

# FIFTEEN YEARS OF THE REVIEW

THE EDITOR

IN the *Salutation* which the DALHOUSIE REVIEW addressed to its readers on its first appearance in April, 1921, it set forth its purpose as differing from that of the technical, learned journal on the one side and that of the magazine of light entertainment on the other. Here would be neither a channel of exchange among experts, nor the mere diversion of an idle hour for the frivolous. The appeal was to the serious-minded amateur. It solicited attention from a public "concerned about the things of the intellect and the spirit", promising to "deal with problems of general import in a style that can be generally understood." The *Salutation* added that regard would always be paid to the special form which issues of universal challenge have taken in Eastern Canada.

In closing Volume XV, we now feel that we have been mindful of our engagement to deal specially with the life of the Maritime Provinces. We have published some sixty articles, an average of one in every number, on Maritime affairs. They have discussed matters of such immediate urgency as tariffs, freight rates, Maritime University Federation, the forestry and lumber problem in New Brunswick, the recommendations of the Nova Scotian Economic Enquiry, the unsatisfied claims of Prince Edward Island in Confederation. They have ranged over history, from the establishment of "Our First Common Law Court" or the coming of the HECTOR, to memories of Sir John Thompson and the Hon. W. S. Fielding; from Sir William Alexander's settlers and Lord Ochiltree's colony to the development of our latest changes in schools. They have told of the first enterprise in public libraries and theatres, of the progress of agriculture and fishing, of the ships that made Nova Scotia famous in the old sailing days, of the brilliant scientists this part of Canada has produced—such as Simon Newcomb, whose fame had to be brought home to the minds of his fellow Nova Scotians by eulogiums abroad. Many an article by journalists whose memories go back very far indeed has described in our pages how they watched our history in the making—articles by such veterans in reminiscence as Mr. J. E. B. McCready in Prince Edward Island, Mr. A. M. Belding in New Brunswick, and the Hon. Benjamin Russell in Nova Scotia. These are mere random gleanings from a long list. A writer with a charm all her own, who served the magazine signally on the Editorial Board, was the late Dr. Eliza Ritchie, whose *Songs of the Maritimes* supplied so perfect a local anthology, and whose literary executors have just issued a post-

humorous volume of her verse, entitled *In the Gloaming*, from which we are permitted to publish in this number the piece "Infinite Riches".

Naturally a large place has been given in our pages to articles on constitutional change—articles on Fascist Italy, for example, on the internal affairs of Russia, on China's case against Japan, on the Succession States of Southern Europe, on Poland and Hungary. Another conspicuous section has been concerned with economics, with the New Deal and its fortunes in the United States, the newly created Central Bank, general issues in the problem of Capitalism, or Canada's new responsibilities in foreign policy. The cultural opportunities provided by a centenary have been used, as all magazines use them, and the REVIEW has thus presented a reconsideration of personalities so different as Spinoza and Goethe, Huxley and Goldsmith, St. Francis and Adam Smith, Bagehot, Bacon, Ibsen, Tolstoy, George Meredith, Ernest Renan. Catholicity of interest is illustrated by the appearance, within a short space, of critical papers on Bertrand Russell and Cardinal Mercier, while music, painting and sculpture have in turn had some aspect presented by one who joins to technical competence the power to write "in a style that can be generally understood".

We have to thank our readers and our advertisers for the measure in which our confidence has been justified, and to point out that the possibilities of expansion for such an enterprise depend altogether on the continued response of the public which it serves. Our Board is always sensible of wider and better things we could do if we had an ampler constituency to which to appeal. We have had a multitude of grateful and appreciative letters. Every reader who feels, then, that THE DALHOUSIE REVIEW has in fifteen years rendered public service of value is asked to show such appreciation now by securing other readers.

This is a suitable time to bring to notice a new feature. From its establishment, the REVIEW has included two Sections entitled respectively *Topics of the Day* and *Current Magazines*, dealing with the world situation. We have now added a third, to consist of a Letter from London on public affairs in Great Britain. For this Letter we have been fortunate in securing the services of Mr. Wilfrid Hindle, editor of *The Review of Reviews*, whose range of knowledge and literary talent are so admired by all readers of that great English monthly. Mr. Hindle's first Letter, entitled "War Before Christmas", appeared in October: his second, entitled "The Prophets Falsified", appears in the present issue. We welcome him most cordially as a regular contributor to the DALHOUSIE REVIEW.

# DISCUSSION IN THE SOCIAL SCIENCES<sup>1</sup>

H. A. INNIS

FOR a brief period I shall attempt to appear before you as an economist bewildered by the extent and range of discussion which deals in a final form with the problems of a subject in which he is particularly interested. It may seem strange that an economist should appear before you to admit that he does not see the answer to these problems, and I shall plead in extenuation that I am addressing a university audience interested in the pursuit of truth and in certain standards of intellectual integrity and honesty. This may be a bold assumption. But even universities, staff and students, have been known to advance solutions to world problems with conviction and sincerity and apparent logic.

University authorities have been particularly insistent in these days of Fascists, Communists and the like that at least one certain cure of our ills may be said to rest with *freedom of discussion*. Heroic and mock battles have been fought in defence of freedom of speech and freedom of the press. It is the purpose of this paper to suggest that perhaps this assumption may be questioned. It is perhaps a comment on the character of present freedom of discussion that I should not care to discuss discussion to an audience of the younger university presidents, or to an audience insistent upon making constant speeches about the sanctity of freedom of speech. We should be free to discuss everything except discussion. I insist upon discussing even that. I propose to lay unholy hands on this white heifer of the sacred kine of liberalism.

As an economist, I am constantly faced with the extraordinary difficulty and complexity of the social sciences, and constantly forced to admit defeat. If an economist becomes certain of the solution of any problem, he can be equally certain that his solution is wrong. This is not to say that we cannot look back upon commendable achievements in the history of economic thought—beginning with Adam Smith and running through the classical economists Malthus, Ricardo, Mill, Marx, and Marshall, or with economic historians in Great Britain and the Anglo-Saxon world

(1) A paper read before a meeting of the summer session of the University of British Columbia, 1935, and intended as complementary to "The Rôle of Intelligence," *The Canadian Journal of Economics and Political Science*, May 1935, 280-7.

and in Europe. To acquire a knowledge of the writings of the masters of economic thought involves years of patient effort and study. The work continues, as a review of leading economic publications will indicate. Even in Canada, where our energies have been absorbed in the exploitation of virgin resources, the names of Shortt and Mavor may be mentioned, and with these, of living writers engaged in research over a wide field. The appearance of the *Canadian Journal of Political Science and Economics* is an indication of a widespread interest. With an appreciation of the work which has been done and of the work which remains to be done, what is one to say about the innumerable solutions propounded in this age of discussion?

Not only have there been important advances in economic thought, but in all countries, and particularly since the war and the Depression, there have been advances in economic control and increasing efficiency of control. In Ottawa we have seen legislation rounding out a mechanism of control in the Central Bank, and a host of other devices. We have witnessed the appointment and activity of thoroughly trained and competent civil servants who played a predominant *role* in the framing and administering of legislation. It is probable that no federal administration has ever been manned by an abler group of civil servants. In the provinces we have seen the extension of control, and on the whole an improvement of the civil service. In spite of developments in the social sciences, and of increasing efficiency of application of scientific knowledge to modern problems, we have witnessed and are about to witness an outburst of discussion on incompetence such as has been seldom seen. The brutality and cruelty which we have already witnessed are a prelude of things to come. We may well ask as to the *role* of discussion in a complex society whose problems can be attacked only by patient continuous labour. We are faced with the problems of democracy. We are forced to recognize the increasingly difficult and complex character of social problems, and the necessity of applying the ablest intelligence to the solution of those problems. It has been said that phrenology was a substantial force in the spread of democracy in the nineteenth century, and it is apparent that tests of intelligence may play a similar *rôle* in the solution of the problems of the twentieth century. The phrenologist disregarded class and insisted on ability in relation to bumps, and the modern psychologist has advanced his claims along other lines.

But while our problems have become more complex, and the necessity of technical discussion chiefly in restricted conversations

and in publications of limited circulation has become more acute, the possibilities of discussion have increased immeasurably. The character of discussion, like other forms of entertainment, has been tremendously influenced by recent industrialism and inventions. In the nineteenth century, with the development of the printing press, economic expansion and the growth of literacy, discussion from the standpoint of the press was concerned with an attack on abuses which concerned those capable of reading or those capable of subscribing to the papers. It paid in the newspaper business to attack abuses, or to conjure up abuses and attack them. The reforms of Great Britain and the struggles for responsible government in the Dominion coincided with the emergence of the industrial press. William Lyon Mackenzie, Francis Hincks and George Brown in Upper Canada, Joseph Howe in Nova Scotia and his disciple Amor de Cosmos in British Columbia, Buckingham and Coldwell in Manitoba, Frank Oliver in Alberta and Eugene Allen in the Klondike were in the newspaper business, attacked abuses vigorously, and found it was a paying proposition. The struggle for cheaper rates on newspapers and a free press and for public education and public schools may have been a struggle for democracy, but incidentally it was a struggle for bonuses to literacy and indirectly to newspapers. No other industry has been so lavishly supported from public funds.

Newspaper men of the generation just passing never weary of commenting on the changes which have taken place within the industry in their time. News collection has been tremendously improved as a result of the telegraph and its successors, the telephone and wireless; distribution has been widened with improved transportation facilities; the press has been expanded in size and improved in accuracy and speed, and the raw material has been increased almost inconceivably by the shift from rags to wood. The pulp and paper industry is a fundamental development. With these epoch-making changes, the business of newspapers has changed as well. Circulation has become even more important with the increase in size and efficiency of the newspaper plant. The spread of literacy has provided a market. Moreover, the growth of urban centres and the complexity of marketing and distribution have accentuated the necessity for wider circulation. Advertising has become a basic source of revenues.

The contrast between literacy and intelligence implies a shift of emphasis from an attack on abuses to devices which will attract the interest of the largest possible number of readers. Constant emphasis on wars, watering down of editorials, the disappearance



of editors and the emergence of owners, the tabloid, the chain newspaper, the comic strips and the private lives of great men, are designed to increase and maintain circulation. Politics have dwindled to a position in which circulation is of first importance. The free press has proceeded to the point where freedom of expression has become important as news interest. Defence of freedom of speech has become an attractive means of attracting public attention. We are scarcely covering unfamiliar ground in all this. Recent improvements in facilities for discussion, particularly the radio, have tended to displace the newspaper, and it may be urged that improvements will overcome the difficulties. Unfortunately there is slight evidence to this effect, and much evidence to the contrary. Even government regulation and government ownership have failed to improve materially or to check the character of the discussion which dominates the air. Whether under government control or under private control, the appeal is to the largest number of possible listeners, and there are even more listeners than readers, or more people capable of listening than reading. The radio, like the newspaper, is concerned with marketing and distribution, and its discussion is probably on a lower level than that of newspapers. Fortunately one does not need to listen to lectures from the university on the radio, or to inter-university debates! A radio can be turned off, and there is always another programme.

In Canada the difficulties are enhanced by the persistent trends toward centralization. Densely populated industrial areas in Central Canada tend to dominate control over news and editorial policy in outlying regions. Magazines and periodicals and the high costs of publication in competition with American products necessitate centralization of production. Local expression is confined to letters written to the editor, or to letters written by the editor to himself. It is scarcely necessary to describe the results in either case.

Let us turn from these alternatives to the great centres of intelligent discussion in our numerous houses of parliament. Again there is the necessity on the part of members and parties of keeping in touch with the largest number of voters, which includes those who cannot read, see, or hear, and the results scarcely need elaborating. It would be unfair to single out the reports of parliamentary activities which appear in the press, as we know what to expect. But those of you who are particularly intelligent for political purposes, and who receive gratis copies of speeches by your local member or by your party leader, will be aware, or I hope you will be aware, of the sort of thing that passes for intelligent discussion. To read is to

run. To make it worse, they all claim to be sincere. Would that we could call back the days of insincere politicians. To escape to the more serious aspects of discussion in our parliaments, if you have ever had occasion to read the enormous volumes of evidence collected by various select committees, as many of us unfortunately have been compelled to do, you will realize how much intelligence has been kept out of parliament and how little gets in. The valuable portions of the evidence are submitted in memoranda by experts called in from outside. Nor does a Royal Commission improve matters, and render parliamentary committees more valuable. A recent well known report of a Royal Commission may be cited as a case in point, and I am told on excellent authority that we should have seen it before it was shaped by the experts who were called in to do the work. The effective work of Royal Commissions has been done in the main by men from outside parliament, and the ability evident even in their reports is not conspicuous.

Finally, we turn to the real source of intelligent discussion—that carried on by the “intellectual”—the most tragi-comic group in the history of discussion. In the main the intellectual has failed to realize the significance of the change which has so profoundly influenced discussion. He remains as a vestige of an era of discussion which has passed. He is valued by universities as a means of displaying to the public their continued belief in academic freedom—the steeplejack who dances about on the upper structures of the framework to demonstrate its soundness. No self-respecting university can afford to be without at least one. Discussions of academic freedom centre about inefficiencies in the social scientists, and academic freedom has become the great shelter of incompetence. The intellectual writes informatively for a respectable group of people who still believe they discuss the complex problems of society intelligently, and is employed by the paper accordingly, or failing the paper where his efforts are narrowed perhaps to a small column imprisoned as a memorial to freedom of the press, he writes for subsidized journals dedicated to the maintenance of the belief in the importance of freedom of discussion. Political parties find use for him, particularly new parties anxious to seize upon the intellectual limitations and sympathies of any group, and not cognizant of his limited value or even of his character as a liability. Intellectuals in large numbers will sink the raft of any party, and if allowed to write a programme will kill it. In many cases a keen observer, the intellectual has the satisfaction of predicting the course of events with accuracy, and in his old age he begins to point to his influence on the course of events. The Fabians in England

have been notorious examples of individuals who claim to have moulded the course of history. Mr. Wells, like Roo in the expedition to the North Pole described by A. A. Milne, has fallen in the water, and drifting with the current, constantly shouts to those on shore "Look at me swimming". The intellectual's profound belief in his influence, his delight in believing that he lives dangerously, his pleasure at spinning ideologies, at amazing people with his knowledge, particularly of Aristotle and Plato, and at frightening them with bugaboos about the revolution and the breakup of capitalist society, are his consolations. Let us not disturb him.

It is only fair to add that we owe most to the intellectual for artistic discussion. Literature is perhaps the chief beneficiary. Conferences, subsidized and other sorts, for the discussion of problems of the social sciences would become intolerable with the platitudinous comments of important elderly men of affairs who grace them, and without the entertainment provided by a trained group of intellectuals designed to stimulate those anxious to think they are making important contributions to a solution of the world's problems and to amuse those who know better. The social sciences provide both the opiates and the stimulants to what passes for modern thought. The travelling comedians who masquerade as economists and prophets have fortunately done much to displace the meaningless outbursts of eloquence which delighted our fathers by at least a form of entertainment more suited to the taste of the present generation. We cannot complain of lack of variety. We are given alternately monologues on the gold standard, debates on the British North America Act, dramatics on the capitalist system and production for use and not for profit, and symphonies on social credit.

All this is not to question the change and character of discussion. We must recognize the inalienable right to be amused. The cost of discussion has been terrifically high and will continue to be high, but it is apparently worth it and more. I for one would not like to have missed the excitement of 1935. No one can say we have not solved the problem of circuses, whatever may be said as to the problem of bread. We should perhaps insist on more artistic discussion, since we pay so much for it, but that will come with time. But it has its dangers. The increasing cruelty of political life is a reflection of the increasing interest of the mobs. The struggle for position becomes more violent, and each accession to the political arena shrieks more loudly and vehemently. A tyranny of talk has ominous possibilities. Already raids are being made on the universities, and freedom from political control which univer-



sities have struggled to achieve is in danger. The enemy is becoming more vociferous, and the inner resistance is being weakened.

The effects have been most threatening to the social sciences. The possibility of achieving the conditions described by Alfred Marshall as important to the study of their complex problems decreases. He writes:

An epoch in my life occurred when I was, I think, about seventeen years old. I was in Regent Street and saw a workman standing idle before a shop window; but his face indicated alert energy, so I stood still and watched. He was preparing to sketch on the window of a shop guiding lines for a short statement of the business concerned, which was to be shown by white letters fixed on the glass. Each stroke of an arm and hand needed to be made with a single free sweep so as to give a graceful result; it occupied perhaps two seconds of keen excitement. He stayed still for a few minutes after each stroke, so that his pulse might grow quiet. If he had saved the minutes then lost, his employers would have been injured by more than the value of his wages for a whole day. That set up a train of thought which led me to resolve never to use my mind when it was not fresh, and to regard the intervals between successive strains as sacred to absolute repose. When I went to Cambridge and became full master of myself, I resolved never to read a mathematical book for more than a quarter of an hour at a time without break. I had some light literature always by my side, and in the breaks I read through more than once nearly the whole of Shakespeare; Boswell's *Life of Johnson*; the *Agamemnon* of Aeschylus (the only Greek play I could read without effort); a great part of Lucretius, and so on.

His wife wrote: "Alfred always did his best work in the open air. When he became a Fellow of St. John's, he did his chief thinking between 10 a. m. and 2 p. m. and between 10 p. m. and 2 a. m. He had a monopoly of the wilderness in the daytime and of the new court cloister at night." Such are the surroundings in which solutions to the problems of a complex society are advanced, and such surroundings are becoming more and more difficult to find.

It becomes apparent that discussion plays a minor if not negative *role* in the advance of social science. The results of such advance can be more satisfactorily placed before the world in writing than in discussion. Stimulation of mental activity follows perhaps more from walking than from talking, and more from lecturing than from discussion. The necessity of focussing the mind on the wider aspects of problems, and of grappling in a systematic way with the subject, which lecturing involves is important in the development of ideas. This will not sound convincing to students, but I assure them there is a grain of truth in it. But the dangers of lecturing to be bright always beset the path of the lecturer. Perhaps

the danger of being confident is even more serious. The task of the social scientist is to discover, not to persuade. There are fewer and fewer people who will admit that they do not know, or who have the courage to say that they have not solved the problem. And yet that is what the social scientist must continually keep saying if he hopes to maintain any hold on intellectual life. Constant admission of ignorance is not popular in lecturing, to say nothing of its impracticability as a means of winning elections.

But the question will be raised, what is the hope of democracy? To which we must reply, what democracy? To an increasing extent it has become more dangerous to trust democracy to think out solutions to complex problems, and more necessary to rely on skill and intelligence. The complexity of economic life necessitates constant attention to detail such as only the civil servant can be expected to give. Policies must be formulated in relation to the work of the civil service. Improvements are essential, particularly in co-ordinating the policies of various departments, and formation of an economic council may do something to pool the resources of the civil service and the social scientist. Co-operation between economic councils set up by the provinces and the Dominion should go far in removing glaring injustices; but make no mistake, the peculiar and extraordinary difficulties of the Canadian economy necessitate long and arduous work on the part of the social scientist before serious injustice can be alleviated. A country built up in relation to export markets subject to violent fluctuations as a result of changes in prices and changes in yield, a country with diverse regional problems in relation to these fluctuations, is essentially one in which the politician thrives, in which scapegoats are essential, and in which, conversely, the difficulties of obtaining solutions to problems are increased. The number of curealls varies directly with our difficulties, and indeed adds to them. Discussion has become a menace rather than a solvent to the problems of a complex society. The task is one of directing it so as to do the least possible damage. Freedom of discussion is of first importance as a means of preventing something worse. So long as attention is focussed on circuses, on writing letters to the editor, on attending political meetings or demanding a scapegoat, and getting one, provided it is not too costly, the civil servant and the social scientist have a chance of getting on with the problems. Our hope is in asking that discussion shall be louder and funnier, and in avoiding control by people with plans and blue prints who insist on interfering with the work of the civil servant and the social scientist, or by people who insist on making the civil servant and the social scientist the scapegoat.

Lest I run the risk of becoming a scapegoat, I shall not proceed further, but turn to a brief survey of the underlying problems as they appear to an economist, as a means of substantiating the account thus far. A major preliminary handicap is involved in attempting to see the problem as a whole. To quote from *A Discourse of Trade* (London, 1680) by N. Barton:

The reasons why many men have not a true idea of trade is because they apply their thoughts to particular parts of trade, wherein they are chiefly concerned in interest, and having found out the best rules and laws for forming that particular part, they govern their thoughts by the same notions in forming the great body in trade, and not reflecting on the different rules of proportions betwixt the body and parts have a very disagreeable conception, and like those who have learnt to draw well an eye, ear, hand, and other parts of the body (being unskilful in the laws of symmetry) when they join together, make a very deformed body.

The difficulty of looking at Canada as a whole is almost insuperable. Emerging as a continental unit centering about the St. Lawrence during the period of the fur trade, its relation to the disunity of the Atlantic Maritimes has been loose and tentative. Even control of the continental unit from the St. Lawrence broke down as a result of competition from Hudson Bay after 1821, and from the Pacific coast. These divisions became sharper with the discovery of gold in the Fraser river and the disappearance of control of the Hudson's Bay Company on the Pacific coast and later in the prairie regions. A new unity was attained with the industrial revolution, the steamship, the railways, and the financial support provided in the Act of Union and the British North America Act or Confederation. The latter consisted of a set of agreements in which the provinces agreed, among other things, to give up control over customs and to hand over their debts to the Dominion in return for compensation in the form of subsidies, and of a railway to be built from the Maritimes to connect with the St. Lawrence system and a railway to British Columbia. Later agreements have complicated and rounded out the structure. The prairie provinces have been carved out of the Northwest territories, with special arrangements as to subsidies. The Manitoba rate agreement, the Crowsnest Pass rate agreement, the British Columbia rate agreement, the Maritime freight rates Act and adjustments under the Duncan Commission are a part of the network which has been built up in relation to the British North America Act. The Board of Railway Commissioners, the Tariff Board and the Central Bank may be cited as part of the permanent machinery installed to bring about readjustments.

It would be difficult to find a reference to this complicated machinery in party programmes dealing with amendments to the B. N. A. Act.

The *British North American Act* is essentially a credit instrument designed to install capital equipment essential to the development of Canadian unity. If one includes the creations of the Act—federal, provincial and municipal authorities—it would perhaps be safer to say credit instruments. The relation between the earning capacity of the capital equipment and the interest on the extent of the credit becomes of first importance. In the main, earning capacity in a country which emphasizes capital equipment rather than labour depends on exports, and these in turn fluctuate widely as a result of climate and yield in the case of wheat and as a result of world prices. Exports of lumber, pulp and paper, fish, minerals, and agricultural products such as wheat, livestock and fruit, e, g, apples, are dependent on world prices and factors influencing world prices. Receipts are available to pay interest on the capital equipment and other costs. Capital equipment financed on government security in foreign markets has generally implied obligations which the country is loath to shirk, partly on moral grounds and partly because it may wish to borrow more capital, or it may wish to reduce the interest rate on capital already borrowed, or it may wish to avoid the appointment of a receiver, such as happened in Newfoundland. Foreign investors raise a tremendous howl in cases of threats to default, as you know. Since Canada has attempted to maintain her credit abroad, she has been reluctant to neglect interest payments, and the necessity of paying large sums as fixed charges has meant that large numbers of obligations which did not involve compulsory payments have not been paid. Owners of C. P. R. stock will understand what I mean. Moratoria have been enacted, debts have been written down and interest rates have been reduced. Moreover, governments being unable to borrow abroad have borrowed to a very large extent at home, partly with funds obtained by what amounts to compulsory saving, in the case of insurance companies, and partly with funds accumulating in the banks through inability to lend to industries restricted as a result of the decline in receipts from exports.

The complexity of the subject is only beginning. Fluctuations in receipts vary in relation to the character of exports, and consequently separate regions are affected differently. Apples in British Columbia may be compared to apples in Nova Scotia, but the fishing industry and the lumber industry are of an entirely different character, and these differ again from the western provinces producing wheat and from regions providing pulp and paper and

minerals. Consequently it is extremely difficult to recommend a cureall, since an advantage to one industry may not be anything like as much of an advantage to another industry, and a gain for one region may not be a gain for another. And because of the interrelations between industries and regions it may not be anything like the gain it was thought it would be. Nor is this all. The cost of producing the article, which includes the interest paid by the government abroad and elsewhere, cannot change as rapidly as the prices of the exports or as the returns on exports, particularly if the capital equipment is involved in transportation and navigation, and if it is government-owned. Navigation and railway construction, as we have seen, have involved government ownership and operation. Moreover, the costs of navigation and transportation are *compelled*, and are forced to meet competition from United States transcontinental lines and the Panama Canal, and can be changed with difficulty, generally involving statutory rates or rates fixed by act of parliament. Costs of transportation of exports to the seaboard and to foreign ports tend to remain stable, except for statutory intervention, in which case the government pays the railway compensation. Costs of producers' goods in manufactured products used in the production of exports depend partly on costs of raw materials entering those goods, which may be higher than in other countries, costs of protection, possibly costs of monopoly and the cost of moving them from Central Canada, in which they are chiefly produced and which pay a higher rate of transportation because they are manufactured products. The more distant regions tend to pay the higher rate. The tariff forces the most distant regions either to pay the cost of transportation directly, or, in case the purchaser still insists on buying from abroad and, therefore, not using the railway, to pay it indirectly in customs duties. Whether he imports from abroad or buys from Central Canada, he pays the cost of transportation either for not using the railway or for using it. The revenues from the duties which he pays are used to pay the deficit on the railroad incurred by his not using it, or the freight is paid directly to the railroad for using it. The burden of transportation costs, through the tariff or through railway rates, tends to fall on the more distant regions, and it is a burden which can be carried without difficulty or complaint under certain conditions. When the railway is first completed, the burden would be very appreciable indeed if it involved higher costs of transportation than before the railway was built. Costs of transportation are reduced so sharply that no one notices the burden of railway rates or tariffs. With the opening up of new industries,



tariffs and railway rates are not regarded as burdens, or during a period of boom no one notices additional costs. With the trend toward exhaustion of natural resources and during a period of depression with decline in rates of growth of population and absolute decline of population, attention is drawn to the burden in a very direct way, and particularly in the regions remote from the centres.

The Province of Nova Scotia appointed last summer (1934) a Royal Commission of economic enquiry to consider the effects of the burden on its economy, and since that date the prairie provinces and the Province of British Columbia have begun to enquire into the extent of the burden. It can be dodged—there are those who say the regions concerned can be bought off—by adding more capital, by building more railways, for example the railway to Hudson Bay, or by improving port facilities; but increased capital expenditure tends to become less remunerative, and adds additional debt charges, and each successive plunge tends to land one deeper in the mire. Sudden changes and improvements in transportation, such as the Panama Canal, may rapidly reduce the burden, or reduction may be obtained by statutory freight rate agreements such as have already been indicated, or you may even reduce the tariff; but if the tariff is reduced materially, freight may cease to travel on the railways, and deficits are increased. On the other hand, lowering of the tariff and consequent lowering of railway rates might actually increase revenue. This is not to say that tariffs are not too high, but rather that tariffs must be considered with railway rates, and to warn certain parties that tariffs are not the whole problem.

Transcontinental railway systems imply acute difficulties of management, and tend to lack flexibility and adaptability in relation to the demands of various regions at various times. The rigidity of the rate structure is in striking contrast with the variability, volume, and value of exports. Statutory rate agreements tend to perpetuate the rigidities they are enacted to avoid. Rate experts and railway policy and emphasis on capital equipment tend to emphasize long hauls, to reduce overhead costs, and to neglect traffic development from a local standpoint. It pays a railway to haul manufactured products from Central Canada to British Columbia, but not to develop industry in British Columbia unless it has striking advantages over Central Canada, when it may pay to carry goods eastbound to the prairie provinces or even to Central Canada. But it is less remunerative to develop local industries for local traffic.

An attack on the problem based on expanding federal revenue, particularly from customs duties and payment of increased subsidies, or by lowering railway rates and paying compensation to the railway, implies that the region to which relief is given pays for it out of its own pocket. An income tax designed to tap the wealth of Central Canada obtained as a result of protection, and expenditure in subsidies to assist the development of regions compelled to bear an undue share of the burden, would result in greater fairness. It is sufficient to say that collection and apportionment of the funds in relation to regions and to stages of the business cycle involves continual study on the part of provincial economic councils in cooperation with a federal economic council. I have only begun to hint at the complexity of the problem, and I venture to suggest that it cannot be solved by discussion.

The alternative to continuous study of the problem, by an organization supported by skill and intelligence and linking together federal and regional machinery, we have before us in the constant demand of the provinces for larger subsidies, in the appearance of numerous parties and Royal Commissions, in bonuses and subsidies in the form of support to the wheat regions, in freight rate acts, in relief and the extremely complex system by which Canada is governed. Regionalism becomes intensified, distorted, and involved in a constant scramble for more; or, programmes for national government, for amalgamation of the railways, for social credit, for socialization of industry, appear on the horizon. Discussion runs riot and ceases even to be artistic.