the salt fish industry. For that purpose by an Act of Parliament passed shortly before the close of the last ordinary

Session, a Salt Fish Board was established and a sum of \$800,000 placed at its disposal. Wide powers were given to the Board enabling it to take all necessary measures for the rehabilitation of that branch of the industry. While in the long run the main task of the Board will be to increase the sale of salt fish by finding new markets for the product, the first steps taken by the Board were practical measures for the relief of fishermen suffering alike from scarce catches and depressed prices. A system of "deficiency payments" is to be established to assure the fishermen of a sufficient return for certain kinds of salt fish to enable them to continue their production. If, in the Board's opinion, the average price that the dealers have paid to the fishermen is insufficient for this purpose, a deficiency payment will be made to supplement the amount they have received. The sum, which will be paid directly to each fisherman, will depend upon what the average dealer's price in all districts has been for the kind of fish in question. Therefore it is to the individual fisherman's advantage to sell to the dealer who bids the highest prices.

According to a recent announcement of the Board, deficiency payments will be made for the following kinds of cures:

All cures of dry or pickled and boneless cod.

All cures of dry or pickled and boneless haddock, hake, pollock, cusk, spring mackerel.

The amount of the deficiency payment has not yet been determined. It will be variable according to the state of manufacture at the time of the first sale, the cure, the kind and the dealers' average price to the fishermen.

Further reports on the measures taken by the Salt Fish Board will be given in later issues of *Public Affairs*.

Youth Hostels in Nova Scotia*

What is this Youth Hostels Association that is spreading so rapidly over our continent? It is an organization with

a high purpose:—it wishes to encourage the love of a healthful outdoor life, an appreciation of the beautiful countryside, good fellowship and international understanding. To do this the Association establishes hostels.

Hostels are supervised shelters situated from fifteen to thirty miles apart where members of the Youth Hostels Association can stay overnight for twenty-five cents. Hostellers must present their membership cards to the warden and must abide by the rules of the Association. An infraction of the rules brings the loss of one's membership card.

Usually, cooking facilities are provided by the warden; if not, meals are served for twenty-five cents per meal.

Hostels vary greatly in size and equipment, but the minimum accommodation is three rooms,—two for sleeping quarters and the remaining one for a common room. As hostellers must travel on foot or by bicycle, bedding is provided so that packs may be light.

The first Youth Hostels Association was formed by a school teacher who knew the hearts of young people. He found out that they long to see new places, meet new people and live in the open air. Various European nations were quick to see the good in this kind of travel and after some years an International Youth Hostels Association was formed, by twenty different countries, including the British Isles. America became a member in 1934 and Canada in 1936. Since that time the number of hostels in Canada has been growing steadily.

Nova Scotia at present has three hostels fully equipped, one being equipped, and three waiting for willing workers.

Six of these hostels lie in the Annapolis-Cornwallis Valley. The chain begins at Belle Isle, Annapolis County, thirty miles from Digby. This hostel accommodates eight. Thirty miles from Belle Isle is the Kingston Hostel, the first to be established in Nova Scotia. It also accommodates eight. About thirty-five miles farther on we find Hunting Point Hostel. This is a hostel de luxe consisting of five concrete cabins each

*See the article on Youth Hostels by Dorothy M. Allen and Geo. F. Mackinnon in *Public Affairs* Vol. I, No. 4.

with a fireplace and a stove. Here, there is room for twenty people.

Those hostels are the only furnished ones. However, buildings have been secured at Kempt Shore, Wolfville and Noel and we hope to have these, and others, ready for use before spring. A hostel at Yarmouth is greatly needed to house our visitors of the American Youth Hostels Association when they disembark there; and we need one between Wolfville and Halifax.

At Sambro, sixteen miles from Halifax we are equipping the seventh Nova Scotia Hostel. The house parents are Mr. and Mrs. Lendall Findlay who have set aside three rooms for our use. When fully equipped this hostel will accommodate twelve. The Halifax Local Committee hopes to establish a chain of hostels from Sambro to Peggy's Cove and thence to French Village. The rugged coastal scenery would be a complete change from that of the pastoral valley.

ELIZABETH CALLEN.

Household Budgets

The valuable survey of family living expenditures in Canada undertaken last year by the Dominion Bureau of Statistics has been repeatedly mentioned in these columns¹. The survey will prove of great importance during the present war period which will probably require the fixing of certain commodity prices and increased government mediation in labour disputes. For all these purposes detailed and comprehensive information about the budgetary needs of individuals and families are indispensable and the Bureau of Statistics deserves great credit for having made the essential data available at the right time.

According to a recent release of the Bureau, the annual living expenditures [*per person*] in the survey period (October 1, 1937 to September 30, 1938) averaged approximately \$270 for a group of typical urban wage-earner families. The total survey group embraced 1,439 families throughout the Dominion with incomes between \$450 to \$2,500. Average in-

come [*per family*] in the group approximated \$1,250. Typical annual expenditure [*per person*] for the more important living requirements of these families centred around \$90 for food, \$45 for shelter, \$15 for fuel and light, \$30 for clothing, \$20 for household furnishings and supplies, \$15 for health and personal care, \$10 for transportation and \$14 for recreation.

The larger the income [*per person*] the more is naturally spent for living requirements. But a great difference is apparent in the rate of increase of expenditure for various items at a higher income level. The survey compared two groups of British families, the first with an income [*per person*] between \$100 and \$200 and the second with an income between \$500 and \$600 per year. Setting the expenditure of the first (lower income) group at 100, it was found that the second (higher income) group spent for food 91 per cent, fuel and light 125 per cent, housing 236 per cent, clothing 238 per cent and health 263 per cent.

Most significant is the difference in the expenditure for health purposes. If the wealthier families spent two and a half times more for medical attention, medicine, etc., it seems likely that the health services available to the poorer families will have been inadequate.

In Memoriam—Thomas Bradshaw

In Thomas Bradshaw, the President of the North American Life Insurance Company, whose death occurred recently, the Institute of Public Affairs has lost a trusted friend.

The Institute was privileged in publishing, in one of its first bulletins, a comprehensive paper of Mr. Bradshaw's on "Municipal Government and Finance", while only in the August issue of this journal there appeared probably one of the last articles which Mr. Bradshaw has written "Serial—Municipal Bonds". Mr. Bradshaw's help and advice were never sought in vain whenever he was asked to promote civic reform and social progress.

¹ See *Public Affairs*, December 1938. p. 95, and June 1939, p. 206.

What Municipalities are Doing

Contributions from Municipalities to this Column will be most Welcome

Convention of the Union of Nova Scotia Municipalities

The thirty-fourth Convention of the Union of Nova Scotia Municipalities was overshadowed by the war clouds on the political horizon. It was only one day after the Convention had concluded that the European war broke out. These conditions naturally affected, to a certain extent, attendance and program. Nova Scotia's cabinet ministers were prevented from attending with the exception of the Honourable L. D. Currie, Minister of Mines and Labour. One of the speakers, the Honourable Eric Cross of Toronto, Minister of Municipal Affairs for Ontario, had, at the last moment to cancel his visit though he sent to the Secretary of the Union the manuscript of his paper on "Provincial-Municipal Relationships" which will be published in the printed report of the Convention.

Those who had come in spite of the political situation—and it was the great majority of the delegates—had no reason to be disappointed. The towns and municipalities of Lunenburg County whose hospitality is proverbial in the province had prepared an excellent program, providing for instruction as well as for entertainment. A motor trip took the guests of the Conference through beautiful Lunenburg County down to the seashore where they enjoyed a trip on the schooner "Bluenose". The famous Water Carnival and Venetian Night at Bridgewater which as a rule take place at an earlier date had been postponed and were held during the Conference, showing the Town of Bridgewater in magic illumination. An elaborate banquet at the Curling Rink united the members of the Conference to a late hour. Among the addresses given on that occasion, those of J. J. Kinley, M.P., Senator Duff and G. E. Romkey, M.L.A., were noteworthy, as well as the witty speech of the Union's Secretary, Judge Arthur

Roberts, who as usual delighted his audience by his fund of anecdotes.

In the official program of the Conference papers on social problems were in the foreground. This is not surprising as expenditures for social purposes make up one of the largest items in present day municipal budgets. After the Presidential address delivered by A. M. Butler, C.A., City Auditor of Halifax, and the Report of the Executive, Professor L. Richter of Dalhousie University spoke on the Effects of Unemployment Insurance and Unemployment Relief on Municipal Administration¹ and Municipal Finance. Part of his paper is published in another section of the journal. The address as a whole will appear in the Dalhousie Bulletins on Public Affairs. The valuable work done throughout Canada by the Victorian Order of Nurses was described by Miss Beatrice Creasy. The speaker showed how the Order has proved itself as a natural ally of the municipalities in their efforts to improve public health. She spoke of the fine achievements which the Order has made in Nova Scotia and urged municipalities to make use of the services of the Order.

The transactions of the second day were opened by an address by Honourable L. D. Currie, Minister of Mines and Labour for Nova Scotia on "Some Problems of Municipal Administration". Mr. Currie who, as Town Solicitor for Glace Bay, has for many years taken an active part in the municipal life of the province, spoke with great authority on his subject and was warmly applauded by the audience.

Mr. G. E. Romkey, M.L.A., gave as in previous years on the last day of the Convention a review of municipal legislation in 1938.

A number of important resolutions were passed by the Convention of which only a few which are of general interest will be mentioned here. The printed

Report of the Convention which, as in previous years, will be sent to all municipal officers throughout the province will contain the full text of all resolutions which were passed.

The Government of Nova Scotia was asked to pay a portion from the revenue it receives from fees collected by sheriffs and others for the cost of furnishing offices used by these officers. A further request on the government was that in cases where fines were imposed payable to the government but were not paid and the guilty party sent to jail, the government pay the cost for prisoners in the same way as it now does for prisoners jailed under the Liquor Control Act. An amendment of the Municipal Act and the Motor Vehicles Act was urged empowering the municipalities to license bicycles. Hope was expressed that this would prove an effective method of curbing thefts of bicycles carried out by organized rings throughout the province.

Among other resolutions which were widely commented upon, one concerned the establishment of a loan fund to assist farmers and fishermen in securing additional income by engaging in certain productive enterprises. Such enterprises are, for instance, providing accommodation for tourists, poultry raising, bee keeping, and handicrafts of various types. The loans should be made only if recommended by a local committee on which the municipality is represented and if the repayment is assured by appropriate security, low rate of interest and instalments.

Officers elected for the next year are as follows: President, Warden Rod MacKinnon, Cape Breton County; First Vice-President, Col. B. W. Roscoe, Mayor of Kentville; Second Vice-President, R. M. Fielding, K.C., Solicitor for Halifax County in Halifax; and Secretary-Treasurer, Judge Arthur Roberts in Bridgewater.

New Brunswick Municipalities Meet

The thirty-third annual session of the Union of New Brunswick Municipalities was held at Fredericton during September.

Seven resolutions were presented for discussion. One called for the provincial government to give to the cities, towns and rural municipalities two cents from the gasoline tax on each gallon for the upkeep of roads under their jurisdiction. It was further requested that liquor stores operated by the New Brunswick government should pay taxes to the municipalities in which they were located. Another resolution called for the provincial government to pay for the cost of dependents of prisoners which are confined to jail for the infraction of the New Brunswick Intoxication Act.

Two papers were presented to the Union, by Dr. E. C. Menzies, Director of the Provincial Hospital, and by W. F. Lougheed, Institute of Public Affairs, Dalhousie University. Dr. Menzies outlined the problems of hospital administration and discussed the province's obligations towards those who are confined to mental institutions. Mr. Lougheed discussed the possible effects of a prolonged war on the municipalities and presented a tentative program for dealing with municipal problems under war conditions.

The Union also went on record as recommending to the provincial government that a Royal Commission be set up to study existing municipal legislation with a view to bringing about needed reforms and keeping in mind the views as the Union set forth in its brief to the Rowell Commission. This resolution was adopted and will be referred to each county council to consider at their next meetings, and their decisions to be sent back to the Council's Executive for further action.

Course on Municipal Administration in Bridgewater

The course on Municipal Administration which is held annually following the Convention of the Union of Nova Scotia Municipalities has become a very popular institution. This was shown by the fact that although the outbreak of war was imminent, more than forty municipal officers attended and that they insisted on carrying out the full

program. In order to make that possible it was decided to hold a special night session which, owing to a protracted discussion, did not end before eleven o'clock. It was a proof how great a need there is among municipal officers for a discussion of the problems with which they are confronted in their day to day work.

The first session presided over by His Honour, Judge Arthur Roberts, brought two papers one on "The Administration of the Nova Scotia Health Act" by Dr. P. S. Campbell, Deputy Minister of Health for Nova Scotia, and another on "Assessment Rules" by W. F. Lougheed, Research Associate of the Institute of Public Affairs. Part of Dr. Campbell's paper has been published in another section of this issue while Mr. Lougheed's paper, on account of its rather extensive scope, has been mimeographed and sent to those who attended the course. The speakers were asked a great number of questions by the audience and the discussion served to further clarify many of the problems dealt with in the papers.

In the evening session in which A. H. Sperry, Municipal Clerk of Lunenburg County acted as Chairman, there were no papers but nearly four hours were devoted to answering legal and administrative questions pertinent to municipal work. As in the previous year, the Institute of Public Affairs had invited a number of municipal officers to submit such questions and had asked some of its legal advisers to provide answers.

In this connection special thanks are due to Mr. H. J. Egan and the officers of the Department of Municipal Affairs who not only were present throughout the session but had closely co-operated with the Institute in its preparation.

Municipal Problems in South Africa

Municipal problems are similar all over the world. This can be seen from a report on the Annual Congress of the Transvaal Municipal Association published in the excellent South African

journal *Municipal Affairs*. The Congress of the Association founded thirty-five years ago was held in Randfontein and was formally opened by the Honourable the Administrator of the Transvaal, General J. J. Pienaar. In his address the Administrator told the municipalities very frankly what he liked and disliked in the methods by which they conducted their business. He severely criticised housing conditions in the towns, especially as far as the native population was concerned.

He further warned against the tendency on the part of some local authorities to seek long period loans for providing civic amenities when they could well finance these schemes out of revenue.

Referring to the "very serious allegation" that local authorities were far keener on using their traffic officers to produce revenue by prosecuting motorists for trivial and minor traffic offences than to deal with dangerous drivers, the Administrator said he was not in a position to judge, but he appealed to local authorities to ensure that there could be no possible ground for such allegations.

Among the motions adopted by the Congress was one asking for increased allowances for Councillors, the maximum of which at present is £15 a month. There were motions from various small towns urging that the Government either have a larger traffic police force or subsidized local forces. Finally a recommendation was adopted that the Government be asked to take complete and effective control in all towns with less than 5,000 inhabitants.

The Mayor of Johannesburg made an appeal for uniformity of motor legislation throughout the Union. An increase of the National Physical Education Grant was asked for and amendments to the Town Planning Acts proposed.

The President of the Union elected for the ensuing year is a lady, Mrs. Alletta J. C. Nel, Mayor of Potchefstroom. In that respect South Africa certainly is ahead of Canada.

The Book Shelf

Labour in Canadian-American Relations. By Norman J. Ware and H. A. Logan. Edited by H. A. Innes. \$3.75.

Reciprocity 1911. A Study in Canadian-American Relations. By L. Ethan Ellis. \$2.50. New Haven, Yale University Press; Toronto, Ryerson Press.

Two further volumes published in the series *The Relations of Canada and the United States*, may be brought to the attention of our readers.

The first of them is devoted to labour problems, a field that is rather neglected in Canadian economic literature. It is therefore most gratifying that the subject has received such a comprehensive treatment in the series. The volume *Labour in Canadian-American Relations* examines the problems under three different aspects. Professor Ware, an American, discusses the history and the activities of labour organizations in Canada and the United States, throwing some new light on such disputed questions as the development of the C.L.O. and the strike in Oshawa. Professor Logan, a Maritimer now teaching at the University of Toronto, makes a comparative analysis of standards of living in Canada and in the United States. Finally the early history of the farmer and labour movement in Canada in its relation to the economic development of the country is told by the editor of the book, Professor H. A. Innes, of the University of Toronto. In view of the lively competition existing between certain American and Canadian manufacturing plants the findings in Professor Logan's part of the book are of particular interest. He examines in great detail conditions in the boot and shoe industry, the sugar refineries, and in the manufacturing of agricultural machinery and motor cars. He comes to the conclusion that real wages are as a rule lower in Canada than south of the international boundary.

Professor Ellis' book *Reciprocity 1911* gives a dramatic account of the attempt made by President Taft and Sir Wilfred Laurier to strengthen economic ties between their two countries by a Reciprocity Agreement. While the President succeeded in winning over Congress and public opinion, the plan was defeated in Canada on account of the election which swept Laurier from office. Reciprocity had been made a mere political issue opposed under nationalistic and imperialistic

slogans (though the Opposition was fomented by manufacturing interests), while the economic aspects were either distorted or disregarded. Professor Ellis' interesting and well written report of these struggles is very timely in view of the recent trade agreement between Canada and the United States. If we compare the quiet atmosphere in which this treaty was negotiated with the political storm accompanying its predecessor, it seems that meanwhile the political education of the Canadian people has made some progress. This at any rate is one explanation, though the sceptics may point out that Reciprocity came during a period of prosperity characterized by booming export markets while the present treaty was concluded at the end of a depression, with public opinion ready to accept everything that promised to help the suffering export industries.

The Administration of Paris and Montreal. By Alfred John Pick, M.A. McGill University. 1939.

Mr. Pick gives a comprehensive and scholarly account of municipal government in the two cities. Special emphasis is laid on the financial administration and the chapter dealing with the difficult financial problems of Montreal is sure to meet with great interest. The monograph is a valuable addition to the scanty literature on municipal government in Canada.

Lawyers and Laymen of Western Canada. By Roy St. George Stubbs. The Ryerson Press, Toronto. \$2.50.

The reader will enjoy this delightful little book even if he does not know anything about the judges, barristers and merchants whose lives are told by the author. There are hardly any great personalities among them who have left an imprint on their country's history, but quite a few noble characters who have made valuable contributions to the development of civilization in the West between 1880 and 1910. It is, however, not the lives of these men but the delicate art with which their story is told by the author that makes the book so attractive. It is bristling with excellent anecdotes and pathetic and humorous accounts of trials, all charmingly narrated, and we can be sure of hearing these stories quoted in after-dinner speeches all over the country.

Legal Department

The following questions concerning the interpretation of the Nova Scotia Poor Relief Act have been asked and answered at the recent course on Municipal Administration in Bridgewater. Further questions will be published in the next issue.

Question. M is in jail for failure to pay a filiation order under the Illegitimate Children's Act; suit having been brought by Poor District Number 3. It developed that he had T.B. and he was removed to the T.B. Annex of the Municipal Home. Could cost of maintenance be charged to the jail account; to administration of justice; to the poor district, or would the current account of the municipality be forced to carry the charge? M has his settlement in an adjoining municipality.

Answer. While under the Collection Act the creditor who puts his debtor in jail for not paying his debts is liable for the cost caused by the imprisonment, that is not true in a procedure started under the Illegitimate Children's Act. Therefore, the poor district which has brought suit against the father of the illegitimate child is not liable as a poor district.

On the other hand under the Boehner Case (11 M.P.R. 412) a municipality which keeps a prisoner in the municipal jail is also liable for costs of hospital treatment which became necessary while the prisoner is serving his sentence. The liability of the municipalities in whose jail the prisoner is serving time is, however, confined to the period defined in the sentence. Under the Illegitimate Children's Act the father can be sentenced to jail for not less than six months and not more than twelve months of imprisonment. After the period of sentence has expired, the poor district in which the father has his settlement is liable for the cost.

As long as the municipality which maintains the jail is liable for the costs they have to be accounted for under the jail account.

Question. Mrs. S, a married woman, who in 1927 obtained a divorce from her husband, had at that time a settlement in the City of S and owned in her own name a property in the County of C B for which she was assessed from 1921-1939 for real property taxes (as a non-resident). Since 1921 up to 1927 Mr. S was assessed for city taxes. From 1928-1937 Mrs. S continued to be assessed city taxes but paid only one year thereof, namely, taxes for 1931, which were paid in 1932. During this time however, she paid taxes on

her property in the county from 1921-1936 in full.

Mrs. S resided partly in the city and partly in the county—spending about the same time in each place. She entered the Nova Scotia Hospital as a pauper insane patient.

Where is Mrs. S's settlement?

Answer. A woman when obtaining a decree of divorce no longer shares her husband's settlement but has a settlement of her own. She starts with the settlement that her husband had at the time of divorce. This continues until she acquires a new settlement. The fact that a person residing in a district has property in another district and lives there occasionally does not constitute a settlement in that other district.

Whether Mrs. S has her residence in the City of S or in C B County is a question of fact.

Query. Should the rule be as in England that where a person has property in two counties and resides part of the time in each, the place of settlement liable for a hospital bill is the municipality where the patient last slept before admittance to hospital.

Question. Mrs. A who is harmlessly insane, is being kept as a public charge in the poor farm operated by the Municipality of W. Her husband has a settlement in the Town of H. In 1937 her husband obtained a new settlement in the municipality of G but the Town of H does not learn this until late in 1938, at which time it owes board to the poor farm for six months. It refuses to pay the arrears, claiming that the woman's settlement is no longer in the Town of H. The Municipality of G refuses to pay because it has not received the necessary notice. From which source can the Municipality of W recover payment for the board of the woman for that period?

Answer. The case is to be decided by an analagous application of Section 23 (1) of the Poor Relief Act. When a person cared for by a poor district loses his settlement in the district but continues to be in need of relief, he is to be treated like a person who applies for relief for the first time. The poor district which has so far cared for the person has to start a procedure

before a justice of the peace and a copy of the deposition certified by the Justice with a memorandum of the amount of expenses has to be submitted to the treasurer of the municipality in which the new settlement is established. Until a copy has been transmitted to the treasurer, the poor district of the new settlement is not liable for the cost in the poor farm. Delay in transmitting such a deposition might well be regarded by the court as "laches" debarring in equity any recovery. The defence of "estoppel" is also open. The Municipality of G is therefore justified in refusing to pay the costs. The second question is: can the Municipality of W collect from the Town of H? It is submitted that Mrs. A when first admitted to the asylum may have been a poor person provided with relief, and if H was notified and accepted responsibility for payment, there was a contract expressed or implied for the Municipality of W to contribute to care for her at the expense of H and until terminated by notice by the Town of H that town is liable. To avoid such losses it is recommended that poor districts which defray the costs of institutional care check periodically whether the poor persons have still their settlement in the district.

Question. "A" who has lived all his life in "B" County, removes to "C" County and buys a property there under agreement for sale of land. The first year he is on it, the property, is of course assessed to the former owner but

"A" pays the taxes. The second year he is on it, the property is assessed to "A" but before the taxes are paid "A" is forced to vacate the property because he has failed to meet his payments. The family then comes on poor relief in "C" County and it develops that "A" by agreement with the former owner left his hay on the property to pay the taxes for the second year. The former owner claims the amount realized for the hay was insufficient to pay the taxes in full.

"B" County claims the hay belonged to "A" and that therefore "A" was "assessed and paid one year's rates and taxes" in "C" County (N. S. 1923 chapter 48 [18-b]) and that his settlement was in "C" County and *not* in "B" County. Is this correct?

Answer. The problem is whether A has acquired a settlement in C County under the provisions of Chapter 48, sec. 18 (b), of the Poor Relief Act because he has been assessed and has paid at least one year's rates. He has not acquired the settlement in the first year because while he has paid his taxes, the former owner has been assessed and both prerequisites must coincide in the same person. The question is whether he has acquired the settlement in the second year. He has been assessed but payment though not covering the whole amount has been made on his behalf by a new owner. Payment not totalling the whole debt in taxes is regarded as non payment, so if the description of the case is correct, A would not have acquired a settlement in the new poor district.



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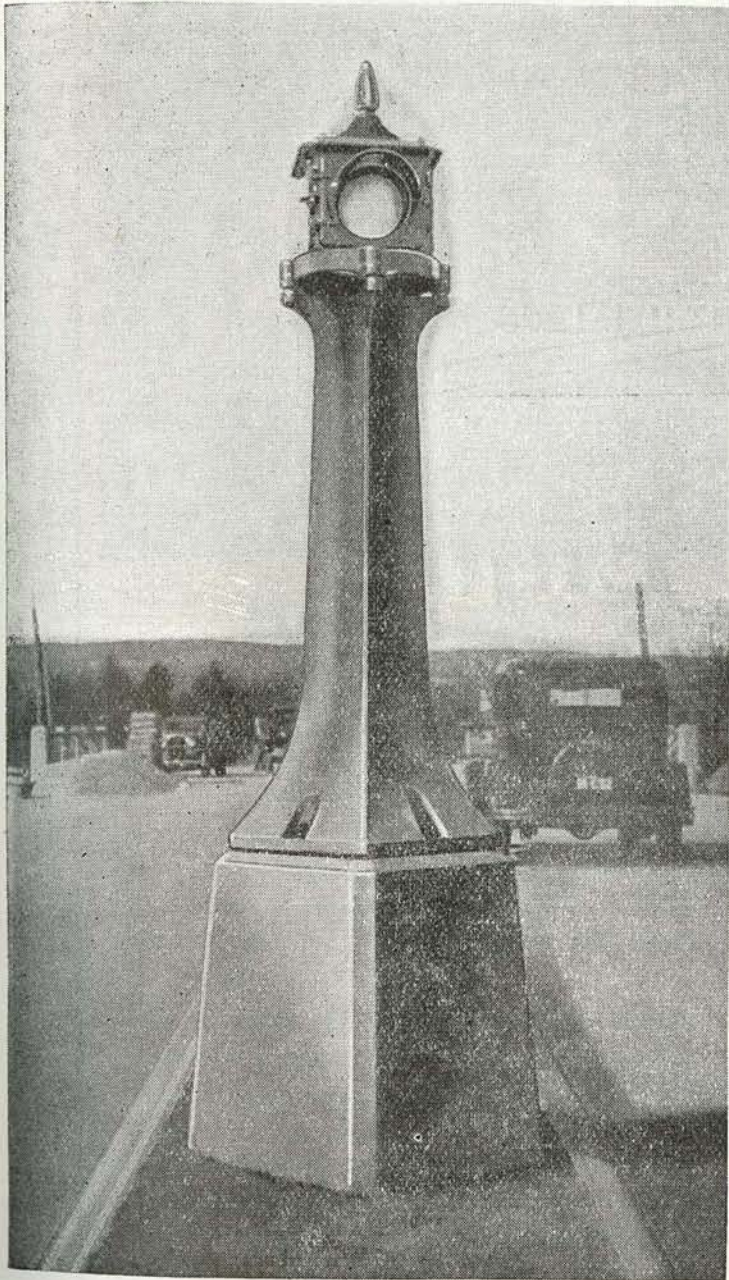
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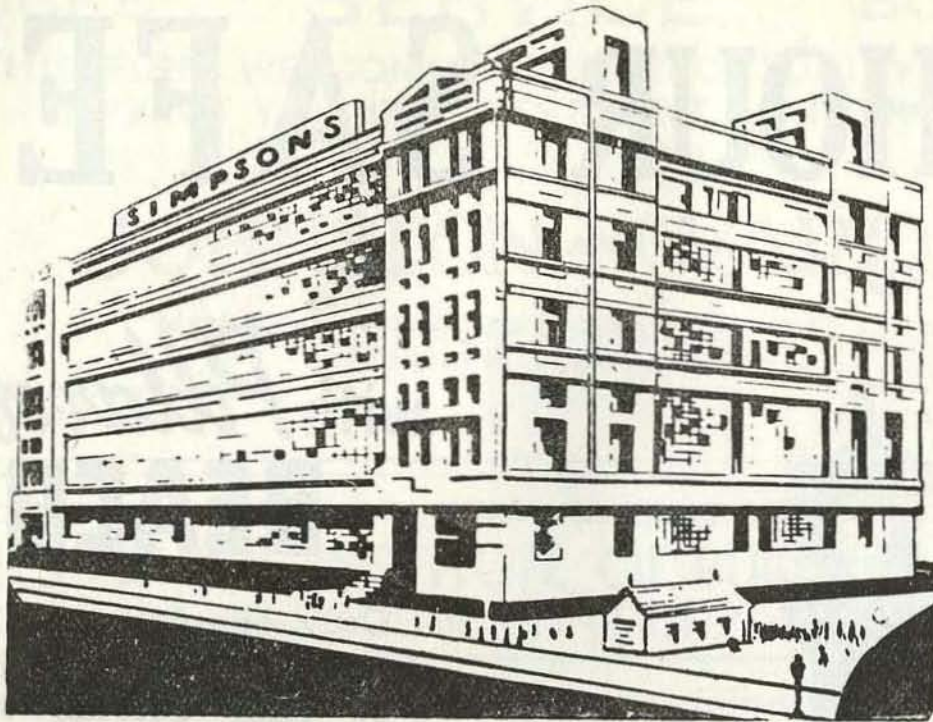
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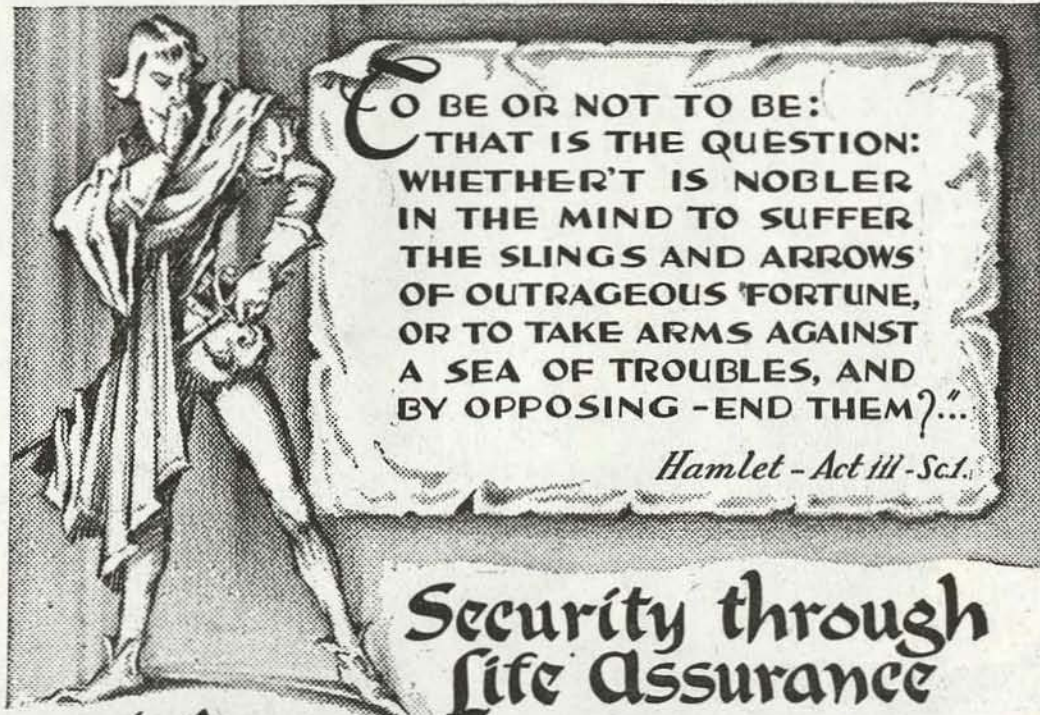
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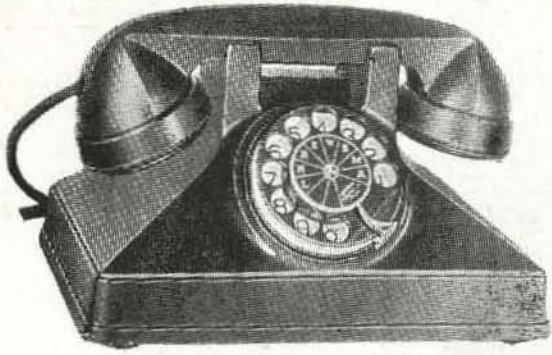
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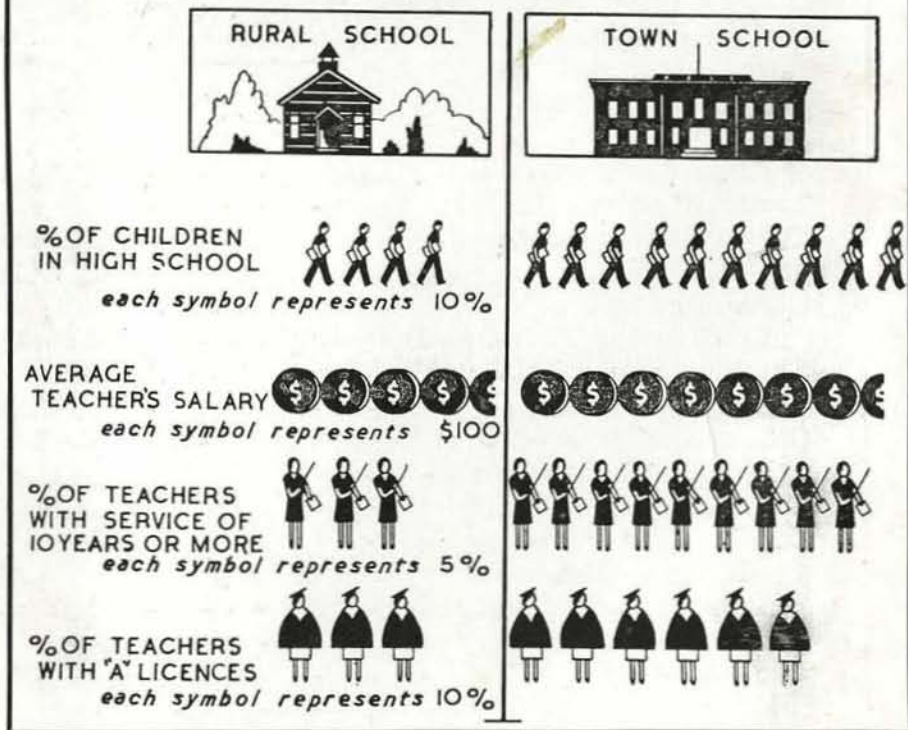
MARCH, 1940

A Maritime Quarterly for Discussion of Public Affairs

ARTICLES IN THIS ISSUE

Should the Public Own Its Utilities?	- - - - -	Philip Chandler
Newfoundland and Its Fisheries	- - - - -	Raymond Gushue
The New Brunswick Sardine Fisheries	- - - - -	A. N. McLean
The Climate of the Atlantic Provinces	- - - - -	C. C. Boughner
Creative Education—A Review of Dr. H. H. Coady's "Masters of Their Own Destinies"	- - - - -	Kenneth Leslie
The Larger School Unit: The Report of the N. S. Royal Commission	- - - - -	H. P. Moffatt
Occupational Assets of Unemployed Youth	- - - - -	F. H. Sexton
A Provincial Prison Farm	- - - - -	S. H. Prince
The Care of Crippled Children	- - - - -	D. E. Robertson
Local Government in Sweden	- - - - -	Roy V. Peel
Health and Health Insurance	- - - - -	L. Richter

COMPARISON TO SHOW THE DISADVANTAGES SUFFERED BY RURAL CHILDREN



This diagram taken from B. A. Fletcher's book "The Next Step in Canadian Education" illustrates conditions in Nova Scotia. The recommendations of the N. S. Royal Commission, aiming to remedy the defects of the present system are discussed in Mr. H. P. Moffatt's article on page 121.

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PUBLIC AFFAIRS

CONTENTS

Should the Public Own Its Utilities? - - -	Philip Chandler - -	105
Newfoundland and Its Fisheries - - -	Raymond Gushue -	109
The New Brunswick Sardine Fisheries - - -	A. N. McLean - -	112
The Climate of the Atlantic Provinces - - -	C. C. Boughner - -	114
Creative Education—A Review of Dr. H. H. Coady's "Masters of Their Own Destinies" - - -	Kenneth Leslie - -	118
The Larger School Unit: The Report of the N. S. Royal Commission - - - - -	H. P. Moffatt - -	121
Occupational Assets of Unemployed Youth - -	F. H. Sexton - -	126
A Provincial Prison Farm - - - - -	S. H. Prince - -	130
The Care of Crippled Children - - - - -	D. E. Robertson -	133
Local Government in Sweden - - - - -	Roy V. Peel - -	137
Industrial Relations and Social Security - - - - -	- - - - -	140
Health and Health Insurance - - - - -	L. Richter - -	140
What Municipalities Are Doing - - - - -	- - - - -	143
Legal Department - - - - -	- - - - -	145
The Book Shelf - - - - -	- - - - -	147

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Should the Public Own Its Utilities?

The British Verdict

By PHILIP CHANDLER

(1) The General Problem.

IN modern communities, water, gas and electricity supply, public transportation and communication services are considered essential utilities. For technical reasons, they are most efficiently supplied under monopoly conditions. Should they be owned by, and managed in order to make profits for groups of private investors? Or are they better supplied by public bodies—municipalities, State departments, or *ad hoc* public authorities? Should the public own its utilities?

The debate is an old one, and any discussion to-day revives the historic duels of thirty-five years ago, when Lord Avebury¹ and Mr. Shaw² contested the field, the *London Times* reviewed the problem³, and the British Parliament itself displayed a lively interest in the question⁴. It is, perhaps, possible to condense the essence of the argument into a few sentences.

The case for private ownership rests on the conviction that, where private investors sink capital in a utility plant, and through effective direction look to profit from their investment, the management is likely to display enterprise, economy, and adaptability to consumers' needs. Against this it may be argued that private monopoly control of everyday necessities brings the danger of consumer exploitation, either through excessive price or inferior service, and governmental regulation of utility companies has not been able to prevent such abuses. Where, on the other hand,

private ownership of utilities has operated under competitive conditions, the result has often been under-development and inadequate service.

The argument for public ownership turns on the belief that the public will be better served when the central purpose of management is, in fact, public service rather than private profit, and that economies in management and in the cost of capital will be possible. Against this it may be argued that, with ownership and risk-bearing diffused through the community, and without the spur of profit behind management, enterprise and flexibility will be lacking; that political considerations may distort policy; that the patronage created is an unhealthy element in a public authority; that if a department of local or central government, the form of organisation will not be well adapted to commercial direction; and that the managing committee, being elected representatives, are likely to be amateurs in the control of utilities.

These arguments could be (and have been elsewhere) elaborated at length; but a more fruitful discussion may emerge from an appeal to practical experience in Great Britain.

(2) British Utility Development.

Britain was the first country to develop the utilities, beginning with the growth of industrial towns more than a hundred years ago, though in later years progress was faster in the New World. Water and gas supply, main-line railways, telegraphs, street railways, telephones and electricity supply systems were successively introduced in the course of the last century, and this present century has brought omnibuses and radio broadcasting.

Every one of these utilities, except the main-line railways, has been developed

EDITOR'S NOTE: Philip Chandler, M.A., former lecturer in Economics at Manchester University, is author of a recent book on the *British Gas Industry*.

1. Lord Avebury: *Municipal and National Trading*. (1906).
2. G. B. Shaw: *The Commonsense of Municipal Trading*. (1904).
3. "The Times": *Municipal Socialism* (Symposium, 1902).
4. *Parliamentary Return on Municipal Trading*. (1902-6).
Joint Committee on Municipal Trading. (1903).

both by private and public ownership; some idea of the present division is given by the following figures relating to capital investment.

These figures show a capital investment in utilities approaching £2,500,000,000 (perhaps a quarter of Great Britain's industrial capital), fairly evenly divided,

the case of electricity supply, developed from 1880, governmental regulation made the way easier for municipal, and harder for private enterprise. There was a big development of municipal ownership in this field, partly to counter the private control of gas supply, partly in consonance with the spirit of the times; but

Capital Investment in British Utilities

Utility	Investment by:			
	Private Agencies	Public Agencies		
		Joint Stock Companies £000,000	(1) Municipalities 000,000	(2) ad hoc authorities 000,000	(3) State £000,000
Water.....	25	100	50	...
Gas.....	140	80	...	...
Main-line Railways.....	1,000	...	...	...
Street Railways.....	20	80/	100	...
Omnibuses.....	50	10/	...	...
Electricity.....	150	300	50	...
Telephones and telegraphs.....	.....	...	...	200
Broadcasting.....	.....	...	3	...
TOTAL.....	1,385	570	203	200

allowing for the "water" in the railway capital, between private and public control, though in the case of individual utilities, the balance is far from even.

The present position was determined by certain historical factors. Gas and water supply utilities were developed from the beginning of the last century, before the municipal authority as we know it, came into being, by private companies, subject to governmental regulation. But regulation was found inadequate to prevent monopoly abuse, and after 1850 many local authorities sought and acquired legal authority to take over water, and, in fewer cases, gas supply. In the London area, no single municipal area was sufficiently extensive to take over the water supply from private ownership. For that purpose, a joint board of some sixty London municipalities, the Metropolitan Water Board, was constituted, and took over London's water supply in 1902.

Such dissatisfaction was felt towards private ownership as it had operated in the water and gas utilities, that in

the most recent development has been the establishment in 1926 of an *ad hoc* public body, the Central Electricity Board, to carry through, on a national scale, what neither private enterprise nor municipal trading had been able to achieve—the integration of electricity generation and transmission in Britain.

In the case of street railways, beginning 1870, governmental regulation made private development so onerous that almost all extensive systems were built by municipal authorities. The position contrasts strikingly with that of the main-line railways, where, because no local authority area was sufficiently extensive, and no national statesman (except Mr. Gladstone) sufficiently interested, development right through the past hundred years has been exclusively by private enterprise—by a diverse multitude of companies which were in 1921 amalgamated, under governmental pressure, into four great company groups.

Different again has been the course of omnibus development in this century. Here municipal enterprise was retarded

partly by the technical question of size of area, and partly on account of local authority capital investment in street railway systems. In the London area, however, competition between privately-owned buses, underground railways, and publicly-owned street railways grew to such an uneconomic degree that all were taken over and amalgamated six years ago by a vast *ad hoc* public body, the London Passenger Transport Board.

Telegraph, telephone and broadcasting systems were all cradled by private enterprise in Great Britain, and then converted to public ownership. The telegraph system was bought from private companies by the General Post Office, in 1869, to ward off the threat to the postal revenue, as well as to end monopoly abuses; the telephone system was then developed by private enterprise in competition with the G.P.O.'s telegraphs and so, in its turn, was bought up by the G.P.O. (1912). Radio broadcasting began nearly twenty years ago, and after five years operation by a private company, was transformed into the British Broadcasting Corporation of to-day, an *ad hoc* public body.

The result of these developments is a rich variety of utility organisations in Great Britain to-day, and from this variety it should be possible to draw conclusions on the issue of private versus public ownership, of some significance outside the British scene.

(3) Results in Great Britain.

It would be convenient to set down a page of statistics based on this experience, which would settle the question of public versus private ownership of utilities for all time. This has been done—often, with results equally convincing for both sides.

The fact is that such comparisons, whatever industry has been applied to the investigation, and whatever ingenuity used in "correcting" the figures, are of little general validity. If results are compared for a single utility undertaking, before and after public acquisition, they are likely to be similar in the short run, but to differ over a long time, on account

of factors independent of the nature of ownership and form of organisation. If results are compared even for large and representative groups of publicly and privately-owned utilities, operating in what appear comparable conditions, at the same time, conclusions are usually rendered of little value by a variety of extraneous factors. Laboratory conditions are simply unattainable, though striking results have been reached by partially isolating individual specimens!

Those who have most carefully studied these problems are forced to make cautious judgments. Douglas Knoop, after a thorough investigation thirty years ago concluded:

"Taking all the attendant circumstances and conditions into consideration, municipal trading in itself cannot be regarded as a desirable institution; the management of industrial undertakings is not really a suitable sphere of activity for a local authority. Nevertheless, in certain cases it may offer a reasonable prospect of serving the general public better than private enterprise, and in consequence, the municipalisation of particular industries may be justified. These industries are such as have a strong tendency to become local monopolies, which is generally true of the tramways (street railways) and of water, gas and electricity supply undertakings."⁵

A Committee appointed by the British Government, to report on the trade and industry of the country after 1920 wrote that "the trading activities of the public authorities... have not lagged behind, and in some cases have out-distanced private enterprise in the rate of progress, as tested by ordinary criteria."⁶

The two conclusions, made by very different observers, nearly twenty years apart, serve to emphasize the inappropriateness of any single and simple answer to the question at issue.

(4) Conclusions.

Perhaps some more positive conclusions may be drawn from the British experience. It is clear that the most lurid predictions on either side have not materialised. There have been cases

5. D. Knoop: *Principles and Methods of Municipal Trading*. (1912) p. 382.

6. *Committee on Industry and Trade: Report on Further Factors in Industrial and Commercial Efficiency*. (1928) p. 40.

of monopoly abuse by private companies, and instances of corruption and slackness among municipally owned utilities; and there have been very many successful examples of each.

Broadly speaking, public ownership of utilities in Great Britain has a creditable record for honest service to the public, and it certainly proved, in many instances, during the last century, a means to end the depredations of private monopolists. It is, however, worth reviewing certain characteristic difficulties and limitations which have appeared from time to time.

Public ownership has somewhat failed in developing a wholly satisfactory conception of "public service". It has striven to imitate private enterprise and present a good balance sheet for individual utilities, rather than to maximise service to the public by equating social with financial considerations, or by co-ordinating different utilities. A notable and topical instance is the case of gas and electricity, where the respective departments of a single municipality often work in quite uneconomic competition, and local authorities will sometimes cheerfully sell their gas undertakings to private companies, in order that their electricity departments may compete even more freely!

The importance of expert management has often been inadequately appreciated by municipal authorities, which is particularly dangerous when the formal control of management rests with a body of elected representatives, rather than a board of directors, more likely to have some expert knowledge and longer experience of utility matters. In some cases, the danger of the amateur in control has certainly materialised, usually in the form of indifferent management but sometimes of brilliant schemes, which, though pleasantly spectacular, would not be justified by any balanced consideration of economic and social advantage. There have been, also, many instances where commercial enterprise has been choked by administrative procedure, and the bureaucrat has subordinated the

utility manager. Finally, technical development in the utilities has made the area of a municipality increasingly less adequate as a unit for supply purposes; some attempt has been made to meet this problem by constituting joint utility boards from neighbouring municipalities, but such experiments have been few, and not notably successful, except, perhaps, in the case of the Metropolitan Water Board.

There has not, however, on account of such factors, been any retreat from public ownership. Very much the reverse. Recent utility developments have been, in the main, towards public ownership: what has happened is that the form of public ownership has changed. Experience has shown that the size and organisation of both municipal bodies and State departments render them far from ideal for dealing with the technical and commercial problems of a utility, but the idea of public ownership is firmly established. The net result is that the most recent developments in the utility field have been in the form of public corporations, semi-autonomous bodies, usually financed by loan capital, and with a directorate appointed by the central government, for the purpose of administering the utility concerned in the public interest.⁷ Such are the British Broadcasting Corporation (1926), the Central Electricity Board (1926), the London Passenger Transport Board (1933), and now the civil airways and radio-cable communication authorities. Perhaps a public corporation owning all the main-line railways, possibly dominating also road haulage, and even road passenger transportation, may emerge from the present war. Perhaps the proposals of the McGowan Committee on Electricity Distribution (1936) will be implemented, with public corporations ultimately controlling all electricity supply utilities in Great Britain. When that stage is reached, it would be surprising if gas utilities did not pass in some meas-

7. The best discussion of these new developments is in Lincoln Gordon: *The Public Corporation in Great Britain*. (1938).

ure, under a similar control. This is speculation; but the tendency is strong to-day, and may be strengthened in the reorganisation which will inevitably follow the present conflict.

Perhaps the development of the public corporation is just another example of

British compromise (though similar tendencies have appeared elsewhere)—an attempt to combine the merits of commercial enterprise and public control; at any rate it seems to be the contemporary British answer to the question of public ownership of utilities.

Newfoundland and Its Fisheries

By RAYMOND GUSHUE

IN writing on a subject such as the present, a statistical service at one's elbow is a great temptation. It is one, however, which must be avoided lest the proverb, "L'appetite vient en mangeant", be illustrated. The use of statistics is often like concocting a cake, which, while easy to mix, is hard to digest.

When a visitor from outside first arrives in Newfoundland, he is enjoined with mock over-emphasis, to avoid the pit-fall of speaking of "fish" unless he is thinking only of cod. If he wishes to discourse of other denizens of the deep, he must particularize. And this illustration gives, in miniature, the story of our fishing industry through the centuries,—the story of salt cod. The Grand Banks, off the South Coast of Newfoundland are known internationally as one of the greatest fishing areas in the world, and fishermen from many countries have frequented these waters in season—the Gloucesterman, the Lunenburg, the Basque, the Portuguese, the Spaniard and others, in common with the Newfoundlander. Less well known internationally, but familiar phrases to Newfoundlanders are the "Labrador fishery" and the "Inshore fishery". The former witnesses a seasonal migration of hundreds of vessels and thousands of men to the Labrador Coast, while the Inshore fishery is prosecuted on every portion

of the Coast of Newfoundland, principally by the fishing population of each settlement, although some go farther afield. All these men are engaged in the production of salt codfish, of which Newfoundland waters have, over a long period of years, been the world's greatest source of supply.

The predominant part which the salt cod industry plays in Newfoundland's economy has already been indicated. There are other fisheries, such as salmon, herring, halibut, smelts, turbot, etc. the sum total of which does not approach that of the salt codfishery, in terms of employment or production. There is no country which has been more dependent on its fisheries than Newfoundland, and no country in which, up to the present, the salt codfishery has so completely dwarfed all others. That is why, in the depressed state of the industry, Newfoundland has felt the pinch more than other countries. For the salt codfishery has fallen on evil days and for some years has been in a depressed state. This is a world condition, and one which has produced some remedies which, while of temporary benefit, may lead to unfortunate results. In this regard, each producer is much less likely to blame himself than his neighbour. Let us examine some of the causes of the condition, as seen from Newfoundland's angle.

1. Salt codfish is not a luxury article. It might be said that it is not generally in demand among urban populations. This factor has its effect on demand and

EDITOR'S NOTE: Raymond Gushue, LL.B., is Chairman of the Newfoundland Fisheries Board. His contribution and that of Mr. A. N. McLean continues the series of articles on the Atlantic fisheries published in the June and August issues. Further articles will follow.

on price, and the success or failure of crops in various countries has a very direct bearing on our marketing prospects for salt codfish.

2. Over expansion of production, without regard to economic cause and effect on the part of some producer countries has produced a form of competition which has brought about a dislocation of the industry.

3. The emphasis placed since 1918 on the development of a "national fishery" by some consumer countries has created a serious problem. This has taken place principally among European countries who have traditionally been our best customers. It is one phase of the growth of the Corporative State, and although on analysis its fundamental weakness may be seen, it is one which is more likely, at least in the near future, to be an increasing than a diminishing problem.

4. The various artificial aids given to producers have made their contribution. The oldest, of course, is the French bounty, which has continued, with occasional interruptions, for over a hundred years. Norway has for several years subsidized her exports of fish to some markets on an increasing scale. Canada herself, or rather Nova Scotia, has recently had a two-year experience of the bounty system. Newfoundland, whose lack of capital and of other large scale industries long prevented her from doing more than endeavour to ward off crises in an abnormal year, has within the past four years joined the ranks, firstly on a modest scale, by cheapening the price of salt, and latterly, by a policy of raising prices to fishermen to a level which could not be attained in all markets, backed by a sort of Government insurance against loss on export.

5. The serious falling off of imports in important consumer countries must also be referred to. This has come about through the operation of rigid quotas, exchange restrictions, prohibitive duties and consumer taxes, aimed more at excluding foreign fish than at increasing revenue.

6. Financial difficulties and political disturbances have been factors. The Civil War in Spain, where no Newfoundland fish went last year, but which has taken over 400,000 quintals in a season, is an example of the latter.

7. The change in character of consumption of fish in a market like the United States where landings of salt cod in 1900 were 55,036,000 pounds as against 1,546,000 in 1937, cannot be overlooked.

8. The lack of standards of quality, and of an inspection service which could convince producers and consumers alike of the value of such standards, and ensure their observance, may be blamed for some of our difficulties of the past in foreign markets.

Some of the above recited causes are within our own power to remove, and progress has been made in this direction. Others are based on external political or social considerations, and may be but part of a cycle which will pass. Some are of a permanent character, and can only be met from without and not from within the industry. Others may be removed only by a common recognition of their ultimate futility by all producer countries, and by acceptance of and adherence to a common principle. That goal will not easily be reached. Let us examine in this connection the question of State aids to the fishing industry. As a palliative they afford temporary relief, but the ultimate effects are undeniable; they are cumulative, tending to increase rather than decrease, and their benefit eventually escapes the producer. Thus they become inefficacious. The nearest analogy is that of the amassing of armaments—swelling until the point of exhaustion or absurdity has been reached, and always fraught with the possibility that it is speeding the cataclysm which it is in many cases designed to avert. Some day perhaps the countries affected will come together and abandon State aids, and such an action must, after the initial adjustments are made, have a beneficial and stabilizing effect. The subject was raised at the Trade Conference held in London last April, but no solution could be expected at so early

a stage. It is to be hoped that it will not be too long delayed.

However, one must not wander too far from the subject, which is that of the fisheries from the Newfoundland viewpoint. The highlights of the policy which Newfoundland must adopt towards its fisheries seem to be clearly indicated, and may be summarized as follows:—

1. The improvement of quality and the firm establishment of standards in our salt codfish industry. Following three years of preparation and training of personnel for an inspection staff, this aim has this year reached the stage of active policy. Standards have been made law, and are being applied. The full effect will not be seen for several years, for it must permeate the whole industry, from fisherman to consumer but the indications are that it will prove to be a decided benefit to Newfoundland's trade.

2. The development of the most effective type of marketing organization in the salt codfish industry. This is by no means a simple matter, since there are so many qualifications on liberty of trading in a number of countries. A number of experiments have been essayed during the past three years, and a great deal has been learned therefrom.

3. On the subject of Government aids to the fisheries, it is generally felt here that the solution must be international rather than national, and I believe Newfoundland would by no means hamper such a solution. Her general position is such that she can ill afford to subsidize her fisheries on a large scale. On the other hand, it must be recognized that since the codfishery has been a more vital factor in her national economy than in that of her competitors, Newfoundland must, if forced, fight to the last ditch to protect her interests. A complete failure of the codfishery would

in most countries be a hardship—in Newfoundland it would be a national disaster.

4. Newfoundland has not kept pace with modern developments in the fisheries. Because of her geographical position she has not been able to take part in the growth of the fresh fish industry. She may now be able to overcome this handicap in view of the increasing demand for frozen fish. Her resources in cod, haddock, flatfish, etc., are unexcelled, and her facilities for producing high quality fish are unique. These possibilities are not being overlooked, and important developments may be expected. Expansion along this line, with its attendant benefits, can be great.

5. Other fisheries which have not been developed in proportion to their possibilities are being examined. The herring fishery is an example and during the present year important experiments are being conducted on a commercial scale both in the packing industry and in the production of oil and meal. While at this stage conclusions cannot be drawn, it is not beyond the realms of possibility that an industry approaching in importance that of the codfishery may be developed.

In summing up, it can be said that while improvements within the industry will better Newfoundland's competitive position as an exporter of salt cod, they cannot solve her fishery problems, since the industry is becoming more and more circumscribed and limited. The real remedy lies in diversification of our fishery products, which will, if successful, also serve to lighten the load on our salt cod industry. Newfoundland must seek to utilize many hitherto dormant resources with which she appears to be so plentifully endowed. If a figure of speech may be permitted, we must put some of our eggs in other baskets, rather than risk a collapse of the one which is becoming so badly overstrained.

The New Brunswick Sardine Fisheries

By A. N. McLEAN

THE sardine fisheries are now the leading fisheries of New Brunswick. They are concentrated in and around Passamaquoddy Bay, a branch of the Bay of Fundy. The fish from this area are noted for their fine flavor and health-giving qualities.

Half a century or so ago two men started fishing out of a boat. They were hard working, honest Irishmen. They sold their catch to a town in the United States some distance away where fish canning factories were then flourishing. One day they paused and wondered why they could not establish a canning factory on their own shore in Canada, which then consisted of a few fishermen's dwellings. In this way they would realise a better return for their catch than just selling the raw fish. This was the start of the town of Black's Harbour, now a prosperous community of 1,200 people, and the home of the Canadian sardine industry.

The largest sardine plant in the world, that of Connors Bros. Limited, is situated here, having a capacity of over 50 million tins per annum. There are, besides, two smaller plants in New Brunswick—one at Fairhaven, Deer Island, (capacity around 75,000 cases annually) and one at Beaver Harbour. This article, however, will mainly deal with the conditions of the industry as they prevail in Black's Harbour.

Sardines are caught in weirs located quite close to shore. Those weirs sometimes cover one or two acres. Poles, 50 or 60 feet long, enclosing the area, are driven down and the netting placed inside the poles. The sardines come in with the tide and are deposited in the weir, and thus fail to return when the tide goes out again, having been caught inside the weir. The Bay of Fundy, the main body of water here, is noted

for its high tides, 20 to 25 feet. The sardines are brought to the surface of the weir by scoop nets and dumped into small boats, thereafter transferred to a large power boat which waits nearby, and then they are rushed to the factory, canned by a very fast and modern process, and are ready and on their way to the markets of the world the same day.

The sardine weir is quite an institution along this part of the coast. There are several hundred of them. They often cost from three to five thousand dollars, and are generally owned by several families. If a man dies, the remaining partners are likely to carry on as usual, giving the widow what would have been her husband's share.

The sardines are processed and packed using the latest scientific methods. In 1933 a special research laboratory has been established in Black's Harbour, one of the finest of its type in eastern Canada. New products are continually being developed and placed on the market. The sea contains great wealth and the laboratories are steadily working and planning as to how this wealth can be made available to the consumer.

The industry is self-contained, as only the materials which are impossible to manufacture in Black's Harbour are brought in from outside, such as oil and tins. Besides the great sardine plant, the town contains a large factory for the manufacture of tin cans and a large lumber mill where hundreds of thousands of boxes in which the fish are packed are manufactured annually. There are also two large fishmeal plants which have been established in recent years to take care of the waste, also a plant to utilize fish scales and other by-products. All these by-products have a ready market and can be disposed of advantageously and this, of course, cuts down the cost of canning sardines.

The industry looks forward to the

establishment of further subsidiary industries, which will make the sardine industry more self-contained. Enormous quantities of vegetable oil are used in packing sardines, and there is little or no vegetable oil produced in Canada. Soya beans produce a very fine vegetable oil, and it is believed that there are kinds of soya beans that can be grown in the Maritime Provinces. The sardine industry is now carrying out experiments with the soya bean, and if this bean can be grown in quantities, large imports of vegetable oil, running into millions of dollars each decade, could be replaced by oil produced in the vicinity of the sardine fisheries.

Many carloads of tomato puree are also used in the packing of sardines. However, Canada produces this commodity and it does not have to be imported. Large quantities of this product are brought in from Ontario, British Columbia and other provinces.

While the sardine industry produces its own cans, it is, like other canneries, under the heel of the international tinplate cartel, which sets arbitrary inflated prices for tinplate considerably above the world price. Tinplate is produced from raw tin and scrap, and it is not too much to expect that here in the Maritime Provinces, possibly along the southern shore of New Brunswick, a tinplate mill could be established to great advantage.

All power used in the Canadian sardine industry is generated on the premises. Sawdust from the mill and waste lumber are turned into electrical energy. This source of power is supplemented by Diesel engines and steam power from coal. Needless to say the power costs are extremely economical.

The chief competition to the Canadian sardine industry comes from Norway, a

country whose labour costs in the fishing industry are very much lower than in Canada. Furthermore the Norwegian government subsidizes the local tinplate industry in order to keep tinplate prices normal for the Norwegian packer. In this way the Norwegian sardine industry has been able to circumvent the vicious stranglehold the world tinplate cartel has had on the canning industry.

Two-thirds of the local markets for sardines in Canada are supplied by the domestic industry and one-third by imports. The majority of these imports come from Norway, while some sardines are also imported from France and Portugal.

In the Canadian market the industry enjoys a tariff protection of \$2.00 per case. This has given the Canadian industry the lower price market. \$2.00 is not a very high protection on sardines selling at \$10 or \$12 a case but is sufficient for sardines selling lower than this amount.

It is also with Norway that the Canadian industry competes in the world markets. Canada has the lead in the lower price grades. New Brunswick sardines are sold in over a hundred different countries. Australia and New Zealand have always been large customers: China, India and Java also take their share. The West Indies are an excellent market and considerable quantities go to South America. Last year very large orders have come from South Africa. This increase alone represented 90,000 cases.

The increased activity, especially in the export market has made it possible to operate the New Brunswick sardine plants the whole year round while the factories along the Maine coast close in November for the whole winter. In that way the sardine fisheries have contributed a great deal to providing employment in the coastal district of New Brunswick.

The Climate of the Atlantic Provinces

By C. C. BOUGHNER

THE climate of any region is determined in broad outline by its latitude and by its geographical position in relation to the continents and oceans. Owing to the control of the sun it is to be expected that the equatorial regions will have a high mean temperature and the polar regions a low mean temperature; but particularly in middle latitudes the arrangement of land and water masses modifies to a large extent this expected fall of temperature from equator to pole. Proximity to oceans also governs largely the distribution of precipitation.

It is our purpose to discuss the climate of the Atlantic provinces of Canada, a region situated on the eastern side of the great land mass of North America. Although bordering the Atlantic, these provinces have a temperature régime which is a complex of marine and continental influences. The prevailing eastward drift of airmasses from the interior of the continent diminishes the influence of the Atlantic ocean and renders the climate on the whole continental. Such airmasses are not infrequently displaced by inflows of moist Atlantic air which produce mild spells in winter and periods of cool weather during the summer.

Except for the narrow ridge bordering the bay of Fundy east of St. John, the southeastern half of the province of New Brunswick is in general undulating and of low relief with the ground elevation generally not exceeding 500 feet above sea-level. In northwestern sections of the province the ground elevation is in general from 500 to 1000 feet above sea-level and reaches its greatest elevation of nearly 2700 feet in Northumberland county northeast of Grand Falls. The effect of elevation and continental influences are clearly reflected in winter temperatures. Along the north

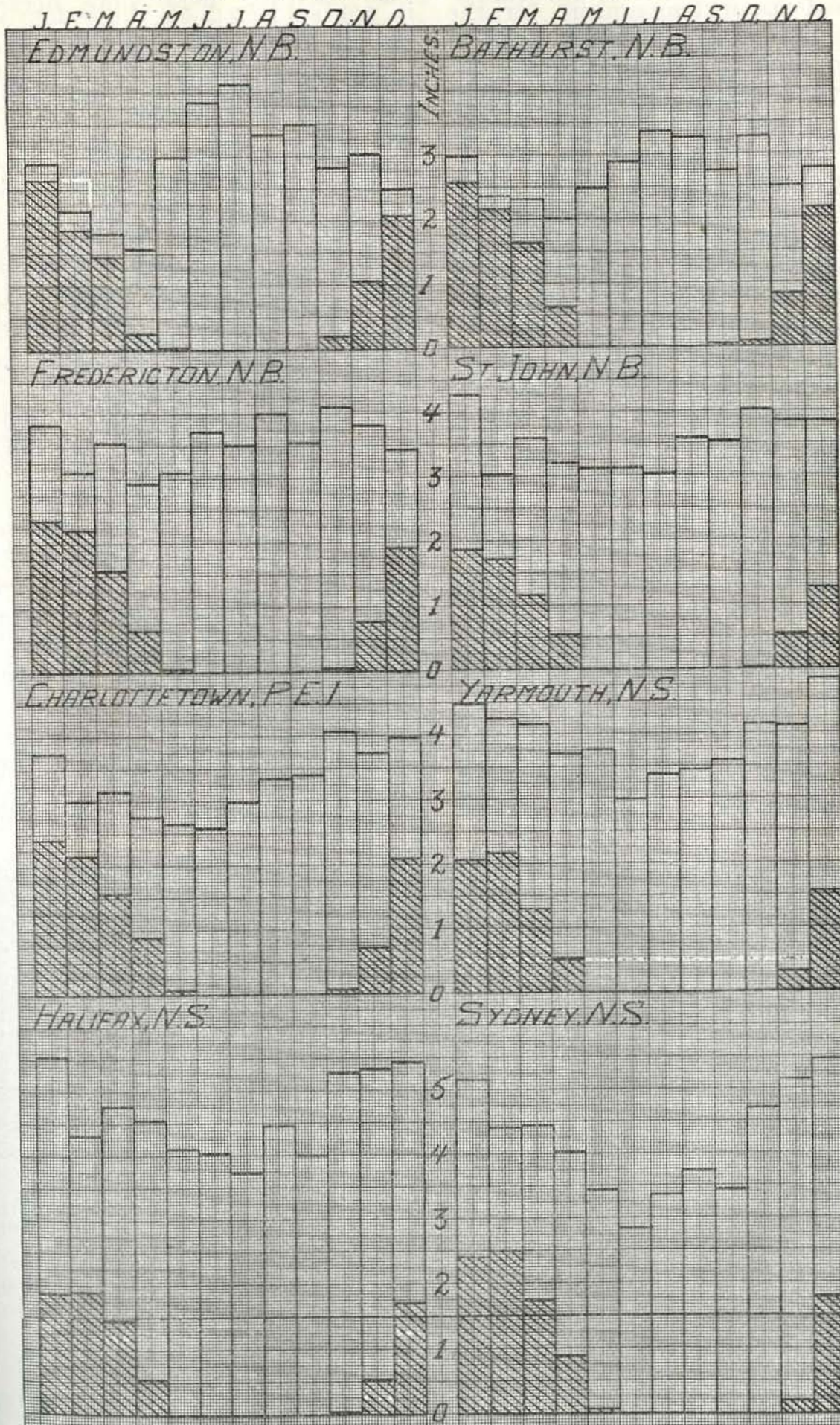
shore of the bay of Fundy January and February normal mean temperatures range from 16 to 20° F. but towards the interior of the province lower temperatures prevail. At Fredericton January temperatures average 13° F. with those for February nearly two degrees milder while at Grand Falls January and February mean temperatures are 8 and 10° F. respectively. Since 1875 extreme minimum temperatures of 35 degrees below zero Fahrenheit have been officially recorded at Fredericton, 21 degrees below zero at St. John and 46 degrees below zero at Grand Falls.

Summer temperatures are not as high in New Brunswick as in the same latitudes of the interior of the North American continent. July mean temperatures average 61° F. at St. John and 66° F. at Fredericton and Grand Falls. Extreme maximum temperatures have exceeded 100° F. at Fredericton, 95° F. at Grand Falls and 90° F. at St. John. On the other hand over the Great Plains of western Canada extreme temperatures of 110° F. and over are not unusual during July and August and 115° F. has been reached.

The advent of spring is somewhat more delayed in New Brunswick than for example in southern Ontario, while autumn temperatures are very much the same. At Toronto, Ont., the October mean temperature is 48° F. while that of Fredericton is 46° F.

The ridge of almost mountainous country running through the centre of the mainland of Nova Scotia divides it roughly into two slopes. The Atlantic slope is generally rough and rocky and is exposed to the full sweep of the Atlantic storms. The northern slope, facing the bay of Fundy and Northumberland strait, consists for the most part of tilled plains and river valleys. Southwestern Nova Scotia and the Annapolis valley enjoy the mildest winters ex-

MEAN MONTHLY PRECIPITATION.



□ = RAIN. ▨ = WATER EQUIVALENT OF SNOWFALL.

In the above diagram total precipitation, in inches, is shown as the sum of the rain, (unshaded area), and the water equivalent of the snowfall, (shaded area). Ten inches of freshly fallen snow is calculated as equivalent to one inch of precipitation.

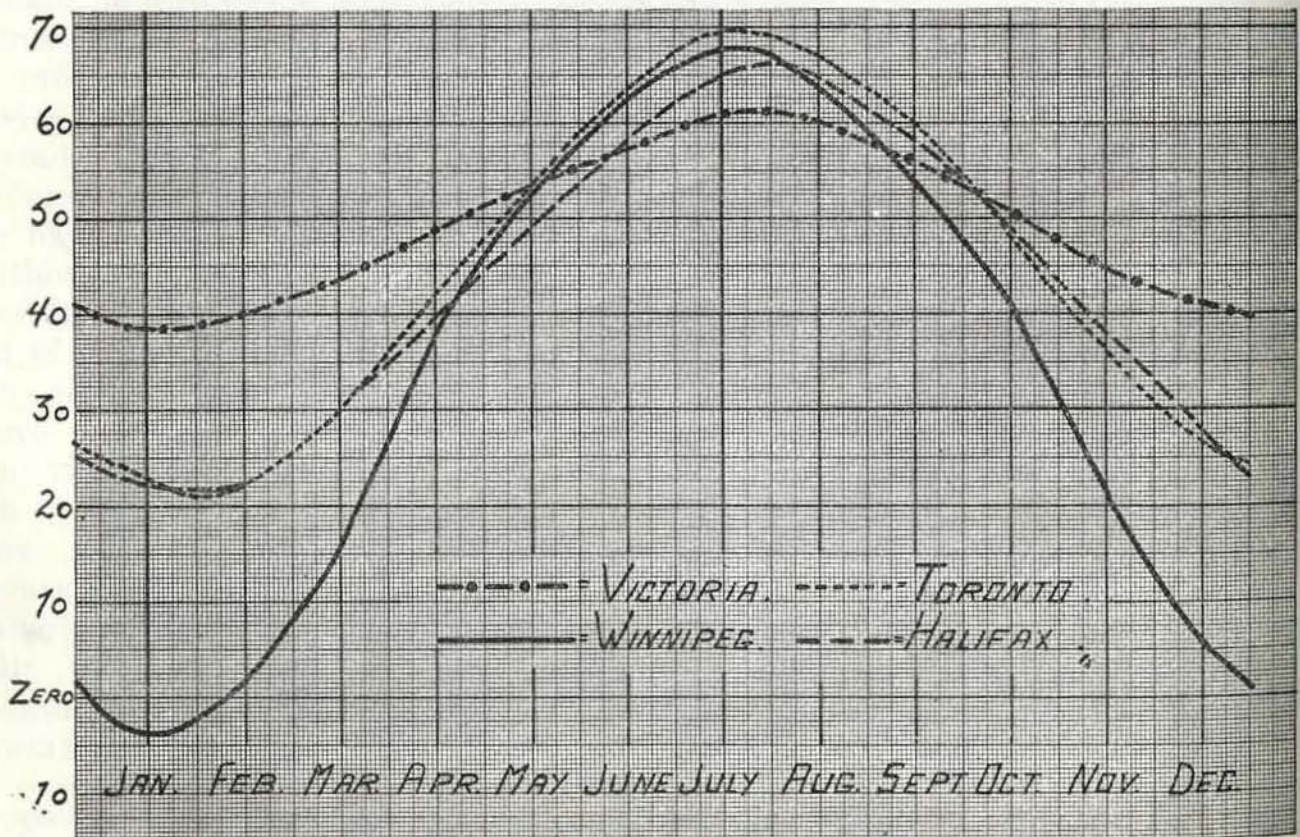
perienced in the Atlantic provinces with the normal mean temperature for the coldest month ranging from 23 to 26° F. Along the Atlantic coast winter temperatures are somewhat lower; at Halifax February is the coldest winter month with a mean temperature of 22° F. Along the shores of the Minas Basin and Chignecto bay winter temperatures are two to five degrees colder than at Halifax. Besides enjoying more moderate average winter temperatures the Annapolis valley is not subject to such extreme cold waves as are other parts of the province. At Annapolis Royal 13 degrees below zero F. is the lowest temperature experienced since 1915 while in the same period extreme minima of 21 degrees below zero F. have occurred at Halifax and 35 degrees below zero at Mount Uniacke. At Sydney on Cape Breton Island the coldest month, February, has a mean temperature of 20° F. while the extremely lowest temperature officially recorded since 1870 is 25 degrees below zero F.

Summer temperatures are not quite as high in Nova Scotia as in New Brunswick due to the greater influence of the Atlantic ocean. On account of this

maritime influence the former province is not subjected to the extensive heat waves which are experienced in New Brunswick. Spring and autumn temperatures are much the same in the two provinces.

Although Prince Edward Island lies to the north of Nova Scotia the tempering by the Gulf of St. Lawrence and its completely insular situation keep its winter temperatures only slightly colder than Nova Scotia but milder than most of New Brunswick. Its summer temperatures are about the same as those of the middle St. John river valley.

Of extreme importance to agriculture is the length of the frost-free season and there are wide variations in this respect throughout the Atlantic provinces. Along the immediate shore line and on the islands of the bay of Fundy we find 165 days frost-free, but a short distance north of the north shore of Fundy as well as along the southern slope of the Miramichi highlands the average frost-free period is less than 100 days. In the lower, middle and upper St. John river valley the average frost-free periods are 125, 111 and 106 days respectively. In the southwestern lake region of New



The Annual March of Mean Temperature.

Brunswick 114 days is the average frost-free period while along the east coast and along the bay of Chaleur the growing season is extended about 15 days. In Nova Scotia an average frost-free period of 145 days is enjoyed at Yarmouth, which is about five days longer than that of the outer coast region. A growing season free from frost for 114 days is experienced in the Annapolis valley but in the eastern highlands of the Nova Scotian mainland a comparatively short frost-free period of 90 days is found. On Cape Breton Island there is a frostless growing season of about four months and in Prince Edward Island agriculture is favoured by a frost-free period which averages 146 days in the agricultural region around Charlottetown at least.

The total average annual precipitation in New Brunswick ranges from 35 to 45 inches, with the heaviest fall occurring along the lower St. John river valley and along the north shore of Passamaquoddy bay. The average precipitation does not vary much from one month to another during the year although there is a tendency to a maximum in January as well as in October and November on the north shore of the bay of Fundy and along the lower St. John river. In the northwestern sections of the province there is a tendency towards the summer maximum which is a characteristic of our continental climates. On the mainland of Nova Scotia average annual precipitation ranges from 40 to 45 inches everywhere except along the Atlantic coast where it is about 10 inches heavier. Not only is the precipitation heavier along the Atlantic coast but there is also a greater frequency of days with precipitation; for here measurable precipitation falls on 140 to 160 days per year. Cape Breton Island has an average total fall of precipitation of about 50 inches which is about 10 inches more than the fall on Prince Edward Island.

Because a not inconsiderable part of the summer rainfall occurs during thunderstorms, it should be pointed out that on the average 5 to 12 thunderstorms per year are experienced in the Atlantic provinces. There is a slightly

higher frequency in southwestern New Brunswick than in other sections of the region under consideration.

The annual snowfall varies widely from one winter to another throughout the Atlantic provinces. Coupled with this condition is the fact that winter precipitation is usually partly rain, which may thaw a considerable amount of previous snow cover. The depth of snow lying on the ground therefore is a very variable quantity especially in the southern regions.

On the average, total snowfall in Nova Scotia ranges from 45 to 85 inches, with the heaviest fall occurring in the region about Grand Pré and in the northeastern portion of the Annapolis valley. Not only is the snowfall heaviest in this region but here also are the greatest number of days with snow, on the average more than 45 days. Elsewhere in Nova Scotia snow falls on 20 to 35 days each winter.

In southern New Brunswick the annual snowfall averages about 75 inches but in northern sections of the province the fall slightly exceeds 100 inches. On the higher elevations in northwestern New Brunswick snow falls on more than 40 days of the year but in southern sections of the province measurable amounts of snow occur only on 20 to 35 days. In general January is the snowiest month throughout the Atlantic provinces. The heavy snowfall in the lumbering districts is of considerable economic importance as the deep snow affords excellent sleigh roads for logging operations.

The stormy character of the winters in eastern Canada is caused by the concentration of cyclonic disturbances or storm centres along a comparatively narrow zone on the southern margin of the cold Labrador region. The warm moist air of southern origin or of strongly modified continental air coming in contact with and being lifted up by contrastingly cold dry air of recent polar origin often results in violent gales and rains changing to snow. During the winter months northwest winds are predominant over the Atlantic provinces.

The approach of a low pressure system or storm centre is marked by northeast or east winds which will change to south or southwest after the arrival of the warmer air. There is a sudden shift to northwest with the arrival of the "cold front". Since the next storm centre will generally approach again from a southwesterly direction, these northwest winds with cold weather will prevail most of the time that is not actually stormy or unsettled.

In summer there is a concentration of low pressure centres over the St. Lawrence river valley and this leaves the Atlantic provinces under the predominating influence of winds blowing from the south, southwest or west.

The frequency of gales and high winds is of great importance to shipping and fishing interests of the Atlantic provinces. At Halifax on the Atlantic coast there are about 25 gales per year on the average, 20 of which occur between the period Nov. 1st and April 30th. At St. John 35 gales occur annually with December and January reporting the greatest monthly frequency. The decrease in the number of winds of gale strength in the interior of New Brunswick as compared with the shore of the bay of Fundy is

quite noticeable. At Fredericton in the St. John river valley only five gales per year are reported.

The greatest number of gales occur in winter months in which cold fronts with their accompanying large temperature drops move from the interior of the continent towards the coastal waters. On the other hand the greatest number of fogs occur during summer months with the movement of warm airmasses towards the colder sea and colder air surrounding Newfoundland and the Labrador coast. Fogs are most prevalent along the Atlantic coast of Nova Scotia where on the average more than 50 are reported annually and at Halifax this number approaches 100. Another foggy region is the bay of Fundy where 30 to 65 days with fogs are reported. The decrease in fog-frequency is quite rapid with increased distance from the sea so that in the interior of New Brunswick less than 10 fogs are reported annually.

Note. The author thanks Mr. J. Patterson, M.A., F.R.S.C., Controller, Meteorological Division, Air Services Branch, Department of Transport for permission to publish this article. Acknowledgement is also made to Mr. A. J. Connor, M.A., Chief Climatologist, Meteorological Division, for the use, as reference, of several of his published books and papers on the climate of Canada as well as valuable assistance in writing this article.

Creative Education

A Review of Dr. M. M. Coady's "Masters of Their Own Destinies"

By KENNETH LESLIE

Substituting Dynamics for Statistics

THIS is the story of the "Antigonish Movement" by the man whose dynamic personality has infused and informed it during the critical years of its birth and early development.

Further, it is a story of the failure of "laissez-faire" economy to meet the needs of the people and of the efforts of the

people to institute in their own interests a democratically controlled economy.

But first, and even more importantly, it is a story of popular or "adult" education.

The word which occurs to this reviewer as setting apart the St. F-X brand of adult education from the usual type of adult education is the word "creative". That is, it is education which proceeds by an integration of the whole personality of the student with the object of study.

EDITOR'S NOTE: Kenneth Leslie, a native of Nova Scotia living in New York, well known as poet and author, is editor of the *Protestant Digest*.

The object of study then becomes the immediate environment of the student. His study is his world and books are the accumulated notes of other students, notes which reveal their experiences in "working their material", experiences not merely of the scientific control of material but of joy in apprehending the "soul" of that material, in the same sense as a woodworker may thrill to the response of the wood to his skill.

The first application of this creativity in education is in the creative attitude toward the very process of education itself. Here is where the revolution started, and the seeds of it have blown from diverse sources and many of the seeds have lain buried in the soil of man's mind for many centuries. It is well that no one has yet tried to put his finger on these sources. It is well that this movement has not yet been "taken over" completely by any sect or section. It would be disastrous should this happen. For the insight of Father Coady in the matter of education itself is a revolutionary insight, especially revolutionary from the type of education which has characterized the Roman Catholic Church since the Reformation.

In other words this native Nova Scotian product of these Roman Catholic Hebridian priests is not essentially nor uniquely nor even characteristically a Roman Catholic product at all. It is for one thing the very opposite of authoritarian. Its authority is the humanist appeal to reason. Priest-authority is not used. That is why Protestants, Jews, atheists, can join this movement and be at home within it. One of their phrases is: There is no Roman Catholic way of selling fish. There is no Baptist method of packing lobsters. There is no Presbyterian arithmetic or Mohammedan method of co-operative store keeping. It is in other words a catholic movement in the widest sense of the word. This feature of the St. F-X movement is stressed here because it is not yet sufficiently realized.

"*Masters of Their Own Destiny*" is a thrilling book. Its author is first of all a creative spirit, an artist working in human materials, obedient to the creative element

in those human materials. He is a poet in the original and true sense of the word. This is evidenced in the coruscating race of his spoken word. A by-product is the poem with which he opens this book, a poem of genuine literary authenticity and of elevating sentiment. It is a poem which because of its prophetic words will be remembered and treasured. But Coady's best poetry is in the pungent phrase struck out of him by his contact with the people. Much of that phraseology is in this book.

The average book on economics (which is the Greek word for house-keeping) has to do with statistical matter, that is, with material susceptible merely of quantitative evaluation. Moreover the average book on economic change envisages that change as severely circumscribed by a low reading of the limits of the possibilities of "human nature." This book pushes those limits back several notches and in fact boldly opens the door to an unlimited field of possibility in the economic as in every other human field.

The story of this educational-economic movement towards industrial democracy should neither be ignored nor magnified through fear of its effect upon present habits. Beneficiaries of the present order, even in their own interest, should assist in the birth and development of the new order. This lesson has been more or less learned in Sweden where private capital gracefully recedes before the solid advance of co-operative capital in the provision of certain widely used goods and services, this with no out-of-pocket loss to private capital. The same lesson can be learned in Canada. Whether or not it is learned, however, the people appear to have caught from the St. F-X-ers the vision of what they can learn in the way of servicing themselves and having a royal good time doing it.

The actual technique of teaching the people to walk on their own economic feet is doubtless familiar to the readers of this journal. It has been described many times in articles and books, notably in Bertram Fowler's book *The Lord Helps Those*. This book of Father Coady's, however, is naturally the authentic presen-

tation of this technique as well as of the philosophy behind the movement.

Mass meetings are used first in order generally to shake up a community and to sift out from it those members who will be the leaders of the study groups. The mass meetings also shakes loose the prevalent idea in the average community that as things have been so they must continue to be. It shocks complacency into discontent and rouses discontent into the will to action. That will to action is at once crystallized into small study groups which begin to study—but wait! Their study while coming first in time is really secondary or rather functional to action. Study is merely the slowing up of the response to the stimulus of discontent to the end that the response may be intelligent response. The key to the whole thing is action, life.

The place in the sequence of economic life at which Dr. Coady would operate his educational pry is the place of the consumer, the neglected if not the forgotten man, the man who consumes the services and goods of the economic world from the time he buys the cradle and the doctor's services to the time for coffin and undertaker through all the necessities and luxuries of his life-span. But those who think the end and aim of consumer co-operation is merely the saving of pennies would be mistaken.

It is not only that the consumer will have a greater quantitative control over what he buys but also that he will have a qualitative control as well. For the result of the accent on *production* in the economic sequence has resulted in an

accent on selling. The salesman has an altogether disproportionate place in the scheme of things. Advertising has become a veritable curse of modern life. The absorption point of high pressure selling never seems to be reached while whole sections of the population go without the bare necessities of life. Therefore the new accent upon the consumer's point of view. The victim of all this "pressure" backs up and studies his own need for himself and the end result of his study will be an economy which will be functional of that need and not functional of a "desire" hypnotically induced by Goebellian methods.

"Consumer's Co-operation...introduces the idea of production for use whereby the need is first ascertained, then production is gauged to that need."

What is to be the end of this new kind of popular education which makes man master of his destiny? Dr. Coady presents at the close of his book the idea of a people's research institute which would deal with all of the people's problems, a permanent fact-finding and correlating commission. This people's institute would include international as well as domestic problems and would make a vital contribution to peace.

"Man was not made for bestial fighting. Man was conceived in peace. And in peace shall he find himself and his lost virtues and his departed joys. That, far more than the economic benefits that might be realized, would be sufficient cause for creating a people's institute." This book of Dr. Coady's is, in the reviewer's opinion, a book of inspired realism.

The Larger School Unit:

The Report of the N. S. Royal Commission

By H. P. MOFFATT

Editor's Note: This article is the latest in a long series of publications which the Institute of Public Affairs has devoted to the Larger School Unit. The second issue of PUBLIC AFFAIRS carried an article on the subject. In the summer of 1937, Professor B. A. Fletcher, on behalf of the Institute, made a survey of Antigonish County with a view to ascertaining the effects of the advocated system in a representative rural area. His findings have been published in the Institute's BULLETIN No. IX, *An Educational Survey of Antigonish County*. In 1939 the Institute brought out in the series of its books a further study of Professor Fletcher's, *The Next Step in Canadian Education*. It discusses the various efforts made in Canada, the United States and in Scotland to broaden the basis of school administration.

In 1938 the government of Nova Scotia appointed a Commission consisting of Dr. H. F. Munro, Professor B. A. Fletcher, Mr. R. D. Crawford, Inspector H. M. MacDonald, Inspector L. A. d'Entremont and Andrew Fraser to investigate the problem and to make certain recommendations. The report of this Commission has just been published. Mr. H. P. Moffat of the Nova Scotia Department of Education has been good enough to summarize for PUBLIC AFFAIRS the findings at which the Commissioners arrived.

Copies of the full report may be secured at the Education Office, Halifax.

ALTHOUGH the report is a comparatively short document of thirty-five printed pages, it has been considered editorially to be the most important document on Education since the passing of the Free Schools Act in 1864. Whether this is true or not, of course, can be determined only when the recommendations have first been adopted and then put into operation. A pessimist might point out that a report advocating free school presented by Howe to the Legislature in 1838 had to wait over twenty-five years before it was given practical expression in the legislation of 1864. The tempo today is much faster, however, and if public opinion on the Report is favourable constructive action is likely to come soon.

Defects of the Present System.

In the first section of the Report the defects of the present system of rural

school organization are briefly sketched. The most obvious weakness, and the one from which all others derive is the existence in a comparatively small Province of some 1,750 school units. Each of these small units, averaging only twelve square miles in area, is financially independent, and is expected to provide from its own resources a modern programme of education. While the towns, with a few exceptions, and some of the larger villages are able to offer an adequate general education, the ordinary rural school section is faced with an almost impossible financial and educational task. The Report shows that the financial burden is distributed inequitably between the Province and the sections, and among the sections themselves. Over 85% of the revenue required to support the public elementary and high schools is derived from the general property tax, in the form of local school rates (73%), and the municipal school fund (13%), while only 14% of the funds required for the ordinary operating expenses of schools come from the Province. Enormous differences among the sections, both in ability to support schools and in the effort made to do so, are shown in the Report. Assessed valuations per classroom vary from \$700 in a poor fishing hamlet to \$166,667 in a wealthy industrial village, and school tax rates vary from 36c. to \$20 on each \$100 of assessment. Even when allowances are made for variations in standards of assessment and for differences in the earning power of property, such differences indicate that "the distribution of the burden is grossly unfair and undemocratic."*

More serious, however, is the fact that many rural sections are unable to support their schools at all, while even the best can provide only the most meagre educational services. Nearly one quarter of the rural school sections require additional

assistance from the municipal fund and the Provincial Treasury to enable them to carry on. Some are hopelessly in arrears even with the additional grants and owed their teachers in back salaries nearly \$80,000 at September 1, 1939. A number of schools are being conducted in buildings which have been, or should be condemned. Many others are equipped with little more than seats and a teacher's desk. More progressive communities, of course, have improved their schools and provided small libraries, scientific apparatus, workrooms, and other aids to good teaching, but the fact cannot be escaped that the well equipped rural school is the exception.

Also, the very nature of the small section restricts its offering to the bare essentials. It can employ only one teacher, who must give most of her time to the lower grades. In consequence, high school work is neglected, or if attempted is narrowly academic and on the whole poorly done. For high school work, and for the special subjects so important to modern education—handicrafts, manual training, domestic science, art and music—specially trained teachers are required. A town with twenty classrooms can employ these teachers and take advantage of grants provided by the Department of Education for supporting them. Twenty isolated rural sections could, in theory, combine to employ these teachers also, but in practice "lack of initiative, local jealousies, and mere inertia, keep the rural school sections apart and confine the curriculum to the prescribed text books of the academic studies. Similarly, the rural areas are unable to provide a modern programme of physical education, adequate libraries and equipment, medical and dental services, and vocational training in agriculture, all of which they urgently need and have every right to expect."*

Having pointed out these defects, the Report examines remedies that have been tried elsewhere. Briefly, these are (1) a larger local unit of financial support and administration and (2) a greater share of the cost assumed by the province or state. The best example is in England and Wales, where the small section was

abandoned over thirty years ago. To-day the school affairs of forty one million people are administered by only three hundred and thirteen school boards—approximately one for each one hundred and twenty-five thousand of population. Equally important, the central government, while leaving administration fully in the hands of the local boards, provides grants-in-aid up to one half of the cost of operating the schools. The descriptive summary mentions, also, progress in the United States, where the county has been adopted as the financial unit in twenty states, and in the Provinces of Alberta, British Columbia and Ontario. Details of the various plans differ, but all agree in general with the two principles mentioned above. Reports on the larger unit also have been prepared, or are being prepared in Saskatchewan, New Brunswick, Quebec and Manitoba. The Report leaves no doubt that the general principles applied so successfully elsewhere can be adapted to conditions in Nova Scotia.

The Provincial Unit.

The second of the three main sections of the Report begins with a statement of the general principles which underlie the Commission's recommendations. These are: (1) The financial burden of supporting a desirable minimum of education should be uniform throughout the Province. (2) All children whether in rural or urban districts should have access to the best educational facilities. (3) The local financial unit should be large enough to "provide a modern programme of education, competent administration and efficient control and accounting of school funds."¹ (4) Considerable powers, both of finance and administration, should be left to the present school sections, which are to be retained as the basic unit of attendance.

From these four principles, the Commission constructed two systems of administration, known briefly as the "provincial unit" and the "municipal unit". Of the two, the Commission unanimously recommended the provincial unit as the plan most likely to give effect to the

general principles. In making this decision, the Commission was influenced by the precarious financial condition of many municipalities, and by the glaring inequalities in the assessment of real and personal property in the various municipalities. It was felt that the two evils of excessive taxation on real and personal property and the inequitable system of assessment could only be cured by provincial action. The Province should, as is done in Great Britain, provide a considerable part of the funds for education from other sources than the property tax. But since the latter is to be retained in part the Report recommends that the Province insure equality "by a complete revision of the basis of assessment, under the direction of the Provincial Assessment Board."²

The Report then follows with a simple description of the provincial unit. In it the province and the municipalities jointly take over the responsibility of financing a minimum programme of education in the rural and village sections of the Province. The towns, unless they individually wish to be included in the system, would continue to operate their own schools and secure their revenue from the present sources. The "minimum programme" under the proposed plan is defined as "adequate common and high school education for each child under a professionally trained teacher in a school building provided with adequate supplies and equipment."³ This programme is translated into financial terms by providing a salary scale for teachers and setting a minimum amount to be spent yearly on equipment and supplies. The scale recommended is: \$400 for a teacher in the first year of service; \$500 for an experienced teacher; and, \$700, \$900, and \$1100 for principals of two, three and four department schools. \$100 per year is allowed for equipment and supplies for each rural school and \$150 per classroom for each village school. The minimum salaries for teachers are exclusive of the provincial grant paid direct to them by the provincial treasury. Since this grant is graded according to class of license and years of service, it provides for the necessary increase in

salaries as teachers improve their qualifications and acquire more experience. The total cost of the minimum programme, exclusive of direct teachers' grants, is estimated at \$1,284,450 per year.

To administer this programme, it is recommended that municipal school boards be created with powers similar to those now held by school boards in towns. These municipal school boards would secure their funds from the following sources: (1) A uniform school tax on all property in the Province at a rate on each \$100 of assessment lower than the lowest average rate prevailing in any municipality before the plan went into operation. The rate would be approximately 1%. This tax, which replaces the present local school taxes, would be rated and collected by the municipalities, and placed at the disposal of the municipal boards. (2) The present municipal school fund of \$1.00 per head would be continued, and the balance remaining after the towns had received their share would be paid to the municipal school boards. (3) The remainder of the funds needed to support the minimum programme would be paid to the municipal school boards from a provincial equalization fund. Although the Report has not worked out the financing of the provincial unit in detail, the proportion coming from the three sources would be approximately: 40% from the uniform tax; 25% from the municipal fund; 35% from an equalization fund. Since the equalization fund is in addition to the direct grants paid to teachers from the provincial treasury, it may be seen that the share of the burden to be borne by the Province would be considerably increased, while the property tax would be reduced and made uniform throughout the Province.

The funds thus secured would be administered jointly by the municipal school boards and by the trustees of the local school sections. The latter would prepare the budgets based on the minimum scale described above, and submit them to the municipal boards for approval. Teachers' salaries would be paid directly by the municipal boards, and they would

also purchase centrally many of the materials requested by the sections. Some of the funds, however, would be returned to the trustees for the purchase of materials which could better be secured locally. Other administrative functions would be divided between the municipal boards and the trustees. The former would assume those duties for which their central position would be an advantage, such as the establishment and operation of circuits for special subjects, conveyance of pupils to school, and the operation of the rural high school to be described below. Trustees would continue to select the teacher, and care for school property. Under the plan recommended the school sections would be responsible for past and future capital expenditures, for any extensions to the minimum programme, and for the upkeep of school property. For these purposes, school taxes would be rated and collected locally by the trustees as at present.

It may be seen that the provincial unit (so-called) is really a system in which the Province, the municipality and the school section all take part. Two common misconceptions of the larger unit are thus cleared up. The school sections and the local school do not lose their identity, and no central bureaucracy is created. Each of the three authorities participating in school administration performs the task for which it is best fitted. The provincial Department of Education decides matters of general policy and provides grants from sources not available to the smaller units. Municipal boards relieve the trustees of the burden of collecting the general school tax and provide educational facilities which the isolated sections are unable to organize. The sections retain control of the matters of greatest interest to them—the acquisition and the care of school property and the appointment of teachers.

The Municipal Unit.

As an alternative to the provincial unit, which to be successful would have to be fully instituted in all counties at once, the Report recommends the muni-

cipal unit. This plan differs from the one described in two essentials. It would be optional, and a municipal school tax would replace the general provincial tax of 1%. Otherwise, the *modus operandi* would be much the same. The minimum programme of education to be supported by the municipality would be the same, and the municipal school boards would be created to administer it. These boards would derive their funds from the same three sources—the present municipal school fund, a general school tax and the provincial equalization fund. School sections and trustees would be retained and given the same powers as under the provincial unit.

The most important change, of course, would be the method of determining the amount of the general school tax. Since the municipalities could enter the municipal unit one at a time, there would be no general revision of the assessment throughout the Province. The Commission, therefore, since it could not accept the present valuations as indices of the real ability of the municipalities to support education, could not recommend a levy at a fixed rate for all municipalities. Lacking a valid index of ability, they assumed as a working hypothesis that the total amounts at present being raised by the school sections in a municipality should be taken as one basis of the municipality's contribution. The other controlling factor recommended in the Report is that the amount of the general tax should be such "that if it were raised as a separate levy on the assessed valuation of the municipality as a whole, the rate would be less than the present school rate in a substantial majority of the sections"*.

In many municipalities it would be possible to raise the full amount being raised by the sections in the past at a rate which would benefit a majority of the sections. This is possible for two reasons: (1) property in the municipality not included in the school sections would be included when the rate was set on the valuation of the municipality as a whole and (2) the yield from taxation in a few very wealthy sections which now have a low school rate would more than compen-

sate for the reduced yield in a great number of poor sections. If, however, it would not be possible to raise the full amount, and at the same time lower the rate in a majority of the sections, the municipal board would be given power to reduce the amount so that the rate might be lowered. This discretion was considered essential by the Commission in order that a majority of the sections in the municipality would benefit financially by the plan. One member of the Commission, however, felt that this discretionary power should not be given, and thought also that the method recommended by the majority did not insure a sufficient reduction of the tax burden on real estate. He therefore submitted a minority report recommending that the cost of the minimum programme be borne jointly by the Province and the municipality in a fixed proportion—40% from the Province and 60% from the municipality—in all cases. The majority were of the opinion that fixing the proportion in advance, regardless of the wealth of the municipality, would not be equitable.

The method of financing the municipal unit described above would allocate the cost of the minimum programme over the Province as a whole in approximately these proportions—58% from the municipal school tax, 25% from the present municipal school fund, and 17% from the provincial equalization fund. In addition, of course, the Province would continue to pay provincial grants to teachers. While this plan does not provide the same degree of equality and relief from taxation as does the provincial unit, it would nevertheless be a vast improvement over the present sectional system. The school taxes now levied by the sections at varying rates would be replaced by one municipal levy, at a rate uniform throughout the municipality. In practice, the municipal school tax, like the school tax in towns, would be included in the general municipal tax bill and thus the expenses of collection would be reduced by one half. With this saving, and with the amounts provided from the provincial equalization fund,

the municipalities would be able to employ better teachers and secure much needed equipment and supplies for the rural schools. The way would be paved for many educational improvements also—better transportation of pupils, training in the special subjects, and improved high school instruction. There is one advantage, too, in the municipal unit that even the provincial unit does not possess—the plan could be adopted at once by the municipalities which are ready for it without waiting for a province wide reorganization.

Other Recommendations.

In the final sections are supplementary recommendations to round out the Report. The most important of these deals with high school education for the countryside. Although instruction would be improved by the employment of better teachers, it is not possible even for such teachers to do justice to high school work in an ungraded school. The Report recommends, therefore, that approximately seventy-five rural high schools be erected at central points throughout the Province. The buildings would be constructed by the Provincial Government, and operated by the municipal boards with the aid of special grants from the Province for conveyance, teachers' salaries and equipment. These schools, and the high school departments in the villages, would be staffed with university graduates trained in agriculture, who could give the whole school programme a "rural bias" and, where necessary, give specialized training in agriculture. A number of isolated rural sections, which could not be served by the village schools or the rural high schools, would continue to give high school work under the direction of carefully selected teachers.

Other recommendations deal with the composition of the municipal boards, and with the method whereby a municipality would indicate its intention to adopt the larger unit. An appointed Board, similar to the Boards of School Commissioners in towns was preferred by the Commission to one elected at large,—three members to be appointed

by the municipal council and three by the Province, with the municipal clerk as an ex officio member. The Inspector of Schools, paid by the Province, would be the Board's adviser in educational matters. A municipality would adopt a larger unit when the plan had been approved by a majority of the boards of trustees of the school sections and by the municipal council.

The Report ends with a final recom-

mendation that the provincial unit be adopted as soon as possible. If the municipal unit should be tried first, the Report suggests that when two-thirds of the municipalities have adopted it and proved its worth, legislation be enacted to provide for the creation of municipal school boards in the remaining municipalities, with the province as the financial unit for all.

Occupational Assets of Unemployed Youth

By F. H. SEXTON

A SPECIAL vocational survey was carried out in the city of Halifax last summer under the provincial Department of Labour with the purpose of finding out whether or not an unemployed youth training project in trade apprenticeship was feasible. The data collected included facts relating to a large number of idle young people between the ages of 16 and 25 as well as information about the business and industrial activities of the city. The survey was wider in scope than the intensive investigation conducted previously by the Dalhousie Institute of Public Affairs, the results of which were published in *PUBLIC AFFAIRS*.* The former was open to all idle young people within the age limits specified who voluntarily came to vocational interviewers for counsel and guidance and help toward occupational training. The latter confined itself to the youths who belonged to families receiving direct relief. The former secured personal data from 603 boys and 251 girls while the latter embraced 202 boys and 71 girls. A comparison between the two groups of young people leads to many interesting conclusions.

EDITOR'S NOTE: F. H. Sexton, LL.D., a member of the Council of the Institute of Public Affairs and of the Editorial Board of this journal, is President of the Nova Scotia Technical College.

*"Youth on Relief" by L. Richter, *Public Affairs*, I, August, 1937.

The vocational survey was carried out to secure information about the youth who wished to enter such a program of training and to find out the kinds of occupations that would be offered by public spirited employers. A staff of nine competent interviewers was gathered together at the Nova Scotia Technical College and an announcement made to the public that the interviewers would be glad to receive applicants who wished advice and help toward occupational training. 850 young persons presented themselves for interviews. In each case a friendly relation was established and all pertinent personal data were recorded. The ambitions, interests, and plans of each person were sympathetically discussed and wise counsel was given on the best way they could be pursued. The interviews usually lasted from one to two hours. In general, the young persons were lamentably ignorant of the world's work, the requirements for success in an occupation they thought they would like to follow, and of their own particular assets for a position on a pay-roll. Some did not even know what definite duties their fathers had to perform each day for the wage that kept the family going. Most of them had only the faintest ideas of the best way to hunt for a job and of the way to present their personal assets in an inter-

view with a prospective employer. All of them readily signed a declaration that they would be glad to accept training under the conditions of the auxiliary apprenticeship program.

From the separate interview records summaries of the information gathered were prepared for a report to the Provincial Department of Labour and the city authorities. The data were in accord with those collected earlier by the Dalhousie Institute of Public Affairs in some respect, but differed strikingly in others. The larger number of youths interviewed offered a better basis for general conclusions, and the group presented a better cross-section of the present generation of unemployed youth. Some of the more pertinent facts are presented in the succeeding paragraphs.

One striking fact is the difference between the birthplaces of the fathers and of the children as is shown in the following table:

Nativity of Youth and of Their Fathers

Place of Birth	No. of Youths	Per Cent	No. of Fathers	Per Cent
Halifax City	678	79.5	325	38.3
Halifax County..	30	3.5	69	8.1
Nova Scotia	77	9.0	171	20.0
Canada	43	5.1	56	6.6
Foreign	25	2.9	223	26.0
Unknown	0	0.0	9	1.0
Total	853	100.0	853	100.0

The figures prove that the young people are overwhelmingly Canadian and nine-tenths of them are Nova Scotians. Four-fifths of them belong to Halifax and have been reared in the city. One-quarter of the fathers were of foreign extraction and less than two-fifths were natives of the city. The conclusion may be drawn that there was a definite influx of families into Halifax a generation ago and they must have been satisfied with the conditions here because they have remained to bring up their children. It may be assumed that the young people will also continue to live here and establish homes if they can secure training and employment.

Over half of the people surveyed had left school by the time they had reached the age of 16, which is the compulsory age limit provided by law. In spite of all regulations, however, a few had slipped through the meshes of the law and had escaped at the ages of 12 and 13. No comment is necessary on the slackness of parents who would allow such a short-sighted and serious delinquency.

Ages at Which Youth Left School

Age (Years)	Boys		Girls	
	No.	Per Cent	No.	Per Cent
12	4	0.7	1	0.4
13	10	1.7	3	1.2
14	34	5.6	10	4.0
15	82	13.6	46	18.4
16	203	33.7	85	34.0
17	128	21.2	41	16.4
18	79	13.1	43	17.2
19	37	6.1	13	5.2
20	20	3.3	5	2.0
21	3	0.5	3	1.2
22	3	0.5	0	0.0
	603	100.0	250	100.0

The members of this group continued much longer in school than did the ones belonging to relief families that were surveyed at an earlier date by the Institute of Public Affairs. It should be noted also in the table that some of the boys and girls stayed in the public school up to or beyond the age of 21, doubtless due to the fact that there was little employment to be had and not because of any unusual ambition for extended academic knowledge.

The amount of education possessed by each individual is one of his most valuable occupational assets in seeking work. Inquiry about this item is invariably one of the first moves of an employer in an interview. If a youth has successfully passed through one of the higher grades, it is usually taken to mean that he has more intelligence and ambition than the average, that he is more teachable and adaptable, and that he has more initiative and dependability. Such wide inferences are not always

justified, but they are commonly drawn and must be true in the main or they would not be so pervasively applied. Since unemployment has been rife, employers have insisted upon higher standards of education among those whom they hire and it is common now to insist upon a standard of Grade XI for the entrant to a job that requires less than mediocre knowledge and ability. Often the successful applicant with a high order of intelligence finds the work too little of a challenge to his mental powers and does not perform it as well as would one who was much less gifted.

The data collected in the interviews are presented in the following table and also in the accompanying paragraphs.

**Last School Grades Attended by
Unemployed Youths**

Grade	Boys		Girls	
	No.	Per Cent	No.	Per Cent
Below Grade V..	14	2.3	3	1.2
V.....	29	4.8	5	2.0
VI.....	51	8.5	19	7.6
VII.....	87	14.4	17	6.8
VIII.....	122	20.2	58	23.2
IX.....	137	22.7	45	18.0
X.....	75	12.4	40	16.0
IX.....	65	10.8	48	19.2
XII.....	22	3.7	15	6.0
College.....	1	0.2	0	0.0
	603	100.0	250	100.0

There is a striking difference in the amount of education achieved among this group as compared with that coming from families on relief. This can be easily realized if the following percentages for this latter group are compared with those in the table for boys: V, 12.5%; VI, 23.5%; VII, 25.6; VIII, 13.6; IX, 4.9%; X, 3.0%. It is evident that almost all of the larger group have a far better occupational asset in education and will be able to make a choice among a much wider range of occupations on this account. It is interesting to note that the percentage of girls who attend grades XI and XII is nearly twice that of the boys in each case.

At the present time there are a good many opportunities for young people to pursue general and vocational training after leaving the public school such as in evening technical classes, correspondence-study courses, and business college. It was found that 34 per cent of the boys and 40 per cent of the girls had availed themselves of some of these advantages.

The practical work experience which these young persons had had was a most important factor. Some of the most important lessons of life are gained under the discipline of a job for wages and there also may be attained some of life's greatest satisfactions. Even if the periods of employment had been only short or intermittent, the ones who had worked in business or industry had often made the personal adjustments necessary for success in practical life and a few had been able to decide definitely what career they wished to follow for life. They had learnt what measure of effort was necessary to hold their own with other workers and the sacrifice to be made in saving a dollar. They had experienced the necessity of co-operating with others under the authority of a boss to accomplish a desired result in the business organization. For brief periods they had tasted the joys of economic independence, self-respect, and of purposeful effort in productive work. These youths were the most employable and the ones who seemed most eager to make the sacrifices necessary for learning a skilled trade through a long period of apprenticeship.

Data were obtained from each person about any job held; its duration, the degree of skill exercised, and the pay received. The information about the qualitative nature of the experiences is shown in the following table. It was too complicated a matter to try to represent the data on a quantitative basis for the whole group. The graph illustrates the same data for boys surveyed.

The data show that there had been more opportunities for gainful work for the boys than had been the case among the girls. One-third of the latter had

never had a real job for wages as against one-seventh of the former. The proportions respectively who had had opportunities in semi-skilled labour were one-tenth and one-third. Very few had had a chance for a trial of the occupation which they most desire to enter. A very small proportion had ever been engaged for even a short time in work that could be classified as skilled. The universal testimony of the people inter-

he could seriously entertain the possibility of choosing a career in which he might rise to a position of executive responsibility. If he were deeply interested in some hobby and had become outstandingly proficient in it, this might indicate natural traits and ability that pointed directly and surely to a certain vocation or field of effort in which he might win both work satisfaction and personal success. In some cases there was indicated

Kinds of Work Experience of Unemployed Youths

Boys

Age (Years)	16	17	18	19	20	21	22	23	24	25	Total	%
Skilled.....	0	4	1	5	4	8	3	4	7	6	42	6.9
Semi-skilled.....	5	16	27	29	27	30	14	16	23	16	203	33.7
Unskilled.....	36	47	57	52	25	14	18	8	10	6	273	45.3
No Work.....	24	19	21	9	6	3	3	0	0	0	85	14.1
Total.....	65	86	106	95	62	55	38	28	40	28	603	100.0

Kinds of Work Experience of Unemployed Youths

Girls

Age (Years)	16	17	18	19	20	21	22	23	24	25	Total	%
Skilled.....	0	0	0	1	2	0	1	4	2	1	11	4.4
Semi-skilled.....	1	0	3	4	4	2	3	3	3	1	24	9.6
Unskilled.....	13	24	22	19	17	9	10	4	1	2	121	48.4
No Work.....	24	27	16	14	4	1	2	2	2	2	94	37.6
Total.....	38	51	41	38	27	12	16	13	8	6	250	100.0

viewed was to the effect that their jobs had been of short duration for low pay with long periods of idleness between. Some of the young people had reached the age of 21 and 22 without ever having been able to find a job of any kind. A number of the boys testified that their whole practical experience consisted of a few weeks with a pick and shovel on a relief project.

All of the youths surveyed were asked about their spare-time activities in sports, social amusements, and hobbies. Important information which was helpful in recommending an occupation was often disclosed in such questioning. If the young person possessed qualities of leadership, it was bound to be exercised in sports or games. If he were a born leader,

the possibility of expanding the hobby, itself, to a permanent occupation.

It was made evident that nearly all of the boys and girls spent a great deal of their time in outdoor sports. This was probably the biggest single factor that helped them keep in good physical condition and maintain their morale. Baseball, softball, football, hockey, skating, and swimming were the favourite sports of the boys and baseball, softball, skating, and swimming, of the girls. Only one per cent of the boys did not indulge in outdoor sport while one-eighth of the girls were in this category. Practically all of the boys had hobbies, but one-sixth of the girls had none. One and one-half per cent of the boys and one-sixth of the girls followed no social

amusement. 53 per cent of the boys and 62 per cent of the girls were active members of some kind of youth club.

Reading habits were considered of importance in indicating mental attitudes as to whether this was pursued with the idea of self-improvement or just as a means of escape from the realities of a drab or discouraging environment. It was learned that these young people designated popular magazines of the kind represented by *MacLean's*, *Collier's*, *Liberty*, and the *Saturday Evening Post* as "class" publications. The lurid, trashy magazines which adorn the news stands in such profusion and which carry stories of flashy romance, wild adventures, mystery, suggestive sex experiences, crime, detective exploits, etc. were dubbed "pulpers". It is significant that 62.5 per cent of the boys and 21.6 per cent of the girls read "pulpers" habitually, only one-quarter of the boys and a twelfth of the girls made a practice of reading so-called "class" publications, but nearly half of the girls regularly read movie magazines and home journals.

General impressions of the interviewers are of value even though they cannot be expressed in statistical tables. The young people appeared eager to find an opportunity for work and were not primarily concerned about the wage that could be earned. The great majority were well aware of the desirability of having a skilled trade and were willing to make sacrifices of both time and low wages to acquire the competence recognized as belonging to a journeyman mechanic. In general they knew little about their own personal traits and abilities and still less about the particular requirements for success in the commonest occupations. They were not making any strenuous or intelligent efforts to dig up jobs because they did not know how to go about it. They were waiting for something to turn up in newspaper advertisements or in opportunities that would be relayed to them through the family or by a friend. They had made a few applications for work in a few obvious places and after a few refusals had become convinced that there were

no jobs to be had. A very few were following a definite course of study to prepare themselves for a particular job when a vacancy could be found. A small number only could be considered employable for specific jobs except of the simplest kind. An occasional one was found to be sullen, bitter, and resentful against conditions, but practically none showed attitudes of a "red", radical, or revolutionary nature. They did not seem very downhearted on account of their discouraging experiences nor yet so accustomed to idleness that they wished to continue through life as if on a perpetual vacation. They were desperately anxious to get almost any kind of work and many showed splendid qualities that would quickly make them of value in business or industry if they could only get a start. What they needed most was vocational training and some job experience.

The second portion of the survey concerned itself with interviews of the proprietors of all kinds of business in the city, seeking opportunities where unemployed youth could get training through a system of auxiliary apprenticeship. Everybody proved to be deeply concerned with the present unusual problem of idle young people and many were willing to lend a hand toward its solution. For boys there were found 161 definite openings for apprenticeship and 33 for girls. In addition there were also discovered 124 opportunities with promise in the near future. The places included almost every kind of productive, distributive, and service activity in the city. In this wide range of occupations there would be openings for the different interests and abilities of the unemployed and there would not be so many trained in any one line of work that they would upset the labour market in securing employment when they had become competent. The results of the survey seemed convincing that an auxiliary apprenticeship training centre should be organized in the city of Halifax to help the unemployed youth get started upon their life careers.

A Provincial Prison Farm

By S. H. PRINCE

FOR a long time county court judges and other officials of the Province of Nova Scotia have deplored the necessity of sending young offenders and first offenders to the penitentiary for lack of a suitable alternative, and many of them have voiced from time to time, both as individuals and through their Provincial association, the need for an "intermediate" centre for commitment. The recent announcement by the Honourable J. H. MacQuarrie, Attorney-General of Nova Scotia, that early efforts are to be directed towards the development of a farm or forestry project to meet this widely acknowledged need makes the discussion of prison farm procedure timely at this juncture.

It is safe to say that citizens generally who are aware of the unwholesome features of the common jail system will receive with gratification the news of the coming of this long overdue reform. While there is room, perhaps, for a diversity of viewpoint as to the efficacy of one or another of the various types of intermediate prisons, and their suitability to Nova Scotian conditions, there are certain underlying principles which have a bearing upon public policy.

In the first place there is the principle of *economical concentration*. It was this which led to the closing of the local prisons and county jails of England and to the development of large "committal areas". This principle would indicate the wisdom of a central institution for Nova Scotia to serve all sections of the Province. Authorities consider that a minimum of 200 inmates is necessary to admit of proper discipline, economy of management, occupational diversity and educational services. An examination of the statistics of the penal population of

the Province reveals that after deducting the 30-day group, the mental defectives, the infirm, the old and those unfit for work, the prospective number of employable inmates would vary between 200 and 250. Thus only by the concentration of the entire prison population in a central institution would there be a group of prisoners sufficiently large to secure the best results.

The *prevention of contamination* is another principle at the root of the modern penal system, and this is only practicable where the institution is large enough for proper classification—a feature of first importance in modern reformatory work, and indeed the foundation upon which the success of the English prison system is based.

Again *purposeful occupation* is indispensable to reformation. Experienced penologists are agreed that the farm colony with outside labour and outside industries is the finest type of prison. Even were this not an accepted principle, the vital place which agriculture plays in the Province would naturally suggest the industrial farm as the type of reformatory most suited to Nova Scotia. The unique value of agricultural reformatories lies in the fact that they meet all the requirements of successful prison employment. The work is productive, reducing the cost of maintenance; it is also healthful, improving the physical condition of the prisoner and thus laying the foundation for moral improvement. The farm further admits of much diversity of work which in itself is a valuable auxiliary to reformation. Farm duties bring men to their beds at night filled with wholesome reactions which come from good hard work in the open air.

It is the standard practice to select a large undeveloped tract of land. It should be a rough, rocky and wooded area of perhaps 500 acres, and of such

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a nature as would require long years of reclamation work to clear, to grade and to develop. Ample timberland for lumber supplies and for instruction in forestry is also an important consideration. A quarry on the site would be desirable in order to produce crushed limestone which might be made available to the farmers of the Province for soil improvement, or crushed rock for the surfacing of highways.

To provide occupation for all weathers and all seasons, and employment for those not adapted to rural work, there should be a set of shops where the men could be encouraged to learn carpentry, masonry, bricklaying, plumbing, electrical work and other useful trades. At the outset the industrial section might well be limited to laundries, canneries, box-mills and other mechanical facilities which could be made available at little cost.

Again a modern penal institution should be either of the kind known as the *open prison* or at least of the *medium secur-*

atory which is, in many respects, the leading example in the country. Located within easy distance of Guelph, it consists of 945 acres of farm, forest and quarry. Provision is made for an extensive array of industrial activities. There are kitchens, bake houses, wool mills, tailor shops, machine sheds, a bed factory, a reed-work department, a laundry, a paint shop, a tannery, a planing mill, an abattoir and a creamery. There are in addition, school, hospital, gymnasium and chapel features. The buildings themselves, built largely by the inmates, will house 800 men, and have an average population of 568.

Most of the other nine prison farms of Canada are constructed on the Guelph model although they vary greatly in size and capacity. One will be found to specialize in live stock and dairy cattle; another in lumbering operations and in diversified farming; in still another brick-making is given a large place. The institutions are as follows:

Provincial Prison Farms	Acreage	Average Population	Value of Farm Production
Guelph, Ont.....	945	568	\$35,055.78
Minico, Ont.....	125	208	13,653.63
Burwash, Ont.....	35,000	461	70,145.63
Langstaff, Ont.....	940	270	27,253.34
Headingley, Man.....	560	345	8,382.24
Fort Saskatchewan, Alta.....	1,406	220	15,066.36
Lethbridge, Alta.....	1,141	133	18,342.89
Prince Albert, Sask.....	1,200	179	5,193.09
Regina, Sask.....	.....	940	5,248.81
Oakalla, B. C.....	185	419	5,909.80

ity type. A measure of freedom is a vital feature in the treatment of reformable prisoners. This the agricultural prison permits. Constant surveillance may be largely done away with. Work in open fields without armed guards provides the environment most favorable to the rehabilitation of the men. For some offenders such as pyromaniacs, special areas may have to be enclosed and guarded. But in many places penal institutions are successfully conducted without walls or bars.

These important features of a model prison farm have been successfully incorporated in most of the provincial prison farms in Canada. Special reference may be made to the Guelph Reform-

The conviction one receives from an examination of prison farms in actual operation is that they are in no sense costly to establish. Indeed the chief and only preliminaries are the purchase of a site and the appointment of an experienced prison farm construction superintendent. With a place available and an appropriation for the superintendent's salary, for a sawmill and some minor equipment, the work can well begin at once. The procedure is exceedingly simple. A group of healthy young prisoners with some aptitudes for construction are selected from various centres. They go out on a truck with a good farm construction superintendent. Some rough board barracks are thrown togethe

as temporary quarters until the men are trained and the materials secured for more permanent construction.

It is of interest to note that in nearly every case the development of prison farms has been begun on a small scale. Bordentown was started with 39 men. Lorton was begun with 27. The Guelph builders set out with two officers and 14 prisoners who quartered themselves in an old farm house. Then roads were made, land drained, trees cleared and within a year temporary structures were housing 150 men. Fort William began in the summer with an encampment of tents. An entire prison farm in the State of Massachusetts did not cost as much as was expended on one jail built in recent years in a Nova Scotia town. The wonder is that so great a reformation of penal institutions can be accomplished at so little public cost.

As to the responsibility for development and maintenance, central reformatories are from first to last provincial or state responsibilities. The Indiana plan has much to commend it. In this section the counties pay transportation to and from the prison farm, but the state is responsible for maintenance. The counties continue to support a few district jails to serve their original and primary purpose of detention lockups. Since most inmates will be committed for the violation of province-wide laws, it is logical that the province should become responsible for the care, custody and treatment of offenders. But more important than the logical reason is the fact that the province can perform these services better. And if the province is to manage the institution, and to profit from the labour of some 200 men, the municipalities can hardly be asked for more than transportation costs in addition to the upkeep of their district lockups. In British Columbia and elsewhere, the transportation problem has been solved by the R.C.M.P. As to administration the industrial farms in Saskatchewan and Alberta are under the Department of Public Works; in British Columbia, under the Department of the Attorney-General; in Ontario, under the Department of

the Provincial Secretary. In Regina all the farm work is under the supervision of the Department of Agriculture.

Experience all goes to show that once under way the new prison community will become largely self-supporting. All necessary tasks will be performed, all produce will be grown and supplies manufactured by the inmates themselves. As the institution develops and industries are started, it will be found possible to install the "public use system" whereby prison-made goods can be used to supply furnishings and other needs for provincial hospitals, county homes, and public institutions. One of the outputs of prison farms is not infrequently license plates for automobiles.

The dual principle in modern prison treatment is *deterrence and reformation*, the first to protect society and the second to benefit man. But as the protection of society is best assured by the reformation of the offender, all efforts are directed to this end. Once a prison farm is established the doors will be open to almost every type of activity which possesses reformatory value. Adult education classes will naturally be given a prominent place. There will be occupational training and instruction in geography, mathematics and civics. Literature, art and religion will be presented in a way so as to be of real service upon release. But quite apart from what it may mean in the future, systematic teaching is needed to counteract the mental deterioration of prison life. In addition the prisoners should be encouraged to engage in such recreational and leisure time activities as orchestras, plays and other aesthetic arts. With a few accomplishments their self-respect will be more easily regained when they come to move again among their fellows in the outside world. Libraries should contain not only literature useful for educational purposes but magazines and fiction readable for pleasure also. In most cases, pleasures are to be regarded as privileges which only become available as the prisoner advances "in stage." Outdoor as well as indoor games should be featured as a necessary adjunct to

reformatory effort. Perhaps the thing which embitters the prisoner against society most is long periods of inactivity. This should be overcome on Saturdays, Sundays and holidays by supervised community events, as well as by provision for reading, drawing, hobbies and ear-phone radio broadcasts.

But this modern type of prison care will not succeed unless the human element has been wisely selected and as wisely trained. That the officials should be qualified for farm management and trade instruction goes without saying. It is particularly important that they should be men who have not only an acquaintance with the newer penology but who in addition have had some practical experience in handling the misfits of society. To a wide knowledge of human nature, they should add a keen interest in the welfare of those committed to their care. Firmness to secure discipline, and kindness and understanding in dealing with individuals, are further essential characteristics. Punishment there must be, especially with the incorrigible types, but prisoners should be led to better things by rewards and privileges rather than be terrorized by severity.

Perhaps the greatest aid to constructive discipline is the development of a *classification system* based on the "Triple Division" model as used in England. The youthful and young prisoners, those not over 23 years of age are set apart as "star" class offenders. Those under 30 who have been previously convicted, and who are therefore ineligible for the "star" class, are grouped as "specials", and all others as "ordinary". With this foundation, a grades and merit system properly carried out will furnish the most effective motive towards improvement. Provision whereby satisfactory conduct may earn remission is fundamental in modern prison discipline.

All these are not new ideals in the treatment of delinquency in Nova Scotia. They are on the other hand well-tested principles already in effect in the successful institutions for children, youths and women offenders, as exemplified at Truro, Coverdale and Halifax. The new prison farm means merely an extension of the same general practices to the treatment of men, particularly of first offenders, thus bringing all the correctional institutions in harmony with modern principles of penal reform.

The Care of Crippled Children

By D. E. ROBERTSON.

THE care of crippled children is a problem that calls for an intelligent understanding of the individual case. It demands a knowledge of the physical disability as well as a true appraisal of the mentality present. Before treatment of any sort is initiated there must be some hope, based upon critical studies of similar cases, of improvement. It is not justifiable in these days casually to accept advice from ignorant and untrained and inexperienced sources, to

initiate a treatment, frequently expensive, and to find it after some time useless. Too often this occurs, and the parents in some cases impoverish themselves in moving from place to place in search of a physician who can cure their child, as if the first honest well trained physician they had seen had not suggested to them a temporal court of last medical appeal where they could get for a relatively small fee, or for no fee at all, an expert opinion as to the probability of reasonable results from any treatment. In this day when "news" is assumed to be a primary demand of the public, and

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even individual or private rights may be violated for its satisfaction, medical information is to be found in the daily press. Not that one can accept at its face value these medical news items, but they do tend to keep the medical men and laymen at large sensitive and inquiring as to medical advances. Medicine being what it is, a universal system having its own non-secret practices and treatment, there is every opportunity for any doctor to acquaint himself with the practices of the past and present, and any good library will give him the experience of time in the knowledge of disease and its treatment. There is no need, therefore, to accept the advice or ministrations of the ignorant and unqualified. Any system of medicine that seems reasonable is given very quickly an enormous practical test in the great hospitals of the world, and its efficiency is very soon appraised and a true value established. There are no secret remedies or systems that are worth a trial. The basis of a secret remedy is a desire to sell a commodity, not a desire to give a humanitarian service.

Crippled children come from many causes, the earliest being the congenital anomaly or deformity. The imperfectly developed child is imperfectly developed because of the tendency in his cells; and an intimate and accurate history of his progenitors would establish the fact. Any intelligent breeder of stock knows that certain strains have inherent characteristics, and when the strains are not desirable, they may be bred out. Is it too much to ask humans to pay some attention to these eugenic laws?

Of the congenital incomplete or maldevelopments the commonest that live are spina bifida, hare lip and cleft palate. The former, a lump on the back varying in size, may be attended with no physical disability, or it may be a dreadful condition with paralysis and weakness of the lower extremities together with an incontinence of urine and faeces, a truly wretched condition. No surgical operation has yet been devised or performed that gives a reasonable or a satisfactory result in this type of case.

The operation for the cure of hare lip and cleft palate gives results that are brilliant, and the later types of operations are extending the favorable results. These operations are to be undertaken early in life, from the age of six weeks to a year.

Club feet, too, are deformities that can be cured. They can be cured, or at least be made so that an ordinary shoe can be worn, at any time of life. When treatment is begun within the first three weeks the result is good. Where there has been neglect, or where the condition persists on account of inadequate treatment, at any subsequent time an operation may be done on the feet that will place the foot in its proper position and result in a good normal looking foot.

Infants are sometimes born with congenital dislocation of the hips. This is also a familial tendency. These cases are seldom diagnosed during infancy. When the child begins to walk, it is seen to have a peculiar gait, waddles in walking when both hips are dislocated, limps when one side only is affected. Surgical treatment is relatively simple and successful when undertaken in the first year, very difficult and unsatisfactory after six years of age.

Many other congenital anomalies and imperfections are most difficult of treatment promising to give any improvement in the degree of disability. They should have no treatment.

Diseases produced by germs leave cripples in some instances. Encephalitis, inflammation of the brain, occurring in infants may leave a condition in the patient that may be mistaken for Little's disease, spastic diplegia. There is in this case, however, a history of the infant having been normal until it became ill of an acute infection. Following this the physical disability occurred and remained. For such a case training and reeducation of the involved physical movements is all one can do in the reasonable expectation of obtaining improvement.

In infectious disease there is always present the hope and possibility that

the germ producing the disease may be identified. Once identified there is hope of preventing the infection of humans by the particular germ. Typhoid is an outstanding example of what may be done in preventing the infestation of humans by these particular germs. It is a simple question of pure water and pure milk supply. Similarly, diphtheria and scarlet fever are preventable diseases and one does not expect to find them in intelligent communities, intelligent as to public health.

Tuberculosis is a disease due to a germ, and it is a disease that is rampant in Europe and the British Isles. It is disappearing from America. It is disappearing for two reasons. Infected persons are taught proper personal care, including measures to prevent the contamination of other persons and things, and milk supplies are pasteurized.

The care and treatment of milk has been a vexed question of governments, dairies and the general public. The whole problem has been retarded and confused by the certification of cows and their milk. The term "certified milk" does not include a guarantee that the milk does not contain living tuberculous germs. The tuberculin reaction in cattle is not a reliable test as to tuberculosis infection of the animal. To safeguard the purity of milk given to infants and children pasteurization is needed. It kills tuberculosis germs as well as many other disease producing ones.

Tuberculosis when it occurs in children has a tendency to involve bones and joints, and its treatment is a long, tedious, expensive affair, and it always ends in harm of a permanent nature having been done to the joint or bone involved. The treatment consists in hospitalization and rest in bed, surgical operations sometimes being indicated. Happily this disease is becoming less prevalent as public health measures become more generally understood and applied.

Infantile paralysis, a disease that has been so important to the individual though relatively rare, has been the subject of intensive study and experimentation. Yet there is little known as

to its method of infestation in the human. It is said to be due to a virus, a germ so small that no microscope has yet revealed it. The virus is found in the excreta from a patient, sewer water has been found to contain it, and milk is to be suspect. It has been said that the disease is due to a deficient amount of a certain vitamin. Yet such a theory does not explain why the disease goes in waves and districts, two thousand cases in Ontario in 1937 and very few in 1939 with practically no cases in the territory "burnt over" in 1937.

We know practically nothing of useful methods to prevent the disease. We do however realize that once the disease is present great physical disability may be present after the acute phases. It is known that cases of weakness and paralysis must be kept at rest with the paralysed or weakened muscles in a relaxed state. They, therefore, require splinting, and that as soon as weakness is discovered. The nature of the disease is to involve the nerves controlling and activating the muscles. The muscles themselves are never diseased in anterior poliomyelitis. The muscles can only act when the nerves recover. This recovery may take as long as a year and a half, and there is no way of ascertaining the extent of involvement of the nerve except to wait for its reappearance. This reappearance is only to be known by the muscles again beginning to show movement. Muscles that have not been splinted, are unlikely to be able to react when the nervous impulse reaches them. Therefore, the muscle must be kept in a neutral position. Fatigue in a recovering muscle is the factor that retards, stops, or causes retrogression of power. Recovery of muscle power in this disease bears no relation to a person's will to get well. As a matter of fact, those afflicted with weakness or paralysis always over-work the recovering muscles to their own disadvantage. Recovery is never complete. It may appear so, but the absolute power is not there and the "full throttle" is less than formerly.

Those who are severely paralysed have to replan their lives. Such cases

should be put in hospital when it has been found that the paralysis is present. There they may be taught their own proper care and a new philosophy. They will probably be in wards with similar cases, and with those they will be much happier and better able to readjust themselves to their new life. This point is of primary importance to the happiness of the cases and must not be overlooked by public health bodies and people at large.

Common boils or furuncles are small gangrenous infections in the skin. They are caused by a germ known as staphylococcus. This germ gets into the blood of people afflicted with this common and painful complaint. Boils occur in bones. Pasteur called osteomyelitis, this disease, "furunculosis of bone"; and it is a pity the termination was not retained. Boils and infected blisters, pus or matter in the skin, are to be suspect in children. They are the cause of the bone infection known as osteomyelitis, a disease that for crippling effects and chronicity is in the front rank. This dangerous and dreadful disease occurs in children and youths. It is probably preventable in a great majority of cases. Children and youths who have skin infection, infected blisters or boils, should not be allowed to play, during the period of infection, rough games or any game that would expose them to sprains, twists and similar injuries to joints. Injury of the growing bone near a joint may determine a local abscess. This is a disease that at first may be diagnosed rheumatism, and later an abscess forms. Rheumatism never produces abscesses. It is probable that the new drug, sulphapyridine, given early in the disease may control it. The history of an infection in the skin of a child who is complaining of pain in or near a joint is presumptive evidence that there is a beginning osteomyelitis. At this stage administration of the drug will probably be efficacious. Further experience will give a correct answer to this problem.

When the disease is full blown, the

patient is very ill and in a very critical condition. The death rate is high. In those that survive the crippling is often severe, and there is a tendency in later life for the lesion to become active again, especially in the individual who is subject to periods of heavy physical strain. Early operation is not, in my opinion, indicated in cases of osteomyelitis. Early administration of a bacteriostatic drug and admittance to hospital is essential to a successful treatment of the disease. Prevention is much more effective and simpler than treatment of disease.

Traumatic injuries are of a variety that beggars listing. The multitude of activities in which boys can indulge are as dangerous as they are unforeseen. From the use of firearms and explosives and fire to the accidents in domestic wringers there is a range of injuries that produce many cripples. In large wealthy centers where the newer conveniences are to be found, there is a steady stream of children who have a hand, and in some cases, an arm, seriously injured in a power wringer. There seems to be no safety device on power wringers yet equal to its task. In the Hospital for Sick Children, Toronto, there are an average of fifty-two cases such as this each year coming to hospital for treatment.

Every government or organized community should have a plan and scheme for guarding its public health. Education along health lines is productive of an economic saving that of itself pays the highest dividends. Disease in a community is unnecessary, and, besides being costly, is an outward sign of the ignorance and carelessness of the people. Cripples must have good care and good hospitals. Lack of money should never be a bar to the finest of treatment, and hospitals must be so organized that the best medical advice and care in the community is available for the indigent and for those without the funds to pay for the long and difficult treatment necessary in the treatment of crippled children.

Local Government in Sweden

By ROY V. PEEL

SWEDEN is one of the largest states in Europe, but its population of 6,267,000 is not great, and neither, therefore, is the density of its population. Long a nation of farmers and fishermen and lumbermen, it has undergone an industrial revolution, and to-day, fifty-four per cent of the people are engaged in industrial pursuits. The trend toward urbanization is not so strong, since many of the industries are located in small towns, with many workers living on small subsistence homesteads and small farms in the country-side. Still, the cities have grown rapidly in the past two decades; and thirty-four per cent of the people are now reckoned as urban. If the smaller towns and "urban districts" are also regarded as municipal, forty-two per cent of her population is urban.

The government of Sweden is one of the oldest in Europe enjoying a continuous independent existence. Sweden is also famous for its democracy. Notwithstanding the existence of a monarchy, Sweden is now basically a democratic country, as it has been for centuries. The common people, from the time when decisions were made by the independent *odalbonden* in the provincial *ting* down to the legislative assemblies of our own day, dominated by trade unionists, have always played a prominent role in Swedish government. Despite periods of retrogression, the Swedish people have cherished and defended their liberties. Their regard for law and order has been greater than that of the English, whom they resemble in so many ways; but like the members of the British Commonwealth of Nations, they have ever held fast to "local-self-government" as the citadel of freedom. In many respects, the struc-

ture of Swedish local government is Latin rather than Anglo-Saxon. The whole system might properly be described as a harmonious blend of Gallic classicism and English libertarianism. The form is sired by Paris, but the substance stems from London.

One might consider Sweden as the proving-ground for theories of governmental organization. Broadly speaking, there are two types of local government: those units which are areas of national administration for local purposes, and those which are preponderantly local government agencies. But Sweden has not escaped the universal tendency toward governmental centralization, and the whole problem of jurisdictional boundaries is accordingly confused by national institutions supported by local funds and local officials working closely under state supervision.

The administrative counties (*län*) are twenty-four in number and together with the city of Stockholm constitute the intermediate units of government. In each there is an "administration" (24 county Governors and the Governor-General of Stockholm) and a county council¹. Six cities (including Stockholm) do not participate in the county councils, and, since one of the council's duties is the election of Senators, these cities choose "electoral colleges" for the purpose. These councils vary in size from twenty to seventy; the members being elected by proportional representation, as are all legislative bodies in Sweden. They convene annually in the autumn in the provincial capitals and pass acts of legislation with reference to hospitals, public health, midwifery, education and poor relief. Certain measures of a financial character require the approval of the Crown, and two kinds of measures

EDITORIAL NOTE: Roy V. Peel is Professor of Government at the University of the City of New York. He will shortly publish a book on local governments in Scandinavia.

1. There is no council in Stockholm, but there are two in *Kalmar län*; hence there are 25 county councils.

(election districts and civil service) must have the assent of the county administration to be valid. The administrative committee of the Landsting carries out its commands.

The county governors (*landshovdingar*) individually exercise the authority of the "county administration", but they are assisted each by a County Clerk and a County Treasurer, as well as a number of minor officers—sheriffs, bailiffs, constables, assessors, tax collectors, surveyors and clerks. In addition to the duties suggested by these titles, the governors perform various functions with reference to the general registration (*mantalsskrivning*), health, poor relief, trade and industry and the national defense. Though appointed by the Crown, governors are supposed to be chosen without regard for political affiliations and to exercise their duties impartially.

Alongside of the county council districts there are districts for the so-called "economic societies" (*hushollings sällskapen*). These are agencies for agricultural organization, and they are staffed with farm bureau agents who are responsible to the ministry of agriculture but work in close cooperation with the governors.

The primary local governments of Sweden, or the communes, are the towns, (287 in number), market-towns (116), and the rural communes (2,361). The secondary units are the urban districts (225), the highway districts (170) and a variable number of associations of towns and special districts. All the primary communes are legally equal in power, with some differences in definition of duties and structure; the secondary communes have nearly the same organization but, as a rule, only one function.

Legislative power is vested in councils (15-100 members) although provision is made in the law for town meetings of all the citizens. Legislative bills and reports are prepared by the town administrative authorities, or by committees of the council; and administration is entrusted to a communal board (*kommunalnämnd*) in the rural communes,

hitto Finance Committee (*dratselkammaren*) and the magistracy in the towns, to the municipal college (*Stadskollegiet*) in Stockholm, and to administrative boards in the special communes. Special boards may further be established for health, poor law, building, school and harbor administration. On these boards and committees frequently are found co-opted members, so that the influence of laymen over local government is very great. Laymen also constitute the membership of the rural grand juries; but there are no petit juries except in cases involving the freedom of the press. Since it is an old principle of Swedish law that no one may refuse to accept a position to which he is elected—with certain exceptions—there is never any lack of competent and popular representation in local government legislative and administrative bodies.

The magistracy, which is found in all towns, is both a court of first instance and a supervisory and administrative agency. Its chairman is the burgo-master, who must have legal training. However, not all the members need be lawyers. Magistrates are not elected; they are designated by the Crown, and as such exercise the Royal supervision over local government under the governors. In Stockholm the magistracy has only judicial functions (again exceptions) and the supervisory power is lodged directly with the Governor-General. Obviously, this system does not integrate management and probably does not develop leadership. The Swedes have not experienced any difficulty with lack of responsibility, which is elsewhere thought to be a unique characteristic of unitary control or single entities. But they have taken steps to reorganize the government of Stockholm in the direction of greater integration, and there are a number of smaller towns which have adopted the communal burgo-master, or single mayor, form of government.

The chief functions of local government are to manage its own property, assess and collect taxes, care for the poor and the children, preserve public health and maintain hospitals, protect against

fire, promote public order and regulate public utilities or provide the services themselves. On the whole, police is a state function. The regulation of the sale of alcoholic beverages is primarily the duty of the State, but, since local option laws are in force, the communes enjoy certain powers in this field. They control the sale of beer almost exclusively. The communes act as agents of the State in the administration of the General Pension Act (Social Security), of the acts setting aside funds for housing, and of other acts providing subsidies. Poor relief has ceased to be of much importance; and unemployment relief is maintained chiefly by the State. But the communes have contributed generously to the measures for combatting unemployment, by participating in the mixed State-Communal public works (*heredskapsarbeten*) and the emergency works (*reservarbeten*)—of which there are three kinds—State, State-Communal, and Communal.

Formerly, the parish was the most important unit of local government, but to-day it retains only a few duties in connection with schools and libraries, and is the agency for managing the General Registration. Practically all Swedes are members of the Established Church, and, although only a minority actually participate in its government, opportunity is offered everyone to take part in the deliberations of the congregational meetings.

Most of Sweden's public utilities are publicly owned. This is particularly true of the public works: water-supply, sewage disposal, street construction and street cleaning, refuse removal, snow-removal, and parks. It is also true, to an ever-increasing extent, of gas works, hydro-electric stations and electricity distribution systems, a few towns operate restaurants and some towns have funds invested in railways, which will soon be completely nationalized. Tramways are municipally-owned, as are the alcoholic liquor companies, but private capital is invested in these enterprises as well. In the management of public utilities, the principle of self-liquidation is recog-

nized. It is sometimes felt that reserves are too ample, resulting in rates higher than they need be; but municipal public enterprises are, on the whole, conservatively and satisfactorily administered.

The revenues of the communes are derived mostly from taxes. The income tax includes the property tax. Although the latter tax is sometimes higher than the American tax on real estate, it is more fair, being based more clearly on the income derived from property. There are, also, a supplementary progressive income tax, various motor vehicle taxes, a road tax, a dog tax, a forest exploitation tax, and a hospital fee. The total local debt amounted to 1,666,274,000 kronor in 1933. In that same year, total revenues were 927,440,885 kronor, which the total expenditures balanced. Subsidies from the State were nearly 158,000,000 kronor.

Many of the local governments in the northern counties, in Gotland and in some of the Middle Swedish districts, have complained of the excessive burden of taxation. This burden is partly relieved by preferential State expenditures, but even more important are the refunds received from the local tax equalization fund. Local governments generally maintain budgets and accounting systems, which are in the process of reformation with the end in view of making them uniform. It has not been found necessary in Sweden, as it has in Norway, to set up a municipal debt adjustment office. Apparently, the continuous scrutiny of local accounts by governors and magistrates has sufficed to prevent collapse. It must be borne in mind, however, that the depression was not severe in Sweden, and that during the past few years, the nation has enjoyed unprecedented prosperity.

Electoral participation has not been especially good. On the average, sixty to eighty per cent of the qualified voters take the trouble to go to the polls. But the results have been eminently encouraging. The bulk of the local government officialdom enjoys security of tenure. Civil servants are paid somewhat less than the average workers but enjoy high prestige. (Continued on page 147)

Industrial Relations and Social Security

HEALTH AND HEALTH INSURANCE

By L. RICHTER

FOR the student of social institutions, it is surprising to note how long it has taken in Canada and the United States until public opinion became aware of the need of providing more efficient health protection for low income groups.

Up to 1929 it might have been argued that self help and the charity generously exercised by the medical profession would take care of the problem, though the validity of the argument has always been rather doubtful. But even when during the depression self help could no longer be advocated and hundreds of millions were spent for the relief of unemployed, health was neglected and measures were restricted to providing *economic* welfare. None of the various unemployment relief acts of the Dominion allowed the use of Federal funds for health services to the unemployed, though even under the old English Poor Law, medical care was listed amongst the essentials of life to be provided by the overseers of the poor. In the United States in turn unemployment insurance was given priority over health insurance when in 1935, for the first time, principles of insurance were applied for remedying social ills. England and Germany had in their legislation gone the opposite way, as they regarded health insurance the more urgent task which at the same time offered less difficulties from the financial and administrative point of view.

But by now the urgency of adequate health protection for those who cannot afford it from their own incomes, is recognized in both North American countries. Public opinion demands action. Politicians have raised the issue in Parliament and voluminous literature on the subject has suddenly sprung up. Medical men and economists have made fine contributions to it. We may divide these publications, several of which are to be reviewed here, in two groups:

those dealing with the present state of the health of the people and the health services available to them, and those telling us how the present situation should be improved, either by reporting about successful methods applied in other countries or advocating plans which should be introduced here.

It is obvious that any reform which might be contemplated should be preceded by a thorough examination of the conditions which are to be remedied. It would be a grave mistake to expect that a scheme that has worked well in England would do equally good service in Canada. While there exist certain general principles which are of universal value, they need to be carefully adapted to the environment to which they are to be applied. The first task, therefore, is to explore that environment. For that purpose a number of scientific surveys, both national and regional, have been undertaken. In the United States, the government, as well as scientific bodies, have attacked the problem. The Committee on the Cost of Medical Care, starting its work about ten years ago, has enlisted the co-operation of prominent physicians and economists for a number of detailed investigations, the results of which have been published in some thirty reports. More recently a group of investigators appointed by President Roosevelt has stirred the public by its findings. It has painted a gruesome picture of human suffering caused by an utterly inadequate distribution of health services. Some of the more important facts brought to light by the President's Committee have been reported in one of the previous issues of PUBLIC AFFAIRS.¹

For Canada the National Committee for Mental Hygiene has undertaken a similar task though on a more modest scale and probably at an infinitely smaller cost. Its *Study of the Distribution of Medical Care and Public Health Services*

(1) Vol.III, No. 2, p. 88.

*n Canada*² is the first publication of its type in the Dominion. It contains most valuable information and certainly deserves greater attention than it has so far received. The study gives far more than the title indicates. It deals in a general way with the health of the Canadian people and the available means of preserving it. We learn a great deal about morbidity (frequency and type of diseases) and mortality, about distribution of medical personnel and the cost of medical services, about the family income and its adequacy to meet these costs. Some of the most relevant facts revealed by the study have been summed up and are published later on in this section. The presentation is perhaps a little too factual. The study often reads like a report of a government department and, like it in character, is cautious in criticism and recommendations. It is, unlike the Report of the President's Committee, not based on investigations undertaken by or on behalf of the Committee, but brings together published and unpublished material from many sources. But this does not impair the great value that a volume of that sort should have for the Canadian public as a source book of information which, as it is stated in the *Foreword*, may be supplemented by the results of further investigations.

Such investigations will, for the time being, have to be of a regional character, for what is needed are not general statements or expressions of opinion, but an exact knowledge of conditions in representative areas from which conclusions can be drawn for policies to be adopted. Two surveys of this type have been recently undertaken, both devoted to the study of morbidity and health services in small areas, and both made possible through the generosity of the Rockefeller Foundation. The first of them, sponsored by the Essex County Medical Society, is concerned with relief recipients in an industrial district of Ontario; the second, undertaken by the Institute of Public Affairs, with a group of fifteen hundred miners and their families in Cape Breton enjoying a system of collective health

services, and with the whole population of the Town of Yarmouth. While the Dalhousie survey has not yet been brought to an end, an instructive report has recently been published on the investigation in Essex County. There, as in other parts of Ontario, unemployed persons on relief are provided with medical services and medicine paid for by the provincial government. The local medical association took advantage of this situation by registering in the course of a year all cases of illness in which medical help was sought and all the services rendered to relief recipients. As might be expected, the survey revealed that health conditions among the unemployed are more unfavorable than among the working population. The average incidence of illness is higher among females than among males: in the age group 20 to 29 women are twice as often ill as men. Among the diseases, those of the respiratory system—colds—are the most frequent. They amount to an annual rate of 421 per thousand relief population. Then follow digestive disturbances and disorders of the circulatory system. Each illness required an average of 1.7 calls, 71 per cent of which were office calls, 27 per cent home calls and 2 per cent night calls. Based on the regular tariff of the Ontario Medical Association which is not very different from the Nova Scotia tariff, the average annual cost per person on relief was \$7.11, or, roughly, 60 cents per person per month.

While such regional or group studies are still very scarce in Canada—the Department of Pensions and National Health has done pioneer work with its fine reports on morbidity in the Canadian Civil Service—numerous surveys of that type have been undertaken in the United States. Some of the best were carried out by the Committee on the Cost of Medical Care and the United States Public Health Service. A more recent publication gives under the somewhat misleading title *Economic Aspects of Medical Service*.³ a detailed description of conditions in California. It is a fact finding study containing the results of a survey which

(2) The National Committee for Mental Hygiene. Toronto, 1939.

(3) By Paul A. Dodd and E. F. Penrose Graphic Arts Press. Washington, D.C. 1939. Price, \$3.75.

covered about 65,000 people in 26 representative areas of California, employing 682 field workers and costing approximately \$93,000. It was one of the many useful W.P.A. projects which enlist the services of unemployed paid for by Federal relief funds for the investigation of important social and economic problems. It was the main purpose of this survey to find out what the cost of medical and dental services have been to the people of California and whether or not such services have been adequate. The answer which is embodied in a volume of five hundred pages is rather distressing. Over four out of every ten persons needing medical care did not have access to it. Among families with incomes under \$1,000 only half received attention; but in the income group from \$3,000 to \$5,000, four out of five. The average charge for medical care was \$79.25 per average family, or \$24.33 per person; but one-fourth of all families were treated without charge. That doctors did not ask too much from their patients can also be seen from the fact that only half of the general practitioners in the state had in 1929 an income of more than \$2,000.

As a remedy to the situation described above, the California Report recommends the introduction of health insurance. This issue is hotly debated at present throughout the whole of the United States. Insurance is opposed by the organization of the medical profession, though there are large dissenting groups, especially among the younger men. Social workers and economists are advocating the system, pointing to the beneficial results achieved in so many other countries. In this situation health insurance systems in Europe are carefully studied by American scientists with a view to making use of European experience. Attention is naturally focussed on those problems which have caused so much friction at home, especially the relationship between physicians and insurance boards. (The Health Insurance Act of British Columbia foundered on this rock). Mrs. Barbara N. Armstrong well known through previous publications on social

insurance was therefore quite justified in devoting a whole book to a discussion of these crucial relations. It is called: *The Health Insurance Doctor*, with the subtitle, *The State, The Doctor and the Patient in Three Democracies*.⁴ She shows in a very convincing way how in Great Britain, Denmark and France the needs of the people for adequate medical services have been met by a system of compulsory health insurance without destroying the bond of confidence between doctor and patient, without making the doctor a government agent, and without damaging medical science and medical ethics. Mrs. Armstrong is, on the other hand, very emphatic in stressing the beneficial results which have been obtained for all parties concerned. She describes and analyses in an objective way the system prevailing in the three countries. She discusses their merits, does not conceal their weaknesses and lets the reader form his own conclusions.

Among the prominent medical men in U. S. A. who have the courage to stand up for collective health services is Dr. David Riesman, a celebrated Philadelphia physician and past President of the American Society of Medical History. In his book *Medicine in Modern Society*⁵ he takes great pains to refute the accusations which have been levelled by the medical organizations of the United States against collective systems of health services and he points out that in the long run such a system will be in the best interests of doctors as well as patients. It may, however, not be assumed from this quotation that Dr. Riesman's book should be classified in a bibliography of health insurance. It is of a much wider scope: it describes the part, steadily increasing in importance, which medicine plays in modern life, dealing with the problem from the point of view of medical science as well as under the philosophical, social and economic aspects. The book is based on an experience of a long and rich life and is full of wisdom, understanding and humanity.

(4) Princeton University Press, Princeton, 1939. Price \$2.50.

(5) Princeton University Press Princeton, 1939. Price \$2.50.

What Municipalities are Doing

Contributions from Municipalities to this Column will be most welcome

Annual Meetings of Rural Municipalities

In January a good many of the rural municipalities in Nova Scotia held their annual meetings. Some of the problems discussed and decisions taken at those meetings are listed below.

Lunenburg County

The county is well known all over the province for its sound finance and last year it again lived up to that reputation. Total tax collections amounted to \$88,176, in which sum considerable payments of tax arrears are contained. The balance showed a profit of \$19,000.

Among the largest payments in the municipal budget are the contributions for health and welfare services. The Dawson Memorial Hospital, Bridgewater, received \$8,000, the Nova Scotia Sanatorium, \$7,600, the Nova Scotia Hospital, \$2,200, and the Victoria General Hospital, \$1,500. According to the report of the Municipal Clerk, Lunenburg spends proportionally far more than other counties for the treatment of patients at the Sanatorium at Kentville. For the care of neglected children \$4,000, and for maintenance of the poor outside of the municipality, nearly \$13,000 were expended.

In the Municipal Home 161 persons were maintained, 115 of which were in the harmless insane department. Over half of the inmates are charges of other towns and municipalities.

The question whether Lunenburg County should have a regional library was discussed by the council following an address by Miss Nora Bateson, Director of Regional Libraries. She outlined a scheme which would include Lunenburg and Queens counties and asked that the council give the plan careful consideration at a later date.

Queens County

The financial statement as presented by the Municipal Clerk showed a decrease in the bank overdraft of \$3,300 during the year 1939 to \$5,510. Tax receipts were satisfactory: 82% of the tax roll for the year could be collected. The net capital indebtedness of the municipality could be slightly reduced and stands now at \$15,300. Altogether, the financial situation of the municipality is much more satisfactory than in the previous year.

Digby County

The municipality is responsible for the ferries at Digby Neck between East Ferry-Tiverton and Freeport-Westport. These ferries are unable to handle the increased traffic. In the opinion of the municipal council ferry facilities should be improved, but at the same time the municipality feels unable to shoulder the financial responsibilities involved. In a resolution passed by the council the provincial government was therefore asked to take over the management and the operation of the ferries as part of the highway system of the province. The opinion was expressed that better transportation facilities would materially affect the economic welfare of the inhabitants of Long Island and Briar Island by providing them with an alternative route for shipment of their fish.

In a further resolution passed by the council, legislation was requested permitting the rural municipalities to retain their highway tax for the removal of snow from roads which are at present not supplied with snow removal machinery by the Department of Highways.

Annapolis County

A resolution concerning snow removal similar to that in Digby, was passed by the Annapolis Municipal Council. A further resolution recommended that all

sessions of the Supreme Court should be held at Annapolis Royal as the accommodations at Bridgetown are greatly inferior.

Colchester County

Complaints were made by council members that the present boundary line between Cumberland and Colchester counties was incorrect. A resolution was unanimously adopted asking the county clerk to prepare a booklet showing boundaries of polling and school sections for the use of assessors.

Some discussion developed about the management of the county jail. Under the present system the jailer is allotted a certain sum for every meal given to prisoners. A councillor criticised this system as antiquated and favoured paying the jailer a fair salary, while the jail commission should be made responsible for the meal costs. This suggestion was, however, opposed, but an increase of the allotment of 19 cents for one meal by one cent was accepted.

Cumberland County

As in Lunenburg, the Council heard an address by Miss Nora Bateson on the establishment of a regional library for the county. The proposition met with a sympathetic reception. A special committee was appointed to investigate the matter and to report at the next meeting of the Council.

Victoria County

The financial statement for the year 1939 showed a surplus of over \$6,000. It was the most prosperous year for the county in several decades, according to the statement.

It was announced in the meeting of the Council that the provincial government would take over waste lands in the county and make them available to persons interested in farm development.

Cape Breton County

The Cape Breton County Council decided to make drastic reforms in its system of tax collection in conformity with recommendations of the provincial Department of Municipal Affairs which

recently completed a survey of the situation in Cape Breton. A competent officer will be appointed who, under the supervision of the county treasurer, will have charge of collections, rate payers accounts, sub-collectors activities, registration of property, tax sales and similar matters.

According to the financial statement presented to the Council, the municipal tax rate will remain unchanged during 1940. Tax collections in 1939 were much better than in the previous year.

The Joint Expenditure Board for Cape Breton County which met at the same time expressed its appreciation of the work of the newly created Industrial Department of the Provincial Government. It was decided that this department should be approached with a view to bringing new industries to Cape Breton.

A proposal to increase representation of the City of Sydney and the Town of New Waterford on the board was rejected.

Publicizing Tax Delinquency

For a number of years the town of Liverpool has used the method of publishing in the newspapers the names of tax delinquents. This procedure has proved to be quite efficient. Most taxpayers have made an effort to pay their taxes before the end of the year in order to avoid unwelcome publicity.

At a recent meeting of the Wolfville Town Council when the increase of tax arrears was discussed, a proposition was put forward to introduce the same method in the Valley town. The majority of the Council seemed, however, not to be in favour of so drastic a measure and no action was taken.

Insurance for Municipal Employees

The municipalities in Canada have in the aggregate approximately 100,000 men and women on their payrolls. These municipal employees for the most part have but limited incomes, with very little prospect of a pension. So there is ever

before them the nightmare of actual want in their old age, should they live; or, should they die, positive poverty for their families. Of late years the diminishing power of the dollar has made the lot of the low-paid civic official anything but rosy; and a special responsibility rests on the municipal councils to remedy as far as possible these conditions. The most effective solution, of course, is the pension scheme which a number of the principal cities have adopted. Unfortun-

ately the number is small, largely because of the lack of civic funds to augment the contribution of the employee—most pension schemes being based on equal contributions of employer and employee to a common fund. . . . There is insurance. However poor a municipality may be, it should at least insure every salaried official in favour of the official himself or his family, and thus assure for itself satisfied employees.—*The Municipal Review of Canada.*

Legal Department

Assessment of Public Utilities

A DECISION of the Supreme Court of Nova Scotia (not yet reported) has recently been given which is of great importance to Municipalities operating under the Nova Scotia Assessment Act or similar statutes.

The Maritime Telegraph and Telephone Company Limited is a public utility that operates a telephone system throughout the province with external connections. There are numerous small companies independently operating rural systems but connected with this system under terms approved by the Public Utilities Commission. By its Charter, the Maritime Telegraph and Telephone Company Limited pays to the County through which its lines pass a sum per mile of pole line in lieu of all rates, taxes and assessments for school, poor or county purposes. This provision does not affect the liability of the Company for taxes in towns which are governed by the Assessment Act of the Province.

In compliance with the provisions of that Act the assessors of the town of Antigonish notified the local manager of the Telephone Company that the value at which they estimated the property of the Company was "Personal \$10,800, Real \$1,800.00" The Company objected to such valuation and furnished the assessors within the required time with a written statement under oath that the *actual cash value* of such personal property

was \$3,200.00. The Act required the assessors to adopt the sworn valuation supplied by the Company which became binding, subject only to appeal by the Town Clerk. The clerk appealed to the Assessment Appeal Court which increased the valuation of such personal property to \$10,800.00. The Company then appealed to the County Court which heard the matter *de novo* and confirmed the assessment at \$10,800.00. An appeal was then taken by the Company from this decision to the Supreme Court of Nova Scotia in banco.

Rule 2 of Section 17 of the Assessment Act reads as follows:

"All property liable to taxation shall be assessed as its actual cash value, such value being the amount which in the opinion of the assessor it would realize in cash if offered at auction after reasonable notice but in forming such opinion the assessor shall have regard to the assessment of other properties of the like class in the town or municipality."

The position taken by the Company was that the proper basis of valuation for assessment was the "break up" or "sale and removal" value which it contended was the auction value prescribed by the statute. This basis was adopted in Ontario prior to the 1904 amendment to its statute and became known as the "scrap iron rule." The Ontario Act then read in part:

"Real and personal property shall be estimated at their actual cash value, as they

would be appraised in payment of a just debt from a solvent debtor."

The assessors had valued the property as a "going concern." The judge of the County Court used the following language:

"I think the proper basis of valuation is to consider what should be the sale value of the personal property as it stands *an integrated system* having a definite object and purpose and *not taken apart* with value limited to each constituent part."

The Supreme Court of Nova Scotia dismissed the appeal. The court was composed of five members and three separate reasons for judgment were filed.

First. The opinion of Mr. Justice Smiley, which was concurred in by Mr. Justice Carroll expressly repudiates the scrap iron rule and says that the true rule is "to estimate the cash value of such personal property as it stands ready to operate." This they hold to be the meaning of the judgment of the County Court.

The Chief Justice in a separate opinion concurred in dismissing the appeal, but expressed the view that the value should be assessed, (and he thought there was some evidence it had been assessed) "*without considering the property as an integral part of the whole system of the Company.*"

The third opinion was delivered by Mr. Justice Graham and concurred in by Mr. Justice Archibald. They repudiated the scrap iron rule, said that the valuation should not be fixed as on a "going concern" but that the true rule was "to value the plant *detached*

from the appellants real property and from its system outside the town," but as a *unit in situ*.

Mr. Justice Graham says that the hypothetical statutory auction is one at which there is competition. It might reasonably be assumed that the appellant company would be a bidder, but the value to the company itself is not to be confused with the value inherent in the Company being a bidder at such auction. In this instance the property in question was still serviceable and might be sold and used as it stands without being dismantled or removed. The Company or another purchaser might buy it *in situ*. The telephone is a necessity and if it be conceivable that the appellants might abandon the town and the property it is also conceivable that a franchise to operate the plant might be obtained and that the appellants would have to give outside connection. The County Court Judge correctly decided that the property could be assessed only as a *unit in situ* but he adopted the amount fixed by the assessors who arrived at the sum on the wrong principle of valuation as a going concern. Accordingly it was the opinion of these justices that a rehearing should be held to fix the amount.

After studying these decisions one may say that the assessable value of such property is something above its scrap value, but the standard of measurement cannot readily be applied by assessors. Leave to appeal to the Supreme Court of Canada was granted to the Company.

R. M. FIELDING.

LOCAL GOVERNMENT IN SWEDEN

(Continued from page 139)

In structure, Swedish local government is fairly simple. Enterprises are ably managed, finances are sound, and the great services of local government are performed conscientiously and carefully. The citizen is given adequate opportunity to share the rewards and obligations of

public service. Outside of the few who perennially deplore rising governmental costs, the Swedish people are fairly well agreed upon the issues of local government—which partially explains their electoral indifference and certainly accounts for the esteem in which Swedish municipal administration is held.

The Book Shelf

City Planning. Why and How. By Harold MacLean Lewis. \$2.50. Longmans, Green and Company, New York and Toronto. 1939.

Despite the fact that the author is intimately associated with the technical phase of planning he presents a non-technical, but authoritative, book on city planning directed to the average inquiring citizen. While the publisher states that it is designed neither as a textbook nor as a technical treatise, it should prove useful as an introduction to anyone interested in either approach.

The book is divided into the "Why" of planning and the "How" of planning. In the discussion of "Why" the need is presented as the everyday requirement placed upon the facilities of the community. In the section of "How" the steps are clearly outlined as to the procedures which should be followed. The procedure, as recommended, is citizen education and participation, passage of necessary legislation, and studies of population. From this may be drawn plans for transportation, highways, land use, recreation, schools, and civic centres. Alternate plans are frequently presented where there is a difference of opinion among planning experts.

LAWRENCE W. WENDRICH

A Social Approach to Economics. H. A. Logan and M. K. Inman. University of Toronto Press. \$3.75.

This is the first scientific textbook dealing in an exhaustive and systematic way with the Principles of Economics and their application in Canada. Hitherto teachers of economics in Canada had to depend on texts which took their illustrative material from the economic institutions of England and the United States. The authors of the new book are rightly of the opinion that the students will take a greater interest in their subject if the record of industrial development and the application of principles has special reference to the country in which they live. This advantage would not be so considerable if the book was confined to a discussion of economic principles which are necessarily universal in character. But the book is a "social approach" to the understanding of economics. It points out how the general principles operate in a given, e.g. the Canadian society. chapters on consumption, for instance, which are among the best in the book, the results of

the Bureau of Statistics' recent survey of household budgets in Canada are used. There is a chapter on Consumers and Producers co-operatives. Canadian labour problems have received an extensive treatment and in the chapter on Economic Insecurity, not only unemployment and its causes, but also unemployment and health insurance, are briefly discussed.

While the book is mainly written for the university student, it can also be used to good advantage by the general reader who is prepared to give time and energy to a serious study of economic problems.

A History of Science in Canada. Edited and with an Introduction by H. M. Tory. Toronto: The Ryerson Press, \$2.50.

The book is a symposium: nine leading Canadian scientists have described the development of their particular branch in Canada. The various chapters deal with geology; with chemistry and physics; with botany and zoology; with mathematics and astronomy; and with medicine and biology. The book constitutes a fine introduction to an understanding of the present position of science and research in Canada.

The Canadian Family. Census Monograph No. 7 of the Dominion Bureau of Statistics. Ottawa, King's Printer, 1938. 35 cents.

Do you know that the first woman who settled in Canada came to Nova Scotia, then Acadia: that New Brunswick ranks second among Canadian provinces in the number of children per family, while Nova Scotia takes the same place as far as urban families are concerned, Quebec naturally being first in all brackets: that in the average Canadian household there have been in 1931 two persons less than there were in 1861, a phenomenon that is attributed in large measure to a decline in birth rate. Such data the knowledge of which is of greatest importance to every one interested in public affairs, are abundant in the monograph under review. It is written in a language well understandable to the educated layman while the reader with scientific interest will derive additional information from the numerous appendices and tables. The book furnishes excellent material for discussions of study groups.

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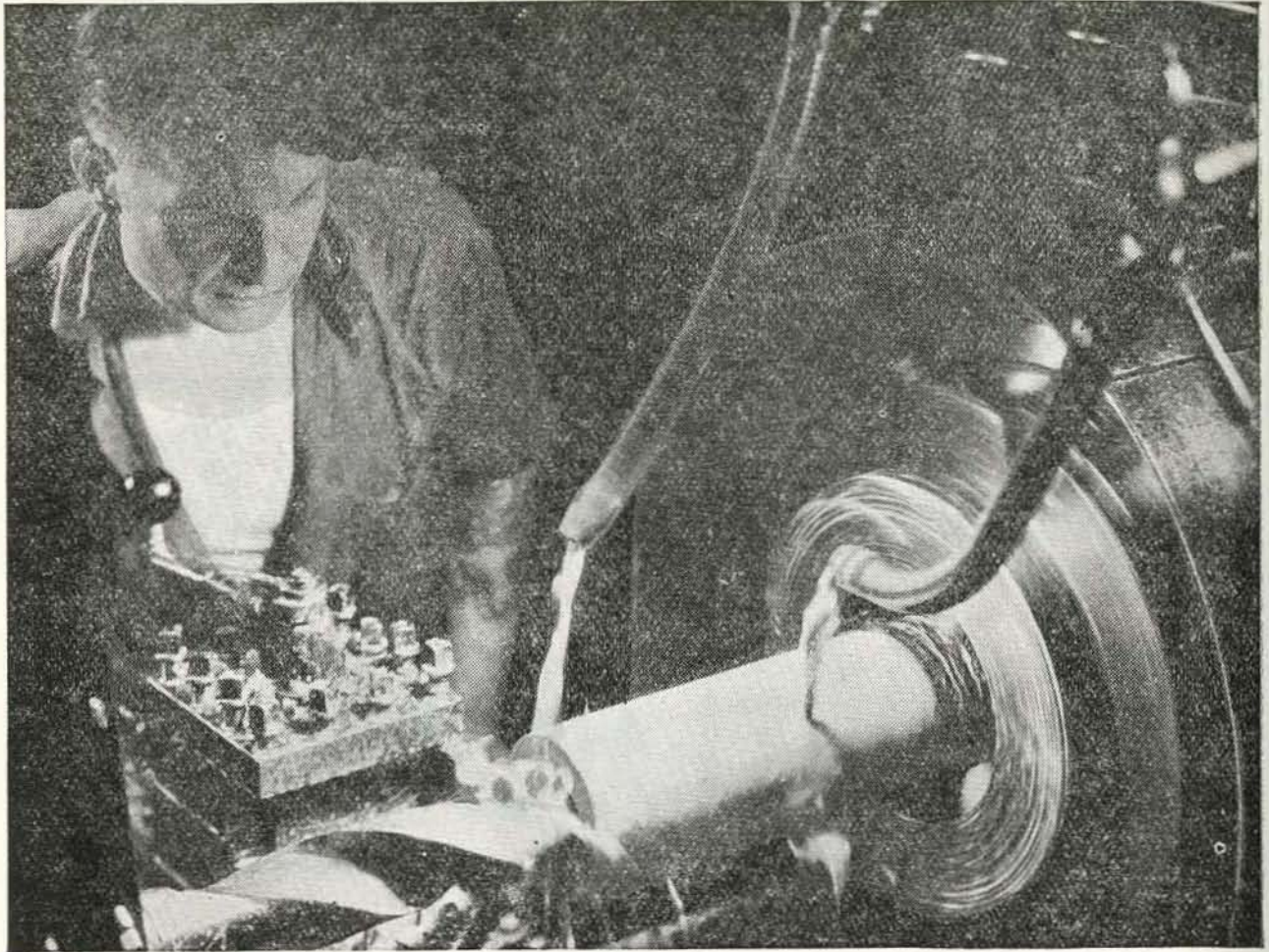
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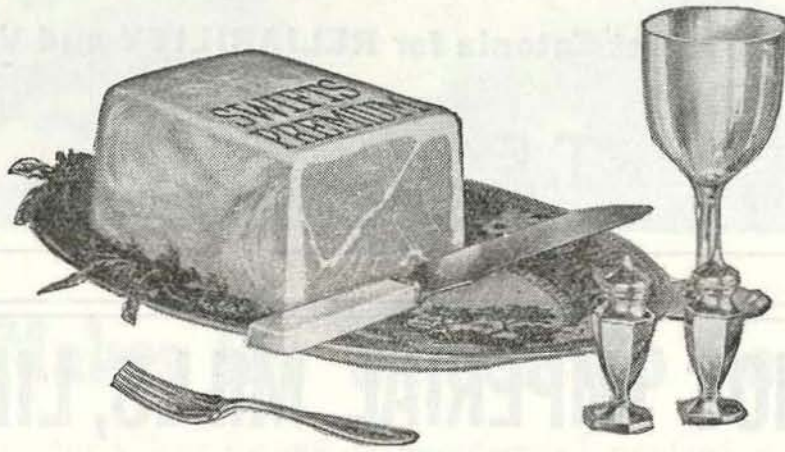
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JUNE, 1940

A Maritime Quarterly for Discussion of Public Affairs

SPECIAL WAR ISSUE

THE TASKS OF THE HOME FRONT

PROBLEMS OF INDUSTRY

Canadian Industry Goes to War	-	-	-	-	-	-	Floyd S. Chalmers
War and Canadian Agriculture	-	-	-	-	-	-	J. E. Lattimer

FINANCIAL PROBLEMS

How Canada Finances the War	-	-	-	-	-	-	L. B. Jack
Why Foreign Exchange Control?	-	-	-	-	-	-	R. B. Bryce
Price Control in Canada	-	-	-	-	-	-	H. R. Kemp

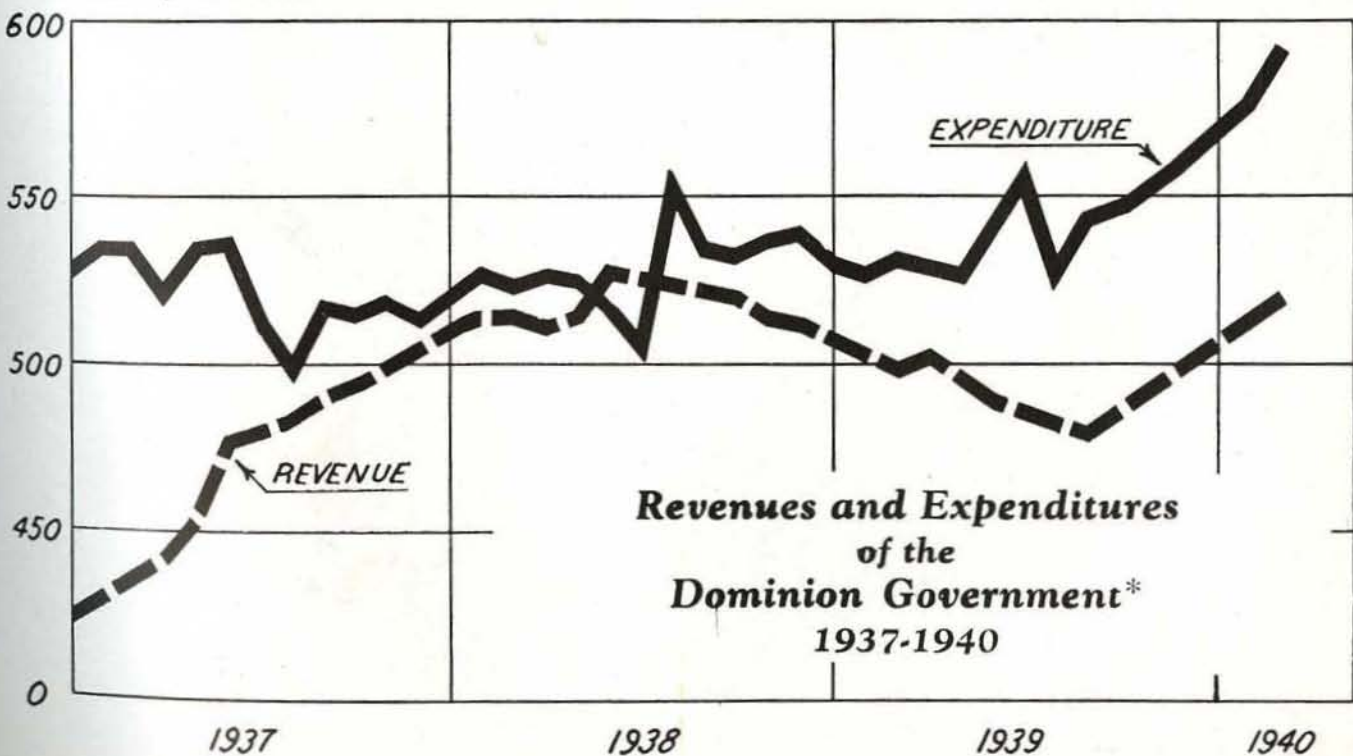
SOCIAL PROBLEMS

The War and Industrial Relations							
(1) From the Employer's Point of View	-	-	-	-	-	-	H. W. Macdonnell
(2) From Labour's Point of View	-	-	-	-	-	-	Tom Moore

PROBLEMS OF GOVERNMENT

The War and the Constitution	-	-	-	-	-	-	John Willis
Post-War Municipal Problems	-	-	-	-	-	-	Geo. S. Mooney

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* Data obtained from Bank of Canada, *Statistical Summary*, March, 1940.

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PUBLIC AFFAIRS

CONTENTS

PROBLEMS OF INDUSTRY

Canadian Industry Goes to War	- - -	Floyd S. Chalmers	-	159
War and Canadian Agriculture	- - -	J. E. Lattimer	- -	166

FINANCIAL PROBLEMS

How Canada Finances the War	- - -	L. B. Jack	- - -	173
Why Foreign Exchange Control?	- - -	R. B. Bryce	- -	177
Price Control in Canada	- - -	H. R. Kemp	- -	181

SOCIAL PROBLEMS

The War and Industrial Relations				
(1) From the Employer's Point of View		H. W. Macdonnell	-	186
(2) From Labour's Point of View	- -	Tom Moore	- -	190

PROBLEMS OF GOVERNMENT

The War and the Constitution	- - -	John Willis	- - -	193
Post-War Municipal Problems	- - -	Geo. S. Mooney	-	196

FOREWORD

THIS issue of "Public Affairs" is devoted to a discussion of Canada's war efforts on the home front. It aims to strengthen this front by emphasizing the magnitude of the task which is before us, by explaining the methods by which it can be achieved and by defining the contribution which every citizen should make towards that end.

This war has far reaching repercussions on Canada's political, social and economic structure. Government has to take command in spheres which were hitherto reserved for private initiative. Numerous boards and commissions have been set up to assure the undisturbed development and the necessary coordination of our war efforts, while a flood of regulations interfering with our every day life tells the citizen what he should and what he should not do. A dictatorship would be satisfied if these commands were blindly obeyed. In a democracy they should be observed because their necessity is understood and their purpose approved. An intelligent public opinion is therefore essential for the success of the nation's war efforts.

To provide the necessary information on which this opinion can be based is the purpose of the articles contained in this issue. They have been contributed by men from all walks of life, by government officials, by journalists and professors, by representatives of employers and of labour. Every one of them deals with a phase of the war work with which he is particularly familiar, giving his own point of view. The articles are written without any purpose of propaganda. They sometimes are critical of governmental measures and do not always agree with each other. But they all want to help to get a better understanding of the great tasks which lie before us.

Canadian Industry Goes to War

By FLOYD S. CHALMERS

THE total war has begun. It is being waged with ruthless fury. Adolf Hitler has decided that he must win the war this year, probably this summer, or that he cannot win it at all.

The cost in lives, in materials, in money, in morale is staggering. Our armies are fighting grimly but they are being pressed back. It is a dark hour and each paper brings us a new sheaf of bad news.

Behind the clouded headlines lies the elementary truth that this war is a struggle between the striking power and sticking power.

Adolf Hitler's totalitarian state planned and labored for seven arduous years of national sacrifice to create a war machine capable of delivering a more powerful thrust than any war machine in history has ever delivered. He has now struck with the full force of that machine. It was a blow from which any defending war machine might have reeled. But it has come with particular devastation because the Allied strategy has been to plan for a long war; to build up slowly and painstakingly to a peak of military strength in 1941 or 1942 when a smashing blow could be struck at Germany.

Hitler has not waited until we could get ready. So to-day we are forced to improvise. We are hard put to hold the military line as well as we can while we organize the economic front, while we speed up action on the industrial front to provide our fighting forces with the aircraft, the tanks, the guns, the munitions and the other *material* of war without which mere numbers of men count for nothing.

Hitler has been winning victories because Germany entered the war with superior striking power on the land and in the air (although not on the sea).

Hitler will, however, lose the war ultimately because of the superior economic sticking power of the Allies; their greater industrial strength, their access to key raw materials, their ability to mobilize for their own use the economic strength of the entire democratic world.

In the winning of the ultimate victory, Canadian industry, as an important factor in the superior economic strength of the Allies, will play a determining role.

Let us remember that the totalitarian war is as much a war of economic strategy as of military strategy. In the last war it was estimated that for every soldier on the firing line we needed two workers on the economic front at home. Now, mechanization of warfare has reached the point where every soldier must be backed up by between four and eight persons working in factories far behind the line.

But that is only one phase of the economic war. Both military and economic strategy are devised to insure vital, needed supplies of key materials, and to deny the enemy access to these materials. Economic measures, striking at the enemy on his home-front, are a key weapon.

There is a third phase to the economic warfare. It is to plan the financial and economic strategy with war's aftermath in mind; not to win the war at the expense of peace-time chaos, but rather to utilize our full economic capacity, to increase its productivity, to pay the bills in such a way that when the war is over we can, as quickly as possible, restore order and balance to our economic life.

* * *

A nation does not raise an army of soldiers and tell them to get busy fighting the enemy, each soldier in his own way. There are Victoria Crosses for individual acts of heroism in war. But the essence of military success is not found in individualism but in organization. The moves of each military unit, of each

EDITOR'S NOTE: Floyd Chalmers is Editor of the *Financial Post* in Toronto. His article follows in broad outline an address which he presented at the Third Maritime Conference on Industrial Relations at Dalhousie University, April 24, 1940.

soldier, and sailor and airman, are planned and organized from above. Life on the home-front will become increasingly organized in similar fashion as the war goes on. Economic warfare demands long-range planning, efficient organization and centralized direction to a degree that would be repugnant to us, as free people, in times of peace. To tell everyone in Canada to get busy and produce all he can is not enough. There must be a focus for all such activity.

Canadian industry is one of the major elements of strength on the Allied economic front. Canadian industry stands ready to give its full cooperation in the war effort. Unfortunately, Canadian industry has, up to now, been mobilized for war production at a pace that is unrealistically slow in comparison with the tragic need for war supplies to meet the gigantic thrust of Hitler's forces.

* * *

What is the role of our industrial plants in this bitterly contested struggle, in which we seek to restore freedom once more to the world?

When the war came, we knew that we were presented with a mighty challenge. Our experiences in the Great War of 1914-1918 had given us some clue as to what might be expected of us in this war. We knew that war would ultimately strain the productive capacity of our manufacturing plants to the very limit. We knew it would bring new problems. We knew that it would call into play all the technical skill and administrative ability of which Canadian business men are capable. We knew that the job of Canadian industry in this war would be to produce the sinews of war on a rapidly expanding scale; and to do so with efficiency and economy. But we did not know in September last—and we do not know in full detail even yet—exactly what the demands upon our factories might be.

War demands can change with amazing swiftness. One month ago our packing plants were slowing down on bacon production. To-day they face the prospect that they will shortly be asked to speed up to fill a serious gap in Britain's food supply left by the occupation of

Denmark. A month ago Britain had vast stores of shells of all sizes and varieties. They were accumulating more rapidly than they were being fired. To-day we may be at the point where ammunition is being rapidly used up.

* * *

Whatever the major role assigned to Canadian plants, it will be a role allotted after due consideration of the industrial capacity of all the Allied nations. On the economic front, planning is on more than a narrow national front. The Allied fleets have been put under a single command. French and British soldiers march side by side under one generalissimo, who gives orders to all of them. In the same way the economic activities of all the Allied nations are being organized on a basis of unity of purpose, with friendly but far-reaching cooperation between France, Great Britain and all the Dominions. The aim and objective is to make the most effective possible use of the material resources that are available; to assign to each unit of productive capacity the role best fitted for it; to avoid competition between friends for the purchase of the same vital supplies, or for the right to use the same industrial capacity and the same shipping facilities—even the same supplies of gold and foreign exchange.

Up to now, Canadian industrialists have felt that their facilities have not been used to the fullest possible advantage. In the war of waiting that has been carried on for so many months, they were as restless and as eager to get into action as the soldiers manning the Maginot Line and the airmen at British bases. True, nearly every industrial plant in Canada has been given some war job to do, if only in supplying Canada's two army divisions with their needs. They were as diverse in character as socks, toothbrushes, shoe polish and clinical thermometers on the one hand, and tanks, machine guns, typewriters and gun carriages on the other hand.

But the requisitions on our plants have been much less than Canadian manufacturers had expected would be demanded of them. There have been disappointments, not based upon the

loss of expected profits, but caused by the desire to get along on the war job so that it could be finished up as quickly as possible. (As a partner in the war, Canada has had reason to feel alarmed that so much emphasis has been put upon Britain as the major base for the production of guns, shells, tanks, and other supplies. Persistent air attack on British plants would greatly reduce production and jeopardize the whole war effort.

Take shells, for instance. In the last war Canada became an enormous producer of shells. It was, in fact, one of the mainstays of the Allied needs in munitions. Canadian manufacturers know how to make shells. They have the skill as well as the equipment to turn them out on a very large scale. Up to now, shell demands on Canada have been small. Undoubtedly this situation will change, and it may change quickly, but in the meantime Canadian industry has been puzzled that one of the major roles it expected to play has not been assigned to it.

Another example is aircraft manufacture. A great many Canadian manufacturers believed that Canada could and would become the air arsenal of the Empire. But on the basis of present plans, the vast Commonwealth Air Training Scheme, in which Canada is cast for such a magnificent role, is to be for this country more a military than an industrial effort. True, Canadian aircraft plants are producing many planes to be used in the training of the airmen in the 100 schools and flying fields that are already being established here. But major reliance, particularly for the larger craft and entirely for the engines, is being placed in sources of supply outside Canada. The United States is to be the air arsenal of the Allies. This decision was not just a Canadian decision; it was an Allied decision. And Allied decisions will have much to do with determining the character of our industrial effort in this war.

It is obvious, however, that whatever the precise character of the roles assigned to Canada the final result

must be a very large-scale increase in the production of Canadian industry as a whole. These demands upon us will strain our industrial resources to the limit. The taut, efficient industrial plant that Canada has built up must and will be used upon a vast scale. The more vigorously the war is fought and the more "total" it becomes in its terror and its ruthlessness, the more necessary it will be to concentrate Allied munitions propaganda, allied aircraft manufacture, allied food production in the overseas countries that are comparatively free from the direct ravages of attack. And of the overseas countries in the war Canada is the first in industrial rank. Let us not think that the job given to Canadian industry to date represents the limit of what it will be called upon to perform. We have only started to go to work on the economic front in Canada.

We have to-day in Canada a manufacturing capacity and efficiency great enough to handle increased responsibilities upon a magnificent scale. Our population has increased by 44 per cent since 1914. Our industrial capacity has more than doubled. We have four times as much hydro-electric power. Our raw materials have been developed on an impressive scale. We produce six times as much gold (in value); eight times the quantity of copper; five times the quantity of nickel; eleven times the quantity of lead; five times the quantity of newsprint paper. We have machine tool and machinery plants such as we did not have in 1914. We make hundreds of products that we did not then make. Our workmen are more skilled; our industrialists more experienced. The capital of the Canadian people has multiplied enormously and we are less dependent than in 1914 upon foreign capital.

* * *

A few examples may be given of this Allied economic planning in its effect upon Canada.

There is first the case of metals. Modern warfare is fought with metals—with copper and iron and zinc and lead and aluminum and many others. Canada is a large producer, particularly of the

base metals. But there are other nations that produce base metals, nations within the Commonwealth, and nations outside the Commonwealth whose goodwill and prosperity is vital to the Allied cause. The supply of metals has been organized on a world-wide scale. Canada has been brought into the picture in a large way, particularly with reference to copper, zinc, lead and aluminum.

A few days after war was declared British officials were on the long distance telephone to Ottawa and to the heads of Canadian base metal mining companies. A contract was soon completed under which Great Britain bought 420,000,000 pounds of copper at a "patriotic price" of 10.18 cents per pound. (This was the approximate price prevailing when war broke out. In the meantime the prevailing open market price had risen to over 13 cents a pound. In the last war copper climbed as high as 37 cents a pound.) The transaction made available to England, at a reasonable figure, about 80% of Canadian copper production, or approximately all of the copper that Canada produces beyond domestic needs. Under this contract Great Britain obtains large supplies of copper at a fixed price. The Canadian companies gained the benefit of a stable market at a known price. They were spared too the problem of finding the ship tonnage for laying down the copper in England. The contract runs to September 30, 1940, and is renewable at the option of the purchaser for a year or for the duration of the war. It provides for an increase in the price per pound if costs increase generally throughout the industry.

A somewhat similar contract was made with one lead producer, but the terms have not been published. The two chief producers of zinc have also contracted for sale on a similar basis.

The chief Canadian producer has also contracted to sell aluminum to Great Britain. The price is approximately that prevailing when the war began. The Aluminum Company of Canada is expanding its plant at a cost of some seven millions of dollars and will tremendously

increase its production of crude aluminum. All of the aluminum produced in Canada will be shipped to England except that required for prior contracts and Canadian needs.

So far as is known, no definite contract has been made for the sale of nickel to Great Britain. But the nickel price has been maintained at a steady level for many years and the supply is so closely controlled that it was probably felt that no specific year was necessary. Nevertheless the export of nickel is under very strict control by a system of export licenses granted by the Canadian Government. Several hundred firms throughout the world, suspected to have German connections, are unable to buy nickel at all.

* * *

In the field of food products there has been the very closest co-operation, on an Empire scale, between producers overseas and the British government, representing the British consumer.

Typical is the bacon "deal" which came into effect November 17, 1939, and runs until October 31, 1940. A special bacon board has been set up at Ottawa on which there is representation of the producers, the government and the packers. This Board is responsible for exports of 4,480,000 pounds of bacon per week during the life of the agreement. The contract price is \$20.18 per 112 pounds f.o.b. the point of export to Great Britain. It is equivalent to about nine cents per pound live weight for hogs at the various packing plants. Annual volume of the trade is estimated at approximately \$50,000,000. Under the arrangement, the packers buy the hogs at a price considered fair by the Bacon Board, the packers slaughter and dress them, turn the product over to the Board and the Board sells to the British Government. The latter pays the Board and the Board pays the packers. The Board has some opportunity of regulating prices by building up a fund out of any profits that they may consider fair. This fund may be used to bolster hog prices slightly during lean delivery months and the Board can also lower prices when there promises to be any

glut of hogs. In this way, some measure of uniform supply may be achieved. It is likely that similar arrangements in respect to other agricultural products will come into being as the war carries on. Nothing more need be said here on this subject as the effects of the war on Canadian agriculture form the subject of a special article in this issue.

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In all of these arrangements we see a number of common factors.

1. The prices paid to Canadian producers are, generally speaking, the prices prevailing at the outbreak of war. Thus an additional measure of protection is provided against an inflationary price spiral in either Britain or Canada.

2. The contracts make available to Great Britain some of the more important economic sinews of war, in the production of which Canada occupies a key position.

3. The contracts provide Canada with an assured market during the war years for the full existing capacity and (in some cases) for increased output of materials that are of vital importance in our national economy.

4. In all the contracts one or both of the governments have entered in. What this precedent may mean in modifying the free operation of our capitalist system in the coming days of peace remains to be seen.

5. But of outstanding importance is the protection afforded against profiteering.

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As the war is certain to tax Canada's industrial capacity, it is bound to alter the character of the production in many factories. It is exceedingly difficult to generalize as to the effect of the war on Canadian industry. It is equally difficult to generalize as to the effect of the war on our export industries. The war has had varied effects on our export trade. On the one hand it has erected innumerable obstacles in many of our best markets. On the other hand it has opened up new markets and increased the demands from some well established ones.

Certain markets have been closed. The most obvious one is Germany which bought \$17 millions of Canadian products in the twelve months preceding the war. Fate will probably decree that other markets will be closed to us before the war is over.

In some very important markets the character of our trade has altered. Britain and France have been forced to control rigidly the import of many commodities. Australia and New Zealand, to protect their currencies have put on stiff import embargoes that directly affect many Canadian plants.

In still other markets we are meeting stiffer competition. As the area left for more or less free trading narrows, the competition becomes keener. Britain, for example, is anxious to hold as much as possible of her export trade. She cannot win the war unless she can continue to export in large volume. So Britain is making an effort to increase her trade in all the world markets that are open to her. Canadian exporters are already feeling the effect of this British competition especially in South America, the British West Indies, and the other Dominions.

Britain is not alone in pressing her export trade. The United States is seeking to establish new connections in markets vacated by Germany and other European nations. Japan is giving increasingly strong competition as she seeks to restore the terrible wastes of her Chinese war expenditures. Many other Dominion and neutral countries have their hands in the jumbled grab bag of world markets to-day.

Increased war risk insurance rates and the difficulty in getting ocean shipping space are new factors. War risk rates have increased as much as 500 per cent and cargo rates accordingly. It costs more to ship a ton of newsprint to England than the Canadian mill is paid for it.

The Ottawa correspondent of the *New York Times* put all these facts together the other day and came to the disquieting conclusion that Canada is approaching a trade crisis. But it may be that he

has overlooked some other factors in the foreign trade situation; such as the impending increase in the war demand on Canada. Certainly there is nothing in our export figures for the first six months of war to suggest a threat of crisis. In that period we increased our exports by 20 per cent although the export of war materials had not yet reached anything like their maximum amounts. The figures follow:

CANADIAN EXPORTS

September to February, Exclusive of Gold

	1939-40	1938-39	Change
All countries.....	\$531,258	\$442,896	+ 20 %
Empire countries....	237,670	225,154	+ 5.5%
British West Indies.	6,878	5,752	+ 19.6%
British South Africa.	9,412	7,007	+ 34.3%
Australia.....	17,770	15,890	+ 11.2%
New Zealand.....	3,297	8,987	- 63 %
United Kingdom....	182,791	174,560	+ 4.6%
United States.....	235,127	151,127	+ 55 %
Argentina.....	2,768	1,773	+ 56 %
Brazil.....	3,156	1,512	+108 %
China.....	796	1,903	- 58 %
Japan.....	13,433	13,804	- 2.7%
Mexico.....	1,679	1,130	+ 48 %
Norway.....	7,045	4,155	+ 69 %

What lies ahead for us in our war-time export trade? Our two most important markets are the United States and the United Kingdom. The United States has been increasing its purchases from Canada. In the six months period referred to the United States bought 55 per cent more from us than in the same period of the previous year. In some commodities at least the prospects are for continued increases. For instance the U. S. A. will have to turn to us for newsprint to replace supplies formerly obtained from the Scandinavian countries.

The United Kingdom may have drastically curtailed its imports of many products from Canada. But it will have to buy more and more munitions, metals and other war supplies, and more foodstuffs from Canada. A few weeks ago it was predicted that during the first year of war Canada's exports to Britain would reach a value of at least \$550 million, made up of \$350 millions' worth

of foodstuffs, \$110 millions' worth of base metals, nickel and aluminum, another \$110 millions' worth of aeroplanes and accessories, \$45 millions' worth of munitions and \$20 millions' worth of lumber and miscellaneous commodities. New conditions have since come into the picture to suggest that these figures may be exceeded. The intensification of actual combat operations is likely to lead to a speeding up in the demand for munitions. The shutting off of certain sources upon which Britain has depended for foods will increase the requisitions upon our own farmers. And, thirdly, the invasion of Scandinavia has made available for the North Atlantic route (where they are badly needed) a number of Norwegian and Danish vessels that have in the past sought to stay out of the more hazardous shipping lanes.

For these supplies sent to Britain we shall be paid, in considerable measure, by the repatriation of our own securities now held by British investors. Thus we may come out of the war a creditor rather than a debtor of Britain. In our trade relations with the United States the picture may be different. While we are selling more to the U. S. than a year ago, the major increases in our imports will probably be from that country. Even as we supply war materials to Britain we shall have to increase our imports of certain raw materials and machinery from south of the border. Obviously we cannot pay for increased purchases in the United States with our own securities repatriated from England. And since the American neutrality laws bar new loans to Canada we are going to have to see that our international account with the United States and other dollar countries is balanced during the war.

* * *

In the first part of this article the prediction has been made that the demands upon Canadian producers—both industrial and agricultural—will grow very rapidly as the war broadens out. That brings us to another serious problem—the threat of possible over-expansion

and the unbalancing of our industrial and agricultural capacity.

It is an old axiom that "wars create factories". To the degree that this war leads to the building up of excess industrial capacity, which we cannot profitably use when the war is over, we shall merely intensify the seriousness of the problem of post-war adjustment. In the last war, we did not worry very much when new factories sprang up all over Canada. We did not worry much when we more than doubled our wheat acreage. Our manufacturers were told that it was their patriotic duty to produce more of the munitions of war. They did not need to be told. They were lined up before the offices of the Imperial Munitions Board looking for orders. Our farmers were told that they had to grow more food to help us win the war. They were encouraged to open up new land and to go into debt to buy more land and new farm equipment.

After the war there was an extended period of readjustment; of liquidation of war-time investment. The readjustment was easier in the case of industry than in the case of farming. Scores of chemical and explosives plants, shell factories, woollen mills and other war plants simply closed down. They could not adjust themselves to the hard test of peace-time competition. But at the same time new industries were opening up: electro-metallurgical, base metal refining, newsprint, chemical, etc. Our tremendous reserves of cheap water power came into play to provide new peace jobs for war workers. It was more difficult on the farms. The adjustment there was long delayed. It is not complete yet. The farmers were loaded with the new debts but the new markets one by one folded up.

Is there anything from our experience in the last war in that respect that can guide us in this war? How can we extract the maximum of production out of our existing farms, mines and factories; and provide for temporary increases in capacity on a self-liquidating basis? It will take the most careful planning to achieve in Canada the increased production we shall need without getting

our whole economy out of balance. The fact that every factory in Canada has been brought under the supreme authority of a ministry of munitions and supply should enable us to handle this problem with greater efficiency than if there were no active co-ordination between the demands of the armed forces and the production of individual factories*.

There is, one financial, principle that might to advantage be kept foremost; that is the principle of paying for war-time expansion out of war-time production. We have seen how much grief came to our farmers from going into debt to expand their output, in order to meet what turned out to be, in so many instances, a temporary demand. Debt became the very essence of the problem. And debt can become the essence of the problem of industrial expansion, too, if we are not careful. If war plants have to be built, then we shall have to build them. If factories have to extend their present plants or instal new machinery in order that we may win the war then those increased facilities will have to be provided. But unless there is good evidence that they are going to be needed in peace-time let us build them frankly as war plants and let us finance them as war plants. Let us see that the capital investment in them does not continue as a long term debt but it is written off in the war years as a depreciation and obsolescence charge included in the prices paid for their products. Otherwise we shall conceal a part of the real cost of the war. Otherwise we shall create fictitious profits for industry, and fictitious savings in our war bills, that will haunt us in the post-war years.

The very best of planning and management, however, will not leave us without post-war problems to solve, including the probable problem of over-expanded industrial capacity. It is certainly not too early to think of that

*The writer holds the view, however, that no adequate co-ordination or speed-up of war supply can be achieved through the existing system at Ottawa. To get results we shall have to mobilize Canadian industry under an executive of the highest calibre, charged with organizing production as Sir Joseph Flavelle did in Canada and Bernard M. Baruch in the United States in the Great War.

particular post-war problem. After 1918 this country quickly bounced back to rather solid industrial prosperity. We did it, as mentioned before, by creating new industries based upon our great power and raw material resources. In short, we found new frontiers of development and by pushing back those frontiers we made ourselves so prosperous for several years that our war debt was not at all beyond our capacity to carry.

What new frontiers will we find after this war? The writer is happy to offer his own humble suggestion as to what they might be: the migration on a large scale of people and industries from the chaotic old world to the newer, more peaceful, more secure land of Canada.

* * *

Canada will be able to make a magnificent contribution to this war. Canada is almost an industrial empire in itself. A few only of the dramatic figures of Canada's growth as an economic giant in the years between 1914 and 1939 have been recited in this paper. They present an impressive story of gathering strength, strength that can now be marshalled in the cause of victory.

In the long run, the cost of war to

Canada will be less than the cost to other countries. We are already producing new wealth, greater than our war costs. We are one country that is not fighting this war by using up its capital. It is not suggested that Canada is going to get rich out of this war. But the net economic sacrifices that we shall make, will be trifling compared to the sacrifices that will have to be made by the mother of the British nations. We in Canada are again producing the material sinews of war and getting paid for producing them.

* * *

In this war what we are matched against is an economy weaker than our own, that is, however, magnified in power by organization, discipline and an obvious willingness to make whatever sacrifices may be demanded. Surely it is obvious what such a challenge demands of us. It is that we too achieve an efficient national organization of our economic and financial life; that we too accept the necessary discipline and control; that we too pay the bills the only way they can be paid—by increased production and by personal sacrifice, which is just another way of saying by hard work and self-denial.

War and Canadian Agriculture

By J. E. LATTIMER

CANADIAN Agriculture is peculiarly dependent on the success of the allied armies in the present war. This is on account of the dependence of the agriculture of the country on world markets and greater freedom of trade as opposed to the self-sufficing, closed economy and regimentation of the totalitarian powers. The business of farming in Canada depends directly, and to a very great degree, on the extent of freedom of trade that may be maintained while the war proceeds and the freedom of trade that

may be secured when the war is over.

The recent development of this dependence, the position at the present time and the probable future position, is the subject of this discussion. The effect of the war, thus far, on agriculture and the probable effect for the duration will of necessity be included yet this is a minor matter compared with the main theme.

Development of Dependence on World Markets.

The dependence of Canadian agriculture on world trade has increased tremendously in recent years. The ex-

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pansion of the cultivated area was greatest during the decade from 1911 to 1921 the period of the first World War. During the following decade further impetus was given to this expansion during what is termed the period of reconstruction in Europe—which went forward largely on borrowed funds. The result is that at the present time Canada must export a greater proportion as well as greater volume of surpluses than was available during the first decade of the present century.

At the beginning of the century the population of Canada was about exactly half of the number recorded in 1931, the last census year. During that time the field crop area became almost exactly three times as great. This reveals the increased dependence on world markets at the present time. During the first decade of the century the increase in area of field crops amounted in round numbers to eleven million acres. During the next decade, that of the first World War, the increase was seventeen million acres. The following decade the increase was eleven million and since 1931 the area has remained fairly constant. Considering the rate of expansion during the period it appears that the replacement of Russia by Canada as leading wheat exporter—one of the net results of the first World War—was a major factor in bringing about the increased dependence of Canada on world markets for farm products. Without this occurrence there certainly would have been expansion but indications are that it would not have been so rapid and also that it may have been compelled to assume a somewhat different direction.

The expansion during both the first decade of the century and that of the following was financed partly on borrowed funds. When the stage was reached that the return in goods might have been reasonably expected in order to square accounts for past commitments the outflow of farm products met tariffs, embargoes, quotas, licenses and various methods of restriction including resort to substitutes and rationing which lumped together build up the self-sufficient phil-

osophy which is diametrically opposed to greater freedom of industry and trade.

This self-sufficient policy with resort to substitutes and rationing may at present restrict trade in farm products to a greater degree than some other goods such as the products of the mine for instance. The wide adaptability of many farm products and the possibility of consuming what may be produced locally may permit a great degree of self-sufficiency in this line, to those willing to forego great variety of diet. On the other hand the precious metals and the most necessary ones are not distributed evenly over the surface of the earth. And at the present time needed food is gone without in order to conserve exchange for the necessary world commerce of raw materials essential to armament. This condition has a disastrous effect on agriculture organized on the basis of world markets.

The conservation of exchange works to the advantage of Canada in comparison with neutral countries where sterling is at a greater disadvantage than at present with Canada. Similarly Canada suffers a disadvantage in exports in comparison with Australia and New Zealand in regard to exchange, though having at the same time a greater advantage in proximity to the major export markets. The need of conserving exchange depends to a great degree on both the direction and degree of the indebtedness of the countries concerned. Thus Canada is already proceeding to repatriate previous loans from Britain. Again British investments in Argentina make it necessary as well as convenient for Britain to continue purchases from that country, one of the keenest competitors of Canada in British food markets.

Some Contrasts with 1914 to 1918.

There are both similarities and differences in the effect on agriculture of the present war as compared to that of 1914-1918. The present war, similarly to the last, has already restricted the importing area of Europe for farm products. Again, the present conflict with the re-

striction of shipping has started in with similar methods to those prevailing during only the later period of the previous war.

The differences appear more important than the similarities from the point of view of influence on agriculture. Among these differences must be enumerated the pronounced difference in financing the present as compared with the earlier war, the degree of price regulation and the mechanization of operations.

Financing of wars appears to have altered greatly from earlier times. It is not so long since an important prerequisite of warfare was a well filled treasure chest or an abundant supply of the precious metals. To-day over two-thirds of the total gold supply of the world is held in one neutral country. Yet in spite of the maldistribution of the gold already mined, as well as that still unmined, over the earth's surface, there is no proof of any of the present neutral countries remaining out of the war through lack of money. Even in 1914 it was maintained at the outbreak of the war that it must be brief through bankruptcy of the participants if from no other reason. This time so far there have been no such prophecies.

It is the difference in methods of financing the present war—so far—as compared with the last that are important in their influence on agriculture. And in this connection it is necessary to remember that at the moment the chief creditor nation of the world is not lending to belligerents and further is supplying goods only on a cash and carry basis. This places the financing of the present war on quite a different basis from that depended upon in 1914 to 1918.

Whereas the method of financing at that time was based primarily on borrowing between nations, in so far as the allies were concerned, financing the present war is based to a much greater degree on taxation. This method has a far different indirect effect on prices than had the earlier method of international borrowing. In addition to the indirect effect on prices has been added the direct influence of governmental price regula-

tion. The philosophy underlying governmental price regulation in Britain has been to regulate prices as nearly as possible to those prevailing in August 1939 or in the last month preceding the outbreak. Britain, always the major market in Europe for farm surpluses, has become, on account of the development of the war thus far, of even greater importance on account of the number of other European importing countries cut off from world trade.

In the light of recent developments the basis of the regulation of prices of farm products prevalent in Britain assumes even added importance to Canadian agriculture. This basis for price regulation may be necessary, wise and even satisfactory for Britain and at the same time may not be applicable to Canada at all. And this for the very simple and adequate reason that prices of farm products in Britain and Canada were on a very different basis in August 1939.

It may well be asked if Canada depends on the British market for the disposal of surpluses, then, how is it possible for prices of farm products to get far out of line in the two countries? To the superficial observer and particularly to those who do not wish to find an answer or explanation that may be less satisfactory to them, the claim that such a condition cannot occur and therefore is not the case, is quite satisfactory. The explanation of this peculiar condition lies in the fact that Britain has had a two price system in the purchase of some farm products for years. This two price system is that of paying the domestic producer a regulated price designed to expand agricultural production and at the same time buying the necessary imports at the most tempting world prices. This policy applies only to those products on an import basis. Only one need be mentioned. That is wheat. Since 1932 the domestic producer of wheat in Britain has been guaranteed a price of around \$1.25 per bushel. This price to the domestic producer has not prevented Britain from importing wheat in some of the years since that date at about half that

price. When such a policy prevails for seven years under peace-time conditions, it can scarcely be taken as only an emergency measure. In fact during this period it has been claimed that British policy in regard to agriculture was to pay the domestic farmer a price which would promote expansion without making food excessively dear to the consumer. This policy may be contrasted with that of many other normally importing European countries which during this time kept cheap goods out by high tariffs. Such self-sufficing policies prevailed not only in the totalitarian states but also to some degree in others.

It is not maintained here that prices in Canada may or should be based on similar foundations to those of Britain. If we wish to supply that import market lower prices than those of domestic producers will logically be necessary. What is argued here is that the basis satisfactory to Britain, that is the pre-war prices, may be quite inapplicable to Canada if expansion of production is desired. This is on account of the lower price level for some farm products prevailing in Canada at the outbreak of hostilities. The extent, degree and method of price regulation differed in various countries prior to the war. Having a different start the degree, basis and method may be expected to vary for the duration of the war. The extent of price regulation, whatever it may be, is a chief factor in the influence that the war may have on Canadian agriculture.

The effects on farming of this war differ greatly from that of the war of 1914-18 on account of the greater mechanization of the fighting forces. One of the early developments during the earlier war was the purchase of horses and the complementary activity of transporting huge quantities of fodder to the scene of hostilities. The provision of horses and fodder is not necessary this time.

In addition to this is the stimulus to mechanization of farming which war brings to the industry on account of the necessity for expansion and the scarc-

ity of labour. Already the result of this may be noted to some extent by the increased sales of tractors this season. This increased mechanization of both the armed forces and the method of carrying on farming effects a considerable saving in the volume of farm products required and directs to a considerable degree the variety of requirements.

Effects Vary According to Type of Farming.

The nature of the conflict and the scene of hostilities, thus far, both have a major influence on Canadian agriculture which has been quite different from that of the developments in the early years of the preceding conflict. The scene of activities embracing the Scandinavian countries and Holland and Belgium, have shut off outlets for grain. This development has also dried up an important supply source for dairy products, bacon, eggs and poultry, and made available an enormous amount of shipping tonnage. These different factors have a great influence on the disposal of surpluses of farm products effecting different products in different ways.

Restricted markets for grain overseas will, temporarily at least, lessen sales. From a longer term point of view these may prove only deferred sales as grain being non-perishable may be stored for some time though this storing entails considerable expense. The same action that has curtailed grain markets for Canada has also closed an important source of supplies for other farm products. No clearer example is needed to show that the effect of the war on agriculture depends chiefly on what type of agriculture is in mind as it has had and is having a vastly different effect on different products. The possible shifting of the scene of hostilities, makes it very hazardous to discuss the immediate outlook as the example cited shows. The immediate future is not what is chiefly in mind in this discussion but rather the probable influence on the more distant future which will be referred to later. In the meantime the proximity of this country to the war zone and this advant-

age to the allies as a food reservoir as well as the increased opportunity of Canada disposing of surpluses must be considered.

The increased cost and difficulties of shipping has brought the geographic advantage of Canada as a source of supplies as compared with countries such as the Argentine and Australia into high relief. How temporary or permanent this may be, is again another matter but up to the present this advantage has worked in favour of shipments of grain, cheese and bacon though even this geographic advantage was not sufficient to secure an outlet for many apples in the past season. This latter case was no doubt more dependent on the quota allowance of shipping than any other reason and comes under the method of financing the war, quota regulation and rationing already described.

The net result of increased shipping difficulties has been, so far, to reduce the total amount of farm products traded internationally and at the same time to turn over to Canada a greater proportion of that smaller total volume on account of this geographic advantage. How far this may proceed is a present problem. It might have been logically deduced—and indeed it was suggested in the press recently—that the taking over of Denmark would have necessitated a greater volume of bacon exports from Canada. Yet it has been officially announced more recently that such is not yet the case. With the removal of Holland in addition to Denmark as a source of supplies for dairy products it might logically be reasoned that some demand for butter might be made on Canada. Yet on May 15, 1940, butter sold on the Commodity Exchange, Montreal, at about 23 cents per pound which is very slightly above the price prevailing in the same month, 1939, when it was so low in price as to cause complaint. War-time production of essentials is supposed to yield production costs plus a sufficient profit to ensure plenty even though this price must be guaranteed. There is no doubt but that butter is now at the time of writing, May 1940, being produced at less than

cost of production, and this when it is supposed to be scarce and rationed in many parts of the world. This is one of the specific and definite effects of the present war on one phase of Canadian farming. Apparently this particular commodity is not at the moment scarce enough to increase the price in Canada.

Some of these examples are likely to be only temporary affairs. Yet they illustrate the mayhem that is being practised on international trade in farm products. They also pose the problem of what permanent influence, if any, they may have for the duration of the war and what carry over of them, if any, there may be into the post-war period.

Productive Capacity of Canadian Agriculture.

The immediate outlook for the disposal of surpluses of farm products of Canada does not appear bright. But the immediate prospects are not now the most important. More important is the prospect in the more distant future. This is brighter for several reasons. Among them should be mentioned the practical certainty that the surplus of staple farm products that has been the subject of many books, almost endless discussion and no small amount of legislation during the past decade will no doubt be used up. And this on account not only of the destruction of crops in the war zone but also on account of the impossibility of European countries, where mechanization of farming is not nearly so far advanced as mechanized warfare, being unable in a large way to provide food and fight at one and the same time. That Canadian agriculture as an industry has been able to compete in European markets is due largely to the fact that for every worker in agriculture in Canada there was in 1931 some 77 acres of improved land while in many of the European countries now at war the area of improved land per worker in agriculture varied from six in Poland, about seven in Germany and Belgium, nine in Holland and Czechoslovakia, ten in France and fifteen in Denmark. This difference in technique

of farming is certain to increase dependence on food supplies from Canada and other overseas countries when so many peasants are fighting or in uniform expecting at any moment to be drafted for that occupation. The output per man in farm products is the important factor when war creates a scarcity of man power. In output per man in the business of farming Canada would appear to be well in the lead in so far as figures are available for a comparison. This is on account of the sparseness of the population of the Dominion. Land being more plentiful than labour the latter was economized both by extensive and mechanized methods.

This organization makes farming in Canada peculiarly dependent on international trade. Some types of farming in Canada are far "out on a limb" in regard to European markets. Restriction of many of these markets has already weakened this limb tremendously. Hence, the dependence of farming in Canada on the successful conclusion of this war and the securing of a peace which will allow greater freedom of trade than is now prevalent or has been prevalent since 1930.

Any other alternative will mean a drastic reorganization of the farming business in this Dominion. The spread of the ideas of self-sufficiency, a closed economy, regimentation and rationing had gone a long way in Europe before the war started. This idea began in Italy in 1925 where it was termed the "Battle of Wheat". The idea spread rapidly during the thirties. At the outbreak of the war dependable markets for food surpluses of Canada were restricted pretty largely to Britain, Belgium, Holland, Denmark, Switzerland, Sweden, Norway and Finland. These are the countries that followed in the last decade, as far as it was possible in their environment, the policy of freedom of trade. At the time of writing (May 15, 1940) of these countries Britain and Switzerland remain potential European markets. France normally almost a self-sustaining area for farm products will no doubt return to an import basis

as during the earlier war. Yet the recent rapid spread of dictatorship and regimentation has confronted Canadian farming with a real problem. The brighter outlook mentioned above for the further future is premised squarely on the successful outcome of the war and securing a satisfactory peace.

Some suggest that the possible loss or restriction of European markets will necessitate greater dependence on the United States market for the surplus of Canadian farm products. At the moment of writing the Congress of the United States is providing a billion dollars for benefit payments to their farmers to be judiciously allotted to those farmers who will play ball with the administration to the end that surpluses will be less troublesome. Are they likely to willingly add to their present difficulties the possible surpluses of Canada? It seems unlikely as the North American continent is now organized on a basis of international trade particularly in cotton, wheat and pork products, as well as many other products important to Canada.

The same developments in the United States are responsible for this condition as in Canada. In fact they appeared there first. The rapid settling of the continent of North America together with the development of South America and Australia has completely substituted for the Malthusian spectre of the fear of famine the possibility of potential plenty. This has been done on the basis of freedom of world trade. This organization of agriculture on the basis of world trade is all wrong if extreme forms of nationalism with national self-sufficiency in regard to farm products entailing regimentation, rationing and dictatorship is to prevail.

Summary.

Canadian agriculture is simply one of the many things now in a state of flux on account of the war. This is particularly true not only on account of the physical difficulties of the disposal of surpluses of farm products but also on account of the trend toward

national self-sufficiency in those products encouraged and developed during the past decade.

One of the results of the war of 1914 to 1918 was to allow the replacement of Russia by Canada as the leading source of supply of the wheat required in world trade. That development permitted farmers of Canada to increase dependence on world markets. During the past decade this increased dependence has created a problem as world trade became restricted. Any estimate of the influence of the present war on agriculture faces immediately the question of what degree of freedom of trade may be retained or secured for surplus farm products. The immediate prospect is for a curtailment rather than an expansion in total volume of these products exchanged. Of this reduced total volume required in world trade Canada may be called upon to provide a greater proportion on account of its geographic advantage.

For the more distant future the influence of the war on Canadian farming depends upon the degree of freedom of world trade that may be maintained or secured in the post-war period whenever that may be. Contraction in volume of farm products required in world trade during the past decade has been particularly hard on some phases of the farming industry. It has been especially severe on the grain growers. This development has been observed by the student of these matters and frequently discussed. Wishful thinking and abiding faith have obscured the problem from many. The present conflict compels attention to the issue.

If the present small volume of world trade is to be expanded the problem of financing purchases will require considera-

tion. It would appear that a cash and carry basis of providing supplies will need to be modified at least after most of the cash acceptable between nations has been gathered in.

If the volume of world trade is to be still further reduced, then, the farming industry of Canada faces a drastic reorganization. Some degree of reorganization may be advantageous even though resorted to only from compulsion. For example we may have to produce for ourselves some of the root, vegetable and garden seeds formerly supplied by Holland and Denmark. Specialists on this question maintain that we should be doing this to a greater degree than is the custom even in more normal times. Even the loss of the major part of the overseas market for apples in the 1939-40 season did not prove an insurmountable problem. Restriction of volume of world trade in farm products has been, and is now, hard on the farming business. If there is further contraction, the situation will be more difficult.

The world war warranted expansion of farming on the basis of export markets. The reconstruction period of the twenties promoted further expansion financed by international credit. The following decade of the thirties found world trade in food products restricted. The present conflict has, so far, restricted the volume of this trade still more. The outstanding lesson of the past ten years, the past ten months or the past ten days, has been the increasing importance of the home market. The need for greater development of the domestic market is one of the effects of the present war just as the necessity of ensuring the maximum freedom possible of international trade.

How Canada Finances the War

By L. B. JACK

THE essentials of finance under modern conditions of warfare can be simply stated. A belligerent nation must mobilize the maximum amount of its economic resources and man power for war purposes and all financial considerations must aid this design. There is absolutely no limit to the effort that can be made: to judge by German standards more than half the national income must be devoted to war efforts and, further, a nation must make this effort without regard to considerations of cost or value. In the case of a country not already prepared for war this means that all unused factors of production—that is, unemployed workers, unused plant and reserves of raw materials—must be mobilized for war production. Even more than this, factors of production already in use must be geared into the war effort—in other words, to maximize a nation's war potential under modern conditions normal standards of living must be appreciably reduced. This is only another way of demonstrating the fundamental fact that it is impossible to escape the present costs of war by any form of financial juggling. War costs are paid for at the time they are incurred and they are measured by a nation's foregoing consumption because men and materials are diverted from providing for this end to the purpose of providing war supplies. This being so, it is necessary for a belligerent government to institute financial and economic controls which will operate to reduce normal standards of consumption. This is all the more necessary when a country is ultimately operating at full blast for war purposes because full employment of the factors of production increases the national income

and therefore creates more funds available for consumption.

The problems facing those who control a belligerent nation's finances are therefore, first to ensure that the nation's economy is operating at full capacity in the best interests of the fighting forces, and second to gear as much as possible of the resulting increased national income into the war potential. The first problem must be solved with the greatest possible speed because the nation with potentially greater economic resources and man power may be weaker than another nation in a military sense because these resources are not operating at full capacity, or are engaged in non-war production. The second problem must be solved because a belligerent government must have as much of its nationals' incomes as possible so as to be in a position to divert productive capacity to war effort. The costs of war effort are, of course, superimposed upon normal peace time governmental costs. Some of the latter will naturally be reduced during war time: in the case of Canada costs of unemployment relief and of carrying out the wheat subsidy programme are sure to be reduced in the long run; but in attempting to reduce peace time governmental costs so as to make a maximum war effort care must be had that reductions are not made *before* the workers affected can be fully absorbed in war activities.

In contrast to the War of 1914—18 Canada is forced to finance her war effort internally. There is no question of obtaining foreign loans as was formerly possible because the only possible source of credit, the United States, is cut off by operation of the Neutrality Act. Canada, therefore, is forced to fall back entirely upon her own resources, and in addition they must be stretched to aid Great Britain's buying programme in this country.

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The tools of war finance are taxation, borrowing and inflation. All of these directly or indirectly reduce normal standards of consumption or, at the very least, should prevent increases of consumption taking place as national income rises, thus freeing resources for war production purposes. This is the aim of war finance and it can be partially achieved by direct controls of consumption such as rationing, price fixing and anti-profiteering devices generally. All these means are subject to the usual considerations of equity, and regard must be had to their ultimate social and economic effects and to their effects on production as well as consumption and on the efficiency and initiative of the population. As past experience has shown, endless sorrow can result from injudicious emphasis on or unwise use of some of these means.

Since the real costs of war must be met as they are incurred, taxation, as long as it is equitable, is the financial tool which is theoretically ideal but politically and psychologically impossible to use in order to raise all the necessary revenues. Taxation avoids the post-war difficulties which result from war borrowing and the economic and social dislocation of inflation. Moreover, it can be used admirably on a selective basis for preventing civilian consumption of war materials, non-essentials or of imports in the case of those nations where balance of payments difficulties have arisen. On the other hand, excessive taxation may offset governmental and private spending to such an extent that it will defeat the prime object of increasing production and employment, and this is so in peace or in war. Also, it may discourage entrepreneur efficiency, economy and initiative in production. Therefore, while taxation must be increased in war time, it cannot be carried to its logical extremes, but must be used on a selective basis. To do otherwise would be too great a break with tradition. In other than totalitarian states it is still necessary even in war time to allow people to enjoy some of the fruits of their increased efforts and even some of the windfalls that may come their way.

A necessary adjunct to a well-conceived tax programme is governmental borrowing. For psychological reasons a borrowing programme is desirable because the average person will insist on obtaining some tangible property values for his efforts. Further, it is necessary in order to avoid the deflationary effects of increased savings which attend a rising national income. It is important in the early stages of war to handle the borrowing programme carefully, as employment and production are consciously increased to their maxima. In Canada, moreover, the savings of the nation must be called upon to help Great Britain purchase in this market, for repatriation of British-held Canadian securities bears as directly upon total savings of the nation as Canadian governmental borrowing. Through repatriation ownership and control of Canadian industries and ownership of Canadian governmental debt will be returned to Canadian hands in return for exports to Great Britain. In any calculation of the limits of governmental borrowing it will be necessary, therefore, to include an unknown quantity for this purpose. It is thus evident that the normal savings of the nation must be increased in order to satisfy these two governmental demands and that this increase in savings will indirectly reduce consumption, thus freeing productive agencies for war purposes.

The difficulty in leaning too heavily upon borrowing to finance war activity is that it leaves a legacy of interest burden for the future. Further, if this debt is ever to be paid back later, the deflationary effects of increased savings will then have to be faced. It should be pointed out in this connection that there is no reason to pay higher interest rates during war emergency than in peace time. Since funds must be had for governmental purposes alternative uses for borrowed money must be rationed or prohibited. This is a fundamental necessity which will prevent "business as usual". Further, there is so little relation between increased savings at higher interest rates and the burden of increased cost to the Treasury that higher rates cannot possi-

bly be justified on the score that it will encourage increased voluntary saving. Therefore, while borrowing is a necessity in order to reduce consumer expenditures, it must be done at the lowest possible interest rates.

Politically, perhaps the easiest form of reducing consumer expenditures is to allow a country to drift into an inflationary spiral of prices. Inflation may come when goods become relatively scarce and consumer expenditures are maintained or expanded; it can, again, result from excessive monetary and credit expansion rather than from an absolute shortage of goods. On the other hand, unless productive facilities are operating at full capacity at the start of a war, a certain amount of credit expansion will be necessary in order to stimulate expansion of economic activity. However, to avoid inflation the amounts of new money created must be nicely appropriate to the higher levels of production and income achieved. When the limit of full employment is reached inflation will be effective in reducing consumption, but the costs entailed make this solution undesirable. In the last and previous wars countries drifted into inflation, but only because no other positive method of financing war expenditures was used to the fullest desirable extent, and they came to learn from bitter experience the evils of inflationary finance. To begin with, it is regressive in operation and therefore highly inequitable. Sooner or later there must be a reaction and a depression induced by deflation, and in all cases the social effects of inflation have been completely bad.

Since modern war consumes such a high percentage of the national income it is clear that the limits of taxation and voluntary saving are unlikely to suffice. Therefore, some new method of reducing consumer expenditure, and therefore of increasing the war potential, must be devised if inflation is to be avoided and Mr. J. M. Keynes has devised such a scheme. He shows that rationing and anti-profiteering measures are pseudo-remedies for excessive consumption and outlines clearly the disadvantages and

limits of inflation and taxation. Further, he demonstrates the necessity of reducing consumption in the lower income levels. The result is that he distinguishes between two kinds of pay for present effort: that which can be used for present consumption and that which may be deferred until the war emergency is passed and the belligerent country enjoys a surplus of resources, the products of which may then be used for consumption but which at present must be diverted to war purposes. That pay which may be deferred should be conscripted for the war effort. As a result, all those who enjoy incomes above a bare subsistence level (in the case of Great Britain about £100 with allowances for children) must surrender a proportion of their excess as "forced savings" or "deferred pay". The "deferred pay" which is to be conscripted will be steeply graduated as the excess of income over the "iron ration" increases, and the amount will be greater than income tax payable. Those who are below the income tax level will be credited with the full amount of "deferred pay", whereas those in the income tax brackets will be credited with "forced savings" equal only to the difference between this amount and income tax payable. In this way he estimates that the maximum amount of surplus over subsistence levels will be conscripted for war purposes and there will still be a residue which will provide voluntary savings.

Mr. Keynes finds a compelling necessity for some such scheme because those receiving incomes between the subsistence level and the income tax brackets must have their consumption reduced if inflation is to be avoided. It is unlikely that these people will save voluntarily; it is unfair to levy direct taxation upon them because it will be regressive and expensive to collect; and, while inflation would do the job, it is ruled out by all competent economists. Further, the scheme will not destroy initiative as heavy taxation would; it could be carried out at lower interest rates than voluntary borrowing; and finally, release of "deferred pay" after the war would ease transition from a war to a peace economy

by increasing consumer expenditures as an offset to lower governmental spending. What the Keynes plan does, in brief, is to introduce the element of compulsion into borrowing, thereby ensuring an equivalent reduction in consumer expenditures. In every respect this plan is admirable from the point of view of a country which is faced with the possibility of inflation as Great Britain is. In Canada, however, there is at present small need to press adoption of this idea. Inflation here is unlikely without a combination of full industrial employment, good agricultural crops combined with high prices, and an increase in the American price level.

This hasty summary of the theoretical considerations underlying the principles of war finance must suffice for the present. It will now be possible to see to what extent Canadian authorities have followed the dictates of theory.

It was formerly estimated that Canada would spend about \$375,000,000 during the first year of war and \$500,000,000 for the fiscal year starting March 31, 1940. The latter estimate has recently been revised upward to \$700,000,000 and private estimates have suggested that at least \$800,000,000 would be necessary for an adequate war effort. This sum is in excess of normal costs of government, which are estimated to be \$448,000,000. Until the budget is brought down, however, these estimates are only conjectural and even budget figures may well be revised upward as the war continues. There is, besides, a considerable amount of financing necessary to enable the Allies to buy in Canada. This will be a variable quantity, but an indication has been given already, by operations in the fall of 1939 which involved more than \$90,000,000. The magnitude of Canada's war effort is therefore considerable.

At the beginning of the war unemployed resources were considerable, but a limiting factor in utilizing them was that the majority of unemployed workers were unskilled, so that efforts greatly to increase production would be bound to develop bottle necks. Initially, however,

it was desirable that the finance programme would encourage expansion of production and the national income. This was promised in the Budget Speech of September 1939 when Mr. Ilesley outlined a "pay as you go" policy as far as might be practicable, but promised that taxation would not be so heavy as to interfere with efficient production. He stated that interest rates were to be kept as low as possible, initial war borrowing was to be done on a short term basis, and long term loans were to be floated only when an expanded national income should have provided savings to absorb them. Provision was thus made for a small and controlled credit expansion at first, and for reduction of consumer expenditures by taxation at all stages and by borrowing in the later stages of the war. Finally, he ruled out inflation as a means of war finance.

To implement this programme the Finance Minister immediately levied new war taxes. Personal income tax for 1939, payable 1940, was increased 20%; corporation income tax was similarly raised 20% but was made applicable to 1940 incomes. The sales tax basis was widened to include cured meats, canned fish and domestic gas and electricity consumption. New or increased taxes were levied on tobacco, tea, coffee, beer, wine, liquor and soft drinks. Finally, an excess profits tax was levied on all businesses, this tax to be calculated on the basis of profits determined as a percentage return on capital, or, alternatively, on war time increases of profits over an average of prewar years. All these taxes were estimated conservatively to increase prewar revenues by about one-eighth. Total revenues, of course, were expected to increase by more than this amount as the yield of former taxes would rise along with national income; this prediction has been amply borne out.

The borrowing programme outlined by the Government was aided from the start by establishment of the Foreign Exchange Control Board which could prevent any flight of capital from the country. In mid-October, 1939 a \$200,000,000 issue of 2-year 2% notes to the

chartered banks created a small amount of credit expansion. Of this amount \$92,000,000 was used for repatriation of British-held Canadian securities, \$28,000,000 retired Canadian loans maturing in October and November and thus only \$80,000,000 was available to meet increased Government expenditures. By January 1940 it seemed propitious to float a long term loan, so that a \$200,000,000 cash subscription plus conversion of Dominion 3%’s of March 1, 1940, was announced. The new loan consisted of 3½% bonds issued at par, to be redeemed by lot 1948-1952, redemption being at par for the first three years and with premiums of ½% and 1% in 1951 and 1952 respectively. The average yield was 3.27%. In order to encourage small investors to put their savings into this loan the bonds were issued in denominations as low as \$50.00; further, chartered banks advanced loans to prospective purchasers for three months at the same rate of interest the bonds carried. The result was most encouraging, total cash subscriptions being \$321,000,000 plus \$53,000,000 for conversion purposes. \$200,000,000 was allotted for cash and \$50,000,000 for conversion. Up to the present, therefore, the Government has been extremely successful in its financial operations and there is no reason to believe that future transactions will be less so.

As full employment is achieved (and this is likely to be the case by the end of 1940), further emphasis is likely to be placed upon direct curtailment of civilian consumption, and to achieve this end governmental machinery has already been set up. This includes the War Time Prices and Trade Board, which has power to fix prices and to ration supplies. So far it has operated chiefly to assure a sufficiency of supplies, the assumption being that if this is successful prices will not rise appreciably. Wool prices, however, were temporarily fixed and it may be that in future this type of control must be extended. The Foreign Exchange Control Board can aid by refusing licences for import of non-essential goods or for export of essential or scarce goods or materials. Also the War Supply Board can “organize” the country’s resources for governmental needs, and likewise the Agricultural Supplies Commission is designed “to ensure that the agricultural resources of the Dominion shall be utilized to best advantage”. Between them these agencies should be able to hold down prices and to aid in reducing non-essential consumption in those areas where taxation and borrowing have not operated to the most desirable extent. It is unlikely that they will fail, but if they do some more Draconian measures will be necessary in order to achieve the aims of war finance.

Why Foreign Exchange Control

By R. B. BRYCE

EXCHANGE Control is to be found among the major wartime economic measures set up in all of the belligerent countries. In Canada it is the most widespread and important of the economic war measures that have yet been adopted. It directly affects tens of thousands of our citizens, and concerns transactions totalling a hundred million dollars or

more each month. It represents in principle a distinct change from the peacetime freedom which has characterized the Canadian foreign exchange market, which has, indeed, been one of the few exchange markets not subject to official control or intervention of any kind. Furthermore, the immediate adoption of exchange control at the beginning of this war contrasts strongly with the lack of any such control in the last war. For

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all these reasons it is natural that the intelligent Canadian citizen should be interested in the purposes which have prompted the Government to set up such a complete system of regulation. This article is intended to tell some of the reasons for establishing exchange control without going into the details of the nature and method of the control itself.

It is important at the outset to emphasize that this is essentially a war measure. It was not adopted for any of the reasons that led to the imposition of exchange control in many countries during the decade before this war. Those peace-time controls were generally intended to bolster up a falling currency, to save desperate financial or economic situations, or to protect domestic industry or agriculture against outside competition. Our Canadian control was not the result of any such peace-time difficulties. Indeed the Canadian dollar has in recent years been one of the strongest of currencies and we did not need to defend it by any sort of restriction on exchange.

It is also worth noting that our exchange control is not, and was not intended to be, a form of protection to domestic industry. It is most decidedly not an attempt to evade any obligations under our Trade Treaties. Nor is it a means of trying to gain an unfair advantage in competing in world markets. It is a defence measure, and not an instrument of economic aggression.

The Canadian exchange control has two related purposes. First, it is to enable Canada to conserve her supplies of foreign exchange under wartime conditions and to see that these are used in the national interest. These supplies consist not only of the current receipts from exports, tourist trade, etc., but also of the holdings by Canadian residents of foreign money and other assets having a market value abroad in excess of any foreign claims upon them. The second purpose is to conserve Canadian savings during the war for use in Canada and to insulate in some degree our capital markets from those in other countries.

To appreciate the importance of these

purposes it is necessary to picture the dangers to which we might otherwise be exposed. The principal danger is the risk of heavy movements of capital out of Canada, which would absorb both foreign exchange and current Canadian savings. If, for example, a foreign resident sold his Canadian assets to Canadian residents and used the proceeds to buy investments in other countries, then it would take part of our current Canadian savings out of income to buy the foreign resident's securities, and it would take some of the Canadian supply of foreign exchange to convert the Canadian dollars obtained by the foreign resident into the foreign money he will need to invest abroad. Canada is particularly vulnerable to this danger for two reasons. In the first place there are very large foreign investments in Canada. The latest estimate of the gross value of British and foreign investment in Canada and Canadian securities is 6,765 millions of dollars, of which 2,685 millions are believed to be held in the United Kingdom and 3,932 millions in the United States. While a good deal of these investments are of types that could not be readily sold back to Canadian residents there is an enormous amount which could be sold, at least gradually, if the foreign holders desired to sell. Furthermore, many Canadians themselves are used to investing in foreign securities, particularly, of course, in the United States, and many New York stocks are just as familiar to Canadians as those in Montreal or Toronto. Consequently, many Canadian residents might be strongly tempted to invest or to speculate in New York during the war, perhaps feeling that they can in that way hedge against the economic risks of war. It is possible that the withdrawal of capital from Canada, either by Canadians or others, would be the result of a short-sighted attitude and not in the real interests of investors in Canada, but under the influence of wartime alarms and excitement, a great deal of capital might be exported. There appeared to be some evidence of such export of capital

during the week or two following the outbreak of war, and before exchange control was introduced. Once the control was in effect it was possible to check any movement of this kind.

A second aspect of the potential need for control should be noted. Certain types of imports may be and probably will be urgently necessary for war purposes, and others as necessities of life or production such, for example, as sugar or machine tools. Other types of imports are less essential from a defence viewpoint, but very apt to increase as incomes in Canada increase and business and investment expands. Since our supplies of foreign exchange, though large, are limited and a considerable part is needed to meet interest and dividend payments and principal requirements on maturing debts, there may come a time when it will be necessary to give priority in the provision of foreign exchange and restrict the use of it in purchasing less essential imports. To meet such a problem would require a system of exchange control.

Since the Canadian dollar has been a strong currency in recent years, and Canada has been able to reduce substantially each year her net international indebtedness, some people may be inclined to doubt the necessity for exchange control in Canada and to suggest she could easily have run the risk of capital exports. Examination of the international balance of payments, however, reveals that the strength of the Canadian dollar had depended to a considerable extent upon a surplus of current receipts over current payments in her dealings with the United Kingdom and the rest of the Empire, and only a small current surplus, if any, in her dealings with the United States and other foreign countries. Since the Empire countries have imposed exchange control it is not possible for Canada freely to use the surplus pounds obtained in her current transactions with the Empire in order to meet requirements for American dollars and other free foreign exchange. On the other hand, if there had been any movement of capital out of Canada it would

have been mainly to the United States and a large proportion of any expansion of imports would also come from the United States. Consequently, the control of sterling exchange indirectly increased very greatly the call on the Canadian dollar and rendered the institution of wartime exchange control almost inevitable in Canada.

It is worth emphasizing that the foreign exchange resources of the Allies, including Canada, are one of their strongest weapons in the war. It is this foreign exchange which enables the Allies to use the neutral world as a source of food, raw materials, arms and other finished products. This in turn contributes enormously to the preponderance of economic strength which the Allies have over Germany. Britain and France are, of course, very keenly aware of this importance of foreign exchange, and they are conserving it very carefully for essential purposes. As an Allied power Canada too must conserve the exchange resources for war purposes. We shall need exchange to purchase aircraft and munitions, to purchase equipment parts and materials for making war supplies at home, and to purchase such vitally essential supplies as coal, oil and gasoline. Our exchange situation is complicated by the fact that a great deal of our normal international transactions take place with the United States, which, of course, is a neutral, and our trade with the country is the main source of foreign exchange, particularly now when sterling is controlled. Consequently, Canadian exchange policies must be long-sighted and designed not to hamper good trade relations with the United States. It might be noted at this point that since the main purpose of control is to ensure that ample exchange is available to purchase essential imports, which come mainly from the United States, and also to ensure that exchange is available to meet contractual obligations to foreigners, most of which again are to Americans, therefore the control is essentially to the advantage of the United States, even though it restricts the sale to Canadians of assets owned by Americans.

The relation of exchange control to the capital market should be noted. Canadian borrowing will all have to be done in Canada during this war. Britain and France have enough of a problem in raising their own loans, and Canada is already supplying Britain with Canadian dollars in exchange for sterling by redeeming and purchasing British holdings of Canadian securities. Borrowing from other European countries would be out of the question now, even if they had the foreign exchange to lend to us. Now that Canada is a belligerent the United States Neutrality Act prevents the Canadian Government (or any of our Provincial or Municipal Governments) from doing any new borrowing in the United States. Consequently, we are forced to depend upon our own market to supply the very substantial loans we shall need for our war program. Furthermore, we must ask it to provide not only the funds we need ourselves, but also the funds necessary to repatriate British holdings of Canadian securities in order to provide the British Government with dollars to make purchases in Canada. It is clear that Canadian savings during the war will be urgently required.

Exchange control enables the Government to prevent Canadian savings being used either for speculation or investment outside of Canada, or for purchasing existing Canadian securities or other assets from Americans or foreigners who wish to sell them and invest their funds elsewhere. Either of these processes would reduce the amount of Canadian savings available for war loans and other essential Canadian requirements, and, therefore, cannot be afforded under present circumstances. In other words, the current supply of savings available for investment just as well as the current supply of foreign exchange, is vitally necessary for essential purposes in wartime and must be safeguarded and controlled.

Another aspect of this capital market side of exchange control is the effect it has in insulating the Canadian securities markets, to some extent, against disturbances and fluctuations occurring in other secur-

ity markets and against sudden exchange "scares" that might otherwise develop under war conditions. While the effect of control is largely to regulate and slow down the movement of capital back and forth across Canada's boundaries, there is special treatment in the case of funds for investment in new enterprises. Since capital cannot freely move, the main connecting link between Canadian and other security markets is interrupted for the time being, though the psychological inter-relations remain unimpaired. Consequently, there is less danger of a speculative movement, say on the New York Stock Exchange, disturbing the stability of the Canadian market. This is an advantage when we must depend upon the Canadian market to absorb large volumes of new Canadian securities. It also affords the Canadian authorities a better chance to control the Canadian market, in so far as such control is practicable and desirable.

These were among the major factors which had to be taken into account when it was decided to establish exchange control in Canada. Space does not permit a review in this article of the various regulations and policies of the Foreign Exchange Control Board. Perhaps, before concluding, however, it is worth simply noting a few special difficulties facing such a control in this country, and the major lines of policy that have been followed. In regard to the first question there are at least three characteristics of the Canadian exchange situation which pose special problems for control. One is the great extent and informality of our tourist trade. This is one of Canada's most important businesses and probably the greatest single source of foreign exchange. Yet it is carried on by tens of thousands of individuals, under the greatest freedom, and Americans have generally brought their own money up here to Canada and used it freely without exchanging it. A second set of problems arises from the intimacy and complexity of our financial relationships with the United States. Americans have invested and speculated in Canada on a very substantial scale,

and Canadians have done the same in the United States. There is a tremendous volume of export and import trade, of tourist trade, and of other commercial transactions between the two countries. Consequently, the financial relations between Canada and the United States must normally be more close and complex than those between any other two separate countries. A third series of difficulties is a special case of the second, arising out of the great number of companies in Canada which are subsidiaries of American companies. Financial and commercial arrangements between "related" companies, or between branches and head offices, often present difficult legal and administrative problems in regulation, and this is particularly true in the case of exchange control. However, it should be noted here that American business men as well as Canadians have cooperated wholeheartedly in the working out of the control on practical and satisfactory lines and in observing the spirit of the control, as well as its letter. This

has enabled the purpose of the control to be achieved without disrupting the normal course of business.

The general policy followed by the Canadian Foreign Exchange Control Board has been to interfere as little as possible with imports, exports and the tourist trade, but to reduce to a reasonable minimum any movement of capital out of Canada, either by Canadians or others. There has been no restriction of imports or exports for exchange purposes, though licenses are required in order that a check can be obtained on the corresponding exchange transactions. Exchange is being sold by the Board for the purpose of paying interest and dividends (out of earnings) to non-residents, and for meeting debts in foreign exchange at their maturity, so that the control does not preclude Canadians fulfilling contracts entered into before the control was established. It may be noted, in concluding, that these policies are consistent with the purposes of the control as set forth in the paragraphs above.

Price Control in Canada

By H. R. KEMP

AMONG the economic lessons of the war of 1914-18 few have made a more lasting impression than the evils of excessive price increases, whether arising from shortage of supplies, money and credit inflation, or antisocial conduct on the part of individuals, which increased the cost of carrying on war and the burden of fixed debt resulting therefrom, bore heavily upon wage-earners and consumers in general through the rising cost of living, deprived millions of persons in the warring countries of savings to which they looked for financial security, and prepared the way for postwar deflation and depression. It is not surprising,

therefore, that one of the first measures for public security to be announced in Canada on September 3, 1939, the day when Great Britain declared war, was the appointment of the Wartime Prices and Trade Board to provide safeguards under war conditions against any undue enhancement in the prices of the necessities of life, and to ensure an adequate supply and equitable distribution of such commodities. While food, fuel and clothing are mentioned in the regulations, the Board may at any time extend the category of "necessaries of life" to include other articles of any description.

The powers of the Wartime Prices and Trade Board are more extensive and drastic than has been generally realized. The Board may investigate costs, prices,

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profits, and inventories of manufacturers, producers, dealers, importers and exporters of any necessary of life. It has power to inspect and examine books, records, and stocks of goods and materials in the possession or control of persons so engaged. It may refer to the Attorney-General of any province information respecting any alleged offence against any regulation, order, or requirement of the Board. It may require manufacturers, producers, importers, exporters, or dealers to furnish written information with regard to such necessities of life. It may publish its findings or reports in the case of any investigation, or withhold publication if it considers that the public interest would be better served by such withholding. It may ration the sale or purchase of any necessary of life: for it has power to limit the quantities that may be bought, sold, or distributed by any person within prescribed periods of time, and to prohibit purchase, sale or distribution beyond such limits.

These powers, which may be exercised by the Board on complaint or of its own motions, are supplemented by five others of an even more drastic character, which may not be exercised except with the approval of the Governor in Council.

(1) The Board has power to require manufacturers, importers, exporters, producers, jobbers, wholesalers, retailers of, or other dealers in a necessary of life to obtain licences: and to suspend or cancel a licence in any case where in the opinion of the Board the licensee has failed to comply with any regulation, order or requirement. This licensing power could be used, if necessary, to make the privilege of continuing in business as a producer, importer, exporter or dealer, dependent upon compliance with the regulations. Up to the present time, the technique of control by licence has been applied only to the coal industry, but it could be extended, in case of need, to any other branch of industry or trade.

(2) The Board has power to fix maximum prices or maximum markups at which any necessary of life may be sold or offered for sale. Up to the present time this power has been only once used,

and for a limited time, to control the price of certain grades of wool, but it could obviously be extended like the others in case of need.

(3) The Board has power to buy and sell any necessary of life through agencies which it may designate. This power, which has been exercised in dealing with sugar, would render possible wholesale or retail dealing on any necessary scale.

(4) The Board has power to take possession of any supplies of a necessary of life, paying to the owners thereof such price as may, in default of agreement be decided to be reasonable by the arbitration of a superior court judge.

(5) The Board may also prohibit the export of a necessary of life except under permit. In the event of a possible scarcity of any article in Canada, this power could be used to safeguard domestic supplies. Thus the exportation of wool, tops, yarn, rags and waste from Canada since September, 1939, has been allowed only by permit granted after examination of the circumstances in each individual case. A similar restriction applies to cod liver oil.

It is the duty of the Board to arrange for the collection of any necessary statistics regarding prices, costs, inventories, volume of production, productive capacities, etc., to refer to the Commissioner of the Combines Investigation Act, in certain circumstances, any information relating to practices which may be violations of the Combines Investigation Act or of Section 498 of the Criminal Code, to confer with manufacturers and dealers when desirable in order to enlist their cooperation in ensuring reasonable prices, adequate supplies and equitable distribution of the necessities of life; and to recommend any additional measures it may deem necessary for the protection of the public. It may, for example, recommend the reduction or removal of duty on imported goods, and has done so on more than one occasion.

In the section of this Order which deals with offences the main provisions may be briefly summarized as follows:

(1) No person shall sell or offer for sale any necessary of life at a price that

is higher than is reasonable and just... provided that if a maximum price has been fixed by the Board for the sale of such necessary of life, any price in excess of the price so fixed shall be conclusively deemed to be higher than is reasonable and just.

(2) No person shall acquire, accumulate or withhold from sale any necessary of life beyond an amount thereof reasonably required for the use or consumption of his household or for the ordinary purposes of his business.

(3) No person shall unduly prevent, limit, or lessen the manufacture, production, transportation, sale, supply or distribution of any necessary of life.

(4) No person shall in any manner impede or prevent or attempt to impede or prevent any investigation or examination instituted by the Board.

(5) No person shall sell or offer for sale a necessary of life in respect of which a licence is required unless he has a licence which is in full force and effect.

Offences under this order are punishable by fine or imprisonment, or both, and any director or officer of a corporation who assents to or acquiesces in any offence by such corporation shall be guilty of such offence personally and cumulatively with the corporation.

As a safeguard against frivolous or vexatious proceedings, it is provided that no prosecution shall be commenced without the written leave of the Board or of the Attorney-General of the province in which the offence is alleged to have been committed.

These regulations do not apply to farmers or gardeners in respect of their own produce.

In actual practice, the work of the Board to date has been threefold: it has received and investigated complaints addressed to itself or to other branches of the public service, supervised the supply and distribution of several key commodities, and kept a watch over prices and supplies of many other commodities with a view to anticipating possible future requirements.

Nearly two thousand individual complaints were received by the Board during

the first nine months of its activities. These complaints came from a variety of sources including individuals, unions, societies, trade associations, cooperatives, retailers, wholesalers, manufacturers, military organizations, and governmental bodies: they dealt with cases of supposed overcharging, hoarding, and actual or prospective shortages of supply, and they affected a very large number of commodities. Most of the complaints had to do with food, fuel and clothing, or materials for their production, and under these headings the Board's records show complaints with regard to more than forty different articles. In addition to these necessities of life more than a score of other articles were mentioned. All these complaints were examined and acknowledged, and appropriate action was taken. This action most frequently took the form of investigation, followed in a number of instances by warning and in some cases by actual prosecution. In hundreds of instances where the writers complained of inability to obtain needed supplies, the Board was able to locate or obtain supplies and make them available.

As was to be expected, many complaints were found on investigation to be unjustified. Some called for action which had already been taken by the Board's own initiative or at the request of previous correspondents. Some had to do with matters under the jurisdiction of other governmental bodies, to which they were referred.

Summing up very briefly this aspect of the Board's work, it may be said that the Board has provided a central agency to which persons in all parts of Canada have been able to bring their complaints with regard to prices, supplies, profiteering and hoarding, thus helping the public in general to cooperate in the prevention of undue price increases and the avoidance of shortages. It has also provided a specialized agency for investigating and dealing with a mass of material brought to the attention of the Government by Cabinet Ministers, members of Parliament, and others. Apart from the action taken on complaints actually

made, the fact that the Board is well known to be prepared to take action has undoubtedly served to protect the public and has acted as a warning to any who might otherwise have been tempted to take unfair advantage of the present emergency for their own financial gain.

It may be mentioned that, in this branch of its work, the Board has received valuable and extensive cooperation from the various provincial governments, which sent their Attorneys General to Ottawa to confer with the Board, suggested lines of action, and have in a number of instances set up provincial organizations, in cooperation with the Board to deal with local complaints. The Administrators appointed by the Board, to deal with wool, sugar, coal, hides and leather have also dealt with a great many cases which have not required the direct attention of the Board. Other complaints have been handled by the Royal Canadian Mounted Police and the officials of the Weights and Measures Service, both of which bodies have given willing and painstaking service to cooperation with the Board in the task of investigating complaints.

While the Board has been and is prepared to investigate and act upon all reasonable complaints, it has undertaken a special responsibility in connection with organizing and supervising the supply of wool, sugar, coal, hides and leather, and several other commodities particularly affected by wartime conditions.

The supply of wool for Canada is of obvious importance because this commodity is indispensable for clothing and certain industrial purposes in the Canadian climate, and eighty per cent of the wool normally used in Canada must be imported. The chief sources of imported supplies are Great Britain, New Zealand and Australia. On the outbreak of war, the Wool Control, which was established as a war measure in the United Kingdom, took possession of all supplies of wool in that country and purchased the entire exportable surplus of wool of Australia and New Zealand for the duration of the war and one clip thereafter. While this action was designed to safeguard the

supply of raw material for clothing the British and French troops and their civilian populations, to keep an essential article from the enemy, and to make the best use of a valuable sterling asset, one of the incidental results was to interrupt the supply upon which Canada also normally depends. Meanwhile the demand for wool was increased by requirements for war contracts. In these circumstances, action was taken to protect Canadian supplies by prohibiting the export of wool save under licence. An Administrator was appointed and made responsible in cooperation with the industries concerned and under the direction of the Board, for the organization of arrangements for the securing of supplies of wool, both domestic and imported; for the supervision of the purchase, shipment, delivery and allocation of such supplies; for the investigation of applications for export licences; and a variety of other duties. The movement of Canadian supplies into consumption was expedited by the negotiation of an informal agreement as to price, which was accepted by dealers, growers, manufacturers, and the Government, and was later given legal force by Order in Council for a period of time sufficient to move such wool as still remained in the hands of collectors. Negotiations with the British Wool Control resulted in the release of increasing quantities of wool from the United Kingdom, Australia, and New Zealand, first for military and later for civilian purposes. When it became apparent that adequate supplies of Empire wool could not arrive in time, the duty on wool from intermediate tariff countries was temporarily removed. As a result of these and other measures, needed supplies were obtained, and arrangements were made to assure a sufficient quantity of wool at least until the end of the first year of war, after which it may be expected that similar arrangements will be made for a further period.

The Board's activities with regard to sugar are perhaps better known to the public. The need of action with regard to sugar was brought about, not by any deficiency of supply but by a run on

wholesale houses and grocery stores which began several days before the outbreak of war. Householders were buying far in excess of normal requirements, wholesale stocks were nearing depletion, and refiners found it almost impossible to keep their warehouses replenished. Such was the situation which faced the Board on its appointment. Within three days the refiners had been called to Ottawa and the Board had obtained their voluntary agreement to release immediately not less than 25 per cent in excess of average September distribution, and at no increase in price. On the day on which the Canadian refiners agreed to continue selling at pre-war prices, the price of sugar in New York increased 1.35 cents a pound. The Board arranged a coast-to-coast inspection service to investigate complaints of hoarding and profiteering, and investigated the stocks of sugar in the hands of refiners, wholesalers, and retailers throughout the country. Several large industrial concerns which normally hold large stocks of sugar for the ordinary purposes of their business were persuaded to release large quantities for the use of the public. The cooperation received from refiners, industrial consumers, wholesalers and retailers, made available in September some 40 million pounds more than normal. Increased supplies and regulated distribution rendered possible the canning of thousands of carloads of fruit—possibly 2,000 carloads in the Okanagan Valley alone—which otherwise would not have been conserved. Hundreds of individual requests for sugar were filled as a result of the Board's intervention.

While these steps were being taken to meet the emergency, arrangements were made to remedy the general situation by increasing the total supply available. By suspending the dumping duty on refined sugar for a short time, importation was facilitated. Following the recommendation of the Wartime Prices and Trade Board, the Government entered, jointly with the Government of the United Kingdom, into the so-called Sugar Control Scheme for the mobilization of Empire sugar resources for Empire needs.

A Sugar Administrator was appointed, conferences were held with the British Sugar Control, and it was arranged that all raw sugar for Canadian use would be purchased from the United Kingdom Sugar Controller by the Canadian Sugar Administrator for resale to the refiners, the price to be agreed upon each year. This joint purchasing is designed to assure adequate supplies in Canada for the duration of the war and to eliminate the possibility of any abnormal speculative increases in price such as occurred in the last war.

The reports of the Board contain fuller particulars of the steps taken to organize supplies and guard against undue increases in the prices of these and other commodities, including coal, hides and leather (for which administrators have been appointed), flour and feeds, cod liver oil, castor oil, and many others. The number is constantly increasing.

In dealing with these commodities, it is obviously not sufficient to wait and deal with emergencies after they have arisen. The Board is maintaining a constant watch over prices and supplies of a wide range of commodities, for which purpose it not only makes use of data obtained by the Dominion Bureau of Statistics, but also obtains regular and frequent reports on its own account. Possible future shortages or price increases are thus reported at an early stage, and plans are considered for dealing with them in advance. As a matter of general policy, the Board has acted on the belief that if ample supplies are available, freedom of enterprise encouraged, monopolistic tendencies curbed or controlled, and sporadic instances of profiteering dealt with, fair and reasonable prices will be maintained. It is the belief of the Board that such policies are best suited to the present Canadian economy and can most effectively utilize its resources. Should the war and the future course of events create a real scarcity of goods and services on this continent, Canadian policies of price control might have to be extended to a wider range of commodities and modified to meet the changed conditions.

The War and Industrial Relations

I.

FROM THE EMPLOYER'S POINT OF VIEW

By H. R. MACDONNELL

IN discussing industrial relations in war-time the first thing to decide is what are the conditions affecting industrial relations that are peculiar to war-time. And by war-time we do not mean war-time in general but this particular war as it affects Canada. What then are the outstanding conditions of this war that are likely to affect industrial relations in Canada?

The first thing that strikes one is that, whereas all wars see a certain increase in production in the ordinary course of things, this war is probably going to make it necessary for Canada to make a very special and conscious effort to concentrate on increasing her production in order to finance the war. While it is impossible to dogmatise on the point, it looks as though Canada's most important contribution to the allied war effort might well prove to be in the financial and economic field. If that is true or to the intent that that is true, it is pertinent to consider how Canada is to finance a war expenditure which may well run to a tenth or more of her annual income. There are four possible methods: (1) taxation, (2) borrowing, (3) inflation and (4) increased production over current needs.

As regards taxation it is generally accepted that the war cannot be financed only by taxing the rich. There is obviously a point beyond which it cannot go without endangering the efficiency of a free enterprise system of production. Borrowing abroad is strictly limited by the U. S. A. neutrality legislation. To inflate our currency would be unjust,

dangerous and at best only a temporary expedient. Therefore we are left with the alternative that we must produce in excess of current needs. This end, it is clear, can be achieved in two ways viz. by achieving a maximum of production at a minimum of cost and by limiting consumption. In this connection the announcement of a British budget of 2½ billion pounds brings home the fact that Canada's welfare economic as well as military is bound up with that of the United Kingdom. In saying that one is thinking not merely of winning the war but of the situation after the war, it would be most serious for Canada if her best customer came out of the war with her purchasing power disastrously impaired.

What are the implications of this in terms of employer-employee relations? In the first place it is natural to assume that a marked increase in production will tend to bring about an increase in costs and prices. This, of course, is what happened in the last war. The following tables drawn from official sources tell the story:

	Index of Agricultural Prices—Field Crops (1909-13 = 100)	Index of Wholesale Prices	Cost of Living Index
1913.....	99	100	100
1914.....	143	100.4	102
1915.....	122.6	109.2	103
1916.....	159.7	134.3	112
1917.....	226.0	174.9	136
1918.....	227.6	205.4	156
1919.....	252.7	216.4	171

	Cost of Living Index
1915.....	103
1917.....	136
1918.....	156
1919.....	171

It will be seen that the index of agricultural prices rose from 99 in 1913 to 252.7, of wholesale prices from 100 to 216.4, of cost of living from 100 to 171.

EDITOR'S NOTE: H. R. Macdonnell is Manager of the Industrial Relations Department of the Canadian Manufacturers' Association. The article follows in broad outline an address which the author gave at the Third Maritime Conference on Industrial Relations, held in Halifax, April 24, 1940.

Furthermore with increased demand for labour and with a rising cost of living it is likely that there will be in many industries demands for higher wages. Thus in the last war the index of salaries and wages in industry rose as follows:—

Average Annual Salaries in Industry	(Index)	Average Annual Wages in Industry	(Index)
\$1,144	(103)	\$496	(103)
1,290	(116)	757	(157)
1,429	(129)	866	(180)
1,482	(134)	940	(195)

That being so, the question most worth discussing would appear to be how necessary wage adjustments should be made. It is submitted that in finding the answer to that question two considerations should be kept clearly in mind, first that wages being an all-important ingredient in prices, every increase in wages tends to cause in turn an increase in prices, and second, that the increased demand for goods in war-time being temporary the higher prices resulting therefrom are also bound to be temporary. The moral, it is submitted, is that while wage-earners must not be allowed to suffer by reason of increases in the cost of living it is not sound automatically to increase wages *pari passu* with increases in the cost of living since the result is to set in motion what Mr. Chamberlain recently described as "a vicious spiral of alternately rising prices and wages which benefits no one". As a matter of fact the cost of living at the moment is only a trifle higher than last year and about the same as in 1937. That being so, it is submitted that no general increase is in order at the present time. In cases, if any, where depression levels still obtain, on the other hand, obviously upward adjustments should be made. A further moral is that if the cost of living should mount and upward adjustments must be made, they should take the form not of increases in wage rates, but of supplementary living allowances. Furthermore, it is submitted that such allowances should be on an absolute rather than a proportional basis; in other words, the allowance should be the same for the \$30. a week employee as for the \$20. a week employee. The point is that the increase in prices and

cost of living is almost certain to be temporary and it is unsound to make a permanent increase in wage rates to take care of a temporary increase in prices and cost of living. It will be seen that in the last war this lesson was not learned. While wages lagged behind the cost of living for the first two years of the war, they increased much faster than the cost of living during the last two years, with results, particularly in two such key industries as transportation and building, that were anything but beneficial to the national economy as a whole or even to the employees concerned themselves.

A further aspect of the wage problem in war-time that might be mentioned in passing is the disturbing effect of any disparity between wages paid in the specifically war industries and those paid in other industries. No small part of the labour discontent that manifested itself in 1917 and 1918 was due to the jealousy of the abnormally high wages paid in the war industries. It is greatly to be desired from every point of view that everything possible should be done to prevent such a disparity from occurring during this war. It is disturbing enough when wage-earners see abnormally high wages paid in another industry but to see them paid, as sometimes happens, in special departments of their own industry is more than human nature should be asked to endure.

But in addition to working for a maximum of production at a minimum of cost there is the other side of the shield to be considered viz. the limiting of consumption. This has a double aspect. Not merely will it aid in increasing the excess of production over consumption both directly, by reducing the amount to be subtracted from production and indirectly, by eliminating the inflationary effect that indiscriminate spending has on prices and costs, but it will also serve the all-important purpose of helping to build up a reserve of savings that will provide the Government with much-needed funds for carrying on the war and provide a "cushion" for a possible post-war depression. While it should

not be accepted as inevitable that the end of the war will be followed by a depression, it is the part of wisdom, in view of past experience, to be prepared for a shrinkage in employment following the sudden cessation of large scale war-time production.

What is clearly needed is to provide some sort of "cushion". During the last war the post-war situation was not clearly foreseen and little was done to prepare for it. In 1918 some attempt was made to get people to cut down waste, eliminate luxuries and save money. But it was too late. The orgy of spending had done its evil work of helping to make prices soar and dissipating the potential reserves that would have stood thousands of wage-earners in such good stead during the post-war unemployment. Without attempting to say how it should be done, it is submitted that some method should be devised of ensuring that as large a part as possible of the increased volume of wages and salaries is saved. Various methods are proposed. There is the purely voluntary method, state action being confined to education and exhortation. The success that attended the very limited effort in this direction during the last war suggests that the possibilities of such a method are very great. There is reason to believe that by the sale of savings certificates and small denomination bonds bearing a small rate of interest substantial sums could be saved. There is the compulsory, "deferred pay" method such as Mr. Keynes advocates; and there is the joint savings type of plan in which both employers and employees would participate. Whatever may be said of the relative advantages and disadvantages of these various methods they all have the merit that they are comparatively simple and inexpensive and that they in no way undermine self-reliance and individual responsibility. The same cannot be said of another method of preparing for the post-war unemployment which is sometimes proposed viz. unemployment insurance. Instead of being simple and inexpensive, it would inevitably be both complicated

and costly. It was estimated that the 1935 Unemployment Insurance Act would have required for its administration a staff of 3,500 to 4,000 and that the cost of administration would have been from 15 to 17% of the contributions. If there were no other available method of building up reserves to cushion the post-war slump, then the high administrative cost and the complicated machinery inseparable from an unemployment insurance scheme would have to be regretfully accepted. But since there are other infinitely simpler and less expensive ways of doing the job, it is submitted that it would be most unwise to adopt under the abnormal conditions of war-time a method so untried and so unpredictable in its effects as unemployment insurance. When one contrasts the cost and complication of such a scheme with its very limited effect, one is inclined to recall the story of the Chinese burning down the house to cook the dinner.

There is another aspect of employer-employee relations which is bound to be more or less to the fore in war-time, namely, conciliation and arbitration of industrial disputes. In view of the increase that is likely to take place in the cost of living, and of the likelihood of scarcity of labour in some fields, it is to be expected that there will be an increase in the number of industrial disputes. It is a commonplace that strikes tend to increase in number and seriousness during periods of business activity, and to decrease during depressions. Not that there is any need to assume that a marked increase in industrial unrest must be accepted as inevitable. We have now been at war for eight months and the percentage of the 660,000 employees in Canadian industry who have shown dissatisfaction with their conditions of work is negligible. Further, if the war proves as critical as it well may, there is every reason to believe that employers and employees alike will feel it their duty to make a special effort to adjust any differences amicably. The experience of the last war is of some interest. For the first two years, strikes were fewer in number than in any year

since the Department of Labour began to keep records in 1901. From 1916 on, however, there was an upward swing, culminating in the first post-war year, 1919. This experience was more or less paralleled in Great Britain and the United States.

In view of the possibility of an increase in the number of industrial disputes, it has been suggested in certain quarters that some new conciliation and arbitration machinery should be devised to deal with what are described as the special industrial problems of war-time. For example, there are those who advocate that there should be re-established the Appeal Board which was set up by Order-in-Council in July, 1918, to hear appeals from boards of conciliation and arbitration established under the Industrial Disputes Investigation Act. It is submitted that there is no real need for any such new machinery. After all, the industrial disputes of war-time are no different in kind from those of peacetime, and it would seem the part of wisdom to employ the conciliation machinery we already have which has been developed by a process of trial and error over a period of more than thirty years, and has worked reasonably well, rather than to experiment with new machinery, of which neither employers nor employees have had any experience. The conciliation machinery which we already have, includes the two Dominion statutes known as the Conciliation and Labour Act, and the Industrial Disputes Investigation Act, and four provincial statutes, namely, the Industrial Conciliation and Arbitration Acts of British Columbia and Alberta, the Strikes and Lockouts Prevention Act of Manitoba, and the Labor and Industrial Relations Act of New Brunswick, all of which embody to a greater or less extent the same principle as that incorporated in the Industrial Disputes Investigation Act. In addition, there are many private industrial arbitration agreements, which have been entered into increasingly during the last twenty years by employers and employees. To the extent that this machinery has been successfully worked, mutual good-

will and confidence have been developed; and it is submitted that the wise course is to continue to utilize this machinery, instead of scrapping it and leaving employers and employees at arm's length.

Outstanding among the conciliation machinery available is, of course, the Industrial Disputes Investigation Act which, as is well-known, has been on the statute books since 1907. Originally designed to prevent any stoppage of work by a strike or lockout, pending an investigation and report by a Conciliation Board, it applied, as is well-known, to disputes in mines and in public utilities such as railways, steamship lines, telegraph and telephone lines, and gas, electric light, water and power works. The reason for singling out these particular industries was that a stoppage of work in them would be directly injurious to the public. It would appear that it is consistent with this principle for the Dominion Government to have extended the application of the Industrial Disputes Investigation Act during the war to all work in connection with war contracts. The record of achievement during the last thirty-three years under the Act, gives hope that it will prove an efficient instrument of conciliation during the present war. Thus, out of some 900 Boards of Conciliation, appointed under the Act, there have been only some 40 cases in which a threatened cessation of work was not averted, or an actual cessation of work was not brought to an end. It goes without saying that everything depends upon the way in which the Act is administered. Obviously, if it is invoked frivolously, when the dispute in question is not sufficiently important, or does not affect a sufficient proportion of the employees concerned, the granting of a board would tend to bring the Act into disrepute. Up to the present, it is fair to say that from this point of view, the administration has been sound and sensible.

In conclusion, it will be generally agreed that, important as it may be to have sound conciliation machinery, an even more important question is the spirit in which the machinery is worked. Machinery

which on paper is ever so logical and efficient, will not work if goodwill and mutual confidence are lacking. As has recently been said by a well-known Australian industrialist:

"The great internal problem facing all of us is to find out how all sections of a democracy can live together in reasonable comfort—ever disputing, ever striving for improvement, but with inherent mutual consideration and

respect. If we fail, the only alternative is dictatorship."

There is reason to believe that Canadian employers and employees alike realize that in this war against dictatorship the democratic way of doing things is being put to the test not only on the battlefield, but in this problem that confronts them of "how to live together in reasonable comfort".

II.

FROM LABOUR'S POINT OF VIEW

By TOM MOORE

A TOTAL war such as this in which Canada is now engaged permits of no half-way measures, either military or economic. Every resource at command must be applied to the end that victory is assured.

In applying ourselves to this task great care should be exercised to ensure that every step taken is essential and aimed to accomplish the desired end. While there is yet no evidence that the same drastic steps which England found necessary to take to control all industrial activity are essential in Canada, it cannot be disputed that it is imperative that there be a thorough overhauling of our methods of production.

All engaged in industry have a responsibility to see that waste is eliminated and frictions kept to the minimum.

Whatever modifications of existing conditions are thought essential should only be undertaken after consultation with those primarily affected, and every effort made to secure their acceptance by voluntary agreement.

Where any sacrifice of existing conditions is called for, then this should not be one-sided but be demanded first from those best able to bear it.

The first call upon industry is for war supplies so that no life will be needlessly sacrificed for the lack of ample supplies,

equipment and munitions for our fighting forces. To accomplish this our productive capacity of these things must be expanded to the full. Our ability to do this depends upon the efficiency displayed in the application of labor power to the transformation of available raw materials into finished products.

Canada cannot afford in times like these to continue the waste of unemployment and until the quarter of a million or more presently unemployed are given useful jobs to do, it is foolish to talk of extending the hours of those already at work, with the exception, of course, of such as may be required to meet the exigencies of special circumstances. Plants and machinery must be the first to be put on the twenty-four-hour-day and seven-day-week to meet the call for increased production from war industries.

Experience has proved that where hours of labor are unduly extended, production drops. It would seem therefore that the best policy to follow would be that of shift work rather than overtime. This would have the further benefit of providing jobs for those presently unemployed.

It must be recognized, however, that the high standards set for individual workers which have been achieved by the process of discarding everybody but the best during the long years of de-

pression, cannot be immediately met by those who, though in possession of the basic skill, are called to perform operations which in many cases may be somewhat different to those they were formerly accustomed to.

Training of youth has been woefully neglected in the past and however vigorously undertaken now, cannot immediately produce recruits for the more highly skilled occupations. Notwithstanding this, training schemes should be accelerated and extended and apprenticeship training given to the greatest possible extent.

There is another reservoir from which skilled workers can be drawn, and that is from amongst those in the older age brackets which the depression and intense competition have driven from their former occupations. No time should be lost to furnish refresher courses to these men in order that their skill and experience may be used where it is most urgently needed.

Again, there are others who, finding it impossible to maintain a decent standard of living in the occupations for which they were trained, have sought to obtain their livelihood in other fields, many of which are comparatively unimportant in the present crisis. Every opportunity should be afforded, and encouragement given these to once more devote their skill where it can be of the greatest service to the State. These are among the essential first steps to be taken to increase productivity.

Next comes the problem of the proper allocation of workers to the task they are best fitted to perform. Again, we suffer from neglect to build our employment service to enable it to function properly and here there is call for prompt action to re-organize this in such a way that it can perform the duty of bringing the man and the job together with the least delay. To do this, it is necessary for information to be gathered both as to the immediate labor requirements of wartime industries as well as those of the near future. To supplement the work of the employment service, the machinery of the Trade Union Movement should

be made the fullest use of and its co-operation frankly and freely accepted. Prompt action is here again essential if the most efficient labor supply is to be secured with the least delay and in an intelligent and organized manner.

While these things are being done, attention should be paid to the advisability of limiting consumption of what might be roughly designated as non-essentials or luxuries. In this respect care must be exercised that no obstacles are placed in the way of those who, as a result of long years of unemployment or short time work have been compelled to live on the verge of destitution, now seek to provide themselves with the ordinary necessities of a decent standard of living.

But above this far too numerous class there are many who can well postpone their purchases of non-essentials until the war is won. To achieve this it is not necessary or advisable to seek either wage reductions or introduce a scheme such as that advocated by Professor Keynes of compulsory savings. One form of this, however, which would be acceptable to workers and has long been sought by them is the enactment of contributory unemployment insurance. By this means a protective fund can be accumulated while unemployment is at a minimum that will serve as a first line of defence when the inevitable unemployment consequent upon the transfer back from a wartime to peacetime economy occurs.

This is not the place to enter into details respecting this beneficial measure, but warning should be given against taking too seriously the arguments of those who are opposed to any such legislation. Experience of other countries disproves their assertions and shows clearly that in war or peace, unemployment insurance is a sound policy.

This, however, can, at the inception, only provide a very limited avenue for a part of those in a position to save. It is here that the voluntary saving scheme made possible by the sale of war saving stamps and certificates comes into the picture. Every dollar placed at the disposal of the Government in this way

is a protection against a rapid rise in prices especially of non-essential goods which will undoubtedly be produced in decreasing volume as the war continues. It gives the Government money to spend in the furthering of the war effort and places in the hands of the individual a cushion of purchasing power which will be invaluable when the war ends, as end it must sooner or later.

This, however, is only part of the picture. Every endeavour must be exerted to avoid stoppage of work in war industries, and given the proper spirit of willingness on the part of employers to recognize the right of workers to organize and to accept their organizations as the medium of reaching agreement on matters at issue, comparatively few difficulties that cannot be immediately adjusted should occur. When this does happen, however, then immediate recourse should be had to the Government services of investigation and conciliation as a means of reaching a fair settlement of the dispute.

As soon as war was declared last September, the Trades and Labor Congress of Canada made known to the Federal Government its willingness to accept an extension of the Industrial Disputes Investigation Act to wartime industries as a means of avoiding unnecessary conflict. It was suggested at that time that the Government might, with benefit to all, issue a declaration of principles which would guide both employers and workers in their relationship toward each other and to the public during

wartime. Perhaps before this article appears in print, this long standing request may have been complied with.

It cannot be too strongly emphasized that our defence forces depend on an uninterrupted supply of food, munitions and equipment and anything less than this should not be thought of. To carry this out, all partners in industry must play their part. Profits have no place in this life and death struggle in which we are now engaged. Neither is it the time to refuse to frankly recognize that while capital and management are essential to industry, those who actually perform the day by day operations are equally important. Proper industrial relations, significant as they are for the smooth operation of industry in peacetime, become all important in times of war.

Where, therefore, such are not established by co-operation between employers and workers, it becomes the duty of the Government to see that failure to do so does not interfere with the volume of production essential both to meet the requirements of war and as far as may be possible, the maintenance of decent standards of living.

Labor realises full well that to lose the war is to lose all, and for that reason will readily respond to any justifiable call for action. It has a right, however, to be assured that in doing so its patriotism is not being exploited to needlessly break down conditions that it has taken the organized workers more than half a century to build up.

The War and the Constitution

By JOHN WILLIS

THE average Canadian must be aware that a war cannot be waged in accordance with the principles of Magna Carta and is probably content to suffer a war-time revolution in what his government does and how his government does it. If he is not, the events of the last few months must have made him very unhappy. With the outbreak of war the Dominion Government became able to push the Provincial Governments into a back seat for the duration—for even the Privy Council has conceded that provincial rights which are too sacred to admit of violation by a national scheme of unemployment insurance are not sacred enough to prevent the effective prosecution of a national war effort. All constitutional barriers now being down, the federal War Measures Act was put into effect and the Dominion Government acquired power “to do and authorize such acts and things, and make from time to time such orders and regulations as it may...deem necessary or advisable for the security, defence, peace, order and welfare of Canada”—or, to put it less politely, to shove people around without asking Parliament’s permission. Armed with this all-embracing authority, the Cabinet went right ahead and did just that.

Under the Defence of Canada Regulations your letters can be opened and your favourite newspaper suppressed; you must not gossip lest you betray vital information; you must not express an opinion lest you be subversive. Do you want to send money to relatives in England, to import silk from Japan, to sell your American securities? You must ask leave of the Foreign Exchange Control Board. How did the inalienable human right to horse-trade in the necessities of life become transmuted into a

criminal offence; who saw to it that we got our sugar last fall; who buys our raw wool for us and sees that we don’t run short of coal? Study the regulations and orders dealing with the War-time Prices and Trade Board. There is a Board for this and a Committee for that—the Nova Scotia Apple Board, the Agricultural Supplies Board, the Shipping Control Board, the Bacon Supply Board, the Censorship Coordination Committee, the Committee on Information, and the rest of them. We are now a much-governed nation. Liberty, private property and private enterprise are taking a bad beating. But that is not all: in a country which is steeped in the traditions of Parliamentary democracy, every one of these revolutionary changes has been effected, not by Parliament, but by the naked fiat of the Cabinet in the exercise of its powers under the War Measures Act.

It is always interesting to lay bets on what will happen when new needs and new ways of filling them collide with our pretty little mental pictures of what a government ought to do and how it ought to do it. How much of our war-time revolution will survive the war?

Liberty,—personal freedom, freedom of speech, freedom of the press,—is the most deeply cherished of our democratic ideals, an ideal to which the Quebec Padlock Law and the attempted government control of the press in Alberta have only lent added strength. We may not have a thought in our heads or any desire to use our feet, but the right to gossip, to damn our institutions, to walk about without the suspicious glances and pert questions of somebody in a uniform are to us the very breath of life. It is therefore unlikely that the Canada Defence Regulations will long survive the necessity that gave them birth. With the rest

of the war measures the odds are the other way.

There the Government is only treading a few steps further down a road it has been hewing out for many years; if it thereby infringes an ancient ideal, it is at the same time fulfilling a newer and more vigorous ideal which is rapidly replacing the old. The rugged old pioneer trail of individual enterprise and private property may still be the best of all possible roads on the political Sundays we call elections, but very few of us now expect our governments to use it for travel. For the twin ideals of "as little government as possible" and "the devil take the hindmost" we are substituting "the infinite duty of each to all" and the high calling of the government to make that duty effective. "Private enterprise?" The government sells liquor, power, transportation and entertainment: it buys wheat and gold; it hands out "Maritime freight rates" and a salt fish bonus. "The devil take the hindmost?" The government furnishes relief, hospitals, old age pensions, and mothers' allowances; it throws its weight on the side of labour by means of workmen's compensation, minimum and fair wage schedules, and Trade Union Acts. "Sanctity of contract?" The government scales down mortgage debts, investigates securities and security salesmen, prescribes the conditions of insurance policies and contracts for carriage. "Freedom of competition?" The government fixes railway and power rates directly by means of utility boards, and industrial prices indirectly by means of the tariff; it prescribes standards for agricultural produce and channels through which it must be sold.

Viewed against this background the activities of the Foreign Exchange Control Board are not a mere war-time outbreak of bureaucratic frightfulness, but one more step along the road already pointed out by the establishment of an embryo Bank of Canada—a road which leads to some permanent control of private investment. The War-time Prices Board is not, as all good horse-traders hope, just an unfortunate offshoot of

a war against Hitlerism or "the State"; it is the result of an extension to a wider field of principles which, under the fancy name of public utility law, have long been accepted as applicable to the essential services of railways, telephones and power and are already being tentatively applied to the supply of road transport gasoline and milk. If the Government buys and sells wheat before the war, and bacon, leather, wool and sugar during the war what may it not deal in after the war?

And now, what of the changes in the way Government does its work? To the average lawyer, with his eyes on the sacred symbols of a dim and barely visible past, a civil servant making regulations and a Board deciding controversies are usurpers, trespassers on domains divinely reserved to the legislature and the courts. To him the mass of regulations that deal with the defence of Canada, foreign exchange, censorship, trading with the enemy, and the like, and the host of Boards, specialized governments in miniature, which preside over shipping, bacon, prices, agricultural supplies and the rest, are constitutional monstrosities. If for one moment the spectacles of tradition were to slip down his nose he could see what is really happening. The truth is that our constitution is changing—it has been changing for many years—and no banging of constitutional bibles is going to stop it. Law-making by government departments and government by Boards is the inevitable result of the entry by a government organized for merely holding the ring into the complicated and technical whole-time job of social control. Regulations and Boards are the means whereby the eighteenth century institution of Parliamentary democracy which assumes a minimum of government, and that by intelligent amateurs, is enabled to cope with the needs of a twentieth century society which requires the exertion of governmental power by experts. An increase of social control must therefore mean more regulations and more Boards and if, as has been suggested above, the end of the war will not result in any substantial return to the old ideal of laissez-faire, the post-

war period will continue to blossom with them.

There are, however, two respects in which the experience of war-time is likely to modify the pre-war practice of government in Canada; it is likely to strip from the B. N. A. Act the last shreds of its inviolability, and to inaugurate a new technique in "selling" government to business and the people.

Ready as mankind is to endure the consequences of its belief that institutions—the B. N. A. Act, for instance—are permanent and that the good man is he who strives to cram his awkward self into them and to be worthy of them, most Canadians have long grown weary of well-meant attempts to deal with the commercial and industrial life of Canada as if it was carried on in nine distinct and unrelated petty principalities. During the war the Dominion can under its emergency power behave just as if Canada were what it is, a unity, and actual experience of unified control is not likely to create any great demand for a post-war reversion to the traditional unrealities. But revert we must, unless we change the Act—and here the psychological effect of war will be important. In the pre-war constitutional atmosphere where the driving out of a Privy Council scapegoat and the consultation of a Rowell oracle seemed more important than the real needs of real men, any scheme of practical changes in the Act was doomed to peter out in puddles of learned drivel on the philosophical basis of the Canadian union. In war-time men are practical and do not let fictions and fancies interfere with the practical needs for men, food and work. War is a great reformer and under the hang-over of this war-time "be practical" mood the post-war amendment of the B. N. A. Act will probably be

accomplished with a minimum of theoretical bickering.

The relations between "business" and "government" can hardly be very cordial in an era when the traditional Mason-Dixon line between them is being drastically re-drawn. But business men are capable of being polite to, and even co-operating with, their ordinary competitors, and something more than the fact that government has been getting in their way is needed to explain the verbal broadsides loosed off from time to time by big executives with the apparent approval of "the people". The truth is that the government has heretofore neglected the gentle art of "public relations". If "business" has found that it pays to advertise and to show the public round the plant, why shouldn't the government do the same? With the stringent restrictions necessarily imposed by war on the ordinary conduct of business, the government appears to have woken up to the possibilities inherent in business technique. Instead of appointing a mere civil servant to push around the Napoleons of commerce, you pick out one of the Napoleons of commerce, call him a dollar-a-year man and let him do it. Instead of baldly announcing what you propose to do, you induce a Cabinet Minister to purr it peacefully over the radio and buy space in the press to advertise your activities. Simple devices aren't they? And though nobody would suggest that they will work as well in peace-time as when public opinion will back the government to the limit—and business men know it—the probability is that they represent a departure from the tried method of studied belligerent dictation and foreshadow a new line of enlisting public sympathy and softening any blow to "business" by an equally studied attitude of sweet reasonableness.

Post-War Municipal Problems

By G. S. MOONEY

PROGNOSTICATION concerning post-war problems affecting anything or anybody must, at this date of writing, be tempered by the uncertainty which surrounds the war itself. We can neither foretell the probable duration of hostilities, nor the nature of the peace to follow, nor the intensity of world-wide exhaustion which many believe will follow in its wake. Lacking insight on these matters, any attempt to calculate post-war repercussions can only be based on sheer speculation.

It is, moreover, these unknown factors which loom before us, rather than the known, which will determine in the main the precise nature of the more immediate and urgent problems which will confront all levels of government—federal, provincial and municipal—whenever peace is restored.

Notwithstanding these limitations, it is possible, however, to discern in broad outline that the tasks which peace will bring, will arise from two principal considerations.

First, there will be the backlog of problems which presented themselves before the war, and which we have not yet solved, and which the exigencies of the present prior needs compel us to temporarily lay aside. And second, there will be the problems arising from the war, the most urgent of which will be the necessity of reorganizing our war-time economy to a peace-time basis.

No matter what the precise problems may be, we shall probably discover that the trials of peace which this war is likely to leave as an inheritance, will tax the courage and ingenuity of the best of us. But, if—as probably will prove to

be so—the end of the war will mark but the emergence from one crisis to another, it will also, by these very circumstances create a great opportunity. If, upon the advent of any post-war crisis, we then fall short of the effort which will be required, maybe we will enter upon a further period of chaos and recession; but if we can raise ourselves up to the task which post-war developments will present to us, then there lies before us the possibility of an era of renewed progress.

What, then, would appear to be the sort of problems which post-war municipal administrators are likely to have to contend with and about which they should now be giving some consideration?

Rehabilitation of Manpower

When one speculates upon this question, one immediately senses that probably the most monumental task of all will be connected with the necessity of finding ways and means to reabsorb our armed forces and workers in war industries into peace-time occupations. One cannot anticipate the cessation of hostilities without realizing that that moment will also terminate the jobs of a larger number of the nation's manpower.

Thousands of our finest youth are now in khaki. Many of them drew the first earned wages of their life as a soldier under arms. Others of them interrupted a brief apprenticeship in factory or office to join the colours. All of them will be just a little out of step with the rest of us who are privileged to maintain continuity with the world of industry and commerce. Some of them will return to jobs that are being kept open for them; but for most of them new jobs will have to be found when demobilization makes possible their return to civil life.

These men must not be returned to the relief rolls, or left on their own to

EDITOR'S NOTE: G. S. Mooney is Director of the Canadian Federation of Mayors and Municipalities. He prepared the comprehensive Brief which the Federation presented to the Royal Commission on Dominion-Provincial Relations. He is also author of "Cooperatives To-day and To-morrow", a chapter of which appeared in the August 1939 issue of PUBLIC AFFAIRS.

hitch-hike and panhandle their way from town to town. They are entitled to something better than that and we are obligated to see that they get it. But it is not going to be easy, this job of finding jobs for our returned men at the close of the war, so we had better be thinking about it now.

Besides the men in khaki, who carry a gun, there are the men in overalls who are manning the war industries, and who, along with the fighting forces at the end of the war will find their job suddenly brought to an end.

To facilitate the orderly absorption into peace-time activity of the armed forces and the working personnel of the war industries, is a task that challenges and calls for the complete cooperation of government and private business. One of the important links in what of necessity must be a nationwide effort will be the role to be played by municipal administrators throughout the Dominion.

In anticipation of this eventuality, we must concede that it is very unlikely that private business in the immediate post war period will be capable of absorbing any large number of additional employees. To the contrary, it is more probable that private enterprise will itself be forced for a temporary period to lay off at least a portion of its normal complement of workers. It will therefore devolve on the collective community, that is to say on the governments, federal, provincial and municipal, to undertake, pending the readjustment of our economy, to provide employment through public works projects throughout the country.

Post-War Public Works

To the extent that this may prove inevitable and necessary, some forethought should now be given to the nature of such public works projects, and plans formulated for carrying them out, if, as and when circumstances require. One of the most important tools which we should learn to make use of in anticipation of post-war municipal problems, is the long-range program for capital expenditure.

In its simplest terms, this represents the gearing of the city's needs for public buildings, streets, parks, water and sewer systems and the like, with estimated revenues expected to be available to pay for them. Capital improvements should be listed in order of their priority or urgency, correlated with the budget out of which funds are provided year by year, and undertaken as part of a composite plan which has as its objective the orderly and rational growth and development of the community.

Hitherto we have failed to make adequate use of the planning technique in the development of Canadian Municipalities. Notwithstanding the lessons of the last war, the halcyon decade of the twenties, and the sad experience of the last depression years, during which vast expenditures on public works and city improvements have been made, we have continued to make costly mistakes which could have been obviated if such projects had been carried out as part of a definite program of planned community development.

A good deal of the morass of financial bankruptcy which has bogged down many municipalities in all sections of the Dominion, is traceable in part to the overdevelopment and unwise expenditure on improvements which could have been avoided, had intelligent community planning preceded such undertakings.

To many people town planning suggests aesthetic and possibly impractical proposals for bringing an outward beauty, more trees and sunshine, to bare and crowded urban areas. Though such an ideal has its place, the real contribution which town planning can bring to the modern community is a matter-of-fact application of forethought to save dollars and cents in day-to-day civic operations and developments. Town planning should be literally the keystone of post-war municipal developments.

The Housing Problem

When we ponder upon possible outlets for sound post-war employment, we cannot but be impressed with the

amazing potentialities which would open up if we ever get around to the job of making a thorough-going frontal attack on our nation-wide housing problem.

During the depression years many of us believed that here was the main source for re-employment of the unemployed. But, though some results followed the introduction of the Home Improvement Plan and the National Housing Act, actually the volume of construction and housing repair these Acts made possible has been negligible compared to the unmet backlog of potentialities which some day will have to be attended to.

During recent years we have done no more than provide a modest amount of new housing for a limited urban group, consisting for the most part of middle-class homeowners and apartment dwellers. Virtually no new housing during the past ten years has been provided for working-class families of average or low income. The few centres in the Dominion where new low-cost housing developments have been proceeded with have but touched the fringe of the problem. Nowhere has any attack been made on the most grievous aspect of all, namely, the slums, which abound in every Canadian municipality, large and small, and in rural areas as well.

The existence of slums in Canadian cities is a blot on our national balance sheet, and a disgrace to the good name of the nation. One of the first tasks of the post-war period must be an earnest effort to come to grips with this evil. It is primarily a responsibility which local governments, in cooperation with senior governments, must not only assume but in large part must also carry through.

Immigration

There can be no doubt that immediately following the cessation of hostilities, one of the most important questions with which we Canadians will be faced, will be that of immigration. Already in the year or two preceding the outbreak of war, the question was very much to the fore. Because of that it is a matter

upon which some thinking should be done during these days, preparatory to any eventual post-war policy, and notwithstanding the fact that any consideration of this problem must at this date be clouded with a lot of ifs, ands and buts. We may take it for granted, however, that following the war there will tend to develop an exodus from strifetorn European countries of people seeking a haven in some more congenial clime. The arguments which are likely to be presented for their wholesale admission into Canada, being based on high concepts of international necessity and human compassion, are not going to be easy to dismiss.

While the eventual determination of any post-war immigration policy is obviously a responsibility of the federal government, the effect of any such policy is inevitably going to concern urban areas as well as the rural sections of the Dominion. Municipal administrators will wake up one morning to find the problem, at least in part, on their doorstep. They should be thinking about it now.

They should be thinking about it now in order that an informed public opinion may play its part in hammering out a reasoned immigration policy, based on economic as well as other considerations. It would be calamitous to precipitate on this country a post-war flood of immigrants without the most careful planning, based on an intelligent appreciation of all the contributing factors, not the least of which should be a frank appraisal of the wisdom of attempting to absorb and integrate a large European emigre population into our peculiar national social structure, at a time when that structure itself is attempting to achieve some sense of national unity among its own peoples.

If public opinion does not now formulate some broad principles for the guidance of its political administrators, it is likely that the people of Canada at the close of the war may have an immigration policy fastened upon them without adequate opportunity to consider its merits, one way or the other.

Post-War Employment

It is now known that the federal government will introduce, at the forthcoming session of Parliament, a scheme of unemployment insurance. As a matter of sound social economy, some such measure is long overdue.

Had unemployment insurance, in one form or another, been in operation during the decade of the nineteen-twenties, a period of high employment, the resultant accumulation of insurance reserves would have buttressed in a very substantial manner the subsequent lean depression years. The human costs would certainly have been less appalling, the tax burden on the general population less staggering, and the financial position of our governments less alarming.

Ten years of severe economic recession, prefaced by improvident preparation for its eventuality, with the resultant burden of direct relief plus incalculable costs in so far as human values are concerned, should be an all-sufficient warning of what is likely to occur if at the close of the war we are to experience a slump, the intensity or duration of which it is impossible to foretell.

The fact that we are moving into a period of relative war prosperity, and that virtually all the available manpower before long is likely to be absorbed in productive employment, at wages which, certainly so far as the unemployed are concerned, will be greatly in excess of their income during recent years, provides the justification, as well as the necessity, for conceiving some appropriate plan to cushion the shock of post-war adjustment when such jobs will no longer be available.

The question before the country now is: Will unemployment insurance be enough?

Critics of the government's plan to introduce a scheme of unemployment insurance warn us against believing that such a scheme would prove a panacea for Canada's post-war unemployment problem. They claim, with considerable justification, that such a scheme overlooks the fact that even if effectively

operated, it would provide for not more than a small percentage of present relief recipients, and then only for a short period. The workers it would cover, are those least likely to suffer in a post-war collapse.

In spite of its critics, however, there are strong and conclusive arguments in favour not only of unemployment insurance, but of some scheme*, to divert excessive war earnings away from inflationary consumption, and into "rainy-day" channels. Precisely because the war period will be a time of full employment at high wages, a determined effort should be made to introduce an adequate program, in anticipation of the inevitable post-war dilemma, when employment is likely to be at a very low ebb.

The present War Savings Certificates plan, which is a voluntary savings project, may prove adequate. An estimate of its adequacy should be possible within the next short while. If the net result, either in terms of number of persons participating or average savings involved, does not appear adequate, then other means must be resorted to.

This is a matter of vital importance, and likely to have serious implications for the post-war financial picture of Canadian municipalities.

Municipal Autonomy

There has been a growing tendency during recent years to place checks and controls upon local governments. This trend, for the most part, is understandable in so far as it is confined to the curbing, with a view to the eventual rehabilitation, of municipal borrowing power. When we recall the irresponsible and dizzy spending of many municipal administrations during the past thirty years, we cannot help but feel that the net result of such provincial oversight will prove salutary. But the establishment of fiscal controls over local borrowing is one thing, and the restraining of local administrative responsibility is another. The two need not go hand in hand. Indeed when they

*The Keynes plan which is the best known of these schemes is discussed in the article. "How Canada Finances the War" on page 173 of this issue.

do, it is an implicit threat to the very foundations of our political structure and concept of government.

In a country such as ours, too much centralization, either provincial or federal, may in the end defeat democracy. We would do well, therefore, to be on our guard against any encroachments that threaten to weaken it. The exigencies of the war may tend to accentuate the usurpation of local function by senior governments, and it may prove expedient for the moment to tolerate such a possibility; but the close of the war should mark a speedy return to both the spirit and the letter of "home rule", which hitherto has characterized local government in Canada.

This is not to say that there may not be a continuing necessity to supplement local autonomy with effective controls in order to prevent local abuse. But such controls should be so conceived that they will interfere as little as possible with the purely internal affairs of what we are pleased to describe as self-governing communities. It being understood, of course, that the senior governments will continue to exercise their constitutional prerogatives to legislate and administer those matters which, by their very nature, are common to all communities, and which for their effective functioning require the establishment of minimum standards or minimum controls.

Municipal Finance

It is not likely—to the contrary, it is most improbable—that Canadian municipalities will, during this war period, repeat the errors of the last war. In those days, many municipalities benefitting by the increased industrial activity and mounting civic revenues, embarked on programs which they found difficult to carry through at the end of the war. A good portion of the present top-heavy municipal debt structure throughout the Dominion had its genesis in the buoyant optimism which symptomized the thinking of municipal administrators twenty-five years ago.

But a lot of water has churned under the municipal mill since those days.

To begin with, the safe margin of borrowing power for most Canadian municipalities had been cut pretty narrow, even before 1929. Subsequently the burden of unemployment relief has had the effect in many communities of eliminating any capital works expenditure. Moreover, revenue from the property tax, the mainstay of municipal finance, has already been squeezed so dry that any attempt to further tap this revenue is likely to have disastrous results for property owners and municipalities alike. With high fixed obligations and shrinking and restricted revenues, most municipalities to-day are carrying on what amounts to a bread-and-butter administration. Civic improvement spending is at a standstill, with little prospect of the situation changing for some time to come. The net result of three decades of, at times, improvident local spending, coupled with the unloading on municipalities, by senior governments of the costs of social and other services, have strained the capacity of local government finance, and accentuated by the imposition of an unfair proportion of the costs of unemployment relief, has had the effect of placing too many Canadian municipalities in what amounts to a financial straightjacket.

Sirois Commission

A frank recognition of this situation is implied in the recent report of the Royal Commission on Dominion-Provincial relations. Stating that "The Dominion Government is the only government which can meet, in an equitable and efficient manner, the large fluctuating expenditures due to unemployment", the Commission recommends the complete assumption by the federal government of the costs of unemployment relief. This is precisely what Canadian municipalities have been urging from the very onset of the depression. Had the federal government accepted this responsibility from the beginning, the present plight of many municipalities, including that of the metropolis of the Dominion, would have been obviated.

Then, proceeding to outline a plan

for the easing of the national governmental debt structure (federal—provincial—municipal) the Commission, while conceding the responsibility of the provinces for other social services, puts forward the proposition that “fiscal justice also demands that the municipalities should not be required to carry an undue proportion of the load”. The Commission’s plan proposes federal assumption of most of the existing provincial debt which, being relieved of, the provinces would then be enabled to adequately undertake and assume complete responsibility, with the assistance of certain grants, for those social and other services which, under the constitution, are provincial duties.

It is assumed by the Commission that the provinces would pass on some of the benefits in fiscal easement to the municipalities, which would thus be made possible.

If the Report of the Royal Commission is eventually implemented, the resultant benefits to local finance throughout the Dominion should be quickly reflected

in improved municipal credit. Thereafter, most Canadian municipalities should be in a position to finance future capital expenditures on a pay-as-you-go basis, with economy to its taxpayers.

If the Report of the Royal Commission is not implemented, financial insolvency will be the post-war lot of most Canadian municipalities, and probably most of the provinces. It may require that we postpone action on the Commission’s Recommendations until the close of the war, but one of the first tasks of peace must be to implement its findings.

These, then, are in broad outline the nature of some of the problems, inherited as a backlog from the depression years, and accentuated in bold relief during this war period, which, with the advent of peace, will confront municipal administrations throughout the Dominion. The courage, insight and expedition with which these problems are then handled will determine, in large measure, the trend of municipal affairs during the immediate post-war decade.

INDEX

Articles in Volume III of "Public Affairs" by Names of Authors

BATES, STEWART	The Economic Problems of Nova Scotia Fisheries	1
BOUGHNER, C. C.	The Climate of the Atlantic Provinces	114
BRADSHAW, THOMAS	Serial Municipal Bonds	23
BRYCE, R. B.	Why Foreign Exchange Control	177
BUGBEE, PERCY	Fire Prevention—A Municipal Function	21
CAMPBELL, P. S.	Some Problems of Sanitation	80
CHALMERS, FLOYD S.	Canadian Industry Goes to War	159
CHANDLER, PHILIP	Should the Public Own Its Utilities?	105
GRAY, F. W.	Modern Methods of Using Coal	57
GUSHUE, RAYMOND	Newfoundland and Its Fisheries	109
HALL, FRANCES	The Education of Consumers	5
HARVEY, T. E.	Proportional Representation—A Voice from England	77
HAYES, S. E.	Handicrafts in New Brunswick	74
HAYTHORNE, G. V.	Economic Planning for Nova Scotia	60
JACK, L. B.	How Canada Finances the War	173
KEMP, H. R.	War-Time Price Control in Canada	181
LATTIMER, J. E.	War and Agriculture	166
LESLIE, KENNETH	Creative Education—A Review of Dr. M. M. Coady's "Masters of Their Own Destinies"	118
LINKLETTER, A. M. and CROTEAU, J. T.	Farm Credit in P. E. I.	68
LOUGHEED, W. F.	War and the Maritime Economy	53
LUTZ, ROBERT G.	Effectiveness of Local Debt Control in New Jersey	29
MACDONALD, A. W.	Marketing of Nova Scotia Apples	64
MACDONNELL, H. W.	The War and Industrial Relations— From the Employer's Point of View	186
MCLEAN, A. N.	The New Brunswick Sardine Fisheries	112
MOFFATT, H. P.	The Larger School Unit: The Report of the N. S. Royal Commission	121
MOONEY, G. S.	The History of the Cooperative Movement in Canada	12
MOONEY, G. S.	Post-War Municipal Problems	196
MOORE, TOM	The War and Industrial Relations— From Labour's Point of View	190
NICHOLLS, G. V. V.	Conciliation and Arbitration of Industrial Disputes	33
OXLEY, H. W.	Educational Aims of the Civilian Conservation Corps	84
PEEL, ROY V.	Local Government in Sweden	137
PRINCE, S. H.	A Provincial Prison Farm	130
PUTNAM, D. F.	Distribution of Agriculture in New Brunswick	8
RICHTER, L.	The Meaning of Unemployment Insurance	72
RICHTER, L.	Health and Health Insurance	140
ROBERTSON, D. E.	The Care of Crippled Children	133
ROWAN, A. H.	Prevention of Highway Accidents	16
SEXTON, F. H.	Occupational Assets of Unemployed Youth	126
SIMON, LADY (ERNEST)	Municipal Services in England	19
WILLIS, JOHN	The War and the Constitution	193

BY SUBJECTS

GOVERNMENT AND ADMINISTRATION

Dominion and Provinces

Why Foreign Exchange Control	R. B. BRYCE	177
How Canada Finances the War	L. B. JACK	173
War-Time Price Control in Canada	H. R. KEMP	181
War and Agriculture	J. E. LATTIMER	166
The Meaning of Unemployment Insurance	L. RICHTER	72
The War and the Constitution	JOHN WILLIS	193
Some Problems of Sanitation	P. S. CAMPBELL	80
Economic Planning for Nova Scotia	G. V. HAYTHORNE	60
Farm Credit in P. E. I.	J. T. CROTEAU and A. M. LINKLETTER	68
The Larger School Unit: The Report of the N. S. Royal Commission	H. P. MOFFATT	121
A Provincial Prison Farm	S. H. PRINCE	130

<i>Municipalities</i>		
Serial Municipal Bonds.....	THOS. BRADSHAW	23
Fire Prevention—A Municipal Function.....	PERCY BUGBEE	21
Post-War Municipal Problems.....	G. S. MOONEY	196
Local Government in Sweden.....	ROY V. PEEL	137
Municipal Services in England.....	LADY (ERNEST) SIMON	19
Effectiveness of Local Debt Control in New Jersey.....	R. B. LUTZ	29
<i>Great Britain and U. S. A.</i>		
Proportional Representation—A Voice from England.....	T. E. HARVEY	77
Educational Aims of the Civilian Conservation Corps.....	H. W. OXLEY	84
ECONOMIC CONDITIONS		
<i>Agriculture</i>		
War and Agriculture.....	J. B. LATTIMER	166
Farm Credit in P. E. I.....	J. T. CROTEAU and A. M. LINKLETTER	68
Marketing of Nova Scotia Apples.....	A. W. MACDONALD	64
Distribution of Agriculture in N. B.....	D. F. PUTNAM	8
<i>Fisheries</i>		
The Economic Problems of N. S. Fisheries.....	STEWART BATES	1
Newfoundland and Its Fisheries.....	RAYMOND GUSHUE	109
The New Brunswick Sardine Fisheries.....	A. N. MCLEAN	112
<i>Miscellaneous</i>		
War and the Maritime Economy.....	W. F. LOUGHEED	53
Canadian Industry Goes to War.....	FLOYD S. CHALMERS	159
Should the Public Own Its Utilities.....	PHILIP CHANDLER	105
Modern Methods of Using Coal.....	F. W. GRAY	57
SOCIAL PROBLEMS		
Some Problems of Sanitation.....	P. S. CAMPBELL	80
Handicrafts in New Brunswick.....	S. E. HAYES	74
Economic Planning for Nova Scotia.....	G. V. HAYTHORNE	60
Educational Aims of the Civilian Conservation Corps.....	H. W. OXLEY	84
A Provincial Prison Farm.....	S. H. PRINCE	130
The Meaning of Unemployment Insurance.....	L. RICHTER	72
Health and Health Insurance.....	L. RICHTER	140
The Care of Crippled Children.....	D. E. ROBERTSON	133
Occupational Assets of Unemployed Youth.....	F. H. SEXTON	126
INDUSTRIAL RELATIONS		
Industrial Relations in War-Time—		
From the Employer's Point of View.....	H. W. MACDONNELL	186
From Labour's Point of View.....	TOM MOORE	190
Conciliation and Arbitration of Industrial Disputes.....	G. V. V. NICHOLLS	33
EDUCATION		
The Education of Consumers.....	FRANCES HALL	5
Handicrafts in New Brunswick.....	S. E. HAYES	74
CO-OPERATION		
Creative Education—A Review of Dr. M. M. Coady's "Masters of Their Own Destinies".....	KENNETH LESLIE	118
The Larger School Unit: The Report of the N. S. Royal Commission.....	H. P. MOFFATT	121
Educational Aims of the Civilian Conservation Corps.....	H. W. OXLEY	84
Prevention of Highway Accidents.....	A. H. ROWAN	16
Occupational Assets of Unemployed Youth.....	F. H. SEXTON	126
Creative Education—A Review of Dr. M. M. Coady's "Masters of Their Own Destinies".....	KENNETH LESLIE	118
The History of the Co-operative Movement in Canada.....	G. S. MOONEY	12
GEOGRAPHY AND HISTORY		
The Climate of the Atlantic Provinces.....	C. C. BOUGHNER	114

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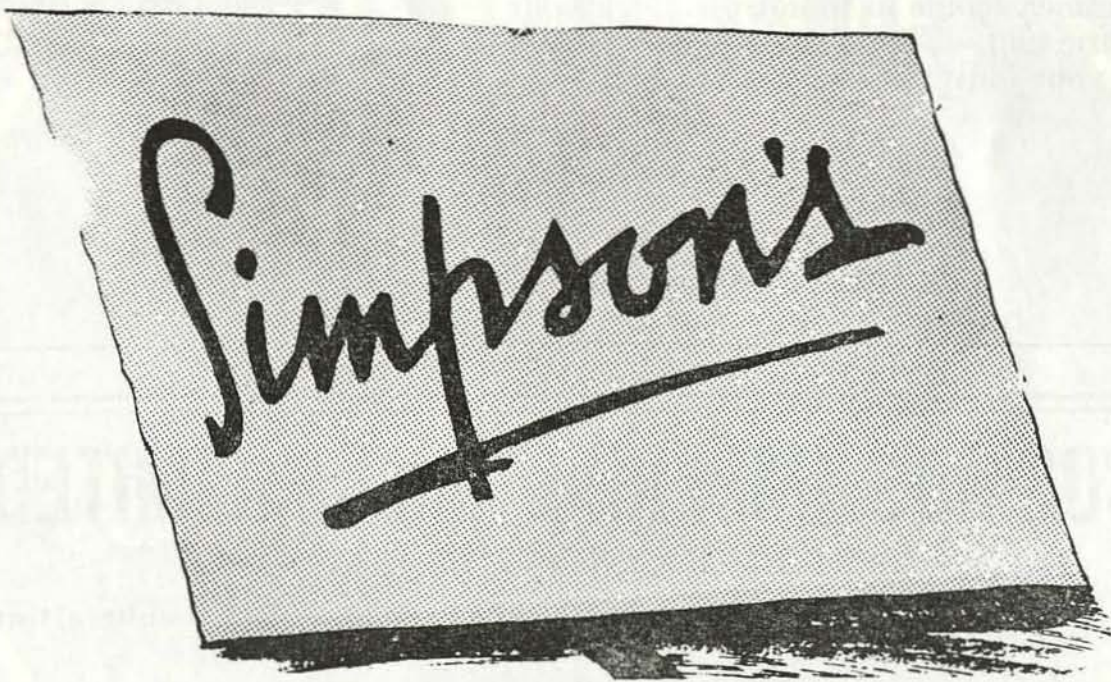
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