

TOPICS OF THE DAY

REPARATIONS AND WORLD-WIDE DEPRESSION: POLITICAL BANKRUPTCY IN THE UNITED STATES: CANADA'S ADHERENCE TO THE POLITICAL METHOD: RADICALISM AN INGREDIENT OF CONSTITUTIONAL GOVERNMENT: CORONACH OR POLITICS FOR NEW SCOTLAND?

IT is observable that in periods of great trade depression we all become students of economics. But in our prosperous intervals we give such matters very little attention, and indeed show the appetite of gulls for all manner of economic sophistries. In Canada we like to think that we are not so gullish and gullible as Americans, but serious economic study makes little headway with us,—perhaps because economics is the favorite course of study in our universities on the part of callow youths who have never experienced the rigour of mathematical training, nor the rigour of logic, nor the yet sterner rigour of actual business. Yet there are features of our situation which should make us, like the British, most ardent students of economic principles; some of our major activities are stakes to the economic fortune of the world at large.

The great economic feature in world conditions since the war has surely been what the newspapers call the Reparations Settlement, what should rather be called the Reparations Unsettlement. From the beginning the economic thinkers, such as J. M. Keynes and Gustav Cassel, have seen the mischief of it and unsparingly denounced it, but their warnings have gone for the most part unheeded. Looking up under its mountainous shape, politicians and bankers have been able to see only one cleft or cliff in their way, and this they have feverishly bridged or circumvented, only to find still greater obstacles beyond; again and again, when they have looked back, they have beheld their engineering swallowed up in quakes and landslips. The misfortune is multiplied through the circumstance that the destinies of the world have so largely been put into the hands of the Americans, whose whole development has unfitted them for understanding foreign trade or banking, to say nothing of social and political principles. It has not helped in the least that so many Americans have had the best intentions. It is easier to cure a French Chauvinist than a blundering uplifter.

Gustav Cassel has still to complain that most men outside of England, even alleged economists, fail to remember that, on a gold standard, business and general welfare depend on the wisdom of those who control available gold supplies. It should, one would suppose, be easy to understand that if gold is the measure of values, then values fluctuate disastrously if gold is either poured out unnecessarily by the central banks, or withheld by them at a time when trade and industry require to be financed. An undue supply of gold is only another way of saying that prices are mounting—these are the two sides of the medal. A sudden shortage of gold, on the other hand, is tantamount to a slump in prices. Both things, sudden rises in prices and sudden falls, are mischievous to the community at large. A sudden rise, as is generally recognized, is a calamity to the rentier class; but it can be shown that it damages the business class also by infecting it with the boom fever. The wage-earner also is penalized until the day when the wage-lag is overtaken. A slump in prices benefits all consumers temporarily, but paralyzes business, and in time the whole community has to suffer for it. Now, through the Reparations System two countries in the world have been enabled to hoard gold, France and the United States, and the latter has been the greater sinner of the two, not so much because of a desire to sin, as because of the easy generosity of Mr. Stanley Baldwin's settlement. (I shall not enter here into the political morality of attempting to force Germany to pay for the war, nor into the morality of America's collecting payment for services to her own allies. I shall comment on this ramshackle arrangement only sufficiently to show that it is the parent of economic disaster).

Let us look a little more closely at the economic history of the United States during the last few years. The Federal Reserve Board was a legacy of the Wilson administration; indeed it had its origins partly in Wilson's passionate admiration for Walter Bagehot and all his works. *Lombard Street*, to be sure, was out of date for modern banking purposes; but, as against that, the American banks were still without any balance-wheel whatever, such as Bagehot had graphically described, to steady machinery during a financial crisis; and Wilson had also to think of the old cry from the South and the West that capital was drained away from rural America to Wall Street. It turned out that the Federal Reserve Board was a heaven-sent means for dealing with the stream of gold that now began to pour into New York from Europe. If there had been no central authority to keep the surplus from expanding credit, the orgy of over-production and stock-speculation would

have been unique in history. But the Federal Reserve Board set to work with a will, and filled its unlooked for function so well that Mr. Keynes was led to make the dry remark that it was costing the Americans more to put the gold underground than it cost Britishers to get it out of South African mines (which are a mile and a half deep). There were shrewd observers, however, of whom the late Sir Edmund Walker was one, who doubted whether the Federal Reserve Board would be able to keep it up. If they could not, then there were certain things which it was easy to predict: a general increase in non-productive expenditure; over-production, especially of such things as automobiles and gramophones. (It is said that American factories can now produce all the automobiles that the United States can hope to use, or export, in seven weeks out of the fifty-two weeks of the year). Also a great increase in the already wasteful expenditure on advertising! Now all of these things have happened, and in addition a gambling in stocks almost without precedent. Furthermore, if the Federal Reserve Board insisted on keeping the gold, physically, in the United States, then Europe and the rest of the world were doomed to a feverish but limping industry for a long time to come, for the total gold supplies of the world are not sufficiently great to permit extensive cornering without damage to trade and industry. But this is precisely what the Americans have done. They have relented chiefly, and there perhaps in excess, in the matter of loans to Germany, which is in consequence of this, in the present stagnation of international trade, suffering from excess of production and from unemployment almost as much as the United States itself. Finally, when the stock market threatened to turn the whole of North America into a madhouse, the Federal Reserve Board, suddenly and drastically, shut down on credit, with results that rang to heaven, and with other results, which even now are not generally understood. Last autumn Canadians whose words are supposed to be authoritative on such matters announced in the most dogmatic manner that the crash in the stock market was no indication of a business depression, and that Canada in particular was in for a good year. These men failed to reflect that the crash in stocks had been brought about by taking gold off the market, which is only another way of saying that price levels have begun to fall. A few may remember that these pages predicted hard times.

Again, it was easy to predict years ago that the payments of large stocks of gold to the United States would cause a mad scramble for higher American tariffs. A century ago the Americans themselves thought that 10% *ad valorem* was a high tariff. To-day they

think nothing of imposing an *ad valorem* duty of 80%, and then by "valuation of invoices" and other subterfuges increasing this stupendous tax two or three-fold. The prime cause of this lunacy is the commitment of the world to the Reparations scheme. The debtor nations are devil-driven to increase their exports. The creditors may refuse, as much as they please, to accept reparations and debt payments in kind; but, if the creditors are to be paid, then *some* nations must accept these exports. These other nations must in turn pay for imports by exports of their own. Needs must, when the devil drives. And so Europe has become condemned to futility so far as the United States is concerned, and the United States itself is driven into madder and madder courses by refusing to accept European goods. Europe then tries, naturally, to find other markets. But to expand one's business in a new market requires capital and credit, and the Americans have cornered that. To crown all, the Americans do not understand such intricate things as world credits; and even when they do not mean to be selfish, they upset the applecart by acting rashly and drastically. They seem surprised, for example, at European exasperation over their immigration laws. For decades they invited Europeans by hundreds of thousands annually to come and settle in "God's own country." A colossal error, no doubt, but one which brought into being an order of things with wide ramifications. Then, at a swoop, they annul this order of things, as though it concerned themselves alone. Similarly they say about the gold supply: "It's our gold; we can do what we like with it; waste it if we choose, or hoard it if we choose." And then they seem surprised that they cannot sell their grain, their cotton, their automobiles!

For indeed the mischiefs they have caused are rapidly coming home to roost. If the Americans could really find a Moses, such as some of them pretended to find in Mr. Hoover, his first act would be to cancel European debts to the United States (that one sudden stroke might be allowed him), and his second would be to set about a gradual lowering of the tariff. He might then spend the rest of a long life in inculcating legislative temperance upon his fellow-countrymen.

It is hardly necessary, perhaps, to point the connection of all this with the doldrums of Canadian trade. We, unlike the Americans, have a trade which is largely foreign trade, and if foreign trade is difficult, we are in a bad way. Our geography compels us to trade abroad rather than among ourselves. Again, if world prices recede suddenly, we are in an exceptionally awkward position. For many years I have been writing and talking of the enormous

difficulties encountered in times of instability by those who work on a long "future", in the economic sense, as compared with those who work on a short future. Bankers and brokers work on the shortest future, of all who do business. Next come the large traders, next perhaps the large manufacturers. After them come the smaller traders and makers. The longest future of all occurs inevitably in agriculture. Wheat, fish, lumber are among our staples of production, and in each of these industries, particularly in the first two, there is a long future. Consequently, the townsman always laughs at the farmer for being the last over the fence, and jibes at him for "hanging himself on the expectation of plenty." Class differences are therefore intensified in a period of economic instability. The long future man is the first to suffer in a period of rising prices, he is the first to suffer in a period of falling prices. And in each case he is the last to recover. An increase of tariff can only increase his miseries, for he has to pay more for everything he buys, and no tariff can increase the prices of the things he sells in so far as these are world prices, which they nearly always are. Now it happens that socially, and indeed in every way, this class of the community is the most precious; their economic long future is of a piece with their stability and innate conservatism; in them lies that deep well of content, reflection, sobriety, which is the health of a nation. Pray Heaven that no Canadian legislator sneer at them!

ABOUT ten years ago when challenged, by one of those Canadians who think we are becoming American, to name "a single important difference between Canada and the United States", I hazarded the remark that I saw no signs of political and social revolution in Canada, and a good many signs of it across the border. In the interval these American indications have perhaps not increased in number, but some of them grow plainer. Great reforms have been long overdue in that country, and the zeal of reformers has certainly grown, but the opportunity to accomplish reforms *by political means* seems to be less and less. Hundreds of thousands of Americans lament the steady pauperization of masses of the citizen body. They understand, too, that an increase of the tariff is a lowering of wages, and that it increases the difficulties, which are always great, of the agricultural class. At the last American election wage-earners and farmers were very articulate, and they were loudly promised attention. But the powers that be have shown the most cynical indifference to all this, and have done the

very opposite of what was necessary. In a country already lawless, legislators have had the folly to impose laws which could not possibly be kept. On a population heterogeneous beyond any example in history they continually seek to impose narrow standards and orthodoxies, and the least dissent, the least harmful eccentricity, is stamped upon by a brutal police and incurs savage penalties. A few weeks ago a dozen women ("wops", of course, as the names given in the newspapers indicated) were haled off in a police van for having brought their own campstools to one of the New York beaches. The accounts which have crept into the newspapers of country-wide prison riots indicate a most serious ground-swell of discontent. But I meet few Americans who take it seriously. They shrug, and mutter something about "a bunch of wops". But then, by American definition, all men are free and equal, and these wops are citizens of God's own country. An American college graduate once told me that farmers were "a bunch of unprogressive hicks, who have no one to blame but themselves."

The chief postulate of democracy is a wide-spread reverence for law, which is obviously difficult to secure in a heterogeneous population. And the minimum postulate of government, of whatever kind, is that the great majority of the governed continue to be of the opinion that it is better to wait for the government to be persuaded of the need for change, than to attempt to secure the change by violent means. It has long been obvious that the United States possesses democracy in name only. I think it is rapidly becoming obvious that American government as it exists is in danger of breaking down. There are too many sections of the community who have no interest whatever in the government, who think it venal, or partisan, or ineffective, and who at any rate would never dream of attempting to get the government to change the things which they see need to be changed. If they wished *very much* to have these things changed, they would resort to violence, in despair of any peaceful method. Indeed, already, there seem to be many thousands of Americans, even if they be all wop Americans, who do open violence to the law every day of their lives, and who are quite ready to kill any one who interferes with their courses. If a student may learn from history at all, this surely is incipient revolution.

IN our Canadian development there are indeed American tendencies: it is inconceivable that there should not be. I shall not go into that much hackneyed subject in any general way. And in the matter of politics I shall content myself with throwing

off a few random suggestions, asking my readers, if they are interested, to carry the analysis further for themselves. It is sometimes useful, for those who are following a method, to stop and make an intelligent examination of the method. In spite of our political mistakes, then, and in spite of sinister influences even, we still do believe, I think, that adjustments may be made, and reforms accomplished, by and through political action. In fact some of our political achievements since the war have been most striking. The Provincial Liquor System of Quebec has been nothing short of an object lesson to the world. The creation of the Canadian National Railway, with no rash attempt to secure a government monopoly of railways, is a signal achievement. Nor are we disposed, on the other hand, to expect too much from governments, provincial or federal. The Wheat Pool of the West is an excellent example of self-help, and its co-operative spirit is the very stuff out of which constitutional governments are made.

I do not mean that Canadians are Solons, of course, and am quite ready to admit that such success as we have had may be due partly to accident. One is sometimes given to ask, for example, whether the political difference between Canada and the United States is not due partly to the accident that our local governments fall into more rational divisions than do those to the South. With the single exception of the Maritimes Provinces, the marches of our local governments fall along pretty well marked lines, and the country governed is sufficiently large and sufficiently varied to make our provincial administrations significant and real. In too many cases the State government controls an area that is too small, and that is divided from its neighbours in an artificial way. A moment's reflection on Rhode Island, Connecticut, New Jersey, the Dakotas, will show what I mean. Now, it is a most unhealthy thing to have a government which has not enough to do, or which is merely doing things in duplicate. Over considerable areas in the United States there is an unreality, a puppet-like appearance about local government, which cannot fail to bring government generally into contempt. In Canadian politics we may have a pronounced sectionalism, but (the Maritime Provinces again excepted) it is a natural, geographic sectionalism compared with that of Vermont and Maine, Idaho and Nebraska. No one can reasonably complain if a native orator becomes perfervid about the political aspirations of Montreal as compared with Toronto, or of Toronto and Winnipeg, or of Calgary and Vancouver. It is harder not to smile at the local loyalties of Cleveland, Ohio, and Buffalo, N. Y.

WHY, I wonder, were our newspapers so elated, after the recent election, by the so-called return to the two-party system? This indifference to the realities of our politics is depressing. It accepts at their face value names and cries which have been the butt of every schoolboy debater for a generation, and it shows a wilful blindness to the only significant and valuable things done in the last few sessions of parliament. These things have been done by the radical group, of which the newspapers write as though it were an unnecessary wheel in the machine. The radicals have played the game fairly and squarely, and have won the respect of the whole House. Every reader of *Hansard* knows that the interesting debates of the last session were, without exception, instituted by this group. If the debates had accomplished nothing it was still worth while, and a public service, to redeem *Hansard* from dulness! But in fact some of the debates were effective.

True, few of our newspapers like radicalism, but newspapers as an institution are not responsible for the well-being of the country. The well-being of the country depends upon a continual overhauling of our forms and institutions. As Dr. Johnson said of friendship, they need to be kept in repair. We possess no written constitution made up of the catch-words of the eighteenth century, nor is it in our character to depend upon judicial decisions for the revamping of our statutes. We have a parliamentary government much nearer the British model,—partly because our French-speaking citizens have so thoroughly studied English institutions. It may be that they have done so for their own purposes, but who can blame them for that? One often wishes that one's English-speaking compatriots would study English political history more carefully. In England, as a writer in the current *Political Quarterly* puts it, there has always been a radical party:

Even when our politics were at their simplest, the two-party system contained three parties, Tories, Whigs and Radicals, and the merging of the two last under the common name of Liberal was responsible for infinite mischief and confusion.

Further, it might be said that the two-party system, at the time of its inception and ever since, has required for its successful working a great issue on which men were divided; and so far as my memory serves me at the moment, there has always been complaint about the two-party system, as being artificial, when no single great issue of division existed. In Canadian history it has rarely happened that any single dividing issue could even be invented. The normal state of affairs is that many things require attention, and that some

constituencies and some members of parliament are interested in one of these, and some in another. The questions may be political, economic or social; often they have to do with efficiency merely, and business-like methods. That there can be any natural or realistic two-party division on the complicated mass of affairs with which the Canadian parliament has to deal, it is impossible to believe.

It is in the nature of radical parties to come and go, sometimes because the reform they press for is accomplished, at other times because an intervening preoccupation leaves no room for a discussion of their purpose. Wilberforce, for example, a radical if ever there was one, though an aristocrat, had for his special interest in parliament the abolition of the Slave Trade. He began his agitation in 1787, three years after he entered parliament, and slavery was abolished as an English trade in 1807. In those stirring twenty years there were many intervals when no one in Westminster could have had patience to hear about Africans; and after 1833, when slavery was abolished everywhere under the British flag, there was no more need for that particular agitation. But there will always be, and should always be, in a parliament worthy of the name, representation of Left, Middle and Right, to use the Continental names, or radicals, whigs and tories. For this is the real expression of human tendencies. In any generation that is kept sweet there are a few enthusiasts who find, and who wish others to accept, a new and a better way of doing things. Generally they have not too much respect for tradition. Those of them who would smash things more valuable than their own invention are called cranks by wise men. But if the enthusiasts are intelligent as well as sincere, and if they see things in some proportion, they are sure, sooner or later, to win adherents. Theirs is a genuine mission for which posterity will join in thanking them, even if their contemporaries are divided. At the extreme of the other wing are the Stand-Patters or Die-Hards, who, through an instinct quite as sound and sure for the welfare of the world, find it painful to think of anything that has happened in the last century, and who oppose all change on principle. We are all Die-Hards, of course, on those questions we have not thought about, which are numerous in the case of most of us. And every man is a radical on a question he has thought out for himself. But as this does not happen to many of us in a generation, there are few radicals. The great bulk of us lie between these two extremes. Most of us are not capable of thinking questions out for ourselves. More of us can follow, some quickly and some slowly, an explanation when

it is given. Many again cannot even do that, and yet lack the courage to say, with the tory, that we neither understand nor wish to understand. All of these Moderates are capable of being brought round to the radical point of view, and again all of them will swing to the tory side if the radicals ask them to think too hard, or too continuously, or interfere too much with the humanly indolent way of life. Trade depressions stir them up for a while, but generally the radical has his best chance with them if he can couple his reform with some moral appeal. It is much easier to stir up a holy war than to get a nation's representatives to do a sum in arithmetic, for men's hearts are always better than their heads. If he can find no moral appeal, the radical's best course of action is to harp on the dangers attending delay. Burke for ever defined the philosophy of Liberalism when he described it as a willingness to reform in order to preserve. But the spearhead of reform is the man who sees in advance what reforms are going to be necessary. He and his closer allies, the left middle party, are as much the bulwark of institutions as the pure traditionalist.

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Trite sayings these, for readers of English history. But perhaps not otiose in the present unthinking clamour for the strict duality of parties.

ONCE again I have had the good fortune of spending my summer in Nova Scotia, amid scenery that reminded me alternately of Germany and the Scottish Highlands, and near one outlook, often visited, as arresting and memorable as "Sunium's marbled steep." But everywhere the uncouth forest and the wild life of Canada. What a noble country, and what a nurse of heroes and giants it has been! After reading Mr. MacIntosh's paper on Nova Scotian scientists, in the last DALHOUSIE, I made a pious pilgrimage of more than a hundred miles to see the Pictou Academy, and wander about Pictou town, though I had many times been there before. Yet the abiding impression I carried away with me from the province is one of desolation and frustrated endeavour. Scores of abandoned farms, once hewn out of the forest on rocky hillsides, where farms should never have been attempted if an empire of rich prairie lands was to be thrown into competition with them, in melancholy demonstration of Ricardo's laws; and, side by side with this, an almost unparalleled wastage of forest land.

Well, let us not play the coronach! But what is the present situation? Land that can be bought for a trifle, and that would

yield a Midas fortune in forest wealth, cries for the hand to be stretched out to it,—thousands and thousands of acres! If I were a Vanderbilt or an Astor I would buy as much of it as my credit would allow, and carve a fortune out of it. And at the moment there are signs that this is being done, not only by Canadians, but by great American capitalists. Within ten miles of my summer habitation there was a marvellously efficient and destructive organization, cutting millions of white spruce logs, floating them to navigable sea-way, and carrying them by steamer and barge to a New England pulp mill. What good was this to Nova Scotia? Nova Scotians were not even employed in felling the trees or loading the barges. Imported cheap labour was engaged. Who made the profits? A few individuals. One might say that Nova Scotia's share out of this exploitation of Nova Scotian wealth was a trifle or nothing.

The only cure for such ills is the policy I ventured to recommend to Nova Scotian readers a year ago. Villages and towns should buy up the cheaper lands, while there is still opportunity to do so, and before the hillsides are utterly bare, afforest them by allowing Nature to take her course, and giving her such cheap and easy assistance as the individual cases may warrant, and thus provide for themselves *in perpetuum* the readiest and most obvious means of subsistence. We need not labour once again the salutary effect that such a reform would have on politics and social life, as that was dealt with at length on a former occasion. But I am so much struck with the individual thrift and the public spirit of Nova Scotians in other directions that I cannot forbear to repeat this suggestion.

C. S.