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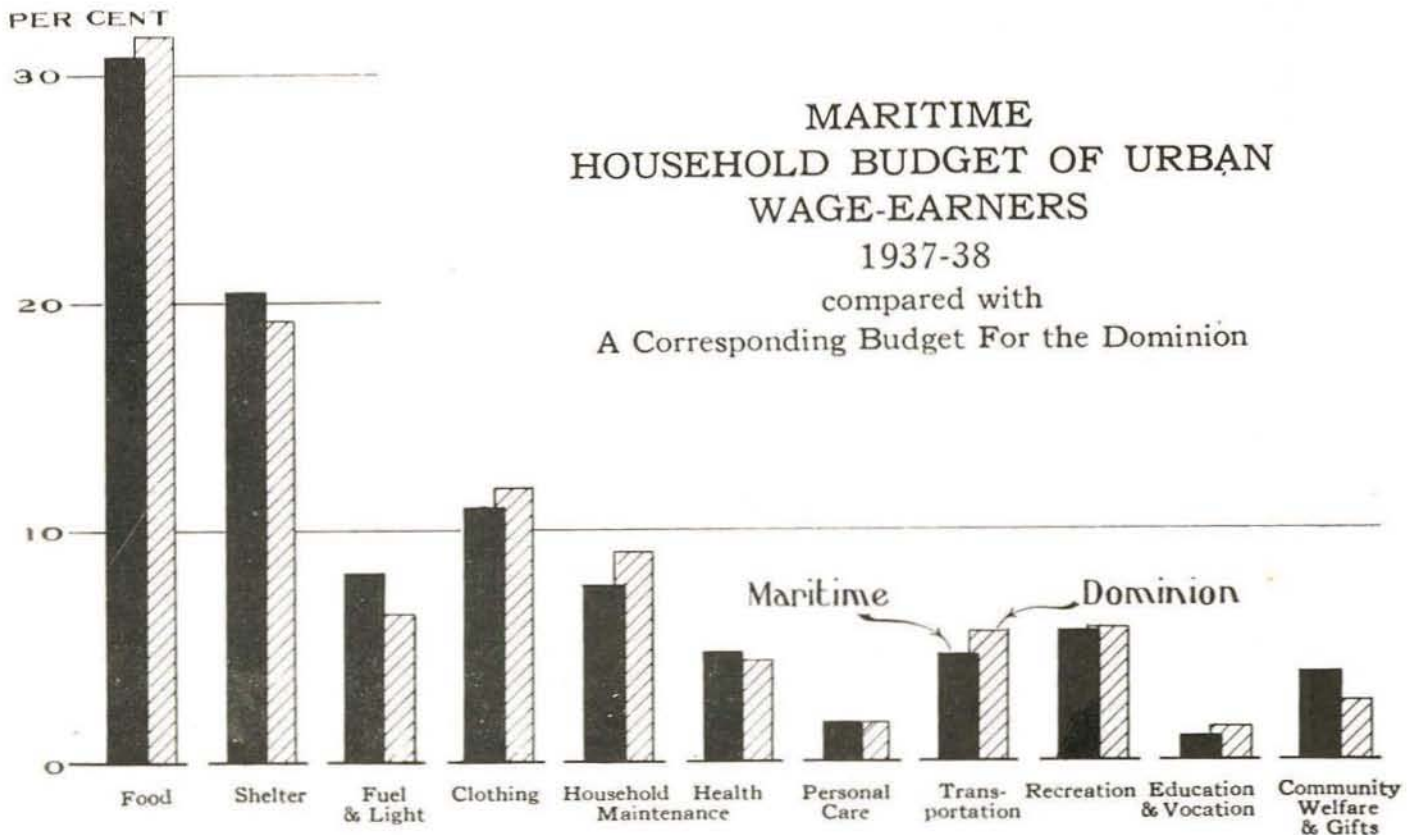
A Maritime Quarterly for Discussion of Public Affairs

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## Some Aspects of Public Speaking

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# THE SIROIS REPORT

## AN EVALUATION

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By B. S. KEIRSTEAD

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MOST teachers find that a book or document can be more easily understood if the student knows exactly what is the problem that the author is trying to solve. To understand the question, to appreciate the difficulty which he who poses the question has unsettled in his mind, to know why the question is asked, is, Professor Collingwood tells us, the first step in understanding the answer to the question, and in fitting in the answer with our general body of knowledge. That is, a discussion only becomes significant to us when the problem discussed is a real one and arises from our own system of knowledge and from contradictions or gaps within it.

The true significance of the Sirois Report is thus to be appreciated in terms of the problem the Commissioners were set to study and to solve. An evaluation of the Report must be an evaluation both of the recommendations made in the light of the problem as it was set the Commission by the terms of reference, and also, if possible, an evaluation of the terms in which the problem was conceived and defined.

### I

The terms of reference which define the field of the Commission's study, re-cite the strains and stresses which have grown up in the governmental structure of Canada and instruct the Commission to inquire into the nature of these strains and stresses and the general field of Dominion-Provincial relations. More particularly the Commission is instructed to inquire into the allocation of revenues and governmental burdens, the distribu-

tion of taxation and its incidence, public expenditures and debts, and subsidies and grants-in-aid from the Dominion to the provinces. The general nature of the inquiry was limited by two things: (1) the implicit assumption that no important modifications would be made in the economic system of unrestricted private enterprise and (2) that whatever should be done must be "subject to the retention of the distribution of the legislative powers essential to the carrying out of the federal system..."<sup>1</sup>

It is clear that the Privy Council, in instructing the Commission, thought of the problem chiefly in terms of the fiscal relations of the Dominion and provinces. But it is pretty clearly indicated that back of the question of fiscal relations is something much more important, the question of national unity itself. Book One of the Report throws a great deal of light on the nature of the problem as the Commissioners saw it, for it is largely devoted to an historical analysis of the nature of the stresses and strains which have grown up in the Canadian economy and which are operating on the governmental system to the detriment of national unity and general welfare. They conceive the problem along lines which might almost be called classical in Canadian historical scholarship. Confederation was an attempt to create a nation state of separate colonies all under the British Crown, at the same time preserving a degree of provincial autonomy necessary to meet the demands of the people of Quebec and, to a lesser extent, of the Maritime Provinces. It created an east-west economy and was

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EDITOR'S NOTE: Professor B. S. Keirstead is head of the Department of Economics and Political Science at the University of New Brunswick.

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1. Report of the Royal Commission on Dominion-Provincial Relations, Terms of Reference, page 10.

dependent on a national railway system, and the economy flourished with the development of the West. Since Confederation there has been a tremendous expansion in governmental activities. This is particularly noticed in the growth of the social and educational services. The Fathers of Confederation never envisaged this expansion and the B.N.A. Act, as interpreted, has created difficulties in the proper allocation of the new functions of government. In some cases the provinces are not fitted to be the administrative unit; in some cases the provinces have not the financial resources to finance the new duties. Provincial sources of taxation are not sufficiently elastic, and the effort to make them so has led to inequitable, burdensome and sometimes discriminatory taxation, which has interfered with the free flow of inter-provincial trade.

Again the development of the national economy has led to unforeseen sectional interests. Industry has tended to become concentrated in the central provinces; in the prairies a single crop economy, with all its vulnerability, has grown up. The interests of the small manufacturing and the extractive industries of the Maritimes have not always been identical with those of the industrial centre. Differing economic interests have made the concept of national policy and national interest a difficult one. These differences have been accentuated by different standards of living and welfare. Rigidities have appeared which have made not only market adjustments imperfect but have also prevented the mobility of labour and the attainment of national standards. Since the depression the inequalities have become more marked, as between sections, and the unequal financial capacities of the provinces and the unequal incidence of unemployment have underlined the welfare differences as between the provinces. Efforts on the part of the provinces to provide relief have led to taxation which has the effect of internal customs barriers. The inability of the national government in any adequate manner to go to the relief of the areas in the provinces which

have been hardest hit, all these things have added to the feeling in some provinces that they have been neglected, their interest passed over by the Dominion as a whole. Sectional jealousies have grown up and become, sometimes intense, and the governmental system has been unable to adjust itself to handle what are truly national problems. In these circumstances national unity is in danger. Always a difficult goal in a young country of differing races and religions it has in recent days receded from our grasp. To achieve once again the essential economic and political conditions of permanent national unity, this is in reality the problem the Commission found underlying its terms of reference.

The recommendations which the Commissioners make, conceived in the spirit of the original confederation, are designed to meet this problem. Heavy upon their minds weighed the necessity of preserving a large measure of provincial autonomy. Basic to their recommendations is the national philosophy of the Commissioners. National unity, they believe, requires that national policy should be directed to the greatest benefit of the nation as a whole and not to sectional interests, that national policy should not be a mere totality of measures undertaken in this or that sectional interest, and that a minimum standard of social welfare should obtain throughout the Dominion.

The concept of national welfare is always a difficult one, and especially so in a federal country like Canada. In their effort to clarify this notion the Commissioners have rendered great service. They have rejected in moderate, but conclusive language such extreme claims to provincial autonomy as were advanced in the New Brunswick Brief, based on the "Compact Theory", and at the same time have avoided the theory that any policy is justified which benefits the most populous areas (measured on the summum bonum counting of heads principle) at the cost of disproportionate sacrifice on the part of some sections.

The Commissioners indeed follow loyally the pattern of Confederation. Just as the Fathers attempted to allocate functions of Government as they existed at that time, so now do the Commissioners. They argue that there can be transferred to the Dominion only those powers which are absolutely essential for the proper discharge of such functions as have clearly grown beyond the competence of the provinces in their separate capacities. The relief and prevention of unemployment is placed in this category. Then the Commission has a category of functions which they believe should be shared. Public health is traditionally in this category. National standards may be set and certain administrative functions may be carried out by the Dominion. That part of the work which requires intimate contact with local conditions is best left, they argue, in the hands of the provinces. In this category, in addition to public health are placed wage and labour legislation and jurisdiction in industrial disputes. Some readers will find the Report unsatisfactory in its treatment of this category. For example the Report admits that labour legislation "requires vigilant enforcement and in matters in which inter-provincial friction may arise any suspicion that legislation is not being adequately enforced may lead to ill-feeling." It may also lead, as it has in the past, to a form of bargaining as between the provinces by means of the reduction of minimum wage standards and other protective legislation in order to attract industrial investment and development. Yet the conclusion that "in a general way, enforcement seems to be appropriately a provincial problem"<sup>2</sup> may not commend itself as following properly from the previous argument. The Commission has, however, faith in the principle of voluntary cooperation between provinces and Dominion and believes use can profitably be made of the device of Dominion-Provincial conferences.

Concurrent jurisdiction is also the re-

commendation with respect to the marketing of natural products, the incorporation of companies, the administration of the fisheries and, with "a clear-cut division of functions", in the regulation of insurance. Apart from this the rights of the provinces under the "property and civil rights" clause of the B. N. A. Act remain substantially as before. To the present reviewer these recommendations are not satisfactory but the reasons for dissatisfaction can be more clearly indicated at a later point in this discussion.<sup>3</sup>

The Commission then turns its attention to the problem of Dominion-Provincial financial relations. The great burden on provincial revenues is debt service. The provincial debts have grown partly as a result of special relief and public works expenditures, and partly as a result of persistent deficits on current account. Even if unemployment insurance is carried by the Dominion Treasury, the provinces will be unable to maintain their ordinary services of government, establish decent standards of social welfare and keep up their debt service. The Commission recommends that the public debts be transferred to the Dominion, that the provinces receive, in lieu of subsidies, national adjustment grants and, in cases of crisis, such as a crop failure in the prairies, an emergency grant. (It is interesting to note here how once more the precedent of Confederation and the traditional principle of fiscal need have affected the Commission's recommendations on provincial debts and subsidies). In return the Commission believes the provinces must give up to the Dominion exclusive rights to certain fields of taxation, notably the income tax, the death duties or inheritance taxes, and corporation taxes. The Commission believes that considerable savings can be effected both in tax administration and debt payments—through refunding—by the Dominion. Nevertheless it is admitted that increased payments must be made by the Dominion in excess of its increased

2. Report of the Commission Book Two, page 47.

3. See Part II, of this article.

income. However the Dominion, through its tax system, can distribute the burden more equitably, and its sources of taxation are more elastic and can respond more readily to emergency needs. The provinces would, without exception, gain, and the poorest provinces would be able to maintain their social welfare and educational services up to a somewhat statistically defined national average.

This section of the Report will meet with the most severe criticism. On three points it is subject to attack.

The principle of financial responsibility of the administrative body is violated. The provinces are to administer services for the upkeep of which they will not be financially responsible. Moreover the provinces can continue to contract public debts. True it is provided that unapproved debts are contracted on the province's own responsibility and that they will lose the benefits of borrowing under the proposed scheme whereby the Dominion approves the purpose of the debt and arranges the flotation of the loan through its agencies at—probably—preferential rates. But the records of some of the provinces in public administration are not such as to justify the faith that they will not again run up heavy debts for public works—it's in the contracts the "heavy gravy" is found—trusting that the Dominion will a third time come to their rescue when the burden becomes too heavy as it undoubtedly would. It is surely dangerous to put the spending power into the hands of provincial administrations and free them of the responsibility of finding the funds.

Again one cannot read the analysis of taxation without demur.

A sales tax figures as a cost of production. But whether or not it "crushes out marginal enterprise" will depend in part on the shape of the cost and demand curves of the industry and the degree of competition.

The licenses, which the provinces would possess under the recommendations of the Report, could still be used as a form of corporation tax. The most careful drafting of legislation would be necessary if the provinces were really meant to be

deprived of the right to tax corporations. Indeed, while one agrees heartily with the strictures on the welter of corporation taxes in the Dominion at present and with the principle that personal income taxation is the ideal tax from the point of view of an equitable distribution of the burden, one wonders why, where the principle of divided jurisdiction was used in administration, the principle of a shared standardised tax was not used in the fiscal recommendations. Taxation of personal incomes and corporations could have been standardised, and administered by one collecting agency acting jointly for the provinces and the Dominion. This would give all the advantages of standardisation and the economies of single collection, but would enable the provinces, on the principle of the *centimes additionals*, to vote and receive their own revenues, take the responsibility for the services with which they were charged, and it would have given them more elastic sources of revenue. As it is the province is responsible for administering services financed by the Dominion. In times of emergency the province has no elastic revenues and is dependent on the emergency grant from the Dominion. All this is in the name of provincial autonomy, but surely autonomy is not an end in itself; it has value simply as it encourages strong, responsible democratic local or provincial governments. The provincial autonomy which the recommendations of this Report would confer, would not be entirely healthy.

Again one would like to add a word to the treatment of taxes on net corporation gains. It is true, as the Report says, that though these taxes cannot be immediately shifted, they do eat into the available sums for new capital disposal and by altering the terms on which new capital can be obtained, and restrict the rate of new investment and discourage industry. The inference is that such taxes are bad. But, coupled with other controls, such taxes on net gains may be an important instrument of control over the capitalist economy and should be recognised as such. The stress the

Report lays on the equitable distribution of the tax burden through the personal income tax tends to obscure certain other desiderata of a national taxation system.

Finally, objection must be taken to a detail in the treatment of the personal income tax. There is surely no warrant for the Report's refusal to recognise the municipal income taxes of such towns as Fredericton and Saint John as proper income taxes. It is true that these are combined property and income taxes and that they are not graduated. But they are taxes on income just the same, and the citizen of St. John, married but without children, with an income of \$3,000, pays, not \$30.00 in total income tax to the Dominion and municipality, as the Report says, but \$150, which is higher than anywhere else in Canada. (These figures are those which existed prior to the outbreak of the War). If the methods of the Report were followed in carrying out the recommendations with respect to income tax, the St. John citizen would find himself paying an increased income tax but without any relief with respect to his local income tax, whereas taxpayers in Ontario and the West would pay the increased federal tax but would be relieved of their local taxes on income. This may be a minor point, but it would result in serious injustices and deserves to be noted.

But, though there may be reserve in accepting the argument of the Report in all detail, its recommendations must be regarded in toto, as forming a coherent and constructive plan to enable the governmental machinery of Canada to respond to new problems, to divide governmental powers in a manner more in keeping with modern needs, to restore the solvency of the provinces and to enable them in all cases to provide adequate social services for their people up to a national standard. If the problem of national unity really is a problem of sectionalism within a federal state, then this Report will deserve an enthusiastic reception as the first step in a constructive solution.

## II

But is the problem of national unity a problem of provincial sectionalism within a federal state? Was the problem properly and profoundly conceived in the terms of reference handed the Commission? It has been formulated here, both in the terms of reference and the Report, as consisting chiefly in the allocation of duties and functions as between the Dominion and the provinces and in the reciprocal relations of a fiscal and financial nature. But the allocation of functions and revenues and the distribution of sources of revenue is purely formal and meaningless without some fairly clear picture of the future social objectives of the state. The reason that the terms of Confederation are no longer satisfactory is that we have outgrown the social philosophy of *laissez faire*. Our problems are not those of 1867 and our notions of what that state ought to do for its citizens are not those of 1867. We cannot look into the future to-day and foresee the nature of the state which is developing without a clear understanding of what is happening both in Canada and in the rest of the world and of the causes of our problems and our discontents. The strains and stresses on the Canadian governmental structure are admittedly to be found partly in regional cleavages and a provincial sectionalism that are peculiar to this country. But the way our regional economy has grown up and some of the causes of our provincial sectionalism may be explained, in part, as a manifestation of a general, social and industrial problem, namely the problem of economic instability, that is common to the western world. This central problem, which for its solution requires planning the economic system, imposes on government a vast new range of duties and on citizens a new social philosophy. No mere rearrangement of existing functions will provide the constitutional basis which will enable a government successfully to cope with it. That would simply provide the constitutional snares which



can so easily serve the obstructive tactics of reactionaries. It is a mistake to suppose that in Canada we do not have this problem to face in the immediate future. We are bound to ask how far the problems discussed in this Report stem from this central problem.

How far has the exhaustion of the topsoils from wasteful, exploitative and unplanned methods been the cause of western crop failures? How far has the world depression been responsible for the lack of market for the crop when produced? How far is the debt burden of the West and the feeling of national dissension between the western farmer and the eastern financier not a sectional grievance but a manifestation of another and broader cleavage, that of possessor and dispossessed? How far can the problems of sectional disturbance and provincialism—breaking down national unity—be considered apart from the consideration of national policies which have been formulated and carried through for the benefit of concentrations of capital which have naturally grown up in the commercial urban communities of the centre? Is New Brunswick a section that has been geographically unhappy and must be offered fiscal assistance on a paternalistic—or fraternal—basis, or is it a community of small producers, an economy of small extractive industries (with one or two notable exceptions) which have been steadily exploited by national policies carried out in the interest of the big manufacturer and financier?

The answers to these questions may well be eclectic. New Brunswick, for example, is poor in resources compared with other provinces. But also the great mass of her people, small farmers, fishermen, lumbermen and other workers, have been sadly exploited by the economic policies—the economic system—of Canada. The problem of Canadian national unity is partly a problem growing from geographic sectionalism and provincialism. It is partly a manifestation of the social cleavages which have grown up in the industrial civilisation of the western world. To state the problem in its nar-

rowest sense only is to misstate it and to misunderstand it.

Let us carry this further. In the Report it is admitted in so many words that unemployment is a phenomenon of industrial depression. Yet the emphasis is repeatedly thrown on the suggestion that unemployment is to be found in the West when the crop fails, or when the market is bad. Repeatedly the Report states the truth, that unemployment is an industrial problem and that the causes lie in the economic system and that methods of prevention require centralised controls over income and the private disposal of capital. Yet in spite of these suggestions such powers of economic control as the Report recommends for the federal government are made incidentally, it seems, to the general scheme. A planned economy on a national scale requires two things, (a) adequate powers in the hands of the planning authority and (b) controls set up by the representatives of the people, put in the hands of personnel selected on a basis of competence and ability and not on a basis of political allegiance or on a basis of business interest. No planning authority can work manned by the personnel of big business, because it ought to control big business in the public interest. It does not matter whether the planning be socialistic or within the legal framework of private property. Indeed the differences are becoming blurred. It is hard to say when a capitalistic system regulating prices, the conditions of employment, and new investment and taxing profits above a certain minimum passes into a socialist system where the former owners have been brought out and are paid interest on state expropriation bonds. Indeed it is quite conceivable that in a socialist system the present owners of capital wealth would be better off. Suppose, as is most reasonable for this country, that the trend is towards controls within the private capitalist system. What controls would the planning authority have under the recommendations of this Report?

The federal government would have

control over income and corporation taxation and the tariff system. That is an excellent beginning, for it gives the weapon of redistributive taxation to one central authority. In controlling the economy this weapon can be used in combination with control over the banking system. The Report comments on this fact and points out that through the Bank of Canada the Dominion Government Treasury can control the banking system of Canada. But in reality the Bank of Canada has most ineffective instruments of control over the chartered banks in peace time. It is only since the outbreak of war that real control over the monetary and banking system has passed into the hands of the Treasury. Moreover cycle control theory supposes that one authority will control public spending on capital account. The Swedish doctrine of the unbalanced budget would require that the Dominion control public borrowing. As we have seen under the recommendations of this Report the Dominion would not have such complete control. Again the Report recommends the division of jurisdiction over insurance companies, marketing and corporations. This division of jurisdiction does not permit single planning of marketing and a united control over new private investment.

We cannot here undertake even a sketch of business cycle control, but there are clear indications from what has already been said that, if the fluctuations of the industrial system are to be considered as a partial cause of Canadian disunity, then this Report studies too partial an aspect of the problem and its recommendations are incomplete.

It will be said that these aspects of the problem were not given the Sirois Commission to study, that their terms of reference excluded them. That is true. But we are not here trying to make unfavourable comments on the work of the Commission. On the contrary there cannot be any Canadian student of public affairs who is not conscious of the tremendous industry and scholarship which has gone into the

preparation of this Report and who is not grateful for this exhaustive and clarifying study. But if the Report is to be evaluated as a contribution to Canadian national unity, and if the problem was but partially conceived and over-restricted in the terms of reference, then this becomes of real significance in the evaluation.

Undoubtedly Canadian national unity has been threatened by the breakdown of the Confederation arrangements. The Report recommends new arrangements which would strengthen national unity, make possible new achievements, and do this in a manner consistent with provincial pride and the keen desire of some provinces for a large measure of autonomy. But as the Report repeatedly suggests new social and industrial problems are looming which will require still further adjustments of governmental structures and machinery. Yet only incidentally could these problems be treated under the terms of reference. It is the contention of this reviewer that these social problems are not incidental and that any reallocation of governmental powers and revenues must be made with a view to the successful handling of them. As far as they could the Commissioners seem to have maintained this view. In their treatment of fiscal policy, in references to banking and in their chapters on unemployment insurance they argue that the Federal Government must have power to establish and direct economic controls. But this is never placed in the forefront of their scheme. It is never argued that the reallocation of governmental powers should be primarily directed to these needs of the future. It seems almost impertinence to suggest inadequacy in this encyclopaedic Report, yet one cannot avoid the feeling that the war is going to intensify the need for economic controls and that that need is going to necessitate changes in the federal and governmental structure in Canada which go beyond anything contemplated in this Report.

# Household Budgets of Wage Earners in Canadian Cities

By H. F. GREENWAY and  
D. L. RALSTON

FAMILY living expenditures have presented a challenging question mark for many years to Canadian research workers in the social sciences. The first systematic and comprehensive attempt to remove some of the uncertainties connected with this subject came in 1938. During the fall months of that year a specially instructed field staff of the Dominion Bureau of Statistics collected detailed records from 1,439 wage-earner families located in twelve Canadian cities representing all nine provinces. These records represented an urban population of approximately 1,300,000 households, and although the sample was small, it compared favourably with the proportionate representation in similar surveys in the United States and Europe. Such data are among the most costly and the most difficult to collect in the fields of economic and sociological statistics.

The first step in the Bureau's survey was a preliminary study by the late M. C. MacLean, head of the Bureau's Social Analysis Branch. The purpose was to provide a basis for deciding which cities would be most representative of different areas in the Dominion. It led to the selection of Charlottetown, P. E. I., Halifax, N. S., Saint John, N. B., Quebec and Montreal in Quebec, Toronto and London in Ontario, Winnipeg, Man., Saskatoon, Sask., Edmonton, Alta., and Vancouver, B. C., to represent Canada's urban wage-earner homes. Ottawa was

added to this list because international living standard comparisons often are made in terms of records for capital cities.

Since it was necessary to concentrate all efforts upon families which were typical in composition and economic circumstances, only those with the following characteristics were sought, in order to maximize the significance of averages from records collected.

1. All families were to be of the wage-earner type with husband and wife living together as joint heads.
2. All families were to have from one to five children living in the home, with not more than one additional lodger or domestic (except for Quebec and Montreal where no limitation was made concerning numbers of children).
3. Family earnings during the survey year ending September 30, 1938, were to range from \$450 to \$2,500, and families were to be self-supporting during this period.
4. All families were to be living in self-contained dwelling units, not sharing bathroom or kitchen facilities with other families.

Families satisfying these conditions were located by a preliminary survey in which all households\* in the random selection of census sub-districts were approached for information concerning the composition of the household, racial origin, tenure, and earnings. From returns satisfying the sampling controls enumerated above, a random selection of families was made for the complete budgetary record.

EDITOR'S NOTE: H. F. Greenway, a native of Manitoba, is Price Statistician at the Dominion Bureau of Statistics with which he has been connected since 1929. He has mainly been responsible for conducting the survey of Household Budgets, some results of which are described in the above article.

D. L. Ralston, a native of Nova Scotia and graduate of Acadia University, has been associated with the Bureau of Statistics Household Budget Survey and preparation of the Final Report.

\*More than 45,000.

### Attributes of Urban Wage-Earner Families

A general idea of the attributes of urban wage-earner families contributing expenditure records can be obtained from an examination of survey data pertaining to family composition, conditions of tenure, etc. The typical family in the survey contained two or three children. Survey families with two children were greatest in number, while among British families there were more with one child, than with three. Families of French and other racial origins with three children, however, were more numerous than those with a single child. French families also showed a relatively high proportion of households with five or more children. Lodgers were present in about 10 per cent of the homes, and domestic servants in less than 2 per cent.

#### Survey Families with Specified Numbers of Children

(Expressed as a percentage of Total Families.)

Number of Children	1	2	3	4	5+	Total
1,135 British Families.	30.2	33.7	21.6	10.2	4.3	100.0
211 French Families..	21.8	18.0	23.2	14.7	22.3	100.0
93 Other Families....	19.4	32.2	24.7	15.1	8.6	100.0

The average age of the wage-earner family head centred around 40 years. More than 40 per cent of the fathers in British survey families ranged between 35 and 44 years of age, together with 48 per cent of those in families of foreign racial extraction. Families of French origin showed a relatively greater number between the ages of 25 and 34. Thirty-six per cent of the ages were within these limits, and only a slightly higher proportion of 38 per cent in the largest group between 35 and 44 years.

Approximately one-third of survey families of British racial origin lived in owned homes. Home tenure was influenced to a marked degree by the financial position of wage-earner families. Only 16 per cent of families with annual incomes between \$100 and \$199 per person, were home owners, but this proportion rose steadily to almost 43 per cent, for families having incomes of

\$600 or more per person. Racial origin appeared to exert some influence on tenure, but it was difficult to distinguish it from differences due to predominant types of dwellings. French families in Montreal and Quebec were mainly tenants, but so also were British families in Montreal, where flats outnumbered all other types of dwellings.

As in the case of home ownership, the possession of motor cars appeared to depend primarily upon income. Percentages of families with motor cars mounted from 13.2 for the British group with incomes from \$100 to \$199 per person, to 73.8 in the \$600 and over income per person group. The percentage of home-owner families possessing motor cars was much higher than that of tenants. Almost 45 per cent of home-owner families operated motor cars, and 29 per cent of tenants. The greatest differences occurred among families at low income per person levels. In the \$100-199 income group, 22 per cent of home-owner families were also car owners, while less than 12 per cent of tenants at this income level had motor cars. This difference narrowed as incomes increased, and 73.1 per cent of owner households earning \$600 and over per person operated motor cars, while the number of tenant families with cars rose to an even higher percentage of 74.3 in this income group.

#### Home and Motor Car Ownership at Progressive Levels of Income per Person

Income per Person	\$100-199	\$200-299	\$300-399	\$400-499	\$500-599	\$600+
<b>Percentage of Families Owning Homes:</b>						
1,135 British Families..	15.8	31.6	32.1	33.6	41.5	42.6
211 French Families..	3.4	5.4	7.7	10.5	— <sup>1</sup>	— <sup>1</sup>
<b>Percentage of Families Owning Motor Cars:</b>						
1,135 British Families..	13.2	25.3	32.1	36.8	51.9	73.8
211 French Families..	3.4	9.5	9.6	21.1	— <sup>1</sup>	— <sup>1</sup>

(1) Insufficient records to form significant proportions. This was true also for the record of motor car ownership among French home-owners.

Home ownership was most prevalent among families in Western Canadian cities. Almost 48 per cent of survey

families in Winnipeg lived in their own homes, and similar proportions of 46 per cent and 44 per cent in Vancouver and Edmonton respectively. As already noted, tenancy was characteristic of families in Quebec City and Montreal. It was quite general also in Maritime cities where less than one-fifth of families were home-owners. The ratio of owners in Ontario cities was approximately one in four. The high percentage of owners in the West apparently was related to the prevalence of smaller and less expensive single houses than were characteristic of the eastern provinces. Car ownership was commonest among families in Ontario cities. Close to 45 per cent of Ontario survey families operated motor cars, as compared with approximately 30 per cent of the families in western cities, about 20 per cent in the Maritimes, and 10 per cent in Quebec.

#### Urban Wage-Earner Family Living Expenditures

Underlying similarity was apparent in the living expenditure patterns of urban wage-earner families in all parts of the Dominion. The average survey family spent more than two-thirds of total living outlay on the basic items of food, clothing, shelter, fuel and light. In addition, an average of 9 per cent went for household operation expenses, including furniture, furnishings, supplies, etc. Health maintenance costs accounted for approximately 4 per cent of living expenditures, and personal care, 2 per cent. Annual outlays for transportation and recreation each amounted to nearly 6 per cent, while education and vocation, welfare and gifts comprised the remainder of about 4 per cent. Although living expenditures in different cities were basically similar to this pattern, appreciable contrasts were observed for several budget groups.

Annual food outlay ranged from 28 per cent of total living expenditure for survey families in Charlottetown, to 35 per cent for those in Montreal. Food costs per family were relatively high in the larger eastern cities, amounting to \$485 per British family in Montreal,

and \$450 in Toronto. In contrast, Charlottetown and Quebec City city families averaged a considerably lower amount of \$390. On a per person basis, annual food outlay ranged from \$106 in Toronto to \$80 in Quebec City. Food expenditures in western cities were quite uniform, and the average outlay varied between \$101 per person in Winnipeg, and \$98 in Edmonton. In the Maritimes, annual food costs of Halifax and Saint John survey families, averaging \$95 and \$94 respectively, were somewhat higher than those shown by Charlottetown families, at \$83 per person.

Appreciable variations were seen also in family shelter costs, some of which could be attributed to differences in rental levels, and others to relatively larger payments made on purchases of homes. Average shelter costs per family varied from \$234 for survey families in Charlottetown, to \$357 in Ottawa and represented 16.9 per cent and 23.3 per cent of total living outlay in these cities. Shelter costs of Vancouver families were slightly above those shown for Prairie Cities. This resulted mainly from the fact that a number of families in Vancouver purchased homes during the survey year, and consequently their shelter expenditure included unusually large payments of principal. However, average differences in these regions were not substantial, expenditures per family on shelter amounting to \$278 for Vancouver, \$276 for Winnipeg British families, and \$270 for those in Saskatoon and Edmonton. Average shelter costs of owner families were generally higher than those of tenants, and amounted to \$297 per family as compared with \$279 for tenants. Tenant families spent an annual average of \$49 per room in the Maritimes and Quebec, \$62 in Ontario, \$56 in the Prairies, and \$54 in Vancouver.

Clothing purchases constituted almost 12 per cent of the average wage-earner family budget. City variations were comparatively slight and proportions of expenditure ranged from 13.7 per cent for families of French racial origin in Montreal, to 10.5 per cent for British families in Vancouver. Actual expend-

iture averages varied from \$190 for Montreal families to \$142 for those in Saint John and Quebec. These differences were related quite definitely to variations in the size of survey families. A difference of less than \$10 per person separated the clothing expenditures of families in all cities. The averages per family, noted above, ranged from \$39 per person for Toronto families, to \$29 for those in Quebec City.

Annual fuel and light costs varied from \$120 and \$117 for families in Charlottetown and Halifax, to \$71 and \$61 for families of foreign racial origin in Montreal, and French families in Quebec City. Coal and coke were employed for heating to the greatest extent by survey families in Maritime and Ontario cities, as well as in Winnipeg and Saskatoon. Families in Quebec City and Vancouver showed relatively heavy purchases of wood, and less of coal. Vancouver families made extensive use of sawdust blocks for heating purposes. Fuel and light purchases averaged 8.1 per cent of living expenditures for families in Maritime cities, as compared with 5.6 per cent in Quebec and 5.3 in British Columbia.

The most pronounced regional contrasts in other budget groups were noted in the amounts spent on transportation. Outlays for this item were relatively high among families in Ontario survey cities, viz., Ottawa, Toronto, and London. Proportionate amounts spent on trans-

portation by urban wage-earner families in these cities averaged almost 9 per cent of total living expenditures. This was double the proportion shown by families in Quebec cities, with an average outlay representing a little more than 4 per cent of their total living expenditure. As already noted, differences in motor car ownership were quite appreciable, and these were closely related to variations in transportation costs. Purchases and maintenance of motor cars formed over two-thirds of the average family's cost of transportation.

City and regional variations in most other budget groups were not substantial. Only fractional differences separated the proportionate amounts allotted to health maintenance, personal care, education and vocation. Annual outlay for household operation expenses, including furniture, furnishings, supplies, etc., varied within the narrow range between 10 per cent of total expenditure for survey families in Quebec, and 8 per cent for those in the Maritime and Prairie Provinces. Differences in proportions spent on recreation were slight also, ranging between 6.4 per cent for families in Prairie cities and 5.3 per cent for survey households in Quebec.

Expenditure averages and percentages for the principal budget groups, classified according to regions, may be observed from the following table. It should be noted, however, that in addition to these

Urban Wage-Earner Family Living Expenditures Classified According to Regions

	Maritimes		Quebec		Ontario		Prairies		British Columbia (Vancouver)	
	\$	p.c.	\$	p.c.	\$	p.c.	\$	p.c.	\$	p.c.
Average Number of Persons per Family	4.6		5.3		4.3		4.3		4.4	
Food	428	30.9	465	34.0	443	29.1	434	30.9	440	31.0
Shelter	282	20.4	250	18.3	317	20.8	267	19.0	278	19.6
Fuel and Light	112	8.1	76	5.6	102	6.7	101	7.2	75	5.3
Clothing	153	11.0	182	13.3	167	11.0	158	11.3	149	10.5
Household Operation, Furnishings, etc.	107	7.7	133	9.7	131	8.6	115	8.2	136	9.5
Health Maintenance	66	4.8	58	4.2	63	4.1	61	4.3	63	4.4
Personal Care	23	1.7	23	1.7	26	1.7	25	1.8	24	1.7
Transportation	65	4.7	58	4.3	131	8.6	93	6.6	103	7.3
Recreation	80	5.8	73	5.3	87	5.7	90	6.4	86	6.1
Education and Vocation	14	1.0	22	1.6	16	1.1	25	1.7	25	1.8
Community Welfare and Gifts	54	3.9	28	2.0	39	2.6	37	2.6	40	2.8
Total Expenditure	1,384	100.0	1,368	100.0	1,522	100.0	1,406	100.0	1,419	100.0

dispositions of family income, a sizeable proportion went into various forms of savings. These included bank savings and investments, life insurance premiums, and repayments of debts incurred during the survey year. This last item was considered as being saved from current income. Gross savings accounted for about 10 per cent of the average net income of wage-earner families, with amounts ranging between \$181 per family

in Ottawa and \$96 for Montreal families of foreign racial origin. However, balanced against these amounts were such debit items as loans and credit outstanding, sales of property, reductions in bank balances, trade-in allowances, etc. For more than one-third of survey families, debit items exceeded those of credit. Practically all the remainder ended the year with a net increase in credits. For survey families as a whole, there was a credit balance of approximately \$20.

## The Quest for Income in Rural Cape Breton

By S. C. HUDSON AND J. N. LEWIS

THE struggle for existence under our modern economy results in a multiplicity of income patterns of varying degrees of complexity. The development of a new area is based on the exploitation of some natural resource and is directly or indirectly associated with agriculture. During these early stages of development the economy is usually one of almost complete self-sufficiency. Each household is an accumulation of inherited skills which enables it to feed, clothe and educate itself by the manipulation of its immediate environment.

As the advantages of the division of labour appear, individuals come to specialize in one skill or another, and perform that function for all other members of the community. The butcher, the baker, the shoemaker and the trader begin to appear as specialized occupations and an occupational pattern emerges in the community. The shift towards specialization, however, is not by any means uniform as between communities. While developed to a high

degree in large cities, the degree of specializations attainable in many rural communities is often limited by environment and available resources. Thus a study of the income pattern of a community and of the individuals making up that community may give a great deal of information regarding the potentialities of the particular area in question.

Cape Breton is one of the oldest settlements in Canada and as such its development is of great interest to the historian, the economist and the sociologist. Although visited from time to time by Spanish, Portuguese, French and English fishermen during the period following its discovery by John Cabot, little was done by way of settling Cape Breton until 1713 when the French established a military fort at Louisburg. Under the French the population of the island increased to 3,800 in 1738, the majority of whom were engaged in fishing, administrative or military pursuits. When permanently taken over by the English in 1757 the fort at Louisburg was destroyed and the French population entirely removed. Little real development occurred under the English regime until the beginning of the nineteenth century when, as a result of the enclosure laws and the introduction of sheep to the Highlands of Scotland, Cape Breton was

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The data upon which this article is based, were obtained in a survey of the economic and social status of Cape Breton County rural families, carried on by the Economics Division, Marketing Service, Dominion Department of Agriculture in co-operation with the Nova Scotia Department of Agriculture, and is part of a study of land utilization problems in Cape Breton County. The article is preliminary in nature. Additional details will be available as the work of analysis progresses.

settled by some 25,000 Scotch Highlanders who left a cultural inheritance which is still plainly visible.

With the introduction of improved technical methods of mining coal following 1826, a gradual trend towards urban development occurred. While the population of the island increased from 54,817 in 1851 to 132,581 in 1931, this increase was largely the result of the growth of towns and cities based on industrial activity. The rural population reached its highest point in 1891 and has since declined. Similarly a decrease of over 60 per cent in the number of farms and a falling off of improved acreage by over 70 per cent since the beginning of the 20th century, are all evidences of the industrialization of Cape Breton County.<sup>1</sup> The dependence of the urban area on agricultural supplies originating outside of Cape Breton County is shown by a

survey of a representative sample of rural Cape Breton families for the year 1938-39 indicated an average of 2.8 sources of cash income per family, some individual families having as many as 7 sources. Because of the numerous sources of income any occupational grouping of the families was very difficult. For purposes of this study a rough classification into primary or extractive, and secondary occupations was made on the basis of the proportion of the total income derived from sources falling into one or the other of these classes. Of the 241 families recorded, 125 fell into the primary group while 116 were classified as deriving their incomes mainly from secondary occupations. The percentage of the families obtaining revenue from each of the sources enumerated as well as the percentage of the total income derived from each source is shown in the accom-

The Occurrence of Various Sources of Income Among Cape Breton Rural Families Classified as to Type of Occupation and the Percentage of the Total Income Derived From Each Source.

Sources of Income	Per cent of families having source of income			Per cent of income derived from each source		
	Primary occupations	Secondary occupations	All families	Primary occupations	Secondary occupations	All families
	%	%	%	%	%	%
Farm Products.....	77.6	74.1	75.9	61.5	13.9	33.7
Forest Products.....	27.2	.6	17.0	5.4	.2	2.4
Fish.....	27.2	.8	17.0	12.1	.9	5.6
Mining and Steel.....	4.8	68.1	35.3	.5	54.8	32.2
Road work.....	48.0	.6	27.8	1.7	.3	.8
Other outside employment..	10.4	28.4	19.1	2.3	16.5	10.6
Miscellaneous.....	37.6	41.4	39.8	7.7	11.4	9.9
Pensions.....	16.0	.6	11.2	5.2	1.6	3.1
Contributions.....	16.0	.3	10.0	2.7	.2	1.2
Bonus and bounty.....	27.2	.6	17.0	.6	.1	.3
Relief.....	8.0	.4	6.2	.3	.1	.2

survey of the Sydney market conducted by the Dominion and Nova Scotia Departments of Agriculture in 1938. Results of this survey indicate that *less than 20 per cent of the farm produce consumed in the industrial area was produced within Cape Breton County.*<sup>2</sup>

Cape Breton County is characterized by a great diversity of occupations and a multiplicity of sources of income. A

panying table for all families as well as for those in the two occupational groups.

While all of the families surveyed had land available for agricultural production and thus obtained some non-cash benefits, only 76 per cent obtained cash revenue from the sale of farm products. By value, agricultural products constituted 34 per cent of the cash income for all families. Although in the primary group 61 per cent of the total income was from farm products, this source accounted for only 14 per cent of the income in the case of the secondary occupations.

(1) Census of Canada.

(2) An Economic Study of the Sydney Market for Farm Products, 1937. Economic Division, Department of Agriculture, Ottawa, in co-operation with the Nova Scotia Department of Agriculture.



For all families the second most common source of income was outside employment, 67 per cent having revenue from some kind of outside work. Employment in the mines or steel plant was reported by 35 per cent of those surveyed, revenue from this source accounting for 32 per cent of the income of the group as a whole some roadwork was done by 28 per cent of those surveyed but the revenue derived from this source amounted to less than 1 per cent of the total. Other outside employment such as trucking and periodic work in miscellaneous occupations<sup>3</sup> was engaged in by 19 per cent of the families and accounted for 10 per cent of the revenue.

As might be expected income from mining and employment in the steel plant, being a specialized type of work, was confined largely to the secondary occupational group, while such periodic employment as road work was engaged into a greater extent by the primary group merely as a sideline.

A number of sources of income such as boarders, post offices and mail routes, and other odd jobs were grouped together as miscellaneous. Income was obtained from some of these sources by 40 per cent of all families and accounted for about 10 per cent of all receipts.

As indicated by the decrease in the number of farms during the past 30 years, Cape Breton has experienced a great migration of the younger people from the land. In this connection it was found that a substantial proportion of those living on farms at the present time are supported in part by government pensions or by contributions from relatives who left home some time ago to make their living elsewhere. These sources made up 8 per cent of the income of the primary group.

Income from forest products and fishing was confined almost entirely to the primary occupational group. Work in the woods is for the most part supplementary to farming operations, being fitted in during slack seasons when men and equipment are not otherwise engaged. Some 27 per cent of the heads of families

in the primary group derived income from forest products which amounted to about 5 per cent of the revenue of the group.

Fishing, on the other hand, is a more highly specialized occupation. Located as they are along the coast where the land is often rough and unproductive and isolation limits part-time industrial employment, fishermen in Cape Breton County are confined largely to fishing as their principal source of income. During the year 1938-39, 59 per cent of the fishermen's income was derived from fishing. Some roadwork was done by 70 per cent of the fishermen but since each obtained employment for only a short period on work of this kind, only 5 per cent of their income came from this source. Almost half of the fishermen interviewed sold some farm products although their value amounted to less than 4 per cent of all revenue. Seasonal employment at the Louisburg pier and other such work was obtained by about 23 per cent of the group thus augmenting their income by about 17 per cent. Government assistance in the form of bonuses based on their catch of cod and other shore fish together with bounties based on equipment used went to almost all fishermen and accounted for 3 per cent of their income. Similarly relief, while of minor importance in comparison with the total income, was received by some 28 per cent of all families engaged in fishing.

In addition to the cash income derived from the various sources discussed above, all of the families surveyed obtained certain non-cash benefits from living in the country which are reflected in a lower cash cost of living. These prerequisites include the use of a house together with farm products used as food and wood for fuel. The estimated value of prerequisites amounted to \$265 per family in the primary occupational group and \$239 in the secondary group. In both groups over 90 per cent of the families had the use of their house together with some farm produce for household use. Fuel was obtained from the farm by 74 per cent of the families in the primary group and 28 per cent of those in the secondary group.

(3) Includes carpentering, blacksmithing, plumbing, plastering, butchering, school teaching, fish canning and quarrying.

# Marketing the Nova Scotian Apple Crop

BY A. E. RICHARDS

INFORMATION that the United Kingdom would require few Canadian apples was received on September 8, 1939. Realizing that this emergency affected all apple producing areas, the Dominion Government convened a conference at Ottawa of key men, representing apple growers and the trade from all parts of Canada, on September 15, 1939.

The submission by the Conference to the Director of Marketing Service contained the following statement.

The situation developed by the recent European calamity presents a picture of an apple crop of 5,000,000 barrels ready to be marketed, with an annual Canadian consumption of approximately 2,500,000 barrels. Thus we are faced with the situation of endeavouring to handle a surplus of 2,500,000 barrels which are annually exported from Canada. These exports were largely directed to the United Kingdom, although within the past three years substantial shipments went forward to Germany and lesser amounts to other European countries. With the demoralization of ocean transportation resulting in the cancellation of regular and chartered steamship service, increased freight rates and increased insurance, coupled with the possible closing of many United Kingdom ports, the problem is one of unusual concern. These conditions, coupled with a large English crop, may result in a situation where few or no apples can be moved from Canada, at least during the early marketing months.

This Conference has given full consideration to the whole situation, and while they do not expect the Government to support the apple producers to the point of securing even costs of production, they feel that unless the situation is met and producers in the apple-growing areas assisted, bankruptcy will develop.

At the Conference a programme was formulated for the disposal of the 1939 apple crop. The Dominion Government felt that it was in the interest of Canadian economy to conserve the food value in the apple crop then being harvested and to protect and maintain this important industry which was in jeopardy due to the war. Accordingly, through

powers granted under the War Measures Act, the Dominion Government agreed to assist the apple industry by (a) the direct purchase of apples, (b) assistance in canning and dehydrating apples, (c) zoning of sales areas within Canada, (d) raising minimum grade requirements, (e) expenditures for advertising and merchandising, (f) negotiations with the United Kingdom to obtain a market for at least a portion of the crop. The Agricultural Supplies Board appointed an Apple Advisory Committee on October 25, 1939, for the purpose of assisting in carrying out the government undertaking. Agreements to provide assistance under each proposal were implemented and carried out by the Dominion Government during the marketing season. In Nova Scotia aid was provided mainly in the processing of the apple crop, and only that phase of the complete government programme will be discussed here.

The first step in the Nova Scotia plan was the setting up of a Central Selling Agency authorized by the growers, to which they agreed to deliver their entire crop. This agency, which was named the Nova Scotia Apple Marketing Board, entered into an agreement with the Dominion Government by which it undertook to deliver to the processing plants for manufacture into dried and canned apples the better grades and sizes of all varieties which could not be sold on the export or local markets. Manufacturers were authorized to accept deliveries up to 1,500,000 barrels, or approximately three-fourths of the commercial pack. They were not permitted to use sub-standard apples for canning or drying. Low quality apples had to be kept in the orchard or used in the manufacture of apple juice or vinegar.

The Nova Scotia Apple Marketing Board designated 37 responsible and recognized packers and shippers of apples

EDITOR'S NOTE: A. E. Richards, Ph.D., is an economist with the Department of Agriculture in Ottawa.

as sub-agents, and all growers were required to ship through some one of these sub-agencies. The Marketing Board was also empowered to fix minimum prices for domestic sales. Accounting of all such sales had to be made to the Board. All overseas shipments were handled by the Marketing Board, which prepaid freight and insurance and charged these costs to the general pool.

In a separate agreement with the manufacturers, the Dominion Government guaranteed the processors against loss in the purchase of apples from the central agency for their canning and drying operations. The purchase price was calculated to be 65 per cent of the average return received for the main varieties marketed during the crop seasons 1936, 1937 and 1938 by eighteen representative apple packing companies in the Annapolis Valley.\*

The apples delivered to the processing plants by sub-agents were paid for at a flat rate per barrel, as follows:

Table 1.

No. 1 grade, 2 $\frac{1}{2}$ " up.....	\$1.69	per barrel
No. 1 grade, 2 $\frac{1}{4}$ "-2 $\frac{1}{2}$ ".....	1.51	" "
Domestic grade, 2 $\frac{1}{4}$ " up.....	1.24	" "
Domestic grade, 2 $\frac{1}{4}$ "-2 $\frac{1}{2}$ ".....	1.03	" "

This scale of prices applied to 34 named varieties. For other varieties prices were reduced by twenty-five cents per barrel. These prices included an allowance of 2 cents a barrel to be retained by the Central Agency to cover its cost of operation.

In its contract with the Dominion Government, the Central Selling Agency (The Nova Scotia Apple Marketing Board) agreed as follows.

To conduct a pool for the equalization of returns to growers of moneys received from processors and from the sale of apples after deducting all necessary and proper disbursements and expenses, and to make payments to growers in accordance with such pooling agreement.

It was agreed that all proceeds from local and export sales and apples delivered to processors should be pooled and settlement made with the grower on the basis of variety, grade and size.

Since varieties vary in yield and cost

of production, it was decided that a fair and reasonable method of equalizing the returns to growers would be on the basis of the performance of the varieties on the fresh fruit market over the past three crop years, i.e., 1936, 1937 and 1938. Price returns by variety, grade and size covering the three crop years were obtained for 225 varieties from representative fruit packing houses in the Annapolis Valley. Deliveries accounted for by the Nova Scotia Apple Marketing Board in the 1939-40 crop season amounted to 1,691,025 barrels from 212 varieties of apples and approximately 2,528,000 were distributed by the Board to the growers.

The Nova Scotia Apple Marketing Board is the agent of the growers and is responsible and accountable to them. At meetings held with growers and sub-agents throughout the marketing season, the Marketing Board presented reports of their operations and gave growers an opportunity to voice their criticism. The Marketing Board employed a firm of well-known chartered accountants, which conducted a continuous audit. As a party to the marketing agreement, the Dominion Government has maintained a representative of the Treasury Board in the Valley throughout the marketing season, his duty being to audit transactions of manufacturers recoverable from the Government. The Apple Marketing Board has worked in close co-operation with the Marketing Service of the Dominion Department of Agriculture, and frequent conversations have been held on matters of policy. The agreement between the Central Selling Agency and the Dominion Government requires an accounting in detail from sub-agents of apples purchased from or packed and handled for growers and all costs and expenditures incidental to the packing and handling of apples. In these several ways the growers' interests were protected.

*Comparative returns from apple sales.* The eight-year (1931-38) average tree-run return to the packing-houses is estimated at \$1.92 per packed barrel. (Table 2). The average cost of packing on a tree-run basis is estimated at 27 cents

\*Based on a survey conducted by the author.

per barrel. This means that the grower received an average return of \$1.65 per barrel during the eight years 1931 to 1938. Out of this return he had to pay for the barrel, which amounted to approximately 30 cents.

average return of the three years previous.

Due to a larger-than-average crop, the total returns from the 1939 crop averaged \$2,767,558, or 75 per cent of the eight-year average returns and 70 per cent of the last three-year average.

Table 2. Returns to growers from Nova Scotia apple crops.

	Total production	Total returns from crop	Ave. return per barrel tree-run	Cost of packing	Net return for grower per barrel
	bbls.	\$	\$	c.	\$
Average 8 years 1931-38.....	1,929,562	3,695,826	1.92	27	1.65
Average 3 years 1936-38.....	1,999,667	3,953,432	1.98	27	1.71
1939-40:					
Graded apples.....	1,691,025	2,710,456	.....	..	.....
Culls and small sizes.....	400,000	57,102	.....	..	.....
Average 1939-40.....	2,091,025	2,767,558	1.32	24	1.08
1939-40 in % 8-year average.....	.....	75	69	..	65
1939-40 in % 3-year average.....	.....	70	67	..	63

For the three years 1936-38 the average tree-run return to the packing house was \$1.98 per barrel and the return for the grower \$1.71 per barrel. A comparable tree-run return to the packing companies from apples delivered to the packing houses for processing or sale as fresh fruit in 1939-40 averaged \$1.32 per barrel. This was 67 per cent of the average return of the three years 1936-38. After packing costs were deducted, the average return to the grower for tree-run apples was \$1.08 per barrel, or 63 cents below the

The Valley as a community did not experience as heavy loss as did the grower in the 1939-40 season. A larger proportion of the money which ordinarily goes out of the Valley to pay transportation and selling costs was retained and spent for trucking apples and for the additional labour required in manufacturing apple products. It is estimated that the total cash income from the 1939 apple crop was 86 per cent of the eight-year average and 80 per cent of the average of the last three years. (Table 3). The truck-

Table 3. Statement of estimated total gross cash income to the Annapolis Valley from the apple crops, 1931 to 1939.

	Income from apples	Income derived from manufacturing		Total gross cash income from apple crop
		Trucking at 7.28c. per bbl.	Labour at 34.4c. per bbl.	
	\$	\$	\$	\$
1931-32.....	2,874,623	13,379	63,220	2,951,222
1932-33.....	2,030,370	19,098	90,246	2,139,714
1933-34.....	4,285,330	30,884	145,938	4,462,152
1934-35.....	3,579,921	32,906	155,492	3,768,319
1935-36.....	4,936,086	20,818	98,372	5,055,276
1936-37.....	2,604,286	41,628	196,705	2,842,619
1937-38.....	3,727,601	42,568	201,146	3,971,315
1938-39.....	5,528,410	18,277	86,362	5,633,049
Average, 8 years.....	3,695,828	27,445	129,685	3,852,958
Average, 3 years.....	3,953,432	34,158	161,404	4,148,994
1939-40.....	2,767,558	89,675	448,435	3,305,668
1939-40 in % of 8-year average.....	.....	.....	.....	86%
1939-40 in % of 3-year average.....	.....	.....	.....	80%

ing, storing and shipping of the finished product has not been taken into consideration in estimating the total cash income.

*Manufacturers' processing agreement.* Agreements between the Dominion Minister of Agriculture and the apple manufacturers in Nova Scotia provided for the reimbursement of each manufacturer's expenses in connection with apples, and direct processing costs, which included labour, materials, repairs, fuel and power; and an allowance for overhead amounting to 7 per cent on apples and direct processing costs. This allowance for overhead could under certain conditions be increased or reduced.

**Table 4. Estimated cost of Nova Scotia Apple Processing Agreement to May 15, 1940**

Canning, including cost of apples.	1,831,970.90
Drying, including cost of apples.	1,491,197.08
Insuring.....	9,105.37
Storing.....	24,600.01
Allowance for selling.....	56,818.35
Duty drawback.....	23,312.22
<hr/>	
Gross amount of manufacturers' claims.....	3,437,003.93
Sales to date.....	1,019,971.52
<hr/>	
Net cost to Government to May 15.....	2,417,032.41
Apparent value of stocks on hand.	1,408,130.00
<hr/>	
Probable loss to Government if product sold at current prices..	1,008,902.41

It had been hoped that the processed apple products could be marketed abroad; and up to the time this spring when the United Kingdom restricted importations of canned fruits and vegetables, exports of canned apples were satisfactory, though purchases of dried apples authorized by the United Kingdom Dried Fruit Control Board had been disappointing. Sales of these products to May 15, 1940, resulted in the disposal of 51% of the canned and 24% of the dried apples processed under the agreement, leaving some 548,653 cases of canned apples and 154,633 cases of dried apples to be taken over by the Dominion Government on the above date.

*The 1940 programme.* The Dominion Government has three objectives in the programme of assistance for 1940. First,

to maintain the industry; secondly, to conserve food; thirdly, to increase consumption. The assistance will be directed to that part of the apple crop which is normally exported but which, due to a condition of war, is now uncertain of movement overseas.

In order to maintain and protect the industry it was realized that early action was necessary in order to ensure proper pest control and other essential cultural activities being undertaken in good season. On April 26, 1940, the Dominion Government approved a plan of assistance for Nova Scotia apple growers which guarantees a return to the apple producers of 80 per cent of the 3-year (1936-37-38) average net return for as nearly as can be calculated 85 per cent of the average exports of the said three-years. The maximum quantity to which the guarantee applies is 1,147,500 barrels. This means that the guarantee will apply to 37, or practically all exportable varieties of desirable grade and size. That part of the normal exports to which the Government guarantee does not apply consists of odd varieties, low grades and small sizes.

The programme of assistance has not been fully worked out for the other apple producing areas, but it is the Government's intention that no province will be placed at a disadvantage with respect to another. It is the intention of the Government that the zoning provisions which were in effect last season will be modified to permit the free movement of apples of desirable varieties and grades from producing areas to any consuming centre in Canada.

Effort will be made to make good quality apples available to consumers in every walk of life throughout the Dominion at reasonable prices. Apple juice production increased from 60,000 gallons in 1938-39 to 1,000,000 gallons in 1939-40. It is hoped that this outlet for the lower quality apples will be expanded.

In carrying out this programme it appears unlikely at this time that the Government will recover its guarantee. It is also unlikely that the grower will receive a return equal to that of the last

8 or 10 years. The Dominion Government cannot be expected to maintain any one industry at pre-war status during this emergency. That would necessitate extending, without prejudice, similar assistance to all industry throughout the Dominion. The Government's first duty is to protect the financial solvency of the nation. In this particular undertaking the Government is sharing the loss and at the same time affording protection to the apple growers. The loss to the grower and to the Government can be greatly reduced if the grower at this time eliminates his aged trees and many odd and undesirable varieties.

In view of present and prospective conditions, and with United Kingdom purchases likely to be controlled by the Ministry of Food, differences in quality within recognized government grades cannot be expected to receive the same consideration as in pre-war years. A standardized wholesome product is required by a country at war. Under the guarantee, the producer who has good varieties and grows a high quality of fruit is compensated for his efficiency through grade and size differentials.

A number of packers have built up a good reputation on the export market in the past. It is to their interest to continue to serve their customers, maintain their contacts, and protect their investment throughout this emergency. That should be sufficient inducement to maintain a high standard if they expect to be packing and shipping apples when the war is over.

We are no longer operating on a free and open market, where a product moves to the market place on a pre-arranged schedule and usually brings its true worth. Luck and chance play a large part in war; the outlook is always speculative, and risks are large. Under such conditions, risks must be spread, and the group must take precedence over the individual. In other words, under a plan of government assistance to provide subsistence and protection to an industry, it appears necessary that the resources of the apple growers be pooled and the returns from the crop shared on some reasonable basis which will be fair to all parties and at the same time permit some incentive to shippers to put up a superior pack.

## The Co-operative Movement in Newfoundland

By H. B. MAYO

**I**N spite of several sporadic attempts to start co-operatives there was, until a few years ago, hardly a good co-operative society in the whole of Newfoundland. Sir Wilfred Grenfell pioneered a number of well intentioned efforts in north Newfoundland and Labrador but these societies either failed or, in the case of one or two still existing, became indistinguishable from other private companies, even to the extent of having watered stock. It is possible, however, that one of these may reorganize on co-

operative lines and so, late in the day, realize one of the famous doctor's dreams.

Failure or perversion also followed other co-operative ventures, and left a bad taste in many mouths. To-day this prejudice is one of the many obstacles in the way of genuine co-operative effort.

The bright spot in this poor record is the large retail society established just after the last great war in the paper mill town of Grand Falls. Built after the English model, this society flourished until it now has an annual turnover of around \$350,000 and consistently returns to its members 5% on their purchases. Oddly enough, the movement

EDITOR'S NOTE: H. B. Mayo, a young Newfoundland who studied at Dalhousie University and as a Rhodes scholar, at Oxford, is at present in the government service of the Old Colony.

did not spread from Grand Falls to other parts of the country, not even to the mining and mill towns which, with their salaried workers, appear at first sight such a promising field for consumers' co-operation.

About six years ago an approach of a different kind was made—the Commission of Government brought a co-operative expert from Europe to initiate co-operation among fishermen. The outcome was three fishery societies, for retailing, supplying for the cod-fishery, and marketing members' fish. They were started by the help of loans from the Department of Natural Resources, and were not founded on any solid base of education or on any real demand from the fishermen concerned. One of them has since been wound up and the other two are struggling on, but their position is not healthy, nor their future bright, unless radical reorganisation is effected. They have probably been most useful as object lessons, to teach the Government and the people that genuine co-operatives cannot be started so easily, by Government loans and without an educational foundation. But however started, their prospects would have been gloomy, for the dried cod industry has been uneconomic for some years, and is hence the poorest of all soils for experiment with what is for Newfoundland a new form of business organisation.

In 1936 Government policy underwent a change and co-operation got off to a fresh start with new people and new methods both taken from the adult education work of the Extension Department of St. Francis Xavier University. A Co-operative Division was set up in the Department of Agriculture and Rural Reconstruction, a number of Newfoundlanders were trained and added to the staff, and the Government prepared to do for Newfoundland what a small University was doing for the Maritimes.

In providing co-operative teaching and generally fostering the growth of co-operatives, especially among primary producers, the Newfoundland Government had before it many precedents. To mention only a few: the United States

Department of Agriculture, the various governments of India, and colonial governments such as Cyprus and Mauritius. In the words of the present Commissioner for Natural Resources: "The development of Co-operation and the collective organisation of producers should be the corner stone of a policy of social reconstruction in Newfoundland."

Newfoundland is a country where the Government is not perhaps the ideal agent to promote co-operation. On the one hand a tradition of paternalism, and a distrust of "politics", are strong and the people often tend to expect subsidies or to regard the work with a can-anything-good-come-out-of-Nazareth attitude. While on the other hand the active opponents of the policy either accuse the Government of going into business, or of trying to drive private traders out of business, both of which are quite outside the scope of the policy.

But since there is no local Carnegie and no Extension Department to carry on the work the Government must perforce do so, and the results have, I believe, justified the effort.

As in eastern Nova Scotia the reasons for the policy lie in the poverty, distress, ignorance and barrenness of community life that prevail in so many places. The policy itself is one of education for social action. Not all the country's troubles are traceable to causes beyond our control, such as poor markets for fish, the effect of the world depression, and so on. To a large extent the problems of the country are problems of the people, and in the people themselves must lie the solution. By study, self-help, and united action the people can wipe out much of the social ills, if they are only given guidance. Producer and consumer will benefit, and there will be a steady progress away from paternalism, and towards independence. That is the theory on which the co-operative policy is based. One might add that although Newfoundland has lost self-government in the political sphere, it is now trying to build a more solid economic democracy on the basis of adult education and co-operation. Who can say but this is not

the surest way to build for future political democracy?

The policy, as in Antigonish, is based on study clubs or discussion circles, of which there are about 1,000 scattered unevenly around the country, taking in about 10,000 people. These are the educational unit, and they lay the foundations for co-operative organisations. In their monthly joint meetings they are a deliberative and social body, in some ways like an embryonic form of local government. From these come the local leaders of the movement, and unless a community can throw up good leaders no real progress will be made.

After education comes action. The type of society that is usually the first to grow out of the study clubs is the credit society. This is because it is simple, and furnishes good training in co-operative methods, and provides cash loans so that other kinds of societies can operate on a cash basis. It is in fact, the main co-operative solution to the problem of getting Newfoundland business away from a hoary credit system and on to a cash footing. The type of society formed is that found in Canada and the United States under the name Credit Union. Although a difficult type to start, much harder than the Raiffeisen, for example, because its only funds are the savings of members,—when once started it is generally safe. A period of six months study normally precedes the formation of a society.

The first credit society in Newfoundland was opened for business in Lourdes, on the west coast, on March 17, 1937.

The latest approximate figures are to the end of December 1939. At that time there were 35 credit societies, with 3,200 members; share capital of \$25,000 and a loan business for that year of \$48,000. Since loans are usually for short periods, the capital can turn over two or three times in the course of a year. Loans are made for all sorts of provident and productive purposes. 20 of these societies are already registered with limited liability under the Co-operative Societies Act, 1939. Other societies are always growing out of the Study Clubs and

there are at least another 10 societies in embryo, that will be formally organised and registered during 1940. Some of the credit societies are among trade unionists in the towns, but the bulk are among the outport fishermen and farmers.

Another relatively easy field for co-operative action is that of joint purchasing, starting with the small buying club to bulk members' orders and to secure wholesale prices. The members pay ordinary retail prices to the club, and the margin is credited to members' share capital for a future general purpose society. This type of society grows naturally out of the buying club, and is especially suitable for small places where it is not wise to have too many organisations. Retailing and marketing are the two functions most commonly combined in the general purpose society, though a few such societies, mainly in the towns, concentrate entirely on retailing.

There are now 18 of these general purpose societies registered under the Co-operative Societies Act with an estimated membership (at end of 1939) of 1,700, share capital of \$8,000, and annual turnover of \$325,000. Dividends on purchases are paid at rates that vary from 5 to 10%. 12 other societies of this kind are organised and will be registered this year. Credit is so necessary for the small farmer and fisherman that these societies would inevitably be driven off a cash basis without the credit societies as a source of loans. The credit society and the general purpose society are thus two parts of one complete co-operative plan to service the primary producer by receiving savings, granting loans, retailing, and marketing.

There are also a number of fishery societies whose main business is marketing live lobsters but which do a small amount of supplying, and marketing of other products. The main impetus to the start of these, in 1937, was the low returns for canned lobsters. Experimental shipments gave great satisfaction, and the following year one large society, covering half the west coast



shipped 278,000 lbs. that yielded an average price of 11 cents per lb. The price paid by private buyers is stated to have been 9 cents per lb. The society could get better prices because it sold direct to the American markets, without the intervention of a number of middlemen, and because the fishermen took better care of their lobsters as a result of what they learned in their study clubs. In 1939 the territory covered was larger and five societies were organised taking in 1,250 fishermen, and shipped a total of 736,000 lbs. that brought a net price to the fishermen of 12 cents a lb. The 1940 returns are not yet to hand, but another society of 250 fishermen had been formed in Placentia Bay and the total quantity shipped is well over one million pounds. Returns will probably not be so high as the year before, for the American prices took a large drop.

It was no easy job to organise and carry through a business of that size. Fishermen are noted individualists, many were down and out, and most of them had no background of co-operative experience. But they carried it all through in face of disloyalty, lack of supplies, opposition, and many other obstacles. Perhaps the best results of this has been in the breakdown of traditional ways of thinking and doing business, and in showing that co-operation can work when applied to the fisheries by fishermen. Tangible results are cash, where often no cash was seen before; and higher prices to fishermen both inside and outside of organisation.

The great question for the Newfoundland fishermen is this: Can they do in cod what they have done in lobsters? For many reasons the live lobster trade is much easier to handle; the cod fishery bristles with difficulties. The cod-fishery may well prove to be the testing ground of organised co-operation in Newfoundland.

Other branches of co-operative activity have made some headway. A few co-operatives market eggs under the "National Mark"; a sickness and accident insurance society flourishes within the Civil Service; and a few other small enter-

prises of divers kinds, such as a wood-working factory and ice depots are in operation.

Agricultural marketing is a form of producers' co-operation that has not been greatly developed. The field is occupied for the moment by a proposed Agricultural Marketing Scheme, similar to the marketing schemes in Britain. This is not voluntary co-operation of the old style although it rests on the democratic basis of majority voting. Many co-operators see in this form of organisation one which is better adapted than mere voluntary co-operation to the needs of the modern economic system, with all its rigidities and monopolies. In any case it looks as though the future improvements in agricultural marketing will be along marketing board lines.

A Co-operative Societies Act was passed in July, 1939, to give societies their legal standing. Under it they may register with limited liability and enjoy the usual privileges of incorporation. One important clause of the Act contains legal restriction on the use of the word "co-operative". Annual returns are required from each society. Only when these are in will accurate and comprehensive statistics about the Co-operative Movement in Newfoundland be available.

Co-operative policy in Newfoundland is a long range programme, and necessarily slow. In places where a large proportion of the families are on the dole the great need and distress warrants some departure from orthodoxy. A speeding up of the normal process is feasible under certain extreme conditions. This is what was projected in the plan for the rehabilitation of Placentia Bay—where, with organised marketing and government loans, enterprises were to be set up that would eventually be taken over by the people themselves. This plan has now been postponed, and it remains to be seen whether the normal co-operative policy can succeed where private industry has failed—in reviving depressed areas.

At the five established land settlements a fair amount of study of co-operation has been carried on, and the Government

stores are gradually being bought out by the people, and being used as general purpose societies.

It is important to realize that co-operation is not a magic pill that will cure every social disease overnight. If some outports are uneconomic, co-operation nor any other form of organisation can put such communities on their feet. Redistribution of the population may in these cases be the only real remedy. Hasty condemnation of an area must however be avoided, for uneconomic is a relative term, and potential resources are hard to estimate. Social evils such as unemployment can only be wiped out slowly as capitalism is modified and transformed from within. Although Newfoundlanders are often pessimistic, it is the faith of most of us that with a widespread co-operative movement and the

best forms of organised marketing there is a decent living possible for everyone in the country.

The actual material benefits of the new movement in Newfoundland, expressed in hard dollars and cents, have been very noticeable, and these bid fair to increase steadily. The movement is only in a stage of healthy infancy. But the significance of the movement will be misunderstood, particularly at this stage, if attention is confined only to the business side. The educational aspect is vital in Newfoundland, and so are the effects this is having on persons and on community life. Lives as well as livelihoods are being changed by this new gospel of study, self-reliance, independence, and united action. It is perhaps by the intangible results that the movement will do most good for the country.

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## Some Aspects of Public Speaking

By ARTHUR L. YATES

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THERE are certain facts regarding ears and hearing which we must take into account when speaking from a platform, and these will be considered. The normal ear does not hear a sound at the moment that it reaches it, for there is a tiny period before the waves of sound can set the mechanism of the ear in operation, and similarly, the mechanism continues in operation for a fractional period after sound has ceased to fall upon it. As a result, if a succession of notes fall upon the ear they are heard separately, but, if they are repeated more and more rapidly, there comes a time when the separate notes appear to fuse and form a single prolonged sound. In a perfect hall, the notes would not thus be fused until they recurred sixteen times a second. Perfect halls are however

rare, for the walls will generally reflect the sound and form an echo, and it is not uncommon to find that notes repeated six times a second will fuse to a continuous note in such a hall. If for such test notes, we substitute the syllables of words we find that, in a perfect hall, they will be audible because the tiny period of silence in between the syllables and words is clear, but that in a faulty hall, the echo of the syllable fills up the period of silence so that the syllables run into one another.

It is a matter of some difficulty to many speakers to frame their words in a staccato manner and fortunately there is no need to do so for, if each syllable is spoken on a different note, it will achieve the same effect and make the speech quite clear.

When any member of the audience is hard of hearing, this tendency of the syllables to run into one another is for

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EDITOR'S NOTE: Arthur L. Yates, M.D., is a Demonstrator in Diseases of the Eye, Ear, Nose and Throat at Dalhousie University's Medical School.

them increased, so that the period of silence in between the syllables must be more marked before they hear with ease or, if the period of silence is not used, the change of note which marks each syllable must be very plain. It may be computed that 10 per cent of all young audiences are hard of hearing, and that this proportion rises to more than 20 per cent in audiences composed of persons of all ages. It must also be remembered that, when a person cannot hear with ease, he rapidly gets auditory fatigue and so will cease to listen and, having ceased to give attention, will sit in a dejected attitude which other people who can hear will note, and by example will cease to give attention to the speaker's words. If a speaker does not address himself particularly to those members of his audience who are hard of hearing and make sure that they will hear, he will very soon lose the attention of the rest.

For this reason the speaker should pay particular attention to the way in which he forms his words and must have some knowledge of the functions of the larynx, throat and tongue and lips as far as these relate to speech.

The larynx forms the note on which the speech is based and the principal structures which perform this function are the vocal cords. By stretching them the note is rendered higher and by relaxing them it is lower. The vocal cords are brought together when the note of speech is made. They are strong structures but like other organs of the body will not stand much strain if this is wrongly applied.

When the note is generated in the larynx, the sound passes up the throat and is reflected forwards by the curved soft palate to the mouth. By the position of the tongue the note acquires the character of a vowel and when the note of the vowel is stopped by the tongue or by the lips, the consonants are formed. It will be seen that one of the most important factors, which govern clarity of speech, is the position of the soft palate which should be contracted hard against the back of the throat. If it

is not contracted and hangs lax, air will escape into the nasal cavities and the vowel sound will partly pass with it. Should this occur the vowel sound will not be fully stopped by the tongue or lips to form the consonant, the sound of which will be indistinct and lacking in its characteristic and necessary sharpness.

#### *Words and Phrases.*

A word is made by adding syllables together but a word alone is meaningless. To gain a meaning a word must be a portion of a phrase. Phrases are the units of thought and, in speaking, a phrase must be spoken continuously with only such small periods of silence as will permit the syllables and words to gain distinctness and, there is a pause after the phrase, to let the hearer's brain appreciate its meaning and after this, the next phrase follows and so on till the sentence is completed.

The rate at which the phrases are delivered, will depend on their importance and they will follow one another rapidly when they describe some matter which is of no great consequence in the address, but the rate will depend also on the power of the audience to grasp the subject of which we are speaking.

#### *Cadence.*

When words are spoken in a public hall, the note, on which each syllable is formed, is higher or lower than that of the preceding syllable. This alteration of the note will form a sort of time and, by selection of the music in the speech the words will have an added meaning. This rise and fall of pitch in speech is known as cadence. The art of cadence is to explain the meaning of the phrases but cadence introduces one pitfall into speech. It may be that we have used words which are ambiguous. This ambiguity will be removed from what we say by cadence so that our audience understands fully what we mean. The reporters, sitting at their desks, will faithfully write down our words and the next day they will appear in print and will be read aloud perhaps by

someone who would like to disagree with what we said. He uses different cadence in this ambiguous phrase and, by the alteration of the cadence, our words may have a meaning very different from that which we intended. It is for this reason that the orator has to learn to speak in phrases which are devoid of ambiguity.

#### *Auditory Fatigue.*

There is another reason why cadence is essential in all oratory. If the speech came to be delivered on a monotone, the recurrence of the unchanged note would tire the ear and in a short while it would become impossible to understand the words. If the note is changed this auditory fatigue does not occur. Fatigue of an audience is above all things to be avoided, for what after all is the definition of fatigue but a condition in which, as a result of previous efforts, each further effort produces less and less result. The more they listen, the less they understand when in a state of auditory fatigue.

It is not only the note on which the words are based which leads to auditory fatigue. It has been said that no body of persons can listen to a complex subject for longer than ten minutes, and there is little doubt that this is true. It is therefore necessary to relieve the strain of listening at frequent intervals by introduction of some lighter matter, or by a story or an illustrative anecdote.

#### *The Difference between Written and Spoken Speech.*

When any passage in a book is read, we can look back at any words that we have failed to understand and so obtain their meaning. It is therefore permissible to write and print sentences which need careful study and to pen passages which can be fully grasped only by reading them again. This is not the case with speech for, if a sentence is not understood, the words have flown and we shall never know their meaning or significance. It is therefore necessary to use very simple methods of expression when speaking to an audience. Brain speaks to

brain not tongue and lips to ears and the expressions that a speaker uses must readily be understood by the least intelligent members of his audience.

Much of the bad oratory that is heard, is due to the difference between the speech as written and as spoken. It is well to consider this in detail. Examination of a written passage shows the fact that many words begin with consonants and that a few begin with vowels and, if this passage is read aloud, it will be noticed that, if the reader is unskilled, the words that begin with vowels are considerably plainer in enunciation than those beginning with a consonant. If one listens carefully to such a passage when read by a skilled speaker, one finds that he enunciates each consonant at the beginning of a word with a very short vowel sound which precedes the consonant. This is called the silent vowel and, in the case of the bad speaker, this silent vowel is indefinite and slurred. If we look at the sound strip of a talking picture through a magnifying glass, we see a lot of wavy lines and on studying these more carefully, one finds that they represent the vowel sounds and that the vowel sounds are altered when they are stopped by the tongue or lips to form the consonant. There are in fact no consonants, but only different methods of stopping vowels. There are about ten vowels, that is to say, each of the vowels a e i o u may be short or long and there are about twenty different ways of stopping these. If one looks at the tracing on the sound strip of the initial consonant, one finds that it is always preceded by a vowel. The p of proceed and the c of consonant have, for example, such short vowel sounds that they can hardly be detected, but in the sounds of n as in nominal or m as in mountain the initial vowel sounds are more prolonged. In either case, the strength and clearness of the initial consonant depends upon the strength of the initial silent vowel and, in bad speech, it is not unusual to find that lack of knowledge of this fact leads to a bad introduction of the work which is there-

fore difficult to understand. The bad speaker in fact endeavours to speak words as they are written.

It is a ponderable thought that, the more a man has read, the more is he likely to speak words in the way that they are printed and that the less that he has read, the less likely is he to do this and so he may with much less knowledge be the better speaker.

#### *Limits of Comprehension.*

If men of average intelligence are subjected to a simple test, their power of understanding is found to depend to a large extent upon their power of memory of the words that they have read, or of the words that they have heard and, among educated men of average intelligence, this power of memory of the words they read is better than their power of memory of the words they hear. Among those less well educated but of similar grade of intelligence, the reverse is found to be the case, and they can remember the words that they have heard better than the words that they have read.

Men of average intelligence can generally repeat some thirty words which they have read or heard but, among them, there is a fairly high proportion who can repeat only about ten words that they read and thirty that they have heard and a still higher proportion who can repeat thirty words that they have read and only ten to fifteen words that they have heard.

Men of proved ability, whether in the scholastic or the business world or politics, can generally repeat some sixty words or more but scholars can remember what they read more easily than what they hear and business men and politicians can remember more of what they hear than of the words they read.

This fact is of importance to the man who speaks in public for, if he utters twenty words without a pause, a small proportion of his audience will fail to understand. If without a pause, he utters thirty words at least one half of his audience will fail to understand him and, if he garrulously goes on for sixty words, no one will follow what he says.

There is another factor which has much to do with the ability of the members of an audience to hold the phrases in their memory until the sentence ends. This is the ease with which they hear the speaker's words.

#### *The Acoustic Properties of Public Halls.*

Speakers have to know something of the acoustic properties of halls if their words are to be heard. In halls which are perfect acoustically, and these are rare, the only difference between the voice of oratory and that of conversation is its loudness. In the majority of halls, there are acoustic defects which have to be recognised and overcome if the speaker would be heard.

The sound of the speaker's voice will be reflected from the walls. If this reflection is too little and the hall is large, it will be necessary to raise the voice so much that those in front will **think** that he is shouting, while those behind will hardly hear him. If loud speakers have been fitted, they will overcome this fault with ease. If the reflection is too much, the problem is by far more difficult. When the sound is reflected, it passes back towards the speaker. But the reflected sound has lost the character of speech and is of the nature of a humming noise of the same pitch as the vowel voiced in the last syllable. If the next syllable is spoken on the same pitch as this echoed sound, it will tend to be inaudible. Speech on a monotone in such a hall is generally unintelligible as are any words of which the syllables are spoken without a change of pitch.

It is for this reason that in such a hall syllable cadence is employed. This means that one syllable is never spoken on the same pitch as the preceding syllable. It is partly for this reason, and partly to make speech more pleasing and effective, that phrase cadence is employed. In phrase cadence the important words in that phrase stand out by reason of the note on which these words are spoken. In addition to the use of cadence to overcome the echoes of a hall, it is necessary to find out, either by scientific tests or by trial sentences

at the beginning of a speech, the point from which the echoes chiefly emanate. This is not the place to describe such scientific tests but the tests employed at the beginning of a speech should be known to every speaker. In these, the speaker faces his audience and begins his speech with a series of observations which are of no importance, except that while he makes them, he directs his voice to various areas of the hall, watching meanwhile the faces of the audience. He will see persons in a certain sector of the hall who are hearing easily, others who strain to hear his words. He faces differently and directs his voice towards those who are not hearing easily. He tries raising his voice and then speaking less loudly. He tries a certain rate of speech and finds that it is too fast or too slow. He bears in mind that the hall must have an echo period, that is to say, the tiny period of relative silence in between the words or phrases may be filled up with the echo. He increases the period of relative silence between the words, and speaks in what to him is a staccato manner but to the audience sounds like ordinary speech.

He remembers also that every hall has what is called a fundamental note, which note will be reflected more than any other note. He finds that, if he pitches his voice higher or lower, he is more audible and so avoids the fundamental note. Finally, having found the point to which he should direct his voice, the rate at which he can speak and the fundamental note, he begins the real material of his speech.

### *The Musical Character of Public Speech.*

The changing note which is essential to good speech has characters which are akin to music. The range of the human voice is about two octaves and the best speakers seem to use all this range in public speech.

The notes on which the speech is based, must be well chosen so that they clarify the meaning of the words.

Music however, has two characteristics in addition to the pitch of note and these are its loudness and its time. The varying loudness of the words is one of the most important features of good public speech and the terming of the words produces poetry or prose at will. Prose which is spoken to the lilt of poetry is called lyrical. The greatest orators have shown that to change from prose, in which time is not a special feature, to lyrical prose, is one of the most telling tricks of oratory. But it is not without its dangers for in a hall which has acoustic difficulties the rhythm tends to build up echoes.

It has to be remembered that in the music of the savage tribes, drums were the most important instruments. By these, a certain rhythmic beat excites man to a spurious bravery or delight. Some orators have the trick of employing this same drumming effect in speech and by its means exciting throngs to frenzy. The best orators avoid this form of rhetoric.

# Problems of High School Education in Nova Scotia

By ALEX S. MOWAT

THE present condition of High School education in Nova Scotia (as in many other parts of the world) presents something of a paradox. On the one hand it is widely recognised in the Province, especially by those who know the schools best, that high school education, particularly in rural areas, is far from what it might be. On the other hand the public shows its tremendous faith in the value of high school education by steadily and consistently sending its children to high school in numbers really remarkable in a province not usually regarded as economically wealthy. No less than 9 out of every 10 Nova Scotian children enter Junior High School, and no less than 5 out of every 10 enter Senior High School. Unfortunately our high school education has not yet caught up with these facts nor made proper use of the opportunities they afford. So rapid has been the increase in numbers that it would have been a miracle if it had caught up. But the important thing to realize is that the present high school system is quite inadequate to present day conditions. In the old days it was easy to decide what should be taught in high school, for only a few pupils stayed on after the elementary grades. They were generally the ablest and cleverest, and they were, quite rightly, given an academic training and sent on to University or College.

Today the high schools are invaded annually not by hundreds, but by thousands, of students, most of whom will never attend University, and for many of whom the present high school studies are both unsuitable and uninteresting. To put things right nothing less than a reorganisation of high school education is required.

Such a reorganisation will, in my opinion, certainly be a failure unless it does two things. First it must provide some variety of courses for different types of pupils; and, second, it must, as justly as possible, regroup and reclassify children at the beginning of the high school stage.

There are many ways in which scholars can be classified into types, two of which are of first importance in the present connection. In the first instance, high school students (like people of all ages) will be found to differ enormously among themselves in natural ability, and (with a very limited group of possible exceptions) no treatment or teaching will remove or alter these differences. Such differences increase with age during the years of schooling, and it is their existence which makes imperative some differentiation of courses or studies at the high school stage. For if the attempt is made to put all the children through the same course of study, one or other, or probably both of two results will surely follow. Either the clever children will be kept back in their work by having to wait for those who are less intelligent, or the clever children go ahead according to their ability, leaving the rest to flounder along in confusion. This difficulty can be met only by providing different courses for groups of different mentality.

In the second place, high school students may be classified according to the length of time they spend in high school. In Nova Scotia important differences result from this method of classification. For of every 10 children who enter Junior High School in grade VII, only 8 are left in grade VIII; by Grade X only 5 are left, and only 3 complete grade XI. It seems reasonable, therefore, that in addition to the differentiation of courses

EDITOR'S NOTE: A. S. Mowat, M.A., B.Ed., came a year ago from Edinburgh University to Dalhousie University where he occupies the chair of Education.

made necessary by differences in ability, differentiation is necessary because of differences in the length of time pupils remain in high school. For it is obviously bad educational policy to start out on the same high school course a student who is going to remain 2 years in high school and another who intends to remain 5 years. In places where this problem has been investigated it has been found that, generally speaking, the less intelligent pupils leave early and the more intelligent stay on.

Provision of two types of courses goes a long way to solve both the difficulties which arise from differences in ability among the students and those arising from the varying lengths of time they stay in school. A course planned for five or six years meets the requirements of the more intelligent students, who are usually those who stay longest at school, and a shorter and simpler course provides for the less intelligent, who are usually those who leave school early. More than two types of courses I think it impossible for Nova Scotian high schools to offer on account of their necessarily small size. For a similar reason I consider the present system of electives ill-adapted to Nova Scotia, since a small high school is either unable to offer much choice in electives or can do so only at the price of too much dependence on the text book by both pupil and teacher. But in any case, the present elective system does not meet at all adequately the difficulties of the junior high school, though it does make possible some real differentiation in the senior high school.

In the light of all the facts the simplest and most reasonable solution in Nova Scotia of the problems under consideration would appear to be the institution, on the one hand of a General or Modern course and on the other hand, of a course similar to the present academic course. The general course would be non-academic in character, would be planned for 3 years and would absorb about 80 per cent of the pupils in the junior high school. It would have an extension planned for 2 or 3 years into the senior high school, where it might be expected

to absorb about one-half of the students. The academic course would be planned from the beginning to extend over the full 5 or 6 years of junior and senior high combined and would definitely prepare for University or College work.

If some such differentiation by courses were adopted it would undoubtedly prove of the greatest benefit to pupils in both courses. It would raise the standard of attainment of those in the academic course and it would provide congenial and useful instruction for the bulk of those students who are at present floundering uneasily in academic depths.

So much for the first requirement of a successful reorganization of high school studies, namely, the provision of duplicate courses. The second requirement, that students be regrouped and reclassified at the beginning of the high school course, now claims our attention. Such regrouping is desirable in itself and rendered necessary by the provision of duplicate courses. The present Course of Study clearly contemplates that some reorganization should take place at the end of Grade VI. I do not think it should be postponed until later. For increasing differences in ability should be no longer ignored. One might add that at this stage pupils are strong enough and mature enough to travel some distance to school without risk.

The obvious and sensible thing to do is to empty the children out of the elementary schools at the end of grade VI, gather them together in a high school, reclassify them according to ability or length of time they expect to continue at school and to start them off on one or other of the two courses offered. To be efficient, teaching should be by specialist teachers and high schools should be large enough to ensure a sufficient number of specialists. It seems to me that any high school (junior and senior high combined) of less than 8 teachers will be handicapped in this as well as in other respects.

At this point the problems of town and country become so different that they had better be treated separately.

The question of reorganisation in the



towns is a comparatively simple one. For in each town or city are large numbers of children congregated in a small area, and transport from one part of that area to another is not difficult at any time of the year. Thus, for example, in Halifax the city could be divided into a number of areas, say 6, each containing a high school and 3 or 4 elementary schools. Children would leave the elementary schools in their area at the end of grade VI and proceed to the high school where they would enter the course most suited to them and have the benefit of expert instruction from a specialist staff. I have often in the past had to point out the dangers of specialist teaching, but I have no doubt that the junior high schools of Nova Scotia would benefit enormously by a greater degree of specialist teaching than is now possible.

Unfortunately, in Halifax at least, reform is hindered by a legacy from the past, for administrative changes have not yet been made to bring the organisation of the city schools into line with the new course of study adopted by the Province in 1935. This new course (a great advance on previous courses) makes the main break in school life at the end of grade VI after which high school studies begin. The earlier course of study made the break at the end of grade VIII, where it still remains in the city schools for administrative purposes. You therefore have the anomaly of students beginning a new *course* in grade VII, but not *changing school* till grade X (in some cases IX). Several unhappy results follow. One is that the high school child suffers two breaks in his school life when only one is necessary. This tends to prevent a desirable continuity of instruction and indeed leads to a blameworthy habit of thinking of school work in horizontal rather than vertical terms. By this I mean the tendency to think of each year's work as a unit in itself instead of something growing out of past instruction and preparing the way for future instruction.

The present organization of the schools also prevents specialist teaching in the junior high school and most

effectively prevents differentiation of courses in all but one or two of the largest schools. There are no less than 19 schools in Halifax giving instruction in grades VII and VIII (and sometimes IX), each one duplicating the work of the rest. Fifteen of those units are very small having only three teachers or less. There is not the slightest doubt that the education of those children would benefit by the reduction of those units to 5 or 6 and their amalgamation with the senior high schools. This need not mean the construction of 6 new schools, but it does mean better use of the existing school space. If such a reorganisation took place, the adoption of a double course for high schools would be easy.

Children in the rural areas suffer under the same disadvantages as children in the towns, only more acutely, and the removal of those disadvantages is a more difficult task. That they do suffer more acutely is shown by their poor showing in the Provincial Examinations relative to the town children. There is no reason to suppose the country children less intelligent. It is simply that they are less well taught. This is not surprising when we consider that many of those children are in the one-room miscellaneous schools, where the solitary teacher has to teach not only all the subjects of the high school curriculum but the elementary grades I to VI in addition.

The only really satisfactory solution is to remove from the small rural school all children in grades above VI and to bring them together into high schools. I am well aware of the difficulties raised against such consolidation, sometimes insurmountable but frequently illusory. Such objections are usually raised on grounds of expense or of difficulties of travel in winter and spring. The first of those objections is beautifully answered by H. M. Macdonald in his pamphlet on School Consolidation in Nova Scotia, where he shows that consolidation may be expected to save money instead of increasing expenditure. Difficulties of travel are more serious, but not serious enough to prevent the adoption of rural high schools where at present

proper high school instruction is denied to students. After all a great proportion of Nova Scotia's population lives along or near the paved highways of the Province which are now open to traffic all the year round, and even if proper high school instruction were possible only if pupils were boarded at or near the high school for the difficult months at the public expense, that expense would probably justify itself in the long run.

A fuller realisation of the handicap under which high school students suffer in rural schools would I think help greatly to bring about the establishment of rural high schools, as would the adoption of the larger unit of administration in education. For reasons already given I should like to see those schools take their students not later than the end of grade VI, and I should like wherever possible, to see them large enough to give satisfactory duplicate courses. There are two possible aims for higher education in rural areas. One is to prepare the students for rural life, the other is to give an academic training leading to the University. At present in Nova Scotia

the second is the aim attempted, and the first, except for a handful of students, is neglected. It seems to me certain that when the new rural high schools come (as come they will) they will have to attempt *both* aims, the main body of students being given a training with a definitely rural and practical bias, and the few with academic leanings being educated along familiar academic lines. In short, the rural high schools will have to be high schools of a kind hitherto unknown in Nova Scotia and not very highly developed in any part of the world.

Such are the improvements that seem to me, a newcomer to the province and perhaps a somewhat hasty judge, to be desirable in the high schools of Nova Scotia. Whether we obtain these reforms or others which will solve the high school problem in a better way, depends in the main on whether Nova Scotians as a whole sufficiently desire for each of their children the chance to do the best that is in each one of them. It is the strength of that desire which distinguishes progressive from other societies.

## Municipal Retirement Plans

By I. RAFKIND\*

A RETIREMENT plan is concerned with the problem of employees who no longer can work with reasonable efficiency or are unable to work because of old age, invalidity (premature old age), or disability. The condition of inefficiency because of age or invalidity commonly is referred to as "superannuation." Various tools can be used to meet this problem. Of course, superannuated or disabled employees can be retained on the payroll, unless their condition is such that even an occasional appearance at their

jobs is impossible. But retention in service has proved to be unsatisfactory because the efficiency of the whole service is adversely affected. Moreover, such practice is expensive since the payroll actually includes a hidden pension roll.

The most satisfactory practice is the provision of a plan whereby employees may be separated from the service and receive a benefit. A scheme for accomplishing this objective generally is referred to as a retirement or pension plan. The benefit usually is an amount less than the employee's compensation while working, and except for rare exceptions, is paid during the lifetime of the retired employee. Death benefits to

EDITOR'S NOTE: The writer is consultant on the staff of the American Public Welfare Association and formerly on the staff of the Municipal Finance Officers' Association of the United States and Canada; author of a pamphlet entitled *Retirement Systems for Public Employees* and several articles on this subject.

dependents such as widows and children, particularly if death results from injury or illness incurred on the job, also are often included in the plan.

Many existing retirement systems show ignorance of even the basic financial implications involved in their operation. In numerous cases benefits are promised without any knowledge of true costs. Such costs should be calculated not on the basis of benefits payable to persons retiring in the immediate future, but on the bases of probable disabilities, eventual retirements, probable mortalities both prior to and after retirement, the number and age distribution of employees and their dependents, salary trends, and numerous other factors. The most acceptable plans are jointly contributory, requiring contributions from both the employees and the employer. In many plans contributions are determined arbitrarily and bear no relationship to the actual cost of promised benefits. Eventually such plans require either increased annual contributions to pay benefits, or benefits are reduced to bring them in line with the inadequate funds on hand or both.

In order to ensure the financial soundness of a retirement plan, the services of an actuary are essential. Qualified actuaries have the training and experience that enables them to compute reasonably accurate cost estimates after considering the factors noted above. Cost estimates must be extended into the future in order to know the eventual financial burden for which to make provision. Estimating costs in advance is essential so that contributions to the retirement plan can be made sufficient to provide assurance that funds will be on hand to pay benefits as they become due. The realization of costs is more apt to keep benefits within reason and within the willingness and ability of the contributors to meet the financial burden. If costs are known in advance, there also is less possibility that the plan will be abolished in the future or that benefits will be decreased because the eventual burden of benefit payments is regarded as excessive.

From the above discussion it should

be obvious that a financially sound retirement plan must follow actuarial principles. Unless the system rests on a sound financial base, those employees who are still young may be disappointed when they reach retirement age. The experience in numerous cities proves this point. Fundamentally actuarial calculations depend for their accuracy upon the operation of the law of averages. For example, on the basis of the Men's Combined Experience table and 3% interest, on the average approximately \$9,600.00 must be on hand at the time an employee retires at age 65 in order to provide a monthly annuity of \$80.00. This does not mean that the cost of providing an equal annuity is the same for all employees retiring at the same age. Some persons will live more than the average and others will live less. But the average cost for a large group can be computed with safety on the basis of acceptable mortality tables. If the group is small, however, the law of averages may not apply and the system may have insufficient funds if a few employees live much longer than the average. In the same manner, actuaries estimate the number of persons who will become disabled on the basis of past experience. Contributions then are computed so that sufficient funds will be provided to pay benefits to those who become disabled. The larger the number of participants the more the calculations are apt to be accurate. In a small municipality, one or two serious accidents may cause an unbearable drain on the finances of the retirement system.

Because the law of averages does not apply to a small group, the reliability of actuarial estimates for a plan operated in a small municipality is questionable and the financial soundness of the plan must be viewed as unreliable. It is true that the mortality factor can be relied upon with reasonable confidence even in a group of 100 persons, but the rate of disability can be calculated safely only for a large group. Many actuaries believe that even 300 or 400 employees do not furnish a risk-spent sufficient for undertaking adequate disability benefits.

The suggestion has been made that small cities should not include disability benefits in their plan. This should be discouraged because disability benefits are essential from the viewpoint of both the employer and the employees. Unless benefits are provided to enable disabled employees to retire with a reasonable allowance, the pressure of employees and the public to keep such employees on the payroll may defeat the objectives of the retirement plan. On the other hand, disabled employees may become a social problem by requiring some form of relief. Considering what is most economical to the municipality and what is socially desirable, one must conclude that a retirement plan should provide disability benefits.

Another problem peculiar to small municipalities is the fact that actuarial and other administrative expenses incurred in the operation of a complete retirement plan would not be spread over a sufficient number of members to furnish an economical overhead cost. A third problem is the difficulty of investing the funds of the retirement system, and this difficulty is minimized when larger funds are available, both because any losses can be absorbed more readily if a large group is involved and because a large system can afford to hire persons skilled in the techniques of determining satisfactory investments. Because of the trust nature of a retirement system's funds, limitations generally are imposed as to the type of securities in which the funds may be invested. No one who has had any experience in handling trust or sinking funds will question the difficulty in selecting safe and sound securities which yield a reasonable interest rate.

It is noteworthy that the state of Massachusetts has a uniform retirement law which must be adopted by local governments and operated separately by each unit of government. The law also provides that all systems be supervised carefully by the state Division of Insurance. At present, approximately 90 local governments in Massachusetts are operating under this uniform law. In

spite of the competent supervision, numerous difficulties are being encountered and consideration is now being given to one consolidated system covering all local systems under a central administrative agency.

A few attempts have been made to meet the retirement problem of the small municipalities by providing benefits through insurance companies. At first glance this seems like the simplest solution. With hundreds of thousands of participants, an adequate risk-spread definitely is provided. At the same time, the municipalities are relieved of the task of administering the system. But closer study reveals several disadvantages. Insurance companies normally will not write group disability and death benefits for a group comprising less than fifty employees. Thus the smallest municipalities are left without a satisfactory solution. Second, the cost of providing the same benefits under an insurance plan as under a large self-administered plan is greater because insurance companies add a substantial amount to the required contributions to cover commissions, other administrative expenses, and taxes.

A more satisfactory solution to the small municipality's problem is found in the pooled or statewide retirement funds existing in the United States. The oldest statewide plans cover only teachers, and such plans exist in more than half of the forty-eight states. Statewide plans covering employees other than teachers are found in California, Illinois, New Jersey, New York, North Carolina, and Ohio. Characteristics common to all statewide plans in the United States are administration by one central agency, the pooling of funds for investment purposes, and the pooling of mortality and other experience the same as is done by an insurance company. In the plans covering other than teachers, two basic systems are in use. In California, New Jersey, New York, and Ohio the existing retirement systems for state employees served as the nucleus around which the statewide plans were formed by permitting local governments to participate in the state employees' system.

In Illinois and North Carolina, the plans do not include state employees and new agencies were created to handle the administrative details.

Numerous variations in statewide plans are possible. Participation in New York need be approved only by the local governing body. In Illinois, New Jersey, and North Carolina participation must be approved by the local electorate, and the Ohio plan is mandatory. The Ohio system is the first example, excluding plans for teachers, of mandatory coverage on a statewide basis for all permanent and full-time employees. In California participation must be approved by both the local governing body and by the employees concerned. For the purpose of determining the departments to be included in the California system, the employees in the municipality are divided into three groups, that is, firemen, policemen, and all other employees. After participation has been approved by the local governing body, and if the majority in any group vote to participate, membership is compulsory for all individuals in the group. In setting up a pooled retirement system all possibilities should be surveyed, with particular attention to existing state or provincial agencies, such as insurance departments and sinking fund or investment committees, which may be able to handle all or part of the plan's administration.

The experience of New York, which has the oldest statewide plan for other than teachers, is significant. Local governments have been permitted to participate in the New York State Employees' Retirement System since 1922. In 1932 the system contained 16,895 local participants in addition to 29,278 state members. By June 30, 1935, the number increased to 42,518 local participants and 43,422 state employees; included over 300 cities, counties, towns, villages, and miscellaneous governmental agencies; and had assets of \$128,429,014.24. The satisfaction of municipalities with this arrangement is evidenced by the fact that in 1932 only one local retirement law for employees other than policemen and firemen in cities outside New York

City remained in operation. The village of Waterville, with only one employee (not including policemen and firemen), is a member of the state system and is furnishing that one employee with all the benefits of a complete retirement system. Even municipalities that are large enough to operate individual retirement systems safely may find it advantageous to join a larger system. (Buffalo, New York, for example, with a population of over 600,000, voluntarily participates in the New York state system).

In addition to solving the operating problems for a small municipality, pooled systems have other advantages. Because a central administrative agency is further removed from the employees concerned, policy and administrative decisions tend to be more unbiased than in a local system. This is most important as related to disability benefits, particularly if the retirement plan provides greater benefits for disability resulting from injury or illness incurred in line of duty than for so-called ordinary disability. Experience has shown that boards of trustees for local systems are more apt to consider debatable disability cases as duty-connected. Such decisions increase costs unduly.

Another advantage of a pooled system is that it facilitates the mobility of employees between units of government, for an employee can transfer from one municipality participating in the system to another and still retain his accumulated retirement credits without necessitating a transfer of funds. Such transfers of credits should be encouraged as an incentive to the promotion of the public service as a career. Numerous instances can be cited of employees who refused to accept employment in another locality because the retirement system in which they were participating included forfeiture provisions unless the employee completed a long period of service. A career service must ignore residence restrictions, and any hindrances to the mobility of public employees where residence restrictions for employment do not exist, should be eliminated.

# Industrial Relations and Social Security

## WAGE ADJUSTMENTS ACCORDING TO LIVING COSTS

By JOHN W. RIEGEL\*

RECENT reports of the Industrial Relations Section of Queens University indicate that a number of Canadian industries have adopted a policy of adjusting wage rates to changes in the cost of living. In view of this development, it seems appropriate to review the correlation of changes in wage rates and in living costs since 1913.

Such a review shows that wage rates definitely lagged behind living costs in their rise during the World War. At the close of that War, the purchasing power of an hour's work in Canada was about fifteen per cent less than it was in 1913. By the end of the post-War boom, however, this purchasing power, or, in other words, the "real" hourly wage, had risen ten per cent above its 1913 level. This gain was not lost in subsequent years; in fact, it was increased.

Toward the end of the first post-War depression, with its readjustment of values, the real hourly wage was approximately fifteen per cent greater than it was in 1913. Throughout the remainder of the '20's, the index of hourly wage rates increased from 180 to 196, while the cost of living fluctuated between 156 and 160; both series being based upon the 1913 figures. Thus, in Canada, at the end of the prosperous '20's, an hour's wages purchased twenty-two per cent more of the necessaries of life than earnings for a similar period did in 1913.

The serious depression of the early '30's did not prevent an even further rise in the purchasing power of an hour's work. Indeed, in 1933, this purchasing power was thirty-seven per cent greater than it was in 1913. During the recovery following that year, the rise continued

until, in 1938, the purchasing power of an hour's labor in Canada was fifty-three per cent more than it had been just before the World War.

This historical review shows that in Canada, during the past quarter century, money wages declined less in depression periods and advanced more in recovery and prosperity periods than did living costs. Generally speaking, the two series moved together, whether upward or downward, although, during the long period of prosperity following 1922 the cost of living remained constant, while hourly wage rates definitely increased. In view of this evidence the observer might approve of the use of a cost-of-living index to regulate wage changes over a short period, but he would question any long-term application of the procedures since it would tend to limit the purchasing power of an hour's work, notwithstanding improvements in national productivity.

In Canada at present there are arguments in favor of the temporary use of the cost-of-living index to regulate changes in wage rates. The policy, it is said, will prevent disputes over wage rates while the country is at war and while price levels may rise quite sharply. Thus it will open a way to adjust the terms of collective agreements and prevent unwarranted decreases in the purchasing power of the workers in the event that living costs rise sharply. There is weight to the argument. The prevention of labor unrest and industrial disputes in a country at war is an aim of such importance that a temporary expedient can readily be accepted even though its use over a long period would be questionable on the basis of economic history.

Another argument in favor of the temporary use of cost-of-living adjustments in wage rates is that thus basic wages can be kept at "normal" levels. Presumably, when the war is over, living costs will fall, and the supplements to the normal wages will be reduced in proportion. With this idea in mind, some ex-

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executives urge that the cost of living bonus be paid separately, or shown separately on each paycheck. Thus they intend that the workers will be reminded of the temporary and fluctuating nature of the bonus, and they hope that the workers will accept reductions of the bonus after the war, in the event that the cost of living then declines. There is real point to the desire of executives to have wages more variable than they were after 1918. In a nation under a system of private enterprise, high hourly wage rates, maintained in the face of declining commodity prices after this war, will prevent profitable industrial operations, and thus restrict the productive functions of that nation. This maladjustment will persist until a profitable ratio between unit costs and unit prices will be restored by wage and price movements and by technological progress.

It should not be assumed that a cost-of-living bonus will result in a constant real income for the workers. During a war period, extra hours of employment will doubtless yield some increase in the real annual incomes of employees, even though their real hourly wages are kept constant. Furthermore, during any recession following a war, under-employment will result in a reduction in the real annual incomes of workers, even though their real hourly wages are kept at a constant level. Thus the independent variation of hours of work will condition the real income of employees notwithstanding an attempt to adjust their hourly wages in accord with changes in the cost of living.

As a consistent policy in peace time, the adjustment of money wages to changes in the cost of living would not be acceptable to employees, since it would deny them the advantages of technological improvements which constantly tend to lower prices, provided that the forces of competition are active.

## II

The objective of a "living wage" is somewhat related to the objective of a cost of living bonus, in that both regard the "needs" of employees as the standards

to be used in measuring the adequacy of wages. An essential difference is that the cost-of-living bonus leaves the basic wage undisturbed, whatever its adequacy, and then adjusts that basic amount in ratio to changes in living costs. The "living wage" standard, on the other hand, is a test of the adequacy of any basic wage or any adjustment thereof.

The advocates of the "living wage" urge that the rate of hourly pay should be sufficient to maintain employees in health and decency. The advocates calculate the cost per week, month, or year of selected "necessaries of life" which are listed as a budget for a "typical" wage earner's family.

It will be seen at once that any living wage conceived as a hourly rate is a misnomer, since no hourly rate affords a living unless a sufficient number of hours of work can be sold at that rate in each year to yield an adequate annual income. Because this obvious truth has been disregarded, efforts have been concentrated too narrowly upon raising hourly wage rates, whereas attention should have been given also to the volume of employment obtainable at those rates.

The living wage is usually advocated by the representatives of unskilled workers in the lowest-paid brackets. These representatives assert that only small amounts would be needed to raise the low wages to desired levels. Because workers in the higher brackets insist that customary wage differentials be maintained, however, the employer cannot expect to raise minimum wage rates without raising all higher wage rates in somewhat similar proportions.

There is small likelihood, moreover, that any typical wage earner's budget would be used over an extended period to regulate minimum wages. There would be demands that the budget be liberalized. Employers or the state would then be in the unenviable position of denying that workers needed this or that commodity or service which is included in the proposed budgets. The denial of such specific demands would embitter wage controversies and certainly would have a damaging effect upon industrial relations.

The "living wage," which is demanded primarily on ethical grounds, would not be graduated by the employer according to the needs of each family. That aim could be accomplished, however, by a family allowance system, provided by the state. An employer who attempted to pay men according to their families' needs would violate the principle of "equal pay for equal work."

In an economy marked by private enterprise, by freedom of labor, and by freedom of consumer choice, the employer obtains gross income by selling products and services provided by the efforts of himself, his staff, and his employees. He obtains this gross income in competition with other employers in the same industry and in other industries who, like himself, are seeking to attract consumer patronage. The consumers do not guarantee any employer or the members of his organization a "living income." Until the consumers do this, it would be a crushing burden upon an employer to require him to guarantee his employees a minimum annual income, and anything less than that would not provide a minimum standard of living.

### III

We conclude then that the regulation of wage rates according to changes in the cost of living may be a helpful expedient to maintain the real hourly income of workers during a war, when price levels of many commodities are likely to rise sharply because of the increase in government demands for goods and the difficulty of increasing the productivity of the nation in proportion to those demands. Furthermore, a cost-of-living bonus might serve to facilitate the readjustment of labor cost during any post-war depression. It appears, however, that in the post-war depression of 1921, hourly wage rates were not reduced to the extent that living costs were reduced. Doubtless, this caused some of the unemployment during that depression. As a regular policy in peace time, it is not to be expected that workers would continue to accept wage adjustments based solely on changes in the cost of living.

With reference to the establishment of minimum wages equal at least to the aggregate cost of items in a "typical wage-earner's budget," it is to be noted that such a program, under a system of private enterprise, would have very serious effects upon employment, because it would fix hourly wages. If the program were to satisfy the ethical demand for a "living wage," it would require employers to guarantee an annual income to each worker. This could hardly be expected while consumers have the right to bestow their patronage as they see fit. Another comment on this program is that it would not graduate compensation according to family need. For that purpose, there would have to be family allowances provided by the government. Far from affecting only the wages of the workers in the low income groups, the "living wage" proposal, if adopted, would affect the wages of all workers, because of the persistence of customary differentials in pay.

### Recent Maritime Labour Legislation

THE Maritime legislatures have in their last sessions, in spite of their preoccupation with war issues, not neglected the social problems with which the Maritimes are faced; but, as might be expected, the changes which have been introduced have not been very important. In Nova Scotia the Workmen's Compensation Act has been amended so as to recognize Silicosis as an industrial disease. It is a disease of the lungs mainly found among miners and quarrymen and is caused by the inhalation of stone dust containing silica. Fortunately the disease which is a plague among the miners of Pennsylvania and of certain mining districts in Great Britain, is very rare in Nova Scotia. Compensation under the new provisions can only be claimed by workmen who have been residents of the province for at least five years and have been exposed to silica dust in the coal mining industry of the province for at least five years preceding their disablement. Quarrymen who in the United States come under the act, are so far not protected in Nova Scotia.



The Nova Scotia Labour Act is again continued in force for another year to May 1, 1941. The Act forbids any persons or corporations employing 25 or more workers to hire a person who has not been a resident of the province for at least a year. Exemptions are only permissible if it is certified by the employment agency or the municipal clerk that there are no unemployed residents in the community capable of and willing to do the work.

Also unchanged is the provision in the Municipal Act which allows municipal councils to make by-laws for the closing of shops or certain groups of shops during certain hours.

The Nova Scotia Credit Union Societies' Act has been amended. No credit union may in future change its own name except by resolution passed by two-thirds of its members present at a general meeting called for that purpose and with the approval of the Governor-in-Council.

### Maritime Conference on Industrial Relations

Under the auspices of the Institute of Public Affairs at Dalhousie University, the third Maritime Conference on Industrial Relations was held in Halifax on April 23 and 24, with sixty representatives of the major maritime industries in attendance. Similar conferences had been held in the fall of 1937 and 1938, but owing to the war situation the conference due in September of 1939 had to be postponed.

The question whether the Conference should be held during the present war had been carefully examined by members of the Maritime Committee on Industrial Relations. They had come to the conclusion that the maintenance of harmonious relations between employers and employees was at the present time even more important than in peace-times and that the many new problems brought about by the war, especially the determination of wages, would provide ample material for discussion.

It was moreover felt that a meeting of this type would also give an excellent

opportunity of surveying as far as it is possible at the present time the effects of the war on the Canadian and especially the Maritime economy. It was therefore decided to devote to these problems a full session of the Conference while another was given to the subject of "War Finance" and "War Taxation".

The session was opened by an address of Floyd S. Chalmers, Editor of the *Financial Post* in Toronto, who spoke on the effects of the war on Canadian Industry. He dealt with the subject under national aspects, while war conditions in the major maritime industries were dealt with by four speakers from Nova Scotia and New Brunswick. Agriculture was treated by Hon. J. A. Macdonald, Nova Scotia Minister of Agriculture, the Fishing Industry by C. J. Morrow, President of Lunenburg Sea Products, Lumbering by R. S. Cumming, Secretary-Manager, Maritime Lumber Bureau, Amherst, and the Coal industry by T. S. McColl, Chief Mining Engineer of the Dominion Steel and Coal Corporation in Sydney.

In another session R. B. Bryce of the Department of Finance in Ottawa, spoke on the subject "How Canada Finances the War". He gave a comprehensive picture of the whole financial situation of the Dominion. He emphasized the magnitude of the task which could only be successfully served if all classes cooperated. W. F. Lougheed of the Institute of Public Affairs of Dalhousie University spoke on "The War Excess Profits Tax", tracing its history in Canada and the United States and discussing its main economic and social features.

At a luncheon meeting presided over by Hon. Angus L. Macdonald, Premier of Nova Scotia, the speaker was Dr. Carleton Stanley, President of Dalhousie University. His subject was "The University and the Community".

In the last session the effects of the war on industrial relations and social security was discussed. H. W. Macdonnell, of the Canadian Manufacturers' Association in Toronto, reviewed Canada's social legislation as it is affected by the war. He dealt with the wage

problem in its relation to cost of living, with labor disputes and with conciliation and expressed the opinion that the existing legislation of Dominion and provinces was sufficient to cope with the present situation.

R. P. Bell, president of Pickford and Black, spoke on "Collective-Bargaining". He discussed his subject under economic as well as social aspects and stressed the need for better understanding between the two parties.

The last paper was given by Professor L. Richter of Dalhousie University. He examined the Federal government's plan of introducing unemployment insurance with special reference to its adequacy for overcoming the difficulties of a post war depression. He stated that unemployment insurance was meant to tide the worker over short periods of enforced idleness but would not remove the long term unemployed from the relief rolls. It would have to be supplemented by other relief measures if used as an instrument for assisting the victims of a post war depression.

A lively discussion in which members of the Provincial Government participated, took place following most of the addresses. Wage problems, conciliation and arbitration were in the foreground. It was also stated that collective bargaining is well on its way in the Maritimes.

At the end of the Conference new members of the Maritime Committee on Industrial Relations were elected. The Chairman, D. R. Turnbull, General Manager of the Acadia Sugar Refining Com-

pany, and the Secretary, Professor L. Richter, Dalhousie University, were re-elected. Other members of the Committee include R. P. Bell, Pickford and Black, Halifax, F. M. Blois, Stanfields Ltd., Truro, J. A. Ford, Swift Canadian Co., Moncton, J. H. L. Jones, Mersey Paper Co., Liverpool, T. S. McColl, Dominion Coal and Steel Corporation, Sydney, F. G. Macnabb, Canadian Pacific Railway, Saint John; C. J. Morrow, Lunenburg Sea Products Ltd., Lunenburg.

### Unemployment Insurance

Shortly before this issue went to press the Dominion Parliament has passed the long expected Unemployment Insurance Act. It is a far reaching step towards social security in Canada, perhaps the most important piece of social legislation ever passed by the Dominion Parliament.

The benefits of the scheme will apply to all persons who are employed under a contract of service or apprenticeship, with certain exceptions of which the most important are agriculture and forestry, fishing, lumbering and logging, water transportation and domestic services. Workers earning more than \$2,000 are also excluded.

It is estimated that by 1941 the scheme will cover 2,100,000 wage earners, including their dependents 4,660,000 persons.

In one of the next issues of PUBLIC AFFAIRS the main features of the new act will be discussed, while another article will compare it with the social security legislation in the United States.

## Current Public Affairs

### In Memoriam—M. C. MacLean

In the death of M. C. MacLean, Canada has lost one of its finest statisticians, Nova Scotia—and especially Cape Breton—one of its most loyal sons, PUBLIC AFFAIRS one of its most highly valued contributors. In his official life Mr. MacLean was the head of the Census Analysis Branch, Dominion Bureau of Statistics; but before going to Ottawa, this native of Lake Ainslie, C. B. had been a practical school man and an educator in the best sense of the word he remained throughout all his life. He was not satisfied to compile statistics. His main interest was to analyse them and to learn the lesson which they taught. Though he was one of the best experts on national problems such as growth of population and unemployment, he found the time for detailed statistical studies of Nova Scotia and Cape Breton. PUBLIC AFFAIRS has been fortunate enough to publish some of the results, such as "The Mobile Nova Scotian" in the issue of August, 1938 and "Cape Breton Fifty Years Ago" in the June, 1939 issue. Shortly before his death he had promised us an article on shifts in the population of Cape Breton and changes in the way the people there made their living. There is no one who knew the subject as well as the kindly, modest statistician in Ottawa, and the article, as well as many others which we had hoped to get from him, will remain unwritten.

### Increase of Canadian Cod Liver Oil Production

With the opening of new processing plants in the Maritime Provinces, in which cod liver oil will be produced this year, there will be no cod livers thrown away. It is expected that Canada's output of this commodity in 1940 will possibly reach 200,000 gallons, as compared with the normal production of 60,000 gallons. Medicinal fish-liver oils

are also being increased in British Columbia. With increased facilities, combined with a speed-up in scientific research centered on the medicinal properties of fish oils, it is forecasted that Canada will not only supply all her own requirements, but will also establish a permanent industry of considerable value in future years.—Canadian Fisherman.

### Canada Must Consume More Fish

In the survey of household budgets which has been repeatedly referred to in PUBLIC AFFAIRS, reliable data is available for the first time about the consumption of various foodstuffs by Canadian families. As far as fish goes the results are rather disappointing. Calculations for the 1569 families under review revealed that purchase of fish formed 2 per cent of all food expenditures, and provided less than 4 per cent of the proteins, 3 per cent of the phosphorus, and 1 per cent of the calories, iron, and calcium utilized. Purchases of meats, dairy products, eggs, cereals, vegetables, and fruits constituted 21, 27, 5, 18, 9, and 8 per cent respectively, of the total food costs.

The survey proves that a much larger consumption of fish is possible in Canada and that a larger percentage of health-maintaining values could be added to the daily food consumption through a greater use of fish.

### Distribution of Food for the Needy in the United States

For quite a while so-called superfluous commodities which were bought from the farmers under the agricultural relief program of the Roosevelt administration such commodities as flour, butter, sugar have been distributed to relief recipients. A special stamp system has been introduced in order to facilitate the distribution. Since the inauguration of the food stamp program on an experimental basis in Rochester, New York,

one year ago, the plan has expanded to 68 areas, and 12 additional areas have been designated for food stamp plan operations in the near future. Up to May 1, 1940, expenditures for surplus foods with blue stamps issued by the Department of Agriculture amounted to \$10,400,000—expenditures which would not have been made in the absence of the program.

#### Consumers' Soap Bills Cut

The \$680,000 water softening plant in St. Paul, Minnesota, will save consumers \$250,000 a year in soap bills alone. The plant, with a capacity of 75 million gallons per day, will cost some \$65,000 a year to maintain, but no increase in water rates is contemplated. The raw water has a hardness of 125 to 180 p.p.m. and is reduced by the softening process to 50 p.p.m.

#### Maritime Cooperation Wholesale Meeting

A single organization, owned by co-operators of the Maritime Provinces, has done \$1,300,000 worth of business in the past year. Formerly known as the Canadian Livestock Co-operative, its name has been changed to Maritime Co-operative Services to indicate the broadening of its functions. Among co-operators, the organization is popularly termed "Central".

When founded in 1927, Central was primarily a livestock marketing agency. As the consumer co-operative movement developed in these provinces, Central evolved into a wholesale for the co-operative societies. As this business grew, branch wholesales were established—Sydney in 1938 and Antigonish in 1940. By means of these branches, Central is able to serve its member societies more effectively.

The latest accomplishment in the marketing activities of Central has been the securing of a contract for 17,000 cords of pit timber from Great Britain. This contract is being filled by the co-operative societies of eastern Nova Scotia. Without organization, members of these societies could never have hoped to partici-

pate in such a contract except as laborers for privately-owned lumber companies. Under the present arrangement, co-operators work not only for a wage but for their share of the profits which would otherwise go to the company holding the contract.

#### Nova Scotia Credit Union League.

The annual convention of the Nova Scotia Credit Union League was held at Halifax, July 19 and 20.

The League is the Federation of Nova Scotia's 195 credit unions; it is the symbol of their strength and unity of purpose.

Reports submitted at the convention by the Managing Director and other officials show that the League has had a successful year in every way. This year has been notable for the establishing of the Central Credit Union by means of which member credit unions may deposit their surplus funds with the League to be invested or loaned to other credit unions on the same principle as that by which credit unions make loans to their individual members. This deposit and loan service relieves member credit unions of the responsibility of investing their surplus funds and at the same time provides money for hard-pressed societies.

Among the other functions which the League performs for its members unions is the bonding of officials handling funds and the obtaining of bookkeeping supplies.

Of the resolutions passed at the Halifax Convention, two are worthy of particular mention here. One resulted in a vote to raise the per capita tax for League support from ten cents to twenty-four cents annually. The other brought about a unanimous vote for the Nova Scotia League to affiliate with the Credit Union National Association of the United States (CUNA). CUNA's membership is made up of American State Leagues. Nova Scotia's is the first Canadian League to be affiliated. It is hoped that other provincial Leagues may in due time take similar action, that a strong international credit union movement may be thus built up.

RITA O'HEARN.

# What Municipalities are Doing

Contributions from Municipalities to this Column will be most Welcome

## Convention of the Union of Nova Scotia Municipalities

The Thirty-Fifth Annual Convention of Nova Scotia Municipalities will be held in Halifax from the 27th to the 29th of August. An elaborate program has been prepared by the executive of the Union in cooperation with the Institute of Public Affairs and the municipal officers of Halifax City and County and the Town of Dartmouth. They have been able to secure a number of prominent speakers including the Premier of Nova Scotia who has chosen as his subject "Nova Scotia's place in the Empire and the part Municipalities can play".

Naturally the war and its effects on Municipal Government play an important part on the program. An open forum devoted to this problem will be conducted by Mayor Donovan of Halifax, while another representative of the City, solicitor Carl Bethune, will discuss "The Rowell-Sirois Report and its effects on the municipalities and the individual". All these papers will be given on Wednesday, August the 28th. On Tuesday afternoon a distinguished guest speaker, Dr. A. D. H. Kaplan of the University of Denver, Colorado, will be heard on "Recent trends in Municipal Government in the United States". Owing to the close connection existing between municipalities in Canada and the United States this paper will be of particular interest, all the more so, Dr. Kaplan is a very noted authority in the municipal field.

The program finally contains a report of the Committee on the distribution of the C.N.R. payments in lieu of taxation given by A. M. Butler, C.A., and Mr. Romkey's report on "Municipal Legislation in Nova Scotia".

## A Course in Municipal Administration in Halifax

Following the Convention of the Union of Nova Scotia Municipalities there will be held again a short course in Public Administration for Municipal Officers and Officials sponsored by the Institute of Public Affairs at Dalhousie University. In contrast to previous years the Course will open on the afternoon of the day the Convention closes, namely Thursday, August the 29th and will be continued in the morning of Friday, August the 30th coming to an end towards noon.

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:

### THURSDAY, AUGUST 29th, 1940.

#### Afternoon Session—2.30.

Chairman:—W. T. Dowell, Warden, Halifax County.

*Municipal Budgeting*—Dr. A. D. H. Kaplan University of Denver, Colorado.

*Municipal Participation in the Administration of Justice*—A. H. Sperry, Municipal Clerk, Lunenburg.

### FRIDAY, AUGUST 30th, 1940.

#### Morning Session—9.30.

Chairman:—A. M. Butler, C.A., Commissioner of Finance and Accounts, Halifax.

*Municipal Retirement Plans*—R. M. Fielding, K.C., Municipal Solicitor, Halifax County.

*Some Actual Municipal Problems*—W. E. Moseley, Town Solicitor, Dartmouth.

This address will serve as an introduction for a general discussion of municipal government and administration at the present time.

*Answering of Questions.*

### Westville

From a report that Mayor J. A. MacGregor gave to the Town's Finance Committee, it was evident that the financial condition of the town shows considerable improvement. During the first six months of this year the town's income was \$10,000 higher than during the same period of 1939. Increased receipts in taxes and water rates and decreased expenditure for administrative purposes were equally responsible for this betterment. Since, however, the town will have to meet heavy obligations in the second half of the fiscal year, a conservative financial policy will have to be further pursued in the opinion of the Financial Committee.

### Campbellton

Though Campbellton has no unemployment problem and has never found it necessary to organise relief during the depression, the thriving little town which numbers 8000 inhabitants has its financial worries. Not that its financial situation is unsound. The town has a bonded indebtedness of only \$900,000, the repayment of which is well provided for by a sinking fund of \$400,000. It also operates an electric light plant which yields regular surpluses amounting for 1939 to \$24,000. But for several consecutive years the budget which required \$188,000 in 1939 could not be balanced, and a deficit of \$29,000 was incurred last year. This is not the result of insufficient tax collections. On the contrary, in 1939 eighty-five per cent of the total levy came in. But the rate of \$3.30 is probably not quite enough, and so far the Council could not make up its mind to raise it so as to wipe out the deficit.

Among the expenditures, schools with \$60,000 and public property and streets with \$40,000 are the largest items. For fire protection the sum of \$12,500 is spent which is well understandable if we remember that in 1910 the town had been nearly completely destroyed by fire. \$2,000 has gone to hospitals and \$6,000 to public charges, mainly for the care of indigents under the Poor Law.

### Maritime Fire Chiefs' Association

The annual Convention of the Maritime Fire Chiefs' Association was held in Campbellton, July 15th to 17th, 1940. An audience coming from all parts of the Maritimes heard a number of important addresses. Dr. W. O. Glidden of the Dominion Department of Pensions and National Health who is Chief Air Raid Precautions Officer of the Dominion spoke on air raid precautions and incendiary bombs. Colonel S. S. Wright, Nova Scotia Fire Marshal, explained the new Fire Prevention Act for Nova Scotia which was passed as a result of the lessons learned by the Queen Hotel fire in Halifax. Professor L. Richter of the Institute of Public Affairs at Dalhousie University spoke on accident protection for voluntary firemen. He stated that these firemen who provided security for their fellow citizens are without any protection in case they suffer an accident in the pursuit of their duties. They are not covered by the Workmen's Compensation Acts of Nova Scotia and New Brunswick, and only twenty-five per cent of the men are protected by insurance policies, while all the others performed their hazardous duties without any security whatever.

The Convention adopted a resolution deploring the situation and urging and extension of the Workmen's Compensation Act so as to bring the voluntary firemen under its scope. A committee will be appointed which, in cooperation with the Institute of Public Affairs, is empowered to work out a detailed plan for the adequate protection of the firemen to be submitted to the Maritime Governments.

### Pedestrian Control

The city of Washington, D.C., is experimenting with the use of eye-level neon signs for pedestrians. The signs, which are coordinated with traffic lights, say "Don't Walk". At the proper time for crossing the streets the word "Don't" is extinguished, and the sign then reads "Walk".

## The Book Shelf

**Your Community. Its Provision for Health, Education, Safety, Welfare.** By Joanna C. Colcord. New York, Russell Sage Foundation. 1939. 85 cents.

**The Public Assistance Worker.** Edited by Russell H. Kurtz. New York, Russell Sage Foundation. 1938. \$1.00.

**The Administration of Old Age Assistance.** By Robert T. Lansdale, Elizabeth Long, Agnes Leisy and Byron T. Hipple. Public Administration Service. Chicago. 1939.

Though published in the United States the three books under review dealing with important social problems will be consulted to good advantage by Canadian leaders, especially as there is no Canadian literature on the subject. For the authors are not concerned with the conditions of a given state or city or with the clauses of special acts, but with the rules of community life and with the general principles of social legislation and administration.

*Your Community* is a popular handbook of the Russell Sage Foundation which has gone through many editions. It contains suggestions for groups of persons desirous of securing a rounded picture of their own community, especially as to the provisions which that community makes to conserve the health and safety and to promote the education and general welfare of the inhabitants. Members of study groups, service clubs, women's associations and parents'-teachers' associations were the persons kept principally in mind as the text was being prepared.

Another publication of the Russell Sage Foundation, *The Public Assistance Worker* is meant for those who as a full time job or as voluntary helpers assist their community in discharging its responsibility towards its needy members. Naturally the volume brings a good deal about recent United States legislation in the field of public welfare, but chapters such as "Dealing with People in Need", "Problems of Health and Medical Care", "Tying in with the Community" contain principles which are valid wherever social work is done.

*The Administration of Old Age Assistance* is a book very different in character from the two mentioned above. It is a detailed study of

administrative problems in a new field of government activity, equally important in Canada and the United States, and it is a work of great scientific value. As is stated in the Preface an attempt has been made in the study to discover the best practice achieved to date in the United States in the administration of old age assistance and to describe and analyze this experience for the benefit of those who are responsible for planning or administering state and local programs. If we put provincial and municipal for state and local programs, it will be easy to see how useful the book can be for those engaged in the administration of the Canadian old age pension laws.

**The Control of Competition in Canada.** By Lloyd G. Reynolds. Cambridge, Harvard University Press. 1940. \$3.50.

Dr. Reynolds, a young Canadian economist teaching in the United States has devoted his book to a study of combinations between manufacturers and other producers as they exist in some of the main industries of Canada, and he has further examined the attitude which the government has taken in view of such combinations. As he expresses in the Preface, the title of the book is intended to suggest that much more effort—public and private—has been spent in curbing competition than in preventing combination. All those familiar with the subject will certainly agree with Dr. Reynolds that the Canadian Combines Investigation Act has had but very modest results.

The facts revealed in the book: perfect and imperfect monopolies, open and tacit price agreements between the main producers, their domination over the retail trade, an over expanded apparatus of production and an over costly system of distributions in many industries, are by no means unknown. They are taken from the reports of Royal Commissions such as the Price Spreads Commission and the Textiles Commission and from other official sources and their authenticity can therefore hardly be doubted. But it is for the first time that we are given a coherent picture of this situation and that the consequences resulting for consumers, producers and for the community as a whole have been thoroughly and scientifically analyzed.

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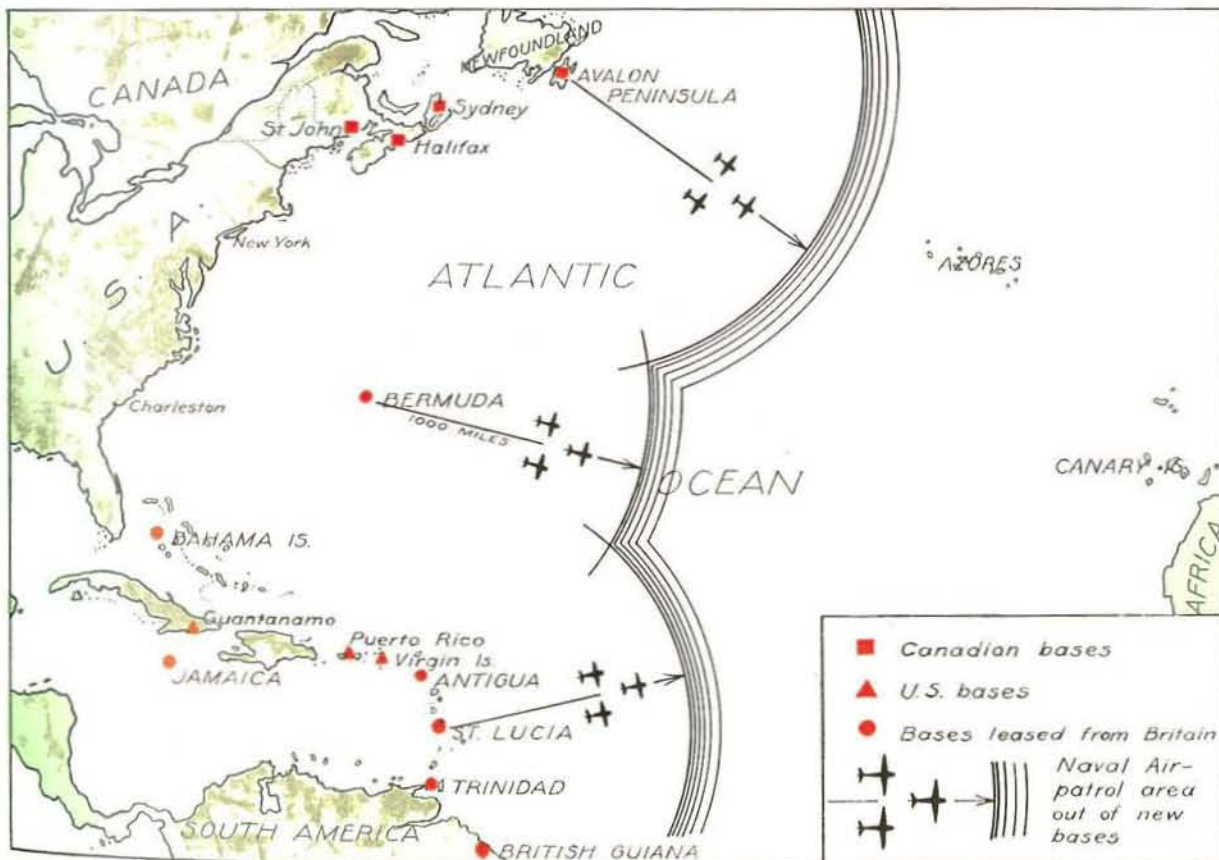
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New Defences of the New World	- - -	Clark Foreman
Economic Implications of U. S.-Canadian Defence Co-operation	-	Denis Courtney
The Role of Adult Education in a Defence Program	- -	Morse A. Cartwright

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# A Historic Parallel: Nova Scotia Again a Barrier to New England

By D. C. HARVEY

GEOGRAPHY has played a large part in the history of America from its discovery by Columbus and Cabot to the present day, and the current concern over strategic naval and air bases indicates that it will play a large part in the future. So far as North America is concerned geography decided that the most strategic bases for defence against Europe should lie in Newfoundland and Nova Scotia, which command the northern trade routes to both Canada and the United States and stand guard at both entrances to the Gulf of St. Lawrence. The recent acquisition by the United States of naval and air bases in Newfoundland and the subsequent agreement between Canada and the United States to cooperate in defence of North America have suggested to some that history is repeating itself and that the twentieth century affords an analogy in this respect to the eighteenth. Historical analogies are generally misleading and never exact; but, as this one has a wide appeal at the moment, it seems fitting to examine it carefully and discover how far it holds true.

Though I have headed this article "Nova Scotia again a barrier to New England", I do not consider the two sets of conditions quite parallel. It is true that the geography of North America has remained constant in the past two centuries but political and international relations have changed almost as much as the technique of warfare; yet to Nova Scotians and New Englanders alike the analogy might have seemed complete, when Mayor La Guardia, at the conclusion of a conference of the Canadian-American Joint Defence Board in Boston, stated that "the defence of New England has been removed many miles to the east," thereby implying

that Nova Scotia and Newfoundland had again become a barrier to New England as the former, in particular, had been regarded in the eighteenth century.

The most obvious difference between German threats to New England at the moment and French threats in the eighteenth century is the fact that the Germans have no foothold whatever upon this continent and, in attempting to secure one in Newfoundland or Nova Scotia, would have to face the combined opposition of both Canada and the United States, after disposing of the British fleet, whereas the French were strongly entrenched in Quebec and Louisbourg, had a fair chance of gaining supremacy with the aid of local Indian allies, and had been supported by a formidable fleet. There is little doubt, however, that the first step in a German invasion of North America would be to reproduce as far as possible the strategic advantages which the French had in the eighteenth century, and it is in anticipation of such a step that Canada and the United States are remembering their ancient barriers and cooperating to strengthen them.

This cooperation of Canada and the United States in itself suggests another fundamental difference between the two sets of conditions. Today North America, though politically divided between two separate peoples, is united against a common danger and has joint possession and control of all its outposts; but in the eighteenth century North America, as then occupied, was divided against itself and behind the rival French and British colonists were two European mother-countries both of which had intermediate bases of communication and supply between their capitals in America and Europe. However, it was France rather than Great Britain which thought in terms of strategic bases and consciously

strove to possess them in the seventeenth and eighteenth centuries, whereas Great Britain pursued a hand-to-mouth imperial policy and was moved to defensive counter-measures only by the urgent insistence of her semi-independent colonies in America. In fact, it was the events of the War of the Austrian Succession which awakened the British to the range and completeness of French designs in America and led them to strengthen the defences of Nova Scotia, both as an imperial outpost and as a barrier to New England.

Nova Scotia was obviously a buffer state between New France and New England in the eighteenth century; but it was not until the third quarter of the seventeenth century that the underlying tendencies of French and British colonial policies began to take shape and to reveal its destiny. By that time the British colonies stretched along the Atlantic seaboard from Virginia to the undefined boundaries of Acadia, while the French occupied Acadia, both banks of the St. Lawrence, and were pushing beyond the Great Lakes to undiscovered lands and furbearing regions. Spurred on by competition from the north, where British traders had established themselves on Hudson Bay and from the south, where other British traders were following Dutch trails to the Iroquois country and beyond, the French discovered the Mississippi, explored the Ohio valley, and gradually conceived the pincer movement by which they hoped to encircle the British colonies and confine them to the Atlantic seaboard.

In this encircling movement Acadia as well as the approaches to the St. Lawrence assume a new importance in French colonial policy, as the left flank of New France must be protected and brought into contact with the New England colonies. Consequently frantic efforts were made to establish convenient overland routes of communication between New France and Acadia, to win the favor of the Indian tribes along those routes, and to take effective possession of the continental part of Acadia as the Atlantic frontier of New France. Thus would the circle be complete and

the peninsular part of Acadia cut off from the New Englanders, who were monopolizing its trade and exploiting its fisheries almost as completely as they had done during the long period of British occupation from 1654 to 1670. At the same time headquarters of the commandants or lieutenant-governors of Acadia were shifted from Pentagoet, to Port Royal, or to a fort on the St. John River, as circumstances demanded, and the Sedentary Fishing Company of Acadia, which was given a monopoly of the fisheries on the coasts of Acadia with headquarters at Chedabucto, was encouraged to drive the New Englanders away from Canso, while from time to time ships of war were sent from France to Acadia or to New France with instructions to call at their intermediate base of Placentia in Newfoundland on both their outward and homeward voyages.

Such was the tentative set-up in the latter part of the seventeenth century and the first decade of the eighteenth century. Its main outlines were modified only slightly by Queen Anne's War, which gave nominal control of Acadia to the English, compelled the French to withdraw from Placentia, but allowed them to defend the approaches of the St. Lawrence by the erection of fortifications in Cape Breton Island.

It is apparent from the correspondence of the French officials and their feverish anxiety to reconquer Acadia before the Treaty of Utrecht that they saw the necessity of some naval base near the entrance of the Gulf of St. Lawrence, not only for protection of their fisheries but also for the ultimate defence of Canada. Writing to the Governor and Intendant of New France in June 1712, the French Minister expressed the fear that they would have to surrender Placentia and Acadia, and argued that if the fisheries were to be continued with any degree of security they would have to set up an establishment at Cape Breton or Labrador. Again, in a memorandum in answer to the British suggestion that Cape Breton Island be held by joint occupation, the French plenipotentiaries pointed out that such an arrangement

would not preserve the peace, and added the following significant paragraph: "But there is still a stronger reason against this proposition, as 'tis but too often seen that the most amicable nations many times become enemies, it is prudence in the King to reserve to himself the possession of the only isle which will hereafter open an entrance into the river of St. Lawrence; it would be absolutely shut to the ships of His Majesty, if the English, masters of Acadia and Newfoundland still possessed the Isle of Cape Breton in common with the French and *Canada would be lost to France* as soon as the war should be renewed between the two nations, which God forbid, but the most secure means to prevent it, is often to think that it may come to pass."

By the Treaty of Utrecht (1713) the French agreed to give up all claim to Hudson Bay, Newfoundland and Acadia or Nova Scotia if allowed to retain exclusive control of Cape Breton Island and the other islands in the Gulf of St. Lawrence, and, thus, seemed content to limit their ambitions on the Atlantic seaboard to the security of their trade routes with Canada by the gulf and river St. Lawrence. They even consented that their fishermen should be excluded from the southern coasts of Nova Scotia and allowed to dry their fish on the northern part of Newfoundland only, from Cape Bonavista on the east to Point Riche on the west, thereby eliminating a major source of conflict with New England and Great Britain. By the same treaty both powers agreed that they would refrain from molesting or restraining the trade of the Indian subjects or allies of the other, and that all French subjects of Acadia and Placentia who did not leave these colonies within a year were to take the oath of allegiance and become British subjects.

If, as the preamble of the treaty declared, the two powers had been anxious for "universal peace and true and sincere friendship", these arrangements should have contributed to that end, and allowed the two empires to develop side by side without conflict; but, as the boundaries of Acadia or Nova Scotia and of the

Indian allies or subjects were left to future definition by diplomacy, it soon became apparent that future conflict was inevitable. Instead of recognizing Nova Scotia as the most northerly of the British colonies the French continued to treat it as the eastern wing of New France, and tried to retain the trade of the Acadians and maintain them in allegiance to King Louis by encouraging them to refuse the oath of allegiance to King George. At the same time they incited their Indian allies on the borders of New England to prevent the northward advance of British settlement, at Canso to hamper the British fisheries, and throughout Acadia to confine the British to the southern part of the peninsula.

It was under these circumstances that New England, which had not yet considered Nova Scotia as a field of colonization but was concerned with its trade and fisheries only, came to regard it as a barrier against French aggression and, when the War of the Austrian Succession spread to America, sent aid to the much-neglected British garrison at Annapolis Royal in the hope of keeping the barrier in British hands and the war away from its own shores. For the same reason it promoted and, with the aid of the British fleet, carried out a successful expedition against Louisbourg in 1745, and thereafter advocated an aggressive policy of anglicization and defence for the colony.

During this war the French had shown clearly by the sudden attack upon Canso, the repeated attacks on Annapolis Royal, the expedition to Chignecto and Grand Pre, and the naval armada of D'Anville, that both New and Old France were bent upon the reconquest of Acadia as part of their policy of encirclement; while the sojourn of D'Anville's armada in Chebucto Harbor had emphasized the importance which they attached to that harbor as a strategic naval base for a frontal attack upon the British colonies. Hence the insistence of New England and New York that the British government should fortify that harbor as a strategic naval base for the defence of those colonies, especially after it had restored Louisbourg to the French in

that uneasy truce known as the Treaty of Aix-la-Chapelle; and the energetic response of the British government in the founding of Halifax and the formulation of a policy for the effective occupation of Nova Scotia. Hence, also, the French seizure of the Isthmus of Chignecto, their fortification of Beausejour and Gaspereau, their intrigues with the Indians on the St. John and Shubenacadie, in a final attempt to make north-western Nova Scotia the south-eastern boundary of New France and to confine the British to the Atlantic coast of Nova Scotia.

Such were the alignments on the Atlantic seaboard and in the Gulf of St. Lawrence on the eve of the final struggle for supremacy. The British were in control of Newfoundland, of Halifax and Annapolis Royal in south-western Nova Scotia and faced the French on the Isthmus of Chignecto. The French controlled Cape Breton Island by the fortress of Louisbourg, held the most commanding fort on the Isthmus at Chignecto, had a base of communication and supply between Quebec, Beausejour and Louisbourg at Fort Gaspereau on Bay Verte, and were attempting with the aid of the Indians to establish a post at the mouth of the St. John River. No one could have foretold the issue; but it was clear that for the moment the defence of New England on the Atlantic seaboard had been "removed many miles to the east." In this respect, therefore, though Newfoundland played a minor part in the Seven Years' War, Mayor La Guardia's analogy holds true today, despite the different political and international conditions and methods of warfare.

The biggest political change that followed the British victory in the Seven Years' War was the American Revolution, which has been described happily as the "triumph of British freedom on the soil of America" but united all the original British colonies except Newfoundland into an independent nation, and left to the British Empire only those which had been originally founded by the French. The latter, in turn, having discovered the formula of liberty within

the British Empire, united in the Dominion of Canada and like the United States expanded to the western sea. These two American nations have taken the place of the old European rivals and, as neighbours rather than enemies, are pooling their defensive resources against a new menace from Europe; and Canada, though poorer in man-power and wealth, is richer in defensive bases under modern conditions of warfare, because of its geographical situation and its position in the British Commonwealth, both of which make Newfoundland of the utmost importance.

In the eighteenth century North America fell to those who possessed preponderance of both man-power and sea-power. Its future defence must reckon with air-power; but as an enemy from Europe has to get command of both sea and air before he can use his man-power, its first defence must rest on its most advanced naval and air bases. Hence the paramount importance of Newfoundland and Nova Scotia for the United States as well as for Canada and Great Britain. Regardless, therefore, of political and international changes, and changes in modes of warfare, the defence of New England again leans heavily upon British barriers; but in this instance the United States rather than Great Britain is assuming the major responsibility for strengthening its most advanced barrier, while lending material aid to British naval and air forces in order that none of those barriers may be reached. At the same time Canada, as a North American nation and a member of the British Commonwealth, is strengthening its own barriers and cooperating with both the United States and Great Britain in the wider defensive arrangements.

For all this it appears that no historical analogy, however attractive, or carefully stated, can be exact. Perhaps it would be better to emulate Prime Minister Churchill in avoiding exact definition, and to say that in the future, *as in the past*, "the British Empire and the United States will have to be somewhat mixed up together in some of their affairs for mutual and general advantage."

# The Maritimes as a Strategic Point in North America

By A. R. M. LOWER

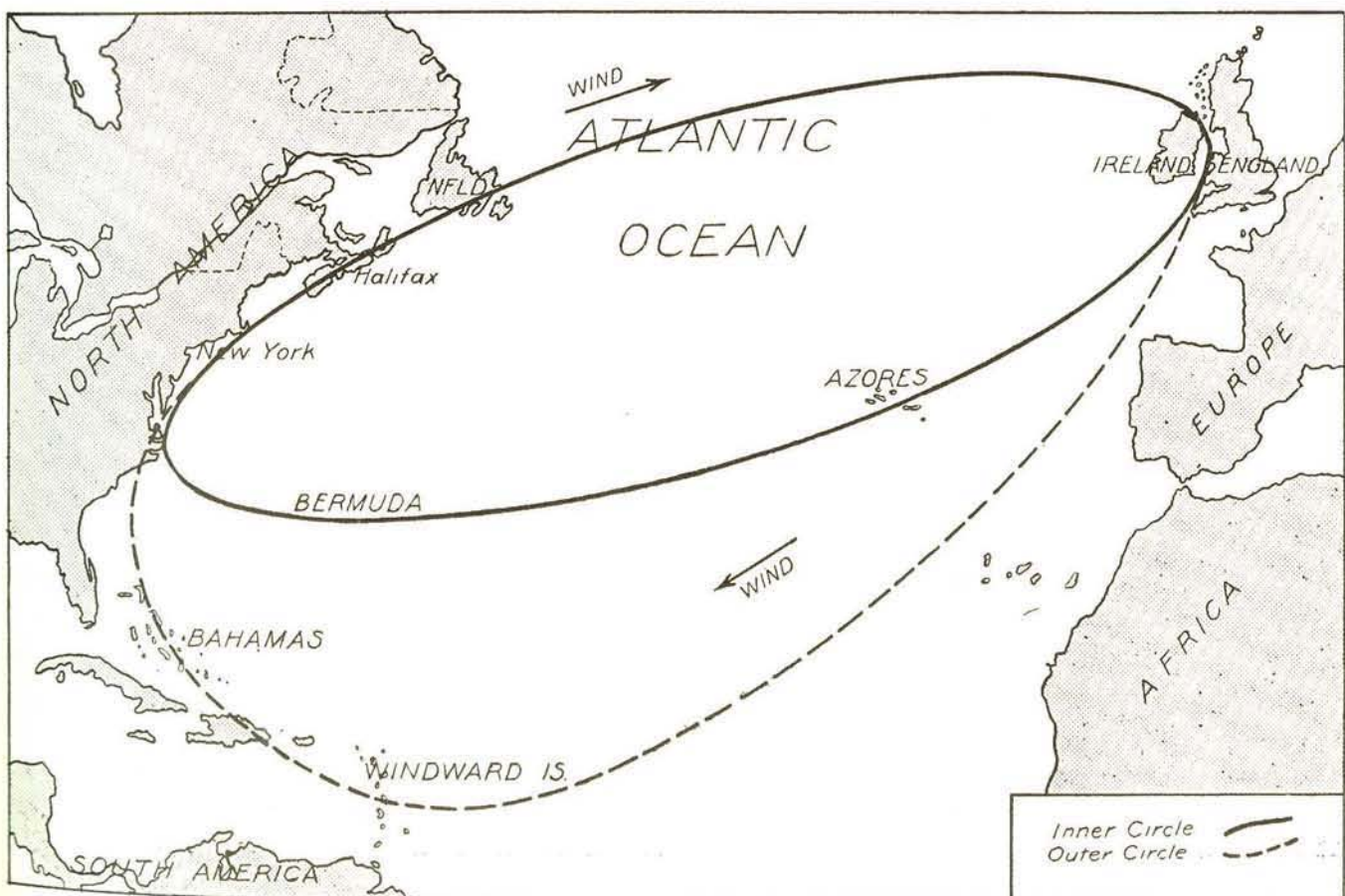
THE Ogdensburg agreement of last August has for Canada the widest implications, both political and military. In its possible effects it directs the mind of the historian back to the middle of the 18th century, when another great war for world power was going on and the Atlantic coast of North America was playing a role somewhat similar to that of today. Then as now the English-speaking world was in harmony with itself and its decisive connection with the sea was being demonstrated. Then the lands about the Gulf of St. Lawrence were the focus of the struggle: today, they may well prove the focus of a new age.

Much could be written on the varied aspects of the defence of this continent and of this Dominion. From the centre of the Pacific Ocean on through the

silences of the Arctic, out through Greenland, Iceland, and British Isles and further south, the eye of the strategist must range. He must think of Hawaii and he must think of the Azores, of the Aleutians and of Trinidad. He must remember what history tells him about the command of the sea. He must fit into his puzzle the new element of air power. But however wide his glance, it is to be questioned whether it can light on anything more significant than these lands about the Gulf and between it and the Atlantic, sites of some of the classic campaigns of history.

From the days of the discoveries down to the present, two paths have led from the old world to the new—the southern route towards the West Indies and the northern route towards Newfoundland and the mainland. Halifax and Bermuda are two points on the western arc of a naval circle or ellipse which in the old

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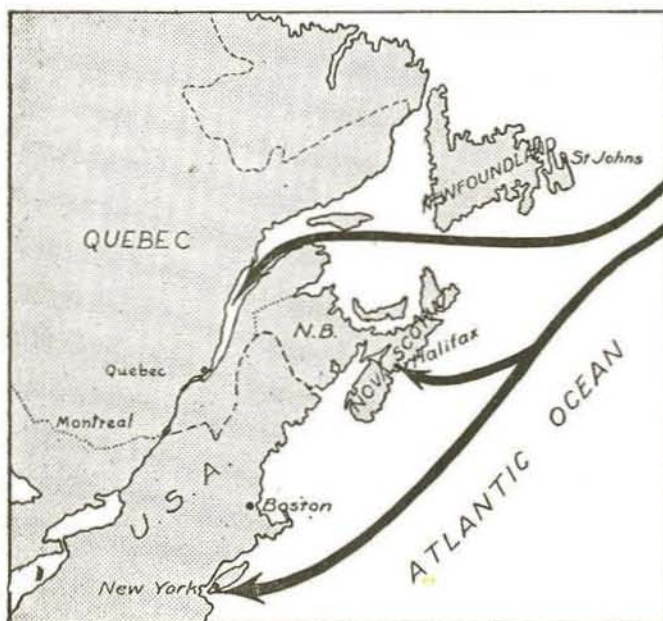




days ran round from England through them and on to New York (Map 1.) After the American Revolution Halifax and Bermuda remained as the broken ends of the arch. A still larger ellipse went through the Azores to the Windward Islands and thence north along the American coast and back to England. Along it a vessel could sail with fair winds nearly all the way.

Of these two routes the northern one in its turn divides in two, the approaches to the St. Lawrence and the Atlantic coast from Nova Scotia westward. Whatever the other variants in the picture, whether in peace or war, from one age to another these two geographical constants remain:—the long west-south-west sweep of the coast from Cape Breton to New York, and the extraordinary channel into the interior constituted by the Gulf and River St. Lawrence.<sup>1</sup> (Map 2)

In the series of wars between England and France for the mastery of the outer world, Canada was safely French until the problem of the St. Lawrence approaches was solved. Newfoundland was surrendered by France under the Treaty of Utrecht in 1713 and the first great obstacle removed to an English advance



(MAP 2)

into the St. Lawrence. But the French countered with Louisbourg, almost neutralizing the English advantage, for from it they were still able to command

the approaches to the Gulf. Louisbourg standing near the point at which Gulf and Atlantic merge, represents the essential oneness of the two aspects of the strategy of the region. This comes out plainly in the English reply to Louisbourg, the building of Halifax in 1749: the Atlantic coast of Nova Scotia was being used to gain command of the entrance to the Gulf and thence to the continent. With the taking of Louisbourg in 1758, the way lay open to Quebec and the next year Saunders' and Wolfe's army did the rest.

In the War of the American Revolution, British naval power, based on the recent acquisitions, was adequate to preventing any threat to the St. Lawrence developing from seaward. Halifax therefore found its place as a base for operations, not to the east and the north but to the west and the south, against the Atlantic coast line of the thirteen colonies. Since the British held New York for most of the war, it was not an advanced but a supporting base.

The last series of wars with the French, in the course of which a second was fought with the Americans, saw the fundamental elements disposed in somewhat different fashion still. As long as the United States was neutral, Halifax could be used as an assembly point, as the natural point of convergence for supplies going over from the republic to Great Britain. In fact, except for the mechanical changes wrought by a hundred years, its role was exactly the same as during the last war. When, however, the war of 1812 began, the circumstances creating the point of convergence disappeared and the Atlantic coast of Nova Scotia to some extent altered its functions. Halifax was still, of course, the northern base for the British fleet in North American waters but the function of that fleet changed from commerce protection to the duties of a containing navy: in other words, it had to blockade the Atlantic coast of the United States. The remainder of the Atlantic coast of Nova Scotia and of the other Atlantic colonies fell into place as an area from which the enemy's

(1) For further consideration of this see the author's *Geographical Determinants in Canadian History in Canadian Essays*, Toronto, 1939.

trade and communications could be harassed by privateers.

The World War brought no new set of considerations to the surface: the approaches to the St. Lawrence were never threatened and Halifax ended the war as it began it, a point of convergence for convoys, an extremely convenient point of departure for the shipping thronging over to British ports. Even the entrance of the United States, this time as an ally, made no essential change in the picture, though for the time being it once more restored the symmetry of the 18th century Atlantic ellipse.

In this second German war, the situation does not remain unchanged; new factors have potentially, if not actually, emerged. Halifax at once slips into its historic role, convoys once more enter and leave its harbour, but now owing to the victories of the Germans in Europe, thought must go beyond this relatively simple function. As long as the British barricade across the Atlantic holds, the position will be much as before. If that were to break, we would at once be precipitated into a position something like that which obtained while France still held Canada, with the important difference that instead of the English seeking to penetrate up the St. Lawrence, it might be the Germans. Defence thinking therefore goes back to the French position before the surrender of Newfoundland, 1713. France lost Canada in 1760 because from 1713 on, she lost the approaches to the St. Lawrence. Canada today, the powerful Dominion, will not make that mistake a second time. Hence not to mention our efforts to maintain our first, or trans-Atlantic line of defence, our advanced bases, the British Isles and Iceland, we have underwritten the defences of Newfoundland. No doubt too the old Louisbourg position and the small islands lying just within the entrance to the Gulf, (Saint Paul Island, the Bird Rocks, Bryon Island and the Magdalens) are not being lost sight of. It may even prove wise—though further knowledge is needed—to complement the great air base at Botwood, Newfoundland, with a patrol station

on Sable Island, some 300 miles to the west-south-westward. Sable Island is 100 miles off the coast of Nova Scotia and a flying base on it would appear to give facilities for good observation of both the length of the Nova Scotia coast and the outer approaches to the Gulf.

Another new factor lies in the Canadian-American Defence Committee and in the British grant to the United States of a base in Newfoundland. For the first time since the Seven Years' War, the whole coast of the continent is under what may rapidly become a single direction, and this time there is not the key-hole through to the interior that the French in that war had in Cabot and Belle-Isle Straits. Even supposing that Germany somehow got command of the sea, it would surely prove difficult for that country to penetrate this unbroken front.

Not even superior airpower would enable her to do it, for if air power can dominate sea power in narrow waters—something not yet completely proved—it is of little avail when the scene of action is far from its bases, as a comparison of the present war in the Straits of Dover and the Mediterranean illustrates. The only way in which the Germans, or any trans-oceanic power, could get much advantage out of air power on this side of the water would be through seizing and holding a base. This base would have to be strongly held and of considerable area if it were going to be more than an annoyance—as Louisbourg once was.

If a sea campaign were ever to be fought from this side of the Atlantic, once again Halifax, while superficially altering its role, would really play the same part. It would be the main northern advanced base for American naval effort radiating out of New York, Boston and other northern ports. An American battle squadron lying in Halifax Harbour might then become a familiar sight. It is only slowly that Americans, even New Englanders, are realizing the full significance of "way down east" and discovering that "the east" does not end

with Maine but stretches out another 800 miles or so into the Atlantic, to terminate at St. Johns. But American thoughts have recently gone forward with a bound, as the large amount of space devoted to Canada in American newspapers indicates, and the logic of geography is slowly making itself heard.

In the three centuries that have elapsed since they first came into the path of history, the geographical elements of the North Atlantic coast and its funnel-like opening into the interior have moulded the events that have been superimposed upon them. Sometimes the set of human action has been in one direction, sometimes in another. In this ebb and flow it is easy to see the essential nature of the great port that for two centuries has stood out so prominently in every war. Halifax is a kind of pivot from which armed action may be swung in any direction. The British first swung it up across and into the Gulf against the French, then down across the routes to Boston and New York against the Americans. They bound it, as a principal centre of distribution, into the routes centering on their own islands. Today it is this again, and more; for potentially it is the centre of an arc lying both to east and west, not so much containing as excluding. Once more the Atlantic circle is complete, or virtually complete, leading from London

through Newfoundland and Nova Scotia to New York and southward back again through the Bermudas. Only the Azores provide a conspicuous gap. If complete this circle remains, that will have important consequences for mankind.

It is too early yet to speculate upon those consequences, but surely the events of the last few months justify some optimism. The Ogdensburg agreement, the fifty destroyers, the American naval bases on British territory, the Canadian defence program at last conceived in a spirit other than that of colonial subordination, all these portend a new kind of Anglo-Saxon world. It will be a world in which Canada, the keystone of the Atlantic arch, can play a great part if she manifests the qualities that should be hers. These qualities do not consist only in manufacturing supplies or even in forming armies: they do not consist merely in industry or martial courage. Important as these things are, statesmanship, wide views and moral courage in high places are more important. Without these our country may find itself in as uncomfortable a position as a small boy dragged along between two hurrying adults. On the other hand, with boldness, initiative and imagination, this Dominion, though small numerically, may, thanks to its position and the energy of its people, find a proud place in world affairs.

## New Defences of the New World

By CLARK FOREMAN

**E**NCOURAGING steps toward the military and economic defense of the new world have been taken in recent months. The growing realization by the people of the Americas that their

countries are inter-dependent is the fundamental part of this improvement. Throughout the hemisphere there has been a remarkable agreement on President Roosevelt's appeal of "all for one and one for all". Every American country is now inclined to accept the idea that self-defense is dependent upon hemisphere defense.

In the realm of military defense, the outstanding accomplishments began with

EDITOR'S NOTE: Dr. Clark Foreman is connected with the American Council on Public Affairs, Washington. Together with Joan Raushenbush he is co-author of a book *Total Defense* just published by Doubleday, Doran. (\$1.25). The Editor is further indebted to the publishers of *Life Magazine* for their permission to use on the cover of this issue ideas embodied in a map which appeared in one of their September numbers.

the Declaration of Lima in 1938, when the twenty-one American republics agreed upon mutual consultation in case of danger from without or within; but this Declaration was carried much further in Havana in July of 1940, when the twenty-one American republics adopted the Act of Havana. The signing of this convention by the representatives of all the republics, and its later ratification by fourteen countries—the necessary two-thirds—was one of the most significant advances in the whole history of Pan-American co-operation.

The Act of Havana and the Declaration of Lima together have virtually taken the Monroe Doctrine from its unilateral status and made it the unanimous policy of all the American republics. The ratification of the Act of Havana established an Inter-American Commission of Territorial Administration, and provided that any territory in America which is controlled by a non-American state would automatically come under this Administration if the territory was threatened "directly or indirectly" by any other non-American state.

The achievements of the Pan-American Union did not, however, apply to Canada, which is not a member of the Union, and, since Canada has Dominion status, it cannot be said to be controlled by a non-American state. President Roosevelt has, however, announced that the United States would come to the aid of Canada if she were attacked. This announcement was followed by the establishment, in August, 1940, of the Permanent Joint Board of Defense of Canada and the United States. This Board is composed of representatives of the military arms of both countries. Its importance has already been clearly explained by Colonel Oliver Mowat Biggar in an address which was broadcast on October 20, 1940 and later printed. Colonel Biggar emphasized the nearness of Alaska to Asia, the nearness of Newfoundland to Europe and "the curious result that each of these corners is politically separated from the adjoining territory". "On the northeast," Col. Biggar continued, "Newfoundland, now including much of the adjoining

mainland, has no political connection with Canada except that both are parts of the British Empire. Alaska on the northwest is an outlying part of the United States, separated from it by some four hundred miles of Canadian territory. It follows that Canada has an obvious interest in the defense of Alaska, and as we shall see both Canada and the United States have an interest in the defense of Newfoundland."

While the function of the Board is advisory, it nevertheless is already performing an important service in the coordination of North American defense. The Board studies problems and reports to each government. Many of the problems on which the Board is reporting concern plans that must be made in advance of attack, others of course will deal with joint or concerted operations of the forces of the two countries "if and when these are directed".

Perhaps the most significant of all recent advances in the military defense of America was the leasing by Great Britain to the United States for ninety-nine years of air and naval bases from Newfoundland to British Guiana, and the further assurance by Prime Minister Churchill that the British fleet will never be surrendered or scuttled. The bases not only gave the United States fleet and air service vital outposts in Newfoundland and Bermuda, but also allowed the Navy to close up the gaps in the Caribbean defense of the Panama Canal. Bases on Antigua, St. Lucia and Trinidad greatly enhanced the defenses of the United States already existing in Cuba and Puerto Rico; in fact, they make it possible for the United States to establish absolute protection for all entrances through the Caribbean to the Panama Canal. Whereas before the flying distance from the Puerto Rico base in the United States to Natal, on the bulge of Brazil, was approximately 3,100 statute miles, as compared with the distance from the French base, Dakar, in Africa, to Natal of 1,863 statute miles, the new base granted by Great Britain, at Georgetown, in British Guiana, will be approxi-

mately 2,100 statute miles from Natal, or a thousand miles closer.

The bases leased from Great Britain were declared by President Roosevelt not to be for the United States alone, but for the use of all American countries. In thus giving concrete evidence of the new spirit of inter-American unity, the United States led the way to greater co-operation in this hemisphere.

Uruguay has recently agreed with the United States to provide air and naval bases on the Uruguayan coast, but these too will be open to other American countries and there will be no loss of Uruguayan sovereignty. Negotiations for similar arrangements are now proceeding with the other countries of South and Central America.

One of the recent developments has been the visits of military groups to the United States from the other twenty American republics. Each of these republics was represented by its Chief of Staff or by another officer of very high position. They traveled by air over the United States and inspected the military establishments, weapons and training methods, as well as the expanding productive machinery of the factories. These visits, and the resulting collaboration, did much to strengthen the military position of this hemisphere. Some came with prejudices acquired from their association with German and Italian officers, but their comments after inspecting the American defenses showed that they had been greatly impressed.

Along with the attention devoted by the visiting military men to military defenses of the United States, there also was genuine concern about the improvement of transportation facilities between the various countries and the development of better economic conditions in all of the countries. In fact, one of the lessons which has been learned by military men is that military defense alone is not enough. They must now be concerned not only with the provisioning of the armed forces but of the civilian population as well.

The warehouses of many South American ports are overflowing with goods which

cannot be sold because of the war in Europe. The standard of living of the people in many of these countries is already very low. Their income is almost entirely dependent upon the export of agricultural goods and minerals. The loss of so many of their markets faces these countries with an embarrassing situation which must be solved if they are to have a real defense. For years the farmers and workers have been receiving promises which the Governments have been unable to fulfill. Now the merchants and other white-collar groups are facing most difficult times. The agents of Germany and Italy are taking advantage of this situation and are telling the people that their only hope of prosperity lies in collaboration with the Axis powers and the abandonment of democracy. This technique has been used effectively already in the Balkan States and it is having some signs of success in a few countries in South America.

In a recent book, called *Total Defense*, Joan Raushenbush and the writer have analyzed some of the tactics being used by the Axis powers to gain the domination of South America first and then North America, by economic means. We also have presented a comprehensive program for hemispheric co-operation which would more than offset the Axis plans and, in fact, increase the purchasing power of the people of the American countries, developing an economic plan which would be complementary rather than competitive among the American countries, and thus greatly strengthen their defenses.

Every American country has in the past thought more of trade with Europe than of American trade. Our vital supplies of rubber and tin have come from Asia, and American sources for these materials have been neglected. At the same time, the productive forces of the American countries have been to a large extent engaged in catering to a European market. As a matter of defense, it now becomes vitally important to shift the emphasis of this trade so that the strategic materials which are

needed both for defense and prosperity can be obtained within this hemisphere. This will not only strengthen our military position but also, by providing an American market for American goods, will do much to relieve the American countries from their dependence on Asiatic sources of supply and European markets. It will also provide greater purchasing power for the people of the Americas.

Normal channels of trade can be used to accomplish this shift, although Governmental assistance may be needed in some instances. For example, the United States recently appropriated \$500,000 for experimentation in the development of rubber in South and Central American countries. It is expected that this will open up opportunities for private capital to be invested in the production of rubber in South and Central America. This step by the United States has been received most enthusiastically by the countries of South and Central America. The United States has recently signed an agreement with Bolivia whereby 18,000 tons of tin will be brought to the United States for smelting. This is a most significant development, as in the past this hemisphere has been entirely dependent upon Europe for the smelting of tin.

The development of a tremendous steel industry in Brazil is being financed in part by a loan of \$20,000,000 from the United States, and this too will have very important consequences for defense.

Efforts are being made to develop American sources of other strategic mineral and agricultural products, such as ferrograde manganese, chromite, tungsten, antimony, mercury, block mica, manila fiber and quinine.

There is also the important step of finding and helping establish sources of supply for goods formerly imported from continental Europe, which is no longer able to export them. Many, if not all, of these goods could be produced in American countries if adequate financing, either from private or Government sources, was made available. The existence of such industries in many South

American countries would help materially in the increase of purchasing power, which is so important.

For both military and economic defense, faster and cheaper transportation between the American countries is of great importance. Until very recently many countries in this hemisphere transported goods almost entirely by water, and the best ships and the cheapest rates were to Europe. With the development of the airplane, much faster transportation is possible, and many isolated parts of the hemisphere are now being opened up. With a greater volume of business it is expected that both the shipping companies and the air companies will be able to reduce their rates and to increase even further the amount of travel among the various countries. The Pan-American highway, which will eventually extend from Alaska to Buenos Aires, is going forward steadily, and when it is finished, will provide for automobile travel throughout the continent. This is a most vital item in American defense, and ways are being studied for expediting completion of the highway. With the improvement of transportation and the development of industries, and the consequent increase in purchasing power, there will undoubtedly be greatly increased consumption of goods in this hemisphere throughout the normal channels of trade. There will, therefore, be fewer surpluses and a higher standard of living.

In the transition years, however, there will unquestionably be surpluses in many countries which cannot be disposed of through the normal channels of trade. It has been suggested that the American countries establish an All-American Surplus Products Corporation, which would arrange for an exchange among the various countries of their surpluses so that these could be distributed to impoverished families. Through relief agencies, school lunches, or some such idea as the stamp plan—which has worked so successfully in the United States—it should be possible for the American countries to get the full benefit of their productive capacity even before they

have completely developed the complementary economies which are desired.

With a strong internal economy, an increasing standard of living for the people, well organized industries for the production of armaments, and a

closely coordinated system of military defenses, there is no reason why the countries of the new world should not be able to go forward to greater heights of freedom, liberty, prosperity and democracy.

## Economic Implications of United States-Canadian Defence Co-operation

By DENIS COURTNEY

THE Canadian-American defense agreements came, to the American public, at least, as a surprise. The attention of most Americans has been from the beginning directed to Latin America rather than Canada as the most likely loop-hole for foreign hostile influences. This was only natural considering the long story of fascist political and economic penetration in many Latin American countries both before and during the war. The realization that Canada, from its geographical position no less than from its importance in world trade, plays a vital role in hemisphere preparedness is of more recent growth. The first care was for the physical protection of the northern continent, and the agreements concluded for sharing the military responsibility for defending the lengthy coast-lines of the two countries have been the welcome result. The wider proposals for hemisphere solidarity in the economic field, now under discussion, are calculated to defend not only North, but South America as well, from the far more insidious threats of totalitarian economic aggression.

The damage already done in Latin America is grave; the potential danger is

graver. Here is a situation which demands immediate action. For the rest of the hemisphere the danger is less insistent, but potentially it is still there. No matter who wins the war, present tendencies point to a world split into great regional areas of economic control from which the British nations and the United States are likely to find themselves shut out. The only contrary possibility would be in case a victorious Britain were left with sufficient strength and initiative to organize and compel, perhaps with the aid of the United States, a return to freer conditions of international trade. In this event the task of reconstructing an impoverished and starving Europe would call for all the organizational machinery at the command of the British Commonwealth and the Western Hemisphere.

But in the event of Fascist preponderance in the European continent, the danger of unplanned and unprotected contact between the commerce of this hemisphere and the unscrupulous, monopolistic trading bodies in Europe and elsewhere would be very great. It is for this contingency that an organized trading bloc in the Western Hemisphere is advised, not to cut the Americas off completely from such bodies, but so as to control and supervise the channels of trade and avoid unscrupulous dealings at either end. An economic bloc in the Western Hemisphere thus would be the most useful machinery either for defense or reconstruction, and there is every

EDITOR'S NOTE: Denis Cartwright is on the staff of the National Economic and Social Planning Association—NESPA—with headquarters at 1721 Eye Street, Washington, N. W., D. C. The Association, to which the Editor is deeply indebted for their assistance in preparing this issue of PUBLIC AFFAIRS, has given special attention to the problems of economic co-operation between Canada and the United States. A preliminary report presented by one of NESPA's study groups is contained in the June issue of *Plan Age*, the Association's excellent monthly bulletin.

argument for constructing it as soon as possible, since it would be of use whichever way the war goes.

### The Defense Agreements

The Canadian-American defense agreements have to date made provision only for the planning by a joint board of measures for the defense of the two coast-lines of the North American continent. Implications of economic collaboration can be argued only indirectly, therefore, from these agreements at their present stage.

Suggestions have been made that, in the event of an emergency, the armed forces of each nation would have immediate access to bases and other facilities in each other's territory, if the need arose. Supposing such a course were decided on before the actual outbreak of hostilities, it might well be that the United States would decide to take an active part in helping to prepare the strategic harbors and air-fields on the Atlantic and Pacific coasts of Canada to resist attack. Indirectly the construction and upkeep of such bases on Canadian soil would benefit Canada's present acute foreign exchange problem, though the extent of the benefit would depend upon the procedure. If labor and materials were shipped from the United States, the amount of foreign exchange Canada would stand to gain would be infinitesimal. If the construction materials and labor were obtained in Canada, presupposing Canada's capacity to furnish them, Canada's gain in U. S. dollars might be considerable. The factor of productive capacity is a vital one here, since only if the Canadian capacity were adequate could any question of economic policy enter in. Given this essential condition, there would be a strong case here for the framing of such a policy of co-operation by the United States.

The maintenance of these establishments would also provide a steady trickle of U. S. exchange, comparable in character to tourist receipts. In addition, the fact of the presence of these bases within easy reach of New England or the Pacific northwestern States would cer-

tainly prove an incentive to an expansion of the tourist trade itself.

The present agreements have done now more than set the stage; the forms which economic co-operation may take from now on are countless. A closer collaboration of the two economies on the basis of defense, starting from the allotment of armament orders in the most favorable areas of both countries without prejudice, might extend to the joint financing of new works, with joint production, and eventually to longer-term programs for the development by United States capital of unutilized resources in Canada—especially coal, oil and water-power. The St. Lawrence project is a step in this direction, or could be made so. The principal obstacle to plans of this kind at present is the balance of payments problem, which will prove a stumbling-block to any schemes of co-operation until it is rectified.

### The Hemispheric Trading Bloc

The schemes proposed can be reduced to three major objectives: (1) orderly marketing of the major export commodities of the hemisphere throughout the world; (2) exchange control necessary to cover the trade within this hemisphere and with the rest of the world; (3) machinery for the distribution of surplus commodities within the hemisphere.

The problems that the inclusion of Canada will add to the already tremendous difficulties are serious but not insuperable. In the first place, Canada's exportable surpluses have to be arranged for, and second, the increasingly bad exchange situation between Canada and the United States has to be corrected. Let us look at the surplus problem first.

The problem here is not merely that of finding markets, inside the hemisphere or out, for Canada's present export production. That would take so long to achieve that meanwhile the surpluses piling up would render success impossible. We have rather to study the ways in which the present structures of the economies, not only of Canada, but of the United States and all the Americas, can be modified and reorganized so as



to mesh better with one another, and so as to leave as few outstanding surplus problems as possible.

Canada's economy has always been heavily overweighed on the side of foreign trade. During 1937, 1938, and 1939 the average annual export surplus of the Dominion was \$186 million. The maintenance of an export surplus has always been an important factor in meeting the huge foreign indebtedness. On the basis of Canada's average exports over the last three years, an inter-American trading body would face the problem of disposing annually, in addition to existing imports from Canada, of the following amounts of goods, normally exported outside the hemisphere: wheat, 79,768,000 bushels; wheat flour, 4,356,000 barrels; bacon and ham, 183,600,000 pounds; cheese, 82,564,000 pounds; wood-pulp, 247,800,000 pounds; newsprint, 996,600,000 pounds; aluminum, 111,900,000 pounds; nickel, 131,100,000 pounds; zinc, 318,600,000 pounds. Including these and other products, Canada annually exports goods valued at over \$580 million to countries outside the hemisphere. Moreover, these figures do not allow for the surplus stocks of commodities piling up in Canada, of which wheat alone has reached the fantastic volume of 800 million bushels, nor do they allow for the greatly expanded productive capacity which will emerge from this war. What solutions or mitigating circumstances are there that can lessen the gravity of these difficulties?

The greatest outlet for Canadian goods must be in trade with the United States and the other American countries; the next largest its trade with Britain and the members of the Commonwealth. At what points can competition between Canada and the United States be said to represent a real problem? There is little competition of the Canadian and American industries in the export markets. Direct competition between the two industries in their respective domestic markets is restricted by the existing tariff structure; as long as the present system prompts American manufacturers on the one hand to put money into

Canadian branch plants, and Canadian consumers on the other to pay high prices for the sake of protection no competition is likely to take place. From the point of view of dealing with immediate difficulties this may be counted as an advantage. Clearly, in the long run, this situation of two industries growing up alongside each other, prevented from integration by a tariff wall, can only breed more problems for the future.

Some of the largest Canadian industries, in fact, have been facing a rising demand in the United States, due to shortage of stocks, loss of other sources of supply, and rising output. These increases may not reach any considerable level at the present time. Indeed, the United States now is taking less goods relative to the volume of production in this country than in December 1939. The Federal Reserve Index then was 126, for each point of which Canada exported \$435,000's worth of goods to this country. In September 1940, the Index was 124, and Canada's exports to the United States amounted to only \$316,000's worth per point. This situation can be traced back to the difference in the nature of the boomlet in the United States during the first four months of the war and now. Then inventory accumulation was the principal motive. Now consumer's goods industries have a less important place in United States industrial output.

Nevertheless, lumber products and non-ferrous metals have made notable gains. The United States has been producing 75 per cent of its woodpulp requirements but of one of the kinds of pulp, unbleached sulphite, it has been producing domestically less than 50 per cent. Nearly three-fourths of the imports of this kind of pulp have been coming from Sweden and Finland. Canada and Newfoundland have been contributing 85 to 95 per cent of United States imports of newsprint, the remainder coming from Europe. Much of the domestic production of newsprint, which amounts to approximately one-fourth of consumption, is made in part from imported pulp or imported pulpwood. Expanding con-

sumption in the United States of this virtually duty-free commodity is therefore proving beneficial to Canadian exports in view of the loss of European sources of supply. The only limiting factor on Canadian exports of some of these goods to the United States would appear to be Canadian productive capacity, at least until the end of the war, when it will be the task of the hemispheric trading body to make the decisions regarding a return to European sources.

Mineral production in Canada has expanded considerably since the outbreak of war, and exports of nickel, copper and zinc have made notable gains. British purchases account for the bulk of these exports. But the increased production of these commodities has a greater significance for the long-term prospects of inter-American trade. While the war continues, the majority of Canadian exports will go to Britain, but for the purposes of organizing, either now or in the future, a hemisphere trading bloc, the potential expansion of trade that may take place in these commodities between Canada and the United States will help both exchange and surplus problems. Strategic materials such as asbestos, nickel, pyrites, mica, talc, are at present obtained, or could be obtained from Canada. With increased inter-American trade, these will be in greater demand in this country and the Canadian economy will find it so much the easier to fit itself into the hemispheric front.

The problem of Canada's agricultural future is a different matter. Here it is not merely a question of expanding production in those lines in which demand will increase in the United States or Latin America as extra-hemispheric sources of supply dry up. There seems to be no adequate solution for the Canadian wheat problem, just as there is no adequate solution for the problem of cotton in this country, short of a drastic reorganization of agriculture. After all possible shipments of wheat have been made this year to England and the few other remaining markets a quantity of some 460 million bushels will remain in storage. Production on this scale, in spite of

temporary checks to European wheat crops, means an increasing problem of disposal for a hemispheric marketing body. It is, to say the least, improbable that the United States will take steps to relieve the Canadian wheat situation until Canada itself comes forward with a program of adjustment. Until Canadians succeed in establishing effective crop control, perhaps in combination with a comprehensive policy of diversification for the prairie provinces, this particular obstruction to successful collaboration is bound to persist. Incidentally, in connection with diversification proposals, it may be noted that consumption of dairy products is due to rise both in Canada and the United States as a result of the industrial boom. The consumption of dairy products tends to increase very considerably directly the family rises above subsistence level, a fact constantly noted in the families transferred from relief to employment. A part of the increased consumption will undoubtedly come from a new use of existing supplies—less liquid milk will be used for manufactures and more for drinking, for example—but there is certain, at the present rate of expansion, to be an increase in demand over and above this. Thus a rising demand at home in Canada, and in the United States, coupled with the loss of foreign supplies of cheese and similar imports, will make dairy-farming a much more attractive prospect for a good many Canadian farmers than wheat-growing. To a lesser degree, Canadian livestock producers may benefit by a rise in demand as well.

A lesser, but by no means negligible, opportunity for exportation is offered to Canada by its trade with Latin America. In past years Canada has been accustomed to have an unfavorable balance on its total trade with the Latin American countries, due almost entirely to its relatively large purchases of coffee from Colombia. In the first eight months of 1940 its imports from Brazil, Venezuela and Argentina have more than doubled over those for the same period last year. Thus Canada, though it has

been used to an annual trade of approximately \$14 million only, is in an increasingly good position to bargain with the Latin American countries. A program of industrialization for Latin America, financed by American capital, would help provide increased outlets for Canadian exports, whether in the form of industrial equipment shipped from Canada, or of raw materials to the United States there to be manufactured into equipment for Latin America. In most manufactured products, however, Canada would be offering the same article as the United States, often under the same trade name even, produced at higher unit costs. Only if the industrialization of Latin America were great enough to bring about a sizable rise in the standards of living in the Latin American countries would Canada be in a position to profit to any extent from inter-American trade.

The present structure of the Canadian economy therefore presents some major obstacles to the organization of a hemispheric trading body. But by means of careful investigation and wise planning there is no reason why the forces of Canadian enterprise could not be directed toward closer economic contacts with the United States at many points. Canada must export or die, according to the rubric, but, if an increased part of what she exports continues to go to Britain and the United States, the quantities of goods remaining may well go to form a part of that bargaining weapon with which the authorities of this hemisphere, in joint consultation, will do business with the trade monopolies abroad.

Let us turn from the problem of surpluses to that of the balance of payments. It is obvious that if the program of extended trade between envisaged above takes place the present situation will automatically improve. Nevertheless the situation is bad enough to warrant special measures. The import balance of trade with the United States has become of increasing concern for Canada. For the month of August 1940 it rose to \$25 million, compared with \$16 million in July, and amounted to \$160 million for

the first eight months of this year. Part of this gap was filled by \$134 millions worth of non-monetary gold exported to the United States, although in all matters of Canada's gold production for export it is as well to remember that American capital, through its investment in the production, has a controlling interest in the sale of much of the metal. The rest of the gap was filled by tourist receipts, Foreign Exchange Control Board gold and/or United States dollar holdings. The former method of selling the sterling proceeds of Canada's favorable balance with the United Kingdom in order to meet its American debts is no longer effective.

While the war continues and the present arrangements are still in force the balance of trade is bound to grow worse and worse for Canada until there comes a time when the gap can no longer be filled. Unless there is some kind of co-operation from the United States at this point or before, Canada will then be compelled to take some such action as an embargo on unessential imports from this country, selling out the last of its United States securities, or ceasing interest and dividend payments on its indebtedness to the United States. If the United States has not already contributed toward helping the situation by some method of economic collaboration growing out of the defense agreements, it will have to choose between a policy of immediate loans to Canada for the purchase of supplies here and giving the supplies outright. Considering the bad effect of such loans on post-war relations there are strong arguments for the latter.

The importance of this exchange question in any consideration of Canada's part in a hemispheric bloc is clear. It is a matter vital for the stability and welfare of Canada's economy. While this remains unsettled, the expansion or reorganization of the economic life of the country, after a certain point, is shackled. If Canada is permitted to drift into economic chaos there will be danger of a growth of the very same evil tendencies which we in the Western Hemisphere are making every effort to

repel from these shores. This is a problem for the United States primarily. The program of obtaining supplies from Canada formerly brought in from outside the hemisphere, combined with longer-term schemes for the development of Canadian resources till now neglected as uneconomic, may solve the problem in time. But this is a subject that will require attention in the very near future.

It has become plain that the defense agreements have barely scratched the surface of what remains to be done to bring the two countries into practical collaboration. These are emergency meas-

ures, it is true, taken to meet extraordinary contingencies, but it would be short-sighted not to realize the direction in which they are tending. The one positive outcome of this war, already apparent, promises to be the drawing together of the English-speaking nations in an economic unity of permanent significance for the future of the world. The commodity problems of the Americas are such that there can never be a permanent solution within the borders of this hemisphere alone. Closer relations between the Americas and the British nations of the Commonwealth can help to solve them.

## The Role of Adult Education in a Defence Program

By MORSE A. CARTWRIGHT

From an Address presented at the Maritime Conference on Adult Education, Nov. 9, 1940

IT seems to me, in my own country at least, that adult education may play a very great part indeed in the problems of defense—problems that are common both to Canada and the United States. Primarily we must agree to think of the term “defense” in its widest sense. It must include our material defense, yes—ours and our neighbors. But it must also include the defense of our social institutions, of our way of life and of our economy. Above all, it must include a willingness to defend, and to fight for, our attitude toward the spiritual considerations that raise our civilization above that of the beasts of the field. Our attitude toward and belief in freedom comes first. And from our attitude toward freedom springs our attitude toward the more concrete forms of common

decency, common morality, religion, family life, tolerance. Out of these, in turn, come our common concepts of loyalty and faith. These latter supply the elements upon which our governments must be based if they are to endure. Taken in their entirety, these common elements, forms and concepts comprise a democratic system, to which we adhere in the face of a frightened world seeking false safety in the empty promises of totalitarian dictators. It is in the promotion of public understanding of these factors that adult education finds its most important responsibility.

My remarks about this important new responsibility of adult education reveal the stage that our thinking now has reached in the United States. We are behind Canada in that respect for we have had the doubtful advantage of months that may even stretch into years during which presumably we have been, and shall be, making up our minds to the

EDITOR'S NOTE: Dr. M. A. Cartwright is the well known Director of the American Association for Adult Education. A report on the Maritime Conference on Adult Education at which Dr. Cartwright's address was delivered is contained on p. 93.

necessity of a supreme effort and a supreme sacrifice. You, having reached a decision, can go ahead calmly with faith and confidence, your doubts reduced to a minimum. We, on the other hand, must justify each action leading to our own defense by some sort of logical process, even though to the more thoughtful and far-seeing of us the final result is inescapable. And there is lurking in the minds of some of us, the awful fear that there may not remain time for this deliberate and characteristically democratic process of making up our minds. In any case, it seems to us that adult education can heighten and speed up this process, and that out of a wide public understanding of issues may come a unity that will not only facilitate decision but—of equal importance—will assure prompt and solid action when the time for action appears.

It will interest you to hear, perhaps, of the plans for adult education now underway in the United States, in that these plans, if they possess validity at all, are as operative after a declaration of war (if that should come to us) as they are before. Also they afford certain possibilities of collaborative action as between Canadian adult education and that in the United States.

We reason that adult education must accept a new set of responsibilities connected with our national defense. These new responsibilities derive entirely from the exigencies of the international situation, and they are felt with terrific force by a set of agencies, both public and private, that for many years have stressed the close inter-relationship between adult education and democratic processes. We reason that adult education should and must erect an important bulwark for the national defense, in increasing public understanding of the issues of national policy involved and—through public understanding again—in easing the social strains that inevitably accompany a great national effort.

We see the problem resolving itself into one of mass education, utilizing all the media in general use in adult

education, such as the forum, the discussion group, the radio listening group, the film forum, the library reading group, the social and group work organizational programs, the public night schools, university extension, adult education councils, workers' education groups, etc. I could multiply the list indefinitely, for there are as many as forty different general types of adult education all of them capable of being utilized in the present emergency.

Two methods of approach suggest themselves: the first, a direct frontal attack upon the general public at all levels of educational experience; the second, an indirect approach through the civic and educational leadership in the various communities. The first relies upon combined intellectual and emotional appeal, induced through widespread use of the mass meeting, the pamphlet, the radio and the motion picture. The second is more legitimately educational and intellectual in its appeal to the leaders to bring about a diffusion of knowledge and understanding among the population.

We propose to make both of these approaches, but in the reverse order. That is, our first moves are now being taken with the civic leadership on a national basis. We plan that the second step of mass education should then take place as a logical sequence under local community initiation and control. With the local ground well under cultivation, the opportunities for national service to these defense ends follow logically, through the use of national radio networks, the production and distribution of motion pictures, and the publication of many popularly written, simple statements of fact and opinion in book and pamphlet form and through the popular media of magazines and newspapers.

In accordance with this reasoning, therefore, the American Association for Adult Education is this month announcing its Emergency Defense Program under five main headings. The first under this program includes the distribution, through the *Journal of Adult*

*Education*, of materials designed for the intellectually elite—the leadership. These materials will deal with the philosophic, economic and moral issues of the present international and national situation. Attempts will be made to analyze and explain the ideologies involved in the world conflict. This is adult education for the group in the United States that needs it least—the intellectually and educationally privileged, as it were. In size, it constitutes the smallest part of our program.

The second is a field effort—a typically American performance involving a speeding up process in organization. The number of local councils, associations, and committees will be multiplied and the local councils now established will be strengthened and aided by various national services. The local councils will be encouraged to constitute themselves the educational service branches of the local defense councils, now springing into existence all over the country. A series of special conferences, regional in nature, on adult education and national defense will be arranged. They will cover the country and will afford opportunity for discussion of defense issues and for the exchange of information concerning local defense programs.

The third step is one of national service to the field agencies and individuals in the local communities. Two publications will be regularly issued for distribution as general follow-up to the field efforts. The first of these, now tentatively named "Community Councils in Action" will aid in the solution of organizational and program problems. The second—a more ambitious effort and designed to be of service to leaders and students of defense problems alike—will constitute a guide to the general study of American defense. In some respects it will not be unlike the excellent "Food for Thought" series of the Canadian Association for Adult Education. The series will be called: Defense Topics and will consist of original articles, compilations, annotations and digests all dealing with issues in the national defense and the defense of democratic culture.

Written in simple style, with a certain amount of illustration, with selected bibliographies, this publication will be particularly useful to adult group leaders as well as to members of the groups. Each issue will feature at least two major defense topics, with of course a large amount of supplementary material dealing with other topics. The first issue, to be out shortly for instance, as its two features deals with the defense employment situation and with the international tension in the Orient. The contents will be highly factual, though opinion will not be barred when so labelled. The material will all come from carefully authenticated sources, many of them not available generally either to the public or to the educational leadership. At least eight of the papers will be published during the first year.

The fourth step in this program carries the Defense Papers one stage further. Syllabi, study guides and leader aids for discussion groups desirous of undertaking consecutive study of defense issues will be provided in a new series to be known as "Defense Digests". The Digests will cover many of the topics dealt with in the Papers, but will be more specific as to content and in greater detail. A considerable number of such publications is contemplated, depending upon the degree of usefulness attained.

The fifth enterprise consists of the preparation of study guides and discussion questions based upon existing and readily available sound motion pictures. Selections are being made by the Association staff from a large number of films. Careful analysis of these pictures will result in a series of discussion questions, annotated references to reading and other materials for study, so that even a lay or unprofessional leader can conduct an interesting, informative and provocative course from the films and the printed key to their use.

These are some of the problems upon which the American Association is at work. Do they not afford ample opportunity for cooperation and collaboration with the similar group in Canada? I bespeak that collaboration in increas-

ing measure as the months go by. Interchanges of this character can be productive only of good. Already we have profited from the experiences of the Canadian Association and we make good use of its publications as well. We can continue to exchange our ideas and the lessons learned from operation to our important mutual benefit.

There is finally another aspect of the problem that must not be overlooked. Many thoughtful educators in Great Britain, in Canada and in the United States are deeply concerned at what will happen to the moral and intellectual fibre of society throughout the world after peace is attained. There is the dire possibility of course that after the eventual and inevitable collapse of Hitler, the ensuing peace might well be worse than the awful destruction of the war itself. The threat of civil revolution throughout the world, aided and abetted by militant Bolshevism, is something to ponder.

It is necessary, if this sort of cataclysmic collapse of society is to be avoided, that there should be carefully thought through plans of reconstruction. And that education, particularly adult education, should play a great part in such a world reconstruction is as in-

escapable as it is desirable. Many of you, no doubt, are familiar with the famous, and in the best sense, historic document that came forth at the close of the last war—the British Ministry of Reconstruction Report of 1919. Something like that document must be written for the whole world. Not one but many nations must collaborate in the writing of it. It is none too soon that those of us who are concerned with education should be addressing our thoughts to the problems inherent in world educational reconstruction. For educational opportunity of high quality, for the adults of the world no longer subject to school discipline, may mean, exactly and fearfully the difference between disaster and orderly readjustment to changed conditions. Social realignment, vast in its implications, is sure to follow world conflict. Learning and understanding on the part of millions now untouched by education will be vital and quite probably of actual life and death importance. We dare not close our eyes to our part as educators in such a gigantic task. We would not if we could! Should we not make our preparations now? We people of the two most western countries have both the ability and the precious time. Have we the will to do so?

# The Competition of the Canadian and Newfoundland Fisheries

By STEWART BATES

THE competition of these almost adjacent fisheries exists mainly in the salt fish trade. The Canadian industry has, for some ten years, felt increasingly the penetration of Newfoundland into West Indian markets which had been hitherto regarded as Canadian territory. In this region, Canada has been giving ground steadily, but the rate of retreat has been increasing since 1935. Newfoundland, displaced from European markets, successfully competed the Canadian industry in the West Indies, and now regards that region as one of the main outlets for her salt cod.

From this summary statement, it is evident that the intensified competition between the two Dominions in the markets of the western hemisphere is not attributable to any caprice on the part of Newfoundland. She was faced with a gradual contraction of her normal European outlets, and was forced to dispose of her large supplies in whatever alternative markets were available. It happened that these markets were in the West Indies, and were regarded by the Canadian salt fish industry as its special preserve. In consequence, the new competition in the Caribbean markets has to be traced to developments in the salt fish trade in the world as a whole, the developments that contracted the European outlets for Newfoundland catch.

The world trade in this commodity has seen a fairly rapid expansion in the past twenty years, especially among the main producing countries, Norway, Iceland and even the United Kingdom. The naval value of possessing a good trawler fleet encouraged some of the consuming countries, like Italy, to add to the world's

fishing capacity. These steady increases in world supplies, coupled with the low standard of living in most of the consuming countries, forced down prices, and indications suggested that the saturation point in this trade was gradually being reached. Newfoundland, which depended for her economic existence on the maintenance of her exports, had to turn to the Caribbean region. In the struggle for a place in the world fish trade, she had to sell at low prices. In face of this competition the Canadian trade steadily expired, her codfish exports being in 1939, only one-third of their level of ten years before.

In general terms, it is easy to describe the condition as one in which Canadian exporters could not get down their costs and prices quickly enough to hold their share of former markets. But the concatenation of circumstances that prevented the adjustment of costs and prices is less easy to analyse; and to allocate to the different factors impeding adjustment, their relative shares is still more complicated. This is so because many of the relevant facts are not readily ascertainable: there is no organized exchange, and no international standards of quality-grades for the different types of fish so that information about trading conditions is not easily found and such as exists refers to the specific products of the different producers which are not, in any sense of that term, a single commodity. Furthermore trading is conducted, in Canada at least, through more or less independent exporters, each with his own agents in the importing countries so that facts as to marketing methods, agents commissions, etc., are not self-evident. Furthermore although the main market for Canadian fish is the Caribbean region, this as such has little economic unity (except such as is given by their

EDITOR'S NOTE: Stewart Bates, M.A., is Professor of Commerce at Dalhousie University and a member of the Economic Council of Nova Scotia.



common interest in sugar) and its division into republics and into the American, French, and British Islands involves wide diversity between them in the matter of tariffs, trade treaties, fees, etc. and in the matter of the regularity of transport to each individual island. All this diversity tends to hide those facts that are necessary to a proper discussion of Canada's loss of fish trading in the past decade.

It is clear—and representatives of the industry have contributed to this clarity—that many of the difficulties are external to the industry, that they have been imposed by circumstances outside the industry's control. So far as foreign competitors have been subsidised in their exportation, so far as they have received discriminatory advantages in the tariffs or exchange regulations of the importing countries, this is undoubtedly true. Similarly so far as the growth of British Empire preferential trading hurt Canada's fish exports to the non-empire countries and allowed Newfoundland equal preferential privileges in the Empire markets, then again difficulties were external to the industry. Again so far as Newfoundland and European competitors enjoyed certain transportation advantages, either in freight rates or regularity of service or both, so far once more the difficulties were external to the industry. In each of these instances, representatives of the trade have on different occasions pressed the appropriate authorities for action designed to remove discriminations against the Canadian trade.

Another group of external conditions has not proved even slightly amenable to pressure by representatives of the industry—and unfortunately this group of conditions appears to be imponderable. One such condition has been the constant economic distress in the "sugar" and "coffee" countries since 1927: this has affected their purchasing power. It has also however affected their economic policy, encouraging greater self-sufficiency and also bilateral trading. Thus in some islands there has been a definite attempt to develop home food industries: the most striking instance of this is the

rapid growth of the meat industry in Cuba, backed by political pressure which can ensure high tariffs against competitive imports like fish, as well as government assistance to encourage the growth of the home meat industry. This factor, at least so far as Cuba is concerned, represents an imponderable, for beef is now as cheap as fish and consumers tastes are altering. Again, as in the case of the Dominican Republic, bilateral agreements with France were for a time able to cause discrimination in the tariffs against Canadian fish.

‡ In the main, however, similar conditions confronted other salt fish producing countries: for example, Newfoundland which gained empire-privileges like those of Canada, suffered from all these conditions also, but her output has remained relatively stable. It may be contended that she has been supported for some years by the United Kingdom grant, but it is necessary to remember that she began the process of capturing Caribbean markets some years before she had to accept a Commission government. (There may be some connection between the process of price reduction necessary to capture markets and the subsequent financial crisis that evoked a Commission government, but that will concern us later.) In other words, while admitting the full gravity of the external conditions, some further explanation of Canada's decline in this trade is necessary.

There is one special condition, less applicable in Newfoundland, which may go far to provide this explanation. It is a condition external to the Canadian fish industry, but internal to the Canadian economy. The Canadian Atlantic fishery is not yet adapted to meeting the potential of its home market—i.e. to the full development of a fresh fish trade and to the prerequisites of such a trade—modern methods of catching, freezing, transporting and selling. The Atlantic fishery is still predominately a shore fishery with scattered producers, working singly or in small groups, without freezing equipment on boats and generally without freezing equipment available on shore, or without rapid

transport facilities to rail heads and markets. This fishery developed to meet the salt fish industry of the past: so far as the shore fishery goes it has made little adaptation of its methods.

Now on the one side, the costs of these fishermen are determined by North American standards: their equipment, gear clothing, etc., has to be bought at North America prices: on the other side they are selling their product to low-cost markets, to the negro and Latin populations of the Caribbean. Thus, given their old techniques of catching, etc., they are ground between the upper and nether millstones. So far as the Bank fishery goes (Lunenburg), their type of organization has been a little better able to stand the pressure, for it is a more efficient producer of salt fish. But it has not proved completely able and that fleet has dwindled since 1929, and some units of that fleet consider the alternative opportunities of fresh fishing superior to that of "salt" fishing. Nevertheless, the gap between costs and Caribbean prices is not quite so difficult to bridge in this type of fishery.

In the case of Newfoundland, this gap has been of a different sort. Its fishery is still almost entirely adapted to the export trade in salt fish. But since the economy of the island is greatly dependent on the fishery, and since employment alternatives are few, they have had to continue their fishery despite the approaching saturation point in the world salt fish trade, and to sell at whatever prices would ensure a reasonable disposal of the annual catch. The fall in export prices has been great since 1929. The attempt to maintain sales however, involved a very real cost to the fishermen and to the country. To the 37,000 fishermen, with average earnings around \$135 per head, the cost of finding markets was the relentless drive down (to below often) a mere subsistence level, the growth of debt, and in too many instances a depreciation of house, gear, and boats which prevented them from following the sea: inexorable economic facts compelled a reduction of their output. To the country as a whole, the subsequent

relief problem was met only at the cost of representative government. Against the falling Newfoundland prices—the uneconomic prices, since they failed to cover the costs of living—the Canadian salt fish trade could not long compete. The attempt to meet Newfoundland competition drove down Canadian "salt" fisherman's returns. In those areas where he had no alternatives, he too was pushed down towards subsistence levels: where the Canadian fisherman had alternatives—fresh fishing, lobsters, pickled trade—he turned to them and since none had much absorptive capacity, returns in these branches also fell. Many fishermen however turned to the highway works of provincial governments, and more recently to the defence works of the Dominion. But this transition of the Canadian Atlantic fishery has been continuous since 1931. It became faster after 1935 when the United Kingdom schemes lent support to Newfoundland; after 1935 displacement of Canadian cod by Newfoundland cod becomes more evident than ever in the United States, Porto Rico, Jamaica, and Barbados, and Newfoundland emerges as a competitor in a hitherto reserved Canadian market (Santiago de Cuba). But the full impact of Newfoundland's low prices is not confined to Canadian codfish sales: it also affected cheaper varieties of fish sold in the Caribbean, because the fall in the price of Newfoundland cod made the price margin between their cod and Canadian scale fish, mackerel, etc., narrower than formerly, and Newfoundland cod began to compete with Canadian hake in Brazil and the Dominican republic, and even to affect mackerel prices in Jamaica, which in turn affected the prices of alewives and herring.

This discussion brings us back to the question of factors affecting Canada's competitive position. Hitherto the difficulties mentioned have been largely outside the control of the salt fish industry. But their effect has been unmistakable. As a "free" industry, in a capitalist regime in North America, it has been in process of decay. That decay was inevitable as was perhaps to

be expected since the technique of the shore fishery has altered little in this century. That the world demand for dried fish has expanded in this century is no reason for hoping that an industry with present North American costs but outdated methods can satisfy this demand at a profit. It may be possible to operate a salt fish industry at a profit by the use of capitalistic or large scale methods (vide French, Italian and Spanish trawler fleets). But these are absent in Canada's shore fishery as they are in Newfoundland's.

The decay however has been speeded by the nationalist movements among competitors and also buyers, so that the Canadian salt fish industry, with less than modern methods of catching, has for the past few years, faced a world market where its competitors were mainly national sellers, with funds available to sell at prices which would hold required markets (even Newfoundland after

1935). But the selling methods of the Canadian industry, even in face of these organized sellers has remained in the hands of individual sellers, competing among themselves for Canadian fish that were relatively expensive per quintal, and trying to compete with each other and with organized competitors in selling these in Caribbean and some other markets.

The Canadian salt fish industry lacks the modern methods of fishing, grading and selling of competitors like Norway. On the other side Canada may be as efficient as Newfoundland but the low subsistence costs there and the urgency of sales creates a type of price competition which also limits Canada's markets. Canada has found it difficult to compete with the costs and qualities of more efficient producers, and also with the lower subsistence costs of an almost equally efficient producer (Newfoundland).

## Hospital Care Insurance Plans

By G. HARVEY AGNEW

**V**OLUNTARY hospital care insurance, also known as "group hospitalization", or as the "periodic payment plan for the purchase of hospital care", has met with a remarkable degree of public approval during the past few years. Several American cities now have plans enrolling hundreds of thousands of members, one on its second million. Few movements, indeed, have been accepted so quickly by the general public. Why has this been so?

Without question the public mind was ripe for this movement. Prior to and during the years of the depression the reading public was deluged with articles on the cost of sickness. When exhausted of other subjects feature writers

could always hold their readers by reminding them how poor they were being kept by medical, hospital and nursing bills. That much of the data published was incomplete and inaccurate, and that many of the interpretations made and conclusions drawn were wholly erroneous did not matter. Sir Arthur Newsholm's exceedingly valuable International Studies broadened our horizon and the equally valuable report of the Committee on the Costs of Medical Care focussed attention on the problem in the United States. Here in Canada the most helpful study was that of the Committee on Economics of the Canadian Medical Association (1934).

The general conclusion of the people on this continent (if one dares to formulate a general conclusion) has been that we are not satisfied with the existing

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more or less haphazard system, excellent though it has been, but, at the same time, we are dubious about adopting state medicine as developed elsewhere. Some form of health insurance for the lower income groups is generally desired, but there is a general feeling that this should be of a voluntary co-operative nature rather than be a bureaucratic and impersonal state system.

Hospital care insurance conforms to this principle. Bread-winners and their dependents, either as individuals or as groups, unite to form a voluntary hospital insurance plan. In return for a modest monthly contribution, varying from forty to seventy-five cents a month, members receive hospitalization for a specified total period in any one year, usually twenty-one to thirty days. Most plans now accept dependents on a premium usually at a much lower rate than for the first subscriber. Some plans provide public ward accommodation; others provide a semi-private room. Some cover practically all "extras" such as operating room charges, X-ray, laboratory, etc. Others limit the extras. Naturally these variations affect the premium charged. In industrial areas, the fortnightly or monthly premium may be deducted from the pay cheque.

In the past few years the tendency has been to develop low cost plans—for instance, for a semi-public plan the cost for the breadwinner may be as low as fifty cents per month and for the family, \$1.50 in all, the plan providing a wide range of extras. Semi-private service is being offered at seventy-five cents and \$1.50. Apparently the lower priced plans are having the least financial difficulty, due largely to the added enrolments.

Most of the better plans are directed by a Board representing the hospitals, the public and the medical profession. Plans may be strictly local, may be limited to one company or to one hospital, may be open to all local citizens, or may be on a province—or a state-wide basis. Medical care is seldom included, but often may be purchased through a parallel plan.

### Plans Widespread

How extensive are these plans? Here in Canada we have seventy or more of these plans in operation; in the United States there are several hundreds. The largest plan in Canada is that of the Manitoba Hospital Service Association, which has some 33,000 members and dependents (July, 1940). The Edmonton plan has 8,700 people covered and the one at Kamloops covers over 5,000 people. These figures are dwarfed, however, by the tremendous growth of plans in the United States, where over five million people are now enrolled. The famous "three cents a day" plan in New York City covers approximately one and one half million members. The enrollments of a few of the leading American plans are as follows (Jan. 1st, 1940):

New York.....	1,358,409
Minnesota.....	309,216
Cleveland.....	284,784
Michigan.....	229,465 (July 1, 1940)
Massachusetts.....	221,491
Philadelphia.....	185,252
Newark.....	180,057
Pittsburgh.....	173,171
Chicago.....	147,412

Most of these plans have been developed within the past seven or eight years; the Michigan plan started but sixteen months ago (1938). In this connection it should be pointed out that a plan of this type has been in existence in Glace Bay for over 35 years but had not been taken up in large centres for the population at large. For this initial work done in our mining and certain other industrial areas and for the stimulus to the whole cooperative movement given by the St. Francis Xavier group, we are all deeply indebted. In the United States the inspiration for much of the present movement was probably Baylor University Hospital, where a plan was instituted in 1929.

### Approval of Plans

The development of these plans has been hastened, too, by the imprimatur of approval given to the principle by various recognized bodies. The American Hospital Association back in 1933 approved the principle of hospital insurance.

The following year the American College of Surgeons gave its approval. In 1935 the Canadian Medical Association, in a lengthy study of the movement, concluded that "the principle of group hospitalization is fundamentally sound". The Catholic Hospital Association in 1937 encouraged its members to participate in these plans, provided they conform to acceptable standards. The American Medical Association was somewhat dubious about supporting this movement but, after watching the course of development for a few years, gave approval in 1938 and formally stated that "we particularly recommend it as a community measure".

These organizations have outlined the basic principles upon which plans should be developed. For instance, all are agreed that the plans should be of a *non-profit* nature. This one recommendation alone has saved the public from a host of promoters who early saw an opportunity to make a good living by capitalizing on this widespread movement with thinly disguised profit promotions. The most steadying influence was the decision of the American Hospital Association (to which many Canadian hospitals belong) to give "approval" to insurance plans which meet certain standards.

Briefly these standards may be summarized as follows:

1. The plan to be controlled by the public, the hospitals and the doctors.
2. No private investors should advance money in the capacity of stockholders or owners.
3. Plans to be established only where community not served by existing non-profit plan.
4. Hospital service benefits to be guaranteed by the member hospitals.
5. Majority of hospitals of standing in the area should participate in the one plan.
6. The plan should be actuarially sound, adequate amounts should be set aside for reserve and income should be apportioned as set forth in the basis of approval.

The net result of the approval of principles and the establishment of standards has been a decided impetus to the formation of sound plans and a proportionate setback to the promiscuous launching of unsound plans by fly-by-night or incapable promoters. Widespread publicity for the movement gave would-be promoters all over the continent the idea of capitalizing on this public interest to make a neat little income for themselves. Indeed many such plans were started, but the emphasis placed upon the non-profit feature and the necessity for stressing service to the public rather than gain for the promoter, have caused most of these plans to fold up. Year by year the larger plans are tending to conform to a common pattern, the differences being of detail rather than of principle.

#### What of the Future?

What will be the future of these plans? Undoubtedly they have come to stay, in some form or other. True, they do not constitute a panacea for the great financial burden of illness, but they do solve the problem of the cost for one of the biggest items that go to make up that economic nightmare. Experience in the mining areas of Nova Scotia where, even in the depths of depressions or strikes, the miners insisted upon keeping up their hospital insurance, come what may, indicates the extent to which these plans have been accepted by the people.

Undoubtedly these plans will be broadened in nature. Individual hospital plans will be absorbed in plans covering an entire province. A number of plans, such as that in Michigan or in North Carolina, are now state-wide. The Manitoba plan, although operating only in the Winnipeg area, has a province-wide charter, and a provincial plan is now being organized in Ontario. The recent decision of the hospital association in Nova Scotia to seriously consider the setting up of a provincial plan to cover rural as well as industrial workers and to cover all parts of the province indicates the trend in this direction.

It is anticipated, too, that the benefits

will be increased. This is now being done in the New York City and several other plans. There is also a steady demand that medical care be included. In California, Michigan, Massachusetts and other areas, parallel medical plans are now being conducted in the closest harmony and frequently with common offices. The Associated Medical Services in Ontario covers general practitioner, specialist, hospital and special nurse benefits.

### Organization

As these plans grow in size there will be a tendency for them to unite, at least in a loosely knit association. This is desirable; the many conferences of plan executives held at frequent intervals in the United States have done much to unify methods and to avoid the repetition of mistakes.

Therein, however, lies a potential danger. With millions of people enrolled in what may ultimately be a few widespread plans (like bus lines or air lines), there may be a tendency for the executives of these groups to dictate to those rendering the service. We see this attitude very frequently now in the case of workmen's compensation boards, and similar bodies. Started by the hospitals as a service to the lower income groups and as a steadying influence on their own revenue, there is the possibility of this very creation of the hospitals so dictating to them as to make it exceedingly difficult to carry on. Were medical care included, the same club might be held to the head of the medical profession.

The solution would seem to lie in a retention of the control directly in the hands of those concerned—the subscribers, the hospitals and the medical profession. The participation of the latter is stressed, irrespective of the inclusion of medical benefits, simply because the sympathetic and responsible interest

of the medical staffs of the hospitals in the plans is essential to the efficient and economical operation of any plan of this type.

### The Ultimate Destiny

What of the ultimate destiny of these voluntary forms of insurance? Broadly speaking, there are two schools of thought. One believes that these plans constitute but a *precursor* to out-and-out state control. It is contended that the resultant education of the public in the value of this method of spreading costs will bring about a demand for state participation; the state steps in when voluntary effort has paved the way. The setting up of unemployment insurance next year should hasten the inauguration of compulsory health insurance.

The other viewpoint is that voluntary insurance is a real *preventative* of state medicine. If voluntary effort can achieve the desired results, the people will not insist upon state intervention with all its potential weaknesses and dangers. The success to date of the hospital plans now operating and the marvellous inspiration of the voluntary cooperative movement, given such an impetus by the Maritime experiments, may lead to an ultimate solution for the wage earner in this direction. State participation may be limited to coverage for those who are without means.

Whichever be the ultimate pathway, the development of these plans must be considered as a definite milestone of progress. The financial relief for the individual member, the accumulation of sound actuarial data and the education of the public in cooperative effort have been more than worthwhile. Even if compulsory health insurance does come for the low income groups, there will still be a place for these voluntary plans for those above the stipulated income level.

# The Cooperative Movement in Quebec

By GONZALVE POULAIN

THE economic position of the French Canadians in the Province of Quebec is a factor that must be kept constantly in mind to grasp the full import of social, economic and political problems in that province. The extensive, though recent, industrialization of Quebec, was, on the whole, detrimental to the French Canadian people who instead of deriving their share of benefit from it rather suffered from its social disadvantages through the establishment of an urban proletariat. Keen consciousness of the unfairness of the situation keeps the people in an economic inferiority complex and state of resentment that is particularly harmful to Canadian unity. This economic alienation of the land they wrested from the forest after heroic toils and on which more than 75 per cent of them still live, manifests itself in important sectors of economic life, such as personal and professional services, amusements, welfare work, the artistic, industrial and commercial professions, transport, wholesale and retail commerce, industry and finance.

Economic conquest has been for the last ten years the objective of all the social and nationalist movements in Quebec. The co-operative movement in Quebec belongs to the same trend.

The nationalist societies started by advocating a large-scale buy-among-ourselves campaign with *Achatez chez nous* as a slogan. Practically the movement could have free play only in retail commerce, as wholesale trade is under non-French Canadian control. Even in the retail trade the campaign gave poor results for the obvious reason that the buyer prefers quality, service and low prices to racial considerations. He considers he is receiving satisfaction when

his money brings him the goods he asks for and that suits his purpose.

Some sociologists have urged the Quebec provincial government to take over the basic industries of the province. The reason for their proposal is that they presume these state-controlled industries will be entrusted to a staff of managers and workers that will be mainly French Canadian. Such suggestions are always received very complacently by Quebec rulers who recently took over the water power resources in Témiscamingue to build a power plant. But public opinion in the Province looks with disfavour upon this increase of economic power for the state, fearing, and with good reason, it may be used for political and electoral purposes.

This spirit of economic reconquest is one of the main reasons for the increasing popularity of the co-operative movement among all classes of French Canadians. The factor is pointed out by M. François Albert Angers, who writes in *L'Actualité Economique* (Montreal):

"Co-operation is based on the consumer, and it is evident that it works in favour of the racial group that constitutes the majority.... Through co-operative economy the French Canadian group, which is 78 per cent of the population of Quebec, will necessarily come out best, and without injury or discrimination towards anyone."

This nationalist angle in considering co-operation shows it to be a highly effective means in bringing about that even distribution of riches which is undoubtedly one of the most difficult tasks of democracy.

It can be said that the co-operative idea is not new to Quebec. Its achievements could be pointed out to as far back as the pioneer period when practices like working in bees and using pasture

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land in common denoted the specifically co-operative outlook. But it was only in 1854 that a mutual fire insurance company was established at Huntingdon to give its members fuller protection against the enemy that until recent years ravaged towns and rural districts.

That rural districts were the first to be affected in Quebec by the co-operative idea is as might be expected. The rural element in that province was, until after 1900, the most important, and included the majority of the population. Quebec's problems then were rural problems, and it was among the rural population that speculators of every shade exploited the farmer's thriftiness and economic virtues in order to finance their first industrial establishments and deprive the *habitant* of the home crafts and industries that until then had assured him his independence and self-support.

The fact was recently observed by M. Henri Bois, Secretary of the *Coopérative Fédérée de Québec*:

"A survey of our agricultural situation will show that the farmer is becoming more and more a mere labourer on the farm. All that is left him is to tend the soil and the livestock. The fence around his farm marks the limits of more than his land. It has become for us a symbol of his situation in the domains of buying and selling, of processing his products and the materials he uses. Whether he is aware of it or not, the farmer has left to others the task of providing him with chemical fertilizer, feed, binder twine, and building material. And he has left to others the task of selling or manufacturing his produce. And these others had no other aim than profit-making,—profit-making that could be only at the expense of the farm producer. The explanation, it seems, was to be had in the great law of division of labour. The farmer specialized in producing, and should stick to his speciality. At the farm gate another man took his produce and sold it. And seed, fertilizer, farm implements, feed had to be deposited at the farm gate by a third party who was a specialist in his line, too."

The Quebec farmer found that as a

commercial procedure the arrangement was beyond his means, and he turned to the co-operative plan for a solution. Co-operation stepped in to give back to the farmer services provided by others but paid for solely by himself inasmuch as his produce went to cover their high cost.

The first co-operative law was voted by the Quebec legislature in 1906, and the first wholesale central organization for farm producers goes back to 1913 when the *Comptoir Coopératif* (Co-operative Counter) was established. Developments in farm co-operatives moved slowly until 1922. At that date the Quebec Department of Agriculture was able to amalgamate into one the various wholesale central organizations which then took the name of *La Coopérative Fédérée*. The new organization was helped financially by the government and remained under its wing until its complete political emancipation took place in 1929. From then on the *Coopérative Fédérée* made giant strides. Whereas in 1930 the business total was \$7,233,946.32 with 66 affiliated co-operative groups, the figures for 1939 were \$11,925,000.00 with 207 affiliated groups. The first half year of 1940 has already surpassed this peak. On June 30, 1940, the *Coopérative Fédérée* reported an increase of \$900,000.00 over the corresponding period of 1939. During the same period 27 new co-operative groups were affiliated to the central organization.

Though the *Coopérative Fédérée* has not yet rallied all the farmers' co-operatives of the province—which total 488 with 38,388 members according to official statistics—the rapid growth of that central organizations shows there is a healthy co-operative movement in the Province of Quebec.

The movement has, moreover, found one of its most powerful factors in the co-operative credit and loan institution known as *La Caisse Populaire Desjardins*.

The Desjardins Credit Union dates back to 1900, but its rapid development took place within the last few years. There were 98 Credit Unions for the period between 1908 and 1918. For the period 1918-28 there were 168 with



41,000 members. Between 1928 and 1938 their number more than doubled with 393 unions and 80,000 members. And in 1940 there are in the Province of Quebec 525 units of the *Caisse Populaire Desjardins* with 103,000 members.

The main purpose of the organization is to provide the farmer with the credit he now receives from provincial and federal loan services. A second objective is to finance other co-operative undertakings in the consumer and producer fields. An indication that these aims are being pursued actively lies in the fact that 78 per cent of all credit unions are rural.

The third objective assigned the *Caisses Populaires* by their founder, M. Alphonse Desjardins, was to fight against the usury prevalent in the cities, an aim that was apparently not heeded as only 18 per cent of the credit unions are in the cities.

The Antigonish Movement greatly influenced the co-operative organizing of fisheries in the Gaspé peninsula. At Ste. Anne de la Pocatière the government-financed *Ecole Supérieure des Pêcheries* started a social and economic Service for adult education throughout the Gaspé region. This organization means that there is now a regional centre for education in co-operation and it has already given results in setting up 10 fishing co-operatives with over 7,000 members.

City consumers' co-operatives are the slowest to expand in Quebec. There are only some fifty of them to date, with 7,000 members. A fair number of the most successful consumers' co-operatives are in the small towns of colonization areas like Lake Saint John, Témiscamingue, and Abitibi. Urban centres like Montreal and Quebec are almost entirely without consumers' co-operatives. The reasons for this partial failure are primarily commercial, and then educational.

In city districts like Montreal retail trade is highly organized. Competition has such a narrow margin that the retail price coincides with the fair price, leaving little room for excessive profits. Under such circumstances it is difficult for co-operatives without a highly perfected

technique to compete with chain stores for quality or prices.

The main hope, then, for the future of consumers' co-operatives in Quebec cities lies in popular education, hitherto greatly neglected, and in furthering aspirations towards economic democracy. As the more important labour organizations, those in Montreal for instance, free themselves from state influence and take their affairs into their own hands, it is not unlikely that they will turn to co-operation as a means of improving their situation. The economic inferiority complex mentioned earlier in this article would naturally be an important factor in developing city consumers' co-operatives. This explains the latest development in the Quebec movement: influential institutions in the province are finally endorsing the co-operative idea and spreading it among the population. For two years now Laval University in Quebec City has had a department for co-operation. *L'Action Nationale* in Montreal, with the help of university professors, organized lectures on the subject. The co-operative movement assumes national importance in the eyes of nationalist, social and cultural leaders in Quebec, and this is why it is due for greater extension in years to come.

This revaluation of the co-operative idea showed itself clearly at the Second Co-operative Convention, held in Quebec City, September 6, 7, and 8. The assembly called for closer union among the 140,000 Quebec co-operators. Well attended sessions marked an enthusiastic response. The themes discussed typified the movement's strength. Co-ordination of effort and education of members were the two central ideas. These two objectives are of particular importance in Quebec because of the complete independence of the various forms of co-operation and because of the future needs of the movement. The *Conseil Supérieur de la Coopération*, made up of members of the various co-operative groups, is the main instrument in bringing about this co-ordination. The Council issued a code of theory which has been un-animously accepted by co-operators, and

it publishes instructions in the magazine *Ensemble*, another educational organ of Quebec co-operators.

But however effective an instrument of co-ordination may be in itself, it can give full results only through education of its members. Of the nine resolutions adopted by the convention, six were on education for co-operation—a sign that Quebec realizes the importance of adult education and is aiming at the goal through co-operation.

It is as much as to say that Quebec is making use of co-operation to take stock of her democratic assets. The last twenty-five years have totally disillusioned observant citizens as to a democracy that rests solely upon election majorities and political machinery. In

the light of the long depression which has aggravated the problem of the family, the province realizes that democracy must be considered as a moral principle first if it is to produce a maximum of justice and welfare. Democratic peace is a goal that can be reached only down the path of long years given to family, professional, social and civic duties.

There seems no doubt but that co-operation is a reliable means towards that moral rejuvenation of the democratic principle. The moral reform it calls for develops the spirit of unselfishness, the social function of property, and that unceasing appeal to charity without which a nation cannot long live in happiness or peace.

## Family Allowances in Great Britain

By EVA M. HUBBACK

### The Economic Position of the Family

#### *Distribution of Income*

THE case for Family Allowances is based on the principle that the economic structure of society should include some direct provision for the needs of the rising generation. Economists tell us that the national income can be pictured as a continual stream of goods and services flowing through channels of wages, profits, interest and rent to those who, by work or ownership, have established a claim upon it. But this picture of distribution is incomplete as it accounts only for that half of the population which can fit itself into the productive system of the price economy. There remain outside married women working in their own homes, and their children. These can claim no spending power in their own right. They are provided for after a fashion out of the

share of the national income which goes to their husbands or fathers. This share, however, is no larger when it has to be redistributed among half a dozen people than when it is destined for a single one.

At 21 an unskilled labourer may be earning as high a wage as he will ever get. If unmarried he will have a margin above bare needs to spend on sport or hobbies. It is on this margin that we expect him to maintain a wife and family. After he marries the coming of each child means that life becomes more and more of a struggle and that there will be less food, less houseroom, fewer clothes, for the children already there.

It is on the wage-earning classes that the burden of child dependency falls most harshly, but even in middle-class homes, educational and other expenses of child-rearing are a heavy burden on the family budget. In all classes there is the same struggle to fit an expenditure, temporarily swollen by the obligations of parenthood, into an inelastic income. Whether, therefore, we are thinking of

EDITOR'S NOTE: The article has been provided by the courtesy of the (British) Family Endowment Society. It is written by Mrs. E. M. Hubback, Vice-Chairman of the Society.

University lecturers or dockers, of clergymen or coalminers, the disparity in the standard of living attainable by parents and non-parents is felt as a hardship.

#### *A Recent Problem*

This financial burden which child dependency puts upon parents is a comparatively new thing in social history. When children worked alongside their parents, first in the fields and their own homes and later factories, the old saying that "With every mouth is born a pair of hands" had some meaning. Factory laws and Education Acts in putting an end to the horrors of child labour also took away from parents the earning power of their children so that the income going into the home has ceased to bear any relation to the number of people who have to live on it.

#### **The Consequences**

##### *Poverty and Malnutrition*

Under a flat rate wage system, when every additional child is equivalent to a drop in income, the sharpest edge of poverty inevitably falls upon the child population. In every social survey made since the Great War, it has been found that the proportion of children living below the poverty line is considerably greater than the proportion of adults. Whether the survey was taken in the north of England, in the west or in the south, whether it refers to town or rural population, these same conclusions have been drawn—that one-quarter to one-fifth of the children come from homes where the income is inadequate to provide the bare minimum standard and where, in particular, it is impossible to satisfy adequate nutritional needs. It is now generally recognised that defective feeding, especially in the tender years, causes damage to health and physique which is irreparable.

Moreover a bias in favour of the trades supplying luxury goods is given to production by the failure of the wage system to provide for family needs. In England and Wales there are 17½ million "unoccupied" wives and children who have no purchasing power behind them and who represent a vast unsatisfied demand mainly for the primary necessities—

food, clothing, houserroom and warmth. Thus a country in which a quarter of the children are living in families spending only 4s. per head per week on food, spent in 1937 £106,000,000 on motoring, £154,000,000 on tobacco, £200,000,000 on sport and entertainment, and £247,000,000 on drink.

#### *Maladjustment Between Unemployment Pay and Wages*

The weekly sums paid under the Unemployment Insurance Acts for unemployed men and their families are lower in many cases than the requirements for healthy living. But it is administratively almost impossible to raise these at present, in view of the fact that, as unemployment benefit is paid in proportion to the number of children and wages take no account of family responsibilities, unemployment benefit would frequently be higher than wages in the lower-paid industries,<sup>1</sup> were it not for the rule that allowances must in no case exceed the applicant's normal wage. The problem should not be solved as at present by the unjust and inhuman device of keeping down unemployment pay, but should be tackled from the wages end.

#### *The Dilemma of Equal Pay Between Men and Women*

Women in most industries and professions are offered a lower rate of pay than their male colleagues for the same work. They are refused equal pay on the ground that men have families to support, while women as a rule have not. Broadly speaking, this is true but the sex differentiation is a clumsy and unfair means of meeting the cost of child dependency. It is quite insufficient for the needs of those men who actually have families to support, while giving favoured terms to a whole sex on grounds which at any one time apply only to a small minority. Men teachers, for instance, receive a fifth higher pay than women, but out of every 100 of them, 66 have no

(1) It is unlikely that the problem will arise in Canada under the new Unemployment Insurance Act. While England has flat benefit rates and provides for family allowances according to the number of children, benefits in Canada will be graded according to wages and the allowances for persons with dependents though higher than the benefits for single persons will not depend upon the size of family.—(Editor's Note)

dependent children and only 17 have more than one child.

### *A Dwindling Population*

To a considerable extent parents are finding their own solution to the difficulties of bringing up a family by refusing to have children. Married couples are realising that only by restricting the size of their families can they give a proper start in life to the children they already have. The fertility rate is already over 20% below replacement level and is 50% below replacement in that part of the population whose incomes are over £300 a year. Up to now the effect of the decline in births on the total size of the population has been masked by the bulge in the higher age groups caused by the high birth rates of a generation ago and by the fall in the death rate. When the people who are now middle-aged grow old and die, the results of the past decline in births will become apparent in a progressively diminishing population. Even if the fall in fertility were arrested at its present level, a decline in population is now inevitable and this will inevitably be accelerated by the War. It has been reckoned that as a result of the Great War there were 500,000 fewer births than would otherwise have taken place. The problem is whether anything can be done to check its anticipated rate.

The economic effects of a declining population cannot be foretold with any certainty, but there are some results which appear probable. First, the productive system will have to carry a much larger proportion of non-producers among the aged and infirm. More will have to be spent on pensions, less on education. Not only will there be shifts in demand but also a total decline in the demand for goods, unless it is accompanied by a very rapid increase in individual purchasing power. Production of many commodities will in any case have to be adjusted to a fall in numbers in the home market of 25% in every generation. At the same time the industrial structure will become less flexible because the proportion of new entrants to industry will decline.

Needless to say, the economic motive for family limitation is by no means the only one; psychological and social factors of the insecurity arising from the war are perhaps even more important; but it is of very great importance and possibly the factor most within our immediate control. The economic handicap caused by a family will not disappear however great the increase in general prosperity. The differential birth-rate which exists in this country as in others, whereby the better-off classes have fewer children than the under-privileged, is surely evidence that a general increase in prosperity, in any one class or in the country as a whole, would not *ipso facto* be marked by a rise in the birth-rate. It is sometimes argued that what is necessary is a change in the economic system. This is also irrelevant. The economic disparity between the man with a family and the man without will remain, and the economic steps which can be taken to encourage the birth-rate will be equally necessary under any system.

### **The Solution Offered by Family Allowances**

We have shown that our system of distribution, by its failure to provide for the costs of family maintenance, thrusts the heaviest incidence of poverty on the child population, that it contributes to a decline in the population, that it obstructs the attainment of equal pay for men and women, and that in all income grades it produces friction and discontent by imposing a lower standard of living on parents than on non-parents.

The establishment of cash Family Allowances would, we believe, bring each of these problems nearer to solution.

The opponents of Family Allowances sometimes argue that every worker is entitled to a living wage, and that how he spends it is no man's concern but his own. As one of them puts it: "One man keeps a motor-cycle; another likes his beer; yet another keeps a family." To regard a child simply as a substitute for a motor-cycle is to deny his importance as a separate personality and his potential value to the community. It is assumed,

however, that if a man chooses to have a family he should be able to provide for it, and the minimum wage must, therefore, be sufficient for family needs. If, however, this indirect form of provision is to be adequate, all wages must all the time be sufficient to cover the needs of the largest families. Most advocates of the living wage have evaded that fantastic conclusion by limiting their demand to a wage sufficient for a man, wife and three children. But this would involve, *ex hypothesi*, the acceptance of a wage too low for a family of more than three children. In no country, however, and certainly not in Great Britain, could a minimum wage be paid sufficient to cover the needs of a 5-member family, which it has been reckoned would at present prices be more than £3. Even if this became possible it would still leave those families where there are more than three children on short rations.

How then does the real burden of dependency fall? The following table is based on the 1921 Census, the latest available figures:

Of every 100 men over 20 in England and Wales,

- 60.6 were bachelors or married with no dependent children under 16.
- 16 had one dependent child.
- 10.5 had 2 dependent children.
- 6.2 had 3 dependent children.
- 6.7 had 4 or more dependent children.

The last two classes according to our most recent figures only now together amount to 9%. At that time a wage based on the 5-member family would have provided for 16 million non-existent children (under 14 years of age) in the wage-earning classes, while leaving 3½ million real children in families with more than three inadequately provided for.

The necessity for Family Allowances does not depend upon the fact that wages in some industries are low or that some people have more children than others. If every couple had exactly the same number of children it would still be necessary to devise some way of fitting the family income into the waxing and

waning cycle of necessary expenditure. Nor is it any good saving in middle-age, when saving is most possible, for an emergency which is already past.

### Possible Schemes

How is the cost of Family Allowances to be met? There are, broadly, three possibilities: one, a State scheme, paid for by general taxation; two, a Social Insurance scheme; and, three, a scheme financed by employers as part of their labour costs.

Whichever method is adopted, it is very desirable that the mother should normally be the recipient of the allowance. This gives greater assurance that the money will be spent on the child and it emphasises the distinction between allowances which represent a recognition of the social function of parenthood, and wages proper which represent payment for work done.

A State scheme paid for out of taxation would cost, at the rate of 5/- per week per child, about £100,000,000 a year; or about half this sum if the first child were omitted on the ground that it could usually be supported out of its parent's wages. This cost could be reduced, of course, by the payment of a smaller allowance or by the scheme starting only with the third child.

If Family Allowances were paid as part of the social insurance system of the country, the burden of only a third of the sum required would fall on the State, the rest being provided out of weekly contributions. If all children were included at 5/- a week these would amount to about 1/- each for adult male workers and employers respectively.

For the industrial scheme—that is, where Family Allowances are paid by employing bodies only—some pooling system is necessary to ensure that it is not financially a disadvantage to any one employer to engage men with families. In France and Belgium, where this system is compulsory and universal, a number of firms form a fund for the payment of allowances in respect of the children of their workers. The assess-

ment of each employer may be based on a percentage of his wages bill or on the number of workers employed.

### Family Allowances in Practice

#### *In Great Britain*

Support for Family Allowances in Great Britain is rapidly increasing. The only opposition, in fact, arises from certain sections of the Labour Movement which fear that if children are provided for outside the wages system, one of the psychological factors in collective bargaining may, from their point of view, be reduced. Others, on the other hand, feel it may be increased owing to the children being placed "au dessus de la Bataille."

Since this War, the need for Family Allowances has been accentuated both on account of the many categories of children—such as the children of men serving with the Forces, or of widows, evacuated children and others—who already receive allowances of very varied amount from the State. Income tax payers also receive rebates on account of their children and many municipalities allow children's rent rebates off the rents of municipal houses. There is, moreover, a stern resolution among responsible members of the community of every political party, to prevent if possible the "vicious spiral" of high wages following increased prices. If, however, wartime consumption is to be limited and wage increases are to be minimised without the children of the workers suffering, it is

necessary that the latter should be safeguarded by some general system of Family Allowances.

Opinion in this country is hardening in favour of a national scheme. The support of the next generation is looked upon as a general rather than as an industrial liability, and there is pronounced feeling against an industrial scheme on the grounds that it puts too much power in the hands of the employers.

In several parts of the British Empire, as in Australia and New Zealand, Family Allowances have been paid by the State for some years. In New South Wales, for example, a payment of 5/- a week is paid in respect of all children except the first, up to school-leaving age, in cases where the family income does not exceed the basic wage, which is about £4 a week, plus the value of the allowances. In New Zealand, the Social Security Act of 1938 extended the system which had been in force since 1926 and allowances are paid at the rate of 4/- a week in respect of each child under 16 years from the third onwards in families whose income does not exceed £5 a week plus the allowances.

In Germany, U.S.S.R., Italy and many other countries, various schemes, for the most part financed by the State, are widespread. There appears to be little doubt to the present writer that within the next year or two, Great Britain will no longer be lagging behind these many other countries in her sense of responsibility to the children of the nation.

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# Industrial Relations and Social Security

## THE SOCIAL SECURITY ACT IN OPERATION

By HARRY MALISOFF

ON August 14, 1935, the Social Security Act entered the sixth year of its service to the American people. Unquestionably, the Act is the major piece of social legislation of the United States. It has established the Federal Old Age and Survivors' Insurance system, led to the establishment of the State and Territorial Unemployment Compensation systems and extended the State Public Assistance systems that afford aid to the needy aged, the blind and dependent children. It has fostered maternal and child welfare programs, vocational rehabilitation, and public health work. Although the progressive evolution of the Act has only recently begun, it represents one of the most concrete achievements of the last decade: the acknowledgment of governmental responsibility for the alleviation of all phases of insecurity. In this article, the highlights and operation of the different programs that constitute the Social Security system will be reviewed briefly.

### *Federal Old Age and Survivors' Insurance.<sup>1</sup>*

The Federal Old Age and Survivors' Insurance system originated in amendments to the Social Security Act of August 1939. Between 1935 and 1940, there had been no provision for direct protection of the family members of the insured individual who would have qualified at age 65 for a monthly "benefit" based solely on his total wages in taxable employment. Such benefit was to be financed through a payroll tax on employ-

ers and a wage tax on employees, each rising from one-half of one percent to three percent in twelve years. Shortly before payment was scheduled to begin, the system was revamped in the direction of classical social insurance. Benefit was extended to the wives (over 65) of the insured, their dependent children under 18 and their surviving widows, orphans and dependent parents over 65. Lump sum payments were made available to the estates of decedent contributors without survivors entitled to benefit, though no longer to contributors who failed to qualify for benefit. At the same time, a scheduled increase in the wage and payroll taxes was postponed, and the original scheme to make the system self-sustaining through accumulation of a \$47 billion reserve fund by 1980 was succeeded by one placing the system on a "pay-as-you-go" basis.

Not all of the 50 million persons said to be "covered" by the system because they hold official "social security account numbers", nor all of the 30 million annual contributors of wage taxes will be able to qualify for benefit in their own right upon reaching the age of 65. The applicant must then have earned taxable wages of at least \$50 per calendar quarter in forty quarters altogether, or in half the number of quarters either since the end of 1936, or since the age of 21, whichever is later. However, survivors under 65 can secure benefit even if the decedent has earned \$50 in only six of the twelve calendar quarters prior to his death. Unfortunately, it is possible for some persons with wage credits to fail to qualify for any benefit at all upon reaching the pensionable age. This situation is aggravated by the fact that wages in stipulated employments are not taxable so that time spent therein militates against attainment of the insured status. It has been estimated that 25,000,000 persons are in such excluded employments, the most important representing farm operators, self-employed, profes-

EDITOR'S NOTE: Harry Malisoff, Ph.D., author of various publications on the American Social Security legislation, is at present on the staff of the National Resources Planning Board in Washington.

(1) The writer is indebted to Dr. Franz Huber for helpful analysis of this system.

sionals, agricultural workers, persons on work relief, domestic servants, casual workers and employees of non-profit organizations.

The amount of the monthly benefit depends primarily on an "average wage" computed for each applicant by dividing his total taxable wages by the number of months in which he could have earned taxable wages (as if he had been in "covered" employment in each month after December 1937, or after the age of 22). The benefit amount is set at 40 percent of the first \$50 of the average wage, plus 10 percent of the next \$200 and plus 1 percent for each year in which taxable wages of \$200 were earned. Dependents' and survivors' benefits amount to one-half, or three-fourths of this amount. No one qualifying for benefit receives less than \$10 a month, nor more than \$85, or 80 percent of the average wage, whichever is less. The beneficiary may earn up to \$15 a month in covered employment without suffering reduction in the benefit amount. Although generalization about so complicated a benefit formula is difficult, it is perhaps safe to say that the workers who are most steadily employed in covered employment during their working lifetime will secure benefit on the most favorable terms, as will their dependents and survivors. Any conclusive evaluation of this formula will have to await accumulation of statistical experience.

Since benefit payment began in January, 1940, this experience has been too scanty to warrant definitive interpretation. In June 1940, 108,604 insured persons, survivors and dependents were in receipt of benefit amounting to \$2,000,000. Average payments were about \$22 for insured persons, \$12 for wives, \$12 for children, \$20 for widows and \$13 for parents. The average payment to families with more than one beneficiary was probably not more than \$45. These benefits compare rather unfavorably with those of the Federal Railroad Retirement system, established in 1935. In June 1940 this system, which applies to 2,000,000 interstate railroad workers, afforded monthly old age annuities totalling \$5,-

700,000 and averaging \$65 to 87,289 members and annuities averaging \$33 to 2,341 survivors. Moreover, annuities were paid to 18,788 persons 45 years of age and over on account of disability. However, the comparison with other systems providing for aged persons is favorable. The average monthly benefit to the insured person is now slightly higher than the average sum paid under State laws to the needy aged, average benefit per family exceeds average payment per case made by the State and local general relief systems, and survivors' benefit is running higher than state payments to needy dependent children.

The operation of the Old Age and Survivors' Insurance system has led to family-protection by the insurance method that will be considerable but not comprehensive. In the near future, at any rate, a large part of the aged population may have to look to other systems for necessary support. Although U. S. Senator Robert F. Wagner has introduced a bill extending benefit to members of the insurance system who become totally and permanently disabled before the age of 65, action does not seem near, and such persons will have to rely on general relief and workmen's compensation for aid.

#### *State Unemployment Compensation.*

Though the American unemployed compensation systems are established under state statute, their provisions have been determined to some extent by those of the Social Security Act, and their administration by state officials is subject to the supervision of the U. S. Social Security Board. Under the Federal Act, employers of eight or more workers in specified employments are taxed 3 percent of annual payrolls but can secure credit for as much as 2.7 percent if they pay a similar tax under a State unemployment compensation law that meets minimal Federal standards. This "tax-credit" provision was the method of winning nation-wide enactment of state laws in the period, April 1935 to July 1937. Federal control of State administra-



tion rests on the fact that the cost of state administration is borne by the Federal Government from funds derived virtually from the uncreditable portion of the employer payroll tax.

The state unemployment compensation provisions are too varied to describe in a limited space. The typical system operates about as follows: Employers contribute to a single State-wide "pooled" fund<sup>1</sup> at the rate of 2.7 percent of payrolls. The state collects the tax. The U. S. Treasury holds the returns and releases sums for benefit payment upon certification by the Social Security Board. Within a year or two, the employer's tax will be reduced, or raised under "experience rating" provisions according to his record of hirings and dismissals of workers.<sup>2</sup> The covered employees, if they qualify for benefit, must wait two weeks before payment begins. Their weekly benefit amount is set as a fraction (1/20th to 1/26th) of their highest quarterly earnings in a "base period", defined as the year, or so, prior to the start of unemployment and varies between limits of \$5 and \$15. The duration of benefit payment is proportional to total credited earnings in the base period and usually cannot exceed 16 weeks for total unemployment. Partial unemployment benefit becomes payable when the weekly earnings drop below the weekly benefit amount for total unemployment, or thereabouts. In order to qualify for benefit, the claimant must have earned a given multiple (e.g., 30) of his total unemployment benefit amount—in this typical case, at least \$150 in his base year. Benefits are disbursed by state employment offices at which the claimant must register and affirm that he is capable of and available for work.

Several American practices appear in the Canadian Unemployment Insurance system, which has borrowed provisions from various places. Like the great majority of States, Canada employs a

pooled fund. The worker contribution required by the Canadian law is found in only four States. Whereas the Canadian Government contributes toward benefit payment and bears the cost of administration from general revenues, neither the States nor the U. S. Government raise funds from this source. Only the District of Columbia adds to the benefit amount when the claimant has dependents, as in Canada, but the former is more like the British system in basing the size of the increment on the number of dependents. Canada's qualifying condition for benefit, namely, a minimum number of weekly contributions in a given period traces to the similar provision in Great Britain. Weekly benefit amounts in Canada are either expressed uniquely as a multiple of the weekly contribution rate of the employee, or vary by wage classes, as in Germany. Like the States, Canada varies benefit duration according to the length of employment of the worker in preference to the British method of granting the first 26 weeks of benefit uniformly to all eligible claimants. But Canada has followed the British example in avoiding experience rating.

It will be interesting to compare Canada's future benefit experience with that of the States since 1938. As the number of states instituting benefit payment increased, expenditure has risen from \$396,000,000 in 1938 to \$436,000,000 in 1939 and, at the monthly average of about \$50,000,000 attained by June 1940, will probably exceed half a billion dollars in 1940. The average weekly payment to over 1,000,000 individuals was \$10.50 in the first six months of 1940. Owing to stringent qualifying conditions and benefit formulae, income has been running much higher than out go so that a reserve of \$1.7 billion had accumulated in June. These conditions are reflected in the facts that some proportion of the 27,000,000 workers covered by unemployment compensation can be disqualified from benefit on account of insufficient earnings and that low-paid workers who qualify tend to secure benefit at the lowest rate for the least number of weeks. Within

(1) Three states, however, segregate the contributions of each employer into a fund providing benefit for his employees only, while four states divert part of the employer's contribution into a pooled fund and part into individual employer funds.

(2) 39 states have experience rating provisions.

the last year or two, there has been considerable discussion of "liberalization" of the laws, possibly through higher Federal standards, and the paradoxes of the laws may yet be eliminated.

#### *Public Assistance.*

The Federal Government participates in the State Public Assistance programs by contributing part of the individual grants made to needy aged persons, blind persons, and dependent children. In 1939, the Federal share of the individual grants amounted to 44 percent of the total cost of \$557,000,000, while the states bore 43 percent of the cost and the localities 13 percent. The "public assistances" are categorical relief measures, enacted by the States as individual laws, or collectively in "public welfare" statutes. Receipt of Federal financial support is conditioned on compliance of these enactments with minimal standards contained in the Social Security Act.

Old Age Assistance is the most important of the public assistance programs. It makes assistance available to persons over 65 who pass a means test and satisfy local conditions as to residence and citizenship, among other things. By June 1940 the number of pensioners was approaching 2,000,000—at that time the highest number aided by any of the social security or relief systems. The monthly expenditure had reached \$40,000,000, while the average monthly pension remained about \$20. Average pension amounts varied greatly from State to State. States with a low "fiscal capacity", particularly in the South, find it difficult to take advantage of the Federal offer to match payment up to \$40 a month per pensioner. Congressional bills have therefore, proposed that for such states the Federal government pay a larger proportion than half of individual grants below \$40. Such a measure will probably pass before long.

Aid to Dependent Children was extended in June 1940 by forty-two States to 802,503 children in 333,046 families at a total cost of \$10,700,000. These figures were the largest then attained by the program, which in 1939 disbursed

\$110,700,000. The Federal government shares half the cost up to \$18 for the first child and \$12 for other children. Localities in twenty-six states also contribute toward the grants. By the liberalizing amendments of August 1939, the federal matching grant was increased and proffered not only in respect of dependent children under 16 but also to those under 18 regularly attending school. Like old age assistance, a leading problem of the program is to equalize the assistance available to needy children from state to state.

Forty-three State plans to aid the needy blind in conformity with the Social Security Act expended \$1,126,000 on 47,589 persons in June, 1940, making an average grant of \$24. These figures are maxima in the history of the program, and indicate an annual increase in expenditure of about \$1,000,000. In addition, about 25,000 blind persons benefited from State or local programs without federal participation. As in old age assistance, the maximum federal matching grant is \$20 per pensioner, and the poorest states are least able to take advantage of the offer.

#### *Maternal and Child Welfare, Vocational Rehabilitation and Public Health.*

One title of the Social Security Act authorizes annual appropriations and allotment of \$11,200,000 to the States in order to assist them in services for promoting the health of mothers and children, for crippled children and for the protection of homeless and neglected children. The State services, which exist in all states, must be approved by the U. S. Children's Bureau. Annual appropriations of \$3,500,000 also enable the support of State vocational rehabilitation of the physically disabled, in accordance with the policy of the basic Federal rehabilitation act of 1920, with which nearly all of the states now cooperate. Finally, by another title annual appropriations of \$11,000,000 may be distributed by the U. S. Public Health Service in order to improve and expand the public health plans of States and localities.

The operation of the Social Security Act represents a tremendous improvement over the earlier limited capacities of private philanthropy and independent state measures. Yet this does not mean that the Act is not in need of improvement in the near future. The absence of National health and disability insurance, for instance, weakens the whole social security program. The principles underlying unemployment compensation require "socializing" no less than those of old age and survivor's insurance did in 1939. In public assistance, federal financial participation should be revised so as to achieve the ultimate objective of uniform, adequate treatment of the needy categories of people throughout the country. Though the Act has experienced progress, in the present period of crisis an accelerated development would contribute greatly to American national defense.

### Health and Health Services in Canada

The following are some of the most important findings of *The Study of the Distribution of Medical Care and Public Health Services in Canada*, which was reviewed in the March issue of PUBLIC AFFAIRS:

Doctors, dentists and nurses are unevenly distributed throughout the country. Location for practice is, of necessity, more largely determined by ability to earn a living in a given area rather than by the health needs of that area. The total number of medical personnel would be insufficient to provide adequate services for all of Canada if the services were available to and used by all the population.

Many Canadians suffer and die from diseases which can be prevented or controlled. This is due to failure to make full use of the knowledge which medical science has made available for protection against disease.

The Public Health Services of Canada are satisfactory as far as they go, but unfortunately they are anything but adequate in relation to the needs of the population.

The outstanding weakness in our public health services is that, with the

exception of those in the provinces of Quebec and Prince Edward Island, the rural areas of Canada are insufficiently served by full-time health units.

The securing of medical care on a fee basis is naturally related to the capacity of the individual or family to pay fees. 25 per cent of Canadians live in families where the family income is less than \$950 a year. With such a family income, it is evident that the family, in general, is unable to pay medical fees without depriving the members of other necessities of life. 65 per cent of the population live in families with an income of between \$950 and \$2,950 per annum.

Over 55,000 individuals, including 10,000 physicians and surgeons, 4,000 dentists and 20,000 graduate nurses, earn their living by providing public health and medical care services for the Canadian people. The total cost of these services is approximately \$193,000,000 or \$19 per person, which is a higher figure than the amount spent on education and just below that expended on clothing.

### Employee Representatives as Directors of Joint Stock Companies

Canada Packers Limited, a firm which is well known for its interest in Industrial Relations, has recently started a new and interesting experiment in that field. It has appointed an hourly paid employee of the Toronto plant as a member of the firm's Board of Directors. The man who has worked for the company for over twenty years was elected by the ballots of his fellow employees in Toronto with the concurrence of the employees in the company's other Canadian plants. The appointment is an annual one and will be held by representatives chosen by the different plants in turn.

The election of the director by the employees of the firm is an interesting and promising method for improving employer-employee relations in Canada. While new in the Dominion, the device has been practised in various European countries and is even put there on a statutory basis.

## Current Public Affairs

### Maritime Conference on Adult Education

**E**DUCATIONISTS and friends of Adult Education from all over the Maritimes and Newfoundland, following an invitation of the Institute of Public Affairs, gathered in Halifax, November 9, to discuss "Adult Education in a Changing World". The speakers dealt with the various aspects of the changing political, social and economic structure of Canada and the part to be played by Adult Education in fostering full and informative discussion of these changes.

At the morning session of the Conference the Chairman, Dr. H. F. Munro, Superintendent of Education for Nova Scotia, introduced as speakers Dr. A. B. Balcom, Professor of Economics at Acadia University, and President Norman MacKenzie of the University of New Brunswick.

Speaking on the changing economic structure, Dr. Balcom referred to the great economic revolution of the past one hundred and fifty years. He pointed out how the introduction of the factory system had ended the era of the independent craftsman and created the new problems of a society in which production was divided among business men, investors and workers. To arrange our economic system in such a way that all these factors could function properly and cooperate with each other in the public interest, was one of the tasks still before us.

Dr. MacKenzie, speaking on the background of political change, pictured the new grouping of the great world powers influencing the political behaviour of whole continents and the repercussions of these new systems on the national policies of the various countries, especially the democracies. He envisaged a great increase of government control, mainly of our economic life, which probably would extend to the post war period.

A thorough discussion was devoted to the changes in the country's social

structure, a topic which Dr. M. M. Coady, Director of the Extension Department, St. Francis Xavier University, was to introduce, but was prevented from doing so owing to a sudden illness. Many speakers supported the view expressed by Drummond Wren, Director of the Workers' Educational Association that the problem of social security was of first importance in maintaining the national morale for victory.

The luncheon meeting of the Conference was addressed by Dr. Morse A. Cartwright of New York, Director of the American Association for Adult Education. The larger part of his address is being published among the articles in this issue.

The last part of the Conference was devoted to a discussion of the methods which Adult Education should use. Here radio broadcasting, study groups and the extension of library services were in the forefront. Dr. E. A. Corbett, Director of the Canadian Association for Adult Education, spoke of the experience of the C.B.C. and the Adult Education Association in educational broadcasts. He thought that the experimental stage had been overcome and that a technique was being developed for broadcasts which were not only of a high standard but would be readily understood and eagerly listened to.

Rev. J. W. A. Nicholson gave an address on study groups, their aims, methods and possibilities. It was based on rich personal experience and tinged with fine humour.

Finally, Miss Nora Bateson, Director of Regional Libraries for Nova Scotia, spoke on libraries and their relation to Adult Education. She described the plan of the provincial government to set up regional libraries in various parts of Nova Scotia. While this plan would probably have to be postponed until after the war, new libraries for the men of the armed services were being established at the present time under the

auspices of the Canadian Legion, marking a starting point for further developments.

The Conference was attended by about one hundred persons from all parts of the Maritimes. Among the organisations represented were: the Provincial Departments of Education of the three Maritime Provinces and Newfoundland, the American and Canadian Associations for Adult Education, the League of Nations Society, the Workers' Educational Association, and the following universities and colleges: Acadia, College Ste. Anne, Dalhousie, Mount Allison, Mount St. Vincent, St. Francis Xavier, St. Thomas, Prince of Wales College, the University of New Brunswick and the Provincial Normal College and the Provincial Agricultural College, Truro.

#### **Economic War Research of the Institute of Public Affairs**

The Institute of Public Affairs, assisted by a special grant of the Rockefeller Foundation has embarked on an extensive program of war research in the Maritimes. The object is to study the impact of the war on the social and economic conditions in the Maritime Provinces. The purpose is to record and investigate the economic and social changes in these regions, whether due to Dominion war policies or to forces outside Canada's control: to distinguish between the underlying or inherent factors and the war trends and to investigate how far war effects may become permanent ones. Employment, cost of living, industries, provincial and municipal financial strength and services, will come within the scope of the investigation. The results, as far as they are of general interest, will from time to time be published in this journal.

#### **Control of Rents in Nova Scotia**

The powers of the War-time Prices and Trade Board have been extended by Order-in-Council of September 11, 1940, to include rents. A Rental Administrator has been appointed in the person of the

Hon. Wm. Martin, K.C., Judge of the Saskatchewan Court of Appeal. Finally on September 24, the Board ordered that rents in certain designated areas in Canada be pegged at the levels of January 1, 1940, effective on and after October 1.

Among the areas affected by the "standstill" order are the following in Nova Scotia: Dartmouth, including Woodside; Halifax, including Armdale, Buckingham Station, Dutch Settlement, Fairview Station, Falkland, Jollimore, Melville; New Glasgow, including Trenton, Stellarton, Westville; Sydney.

The "standstill" order declares that "for any housing accommodation for which there was a lease in effect on January 2, 1940, the rental charged or demanded shall not exceed that in effect on that date." For any housing accommodation not leased on that date, but for which there was a lease in effect at some time during 1939, "the rental charged or demanded shall not exceed that payable under the latest lease in 1939." For any other housing accommodation the Rental Administrator, "of his own motion or on application by either landlord or tenant, may determine the maximum rental."

The Rental Administrator has begun a series of hearings in the areas affected by the rent pegging order. He held hearings in Nova Scotia during the last week in November.

#### **Youth Hostels**

When signs of an awakening interest in Youth Hostels became apparent in the Maritimes about two years ago, PUBLIC AFFAIRS published two articles urging the establishment of hostels in the Maritimes.<sup>1</sup>

The appeal has borne good fruit. A lively youth hostel movement has sprung up in Nova Scotia. A committee of young people organized in Halifax has done the ground work and a regional committee hopes to extend the movement all over the province.

For those who have not read the above mentioned articles it may be

1. Vol. I, No. 4, p. 139.

briefly stated that the Youth Hostel Association wishes to encourage among our young people 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.

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 further on we find Hunting Point Hostel. This is a hostel de luxe consisting of five concrete cabins each 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 long.

At Sambro, sixteen miles from Halifax the seventh Nova Scotia hostel has been established 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.

Those among our readers who want to have more information or wish to become members of the Association should get in touch with the Secretary, Miss Elizabeth Callan, 25 Henry Street, Halifax.

### Self Help Housing in the United States

The co-operative housing scheme recently inaugurated in Cape Breton has aroused considerable interest in this method of establishing low rent houses. According to the American *Monthly Labor Review* similar efforts have been made in the United States and have also been successful there. Workers are building their own little homes in localities as far apart as Pennsylvania and Idaho. In the first of these, 50 miners are as a group quarrying their own stone, pouring the cement foundations, laying the stone, and doing the carpentry and other work. Each man receives a long-term loan of not to exceed \$2,000 from the American Friends Service Committee, under the sponsorship of which the project is going on. The labor that his neighbors have put in on his house must also be repaid—in hours spent in work on the other dwellings. In the Idaho project the families are members of a self-help co-operative. From a small revolving fund granted during the period when Federal assistance was being given to groups of unemployed banded into self-help co-operatives, loans not exceeding \$500 each are made. For the completion of a dwelling, usually three such loans are made, each being paid off before the next is received. The first finances the construction of a basement in which the family takes up temporary quarters, the second finances the superstructure, and the third the interior finishing. As in the miner's project, the members of the group assist each other in the construction, the owner then being obliged to repay this labor by his own work on their dwellings.

# What Municipalities Are Doing

Contributions from Municipalities to this Column will be most welcome.

## Convention of the Union of Nova Scotia Municipalities

The 35th Convention of the Union of Nova Scotia Municipalities was held in Halifax from August 27 to 29 and was one of the best attended on record. The present war situation and the Rowell-Sirois Report and their effects on municipal government were in the foreground of discussion. The speakers included Hon. A. S. MacMillan, Premier of Nova Scotia, Mayor Donovan and City Solicitor C. P. Bethune of Halifax, Hon. J. A. Romkey, M.L.A., Speaker of the House of Assembly, and Professor A. D. H. Kaplan of the University of Denver, Colorado.

Since the whole proceedings of the Convention edited by His Honour, Judge Arthur Roberts, will be published in a few weeks, no report will be given here of the highly successful Convention.

## Course for Municipal Officers

From year to year the Short Course for Municipal Officers held by the Institute of Public Affairs in connection with the Convention of the Nova Scotia Municipalities becomes more popular, and its contribution to municipal life in the province more significant. Between fifty and sixty persons were present when the Course opened on August 30th. Different as the papers presented were, discussion seemed always to turn back to one problem: If functions between province and municipalities are to be redistributed, which role should be allotted to the municipality? A warning was voiced not to deprive municipalities of essential functions as has often been done in the past, because larger units such as the province could perform the work with greater technical efficiency. It would be very dangerous to democracy, a speaker stated, if citizens should lose interest in their local communities because there is nothing for them to do there.

Dr. A. D. H. Kaplan of the University of Denver spoke on municipal budgeting.

A. H. Sperry, Municipal Clerk for Lunenburg County, discussed municipal participation in the administration of justice. R. M. Fielding, K.C., emphasized the need for municipal retirement plans and suggested practical solutions. W. E. Moseley, Town Solicitor of Dartmouth, introduced a general discussion dealing with actual problems of municipal government and administration. Finally, legal questions affecting the municipalities came up for examination.

## N. B. Municipalities Meet

The most far-reaching of the steps taken at the 34th annual convention of the Union of New Brunswick Municipalities, held at St. Stephen on September 18-19, was decision to appoint a committee of five to study the whole structure of municipal assessment and taxation in the province and to suggest legislative action to the government. The decision followed a speech by the Hon. C. H. Blakeney, Minister of Municipal Affairs in the New Brunswick government, in which Mr. Blakeney had charged that the present municipal set-up in the province was a "horse and buggy" one. He announced that the government was prepared to take action if the municipalities would take the initiative in suggesting necessary reforms.

An address by James R. Mallory, B.A., LL.B., on "The Organisation of War Services in Scotland" in which the speaker emphasized the important role of the local authority and the local committee in civil defence in Great Britain, resulted in a full discussion of the nature of the defence problem in Canada insofar as it concerned the work of the municipalities.

Among the resolutions passed at the session was one requesting the provincial government to urge on the government of Canada the desirability of considering the recommendations of the Royal Commission on Dominion-Provincial Relations.

### **Municipal Government and Administration in Alabama.**

Under the above title the Bureau of Public Administration, University of Alabama has published a full and detailed account of the organisation and functions of municipal government in a southern state, prepared by Weldon Cooper. Its findings are the result of a survey undertaken by the University of Alabama in cooperation with various state authorities. The book discusses the political and administrative problems of the municipalities, their financial situation, their social services, and their relation to other governmental units, and finally recommends some improvements.

But it is not because we are particularly interested in municipal affairs of Alabama that the book is listed here. It is done to emphasize the fact that as far as we know, no similar study has ever been done on the municipal government of any Canadian province: certainly not for eastern Canada. The number of provincial and county histories going back to the seventeenth century is legion, but the problems of the living generation and the way in

which its government is conducted, are evidently not thought a worthy object for scientific study.

### **New Specifications for Fire Apparatus**

Placing more emphasis on selling fire prevention to householders was the keynote of the forty-third annual meeting of the National Fire Protection Association that was held in Chicago. The increase in the number of city fire departments which conduct inspections of dwellings is one of the most important recent developments in the fire field. Another promising development in fire department administration, according to Percy Bugbee, Assistant Managing Director of the Association, is the emphasis placed by an increasing number of cities on the better investigation of fires and on improved reporting methods based on a modern records system. He also stressed the need for the adoption of fire prevention codes to be administered by fire departments, as distinct from building codes.—*Public Management.*

**“If I had the time” - - -**

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Many a business executive has been heard to remark, “One of these days, when I have the time, I’m going to get out a booklet”, (or a folder, catalogue, or other form of printed matter, as the case may be). But time and inclination often prove illusive ingredients—and meanwhile an aid to selling that might be doing profitable work stays uncreated.

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## The Book Shelf

**The Cod Fisheries. The History of an International Economy.** By Harold A. Innis. The Ryerson Press, Toronto. \$4.00.

Professor Innis of Toronto has written the definitive history of the North Atlantic fishery. But the book is even more than that; it is a history also of the regions that have depended on the codfish, New England, Nova Scotia and Newfoundland. Here their history is followed from their beginnings, until they become economically more diversified, until capitalism enters the fishery, first in New England and then passing northwards. Coincident with this is the "pull" of the American continent, turning the American fishery inwards to its home markets for fresh fish, and to the modern techniques that requires. And this development drifts northwards, so that Nova Scotia is now drawn partly inwards to the fresh fish markets of this continent, but partly remains a shore and vessel fishery aimed at supplying the older world markets for salt fish. This movement has so far merely touched Newfoundland, which remains primarily concerned with the dried salt cod.

This book is not an easy one to read, because its subject-matter is not easy. The regions studied are, in greater or less degree, part of this continent, but they look to the sea, to the food it nourishes, to the trade it carries. And these diverse "pulls" of continent and sea have created historical complexity in this North Atlantic region. This the book reflects accurately.

Here then is something for the study groups of the Maritimes. It is their native background, their heritage, and the last few chapters of the book indicate the present position of the Atlantic fishery as part of the unfolding of this historical process.

S. BATES

**Canadians in and out of Work.** By Leonard C. Marsh. Oxford University Press, 1940. \$4.50.

The McGill Social Science Research Series, to which we are indebted for many fine contributions to the scanty literature on Canada's social problems, has brought out a new stately

volume *Canadians In and Out of Work*. The sub-title, *A Survey of Economic Classes and Their Relation to the Labour Market*, describes still better the purpose and contents of the study which has been undertaken by the Editor of the whole Series, Professor Leonard Marsh. The book contains a detailed survey of vocational and social classes in Canada, the first ever undertaken on such a broad scale. The interesting chapters on Unemployment and Relief are particularly welcome in view of the recent introduction of unemployment insurance. Diagrams are widely used, though not pictorial statistics. Professor Marsh's study will be indispensable as a reference book for students of employment and unemployment in Canada prior to the outbreak of this war.

**War Finance in Canada.** By F. H. Brown, J. D. Gibson and A. F. W. Plumptre. Contemporary Affairs, No. 3. The Ryerson Press, Toronto. 1940. 75 cents.

**Two Ways of Life. Freedom or Tyranny?** By W. J. Lindal. The Ryerson Press, Toronto. 1940. \$1.75.

**The Quest for Peace since the World War.** By William E. Rappard, Harvard University Press, 1940. \$4.00.

The three books under review deal with problems brought about by the present war.

The instructive little volume on *War Finance* which is sponsored by the Canadian Institute of International Affairs, contains three articles from an authoritative source. F. H. Brown, an Inspector of the Canadian Bank of Commerce, gives the history of Canadian war finance during the period of 1914 to 1920. J. Douglas Gibson, the Economist of the Bank of Nova Scotia, explains the general principles of war finance. Finally Professor A. F. W. Plumptre of the University of Toronto discusses the financial outlook for Canada, dealing with such problems as the influence of the war on the national income, the budget, international payments and interest rates.

In *Two Ways of Life* the author, a Winnipeg lawyer, contrasts the type of organised society in the four totalitarian states, Germany, Russia, Japan and Italy, with that which obtains in

the rest of the world. In the second part of the book the author traces from its early beginnings the struggle to find a proper balance between the freedom of the individual and the authority of the state.

In *The Quest for Peace*, Professor Rappard of Geneva, the famous Swiss scientist and fighter for the idea of a League of Nations, surveys the development of the European situation since the last war. He describes the birth, the growth and the mournful destiny of the idea that lasting peace should result from the World War. He seeks to understand how this idea originated, how its authors and their successors sought to realise it, how and why they failed. On the basis of his brilliant analysis, he makes in his last chapter and what it may hold for us.

**Government and Economic Life.** Developments and Current Issues of American Public Policy. By Leverett S. Lyon, Myron W. Watkins, Victor Abramson and Associates. Brookings Institution, 2 vols. 1939-40. Vol. 1 \$5.00, Vol. 2 \$5.50.

At a recent Conference on Adult Education devoted to the study of changes in the structure of modern society (see the report on p. 93 of this issue) no phase met with greater interest than the changing interrelationships between government and business. There is hardly a topic that is more controversial at the present time and more badly confused by party slogans and party politics. For those who want to penetrate through these clouds, who want to get away from merely subjective evaluations, here is a book to guide them. Recognising the importance of the task, the Brookings Institution has brought together a number of the country's leading economists to give to the American people an account of the economic policy of the United States, based on scientific observation.

The two volumes of the study taken together, as stated in the Introduction, are designed to analyze the relationship of government to economic life as a whole in terms of fundamental economic and social functions and fundamental governmental activities. They attempt to interpret the development of each major phase of public policy by examining the significant economic and social forces which have conditioned it and to present current trends and frontier issues. The first volume deals with the basic concepts involved and with the relationships between government and private activities generally, while the major part of the second volume is concerned with special industries and gov-

ernmental measures during "abnormal" times such as depression and war.

While the book deals mainly with the economic policy of the United States, Canadians will read it to good advantage since the principles involved are the same north and south of the international line.

### Education For Democracy.

According to the November issue of *Food for Thought*, the fine monthly of the Canadian Association for Adult Education, five pamphlets on "Democracy and Citizenship" are now ready, published jointly by the Canadian Association for Adult Education and the Canadian Institute of International Affairs (10 cents a copy). This series is being issued to accompany and illustrate the broadcasts on democracy now running ("Challenge to Youth" and "Citizens all") on the Western and National Networks of the C.B.C. on Wednesday evenings (10.30 p.m. E.D.S.T.). But they make excellent reading independently of the broadcast. The pamphlets are entitled: *How Did We Get That Way?* by H. G. Skilling; *How the Wheels Go Round*, edited by J. W. Holmes; *You Take Out What You Put In*, by B. K. Sandwell; *Can We Make Good?* by T. W. L. MacDermot; and *After This Is Over*, by H. G. Skilling.

### Public Affairs Pamphlets.

In the excellent series which is brought out by the Public Affairs Committee in New York to make the general public familiar with the findings of scientific research, the following new pamphlets have appeared and can be purchased for ten cents each in most book stores: *Pensions After Sixty*, *America's Children*, *If War Comes*, *Should Married Women Work?*

### BOOKS RECEIVED

**A B C for Cooperatives.** By Gerald Richardson. Longman, Green and Co., 1940. \$2.50.

**Government Publicity. Its Practice in Federal Administration.** By J. L. McCamy. The University of Chicago Press, 1940. \$2.50.

**Public Relief, 1929-1939.** By Josephine Chapin Brown. Henry Holt and Co., 1940. \$4.00.

**The Diplomatic History of the Canadian Boundary.** By Max Savelle. The Ryerson Press, 1940. \$3.25.

**The Story of Thomkinsville.** By Mary Ellicott Arnold. Co-operative League, 1940. Paper cover edition, 65c, cloth cover, \$1.00.

## Legal Department

### Assessment of Public Utilities

#### A Decision of the Supreme Court of Canada

Maritime Telegraph and Telephone  
Company, Limited

vs.

Town of Antigonish

The appeal by the company to the Supreme Court of Canada was dismissed. The assessors had valued the personal property of the company—lines, poles, etc.—within the town at \$10,800.00. The company had filed a return putting the value at \$3200.00. The Assessment Appeal Court, the County Court and the Supreme Court of Nova Scotia, on different grounds, upheld the higher assessment. The Company throughout contended that the value for assessment purposes was the *scrap value* only. The decision of the Supreme Court of Canada is unsatisfactory so far as settling the principle of assessment.

Mr. Justice Crockett, with whom Mr. Justice Taschereau agreed, repudiated the "scrap value" proposition. He stated "The fact that in determining the (actual cash value) the assessors regarded the property as an integral part of the appellants entire provincial system, as it was then being operated, affords no ground for setting aside the assessment. Indeed with all respect I cannot for my part see how the assessors in appraising the property as it stood could well do otherwise than regard it as such, for surely it was their duty to consider the existing condition of the property to be offered for sale, as well as all other matters which they might reasonably expect to affect its auction value".

Mr. Justice Davis was not so explicit in his statement. He states "It is always a difficult problem to fix the value of such personal property as *part of a telephone system within a given municipality*. But the three municipal assessors were practical men engaged in assessment work for many years and when their valuation has been confirmed by three successive courts an appellant has a formidable task in seeking to escape from the assessment; it must be plainly

demonstrated to the court that some *error in principle* has been applied and has resulted in an excessive assessment. This has not been shown, in my opinion.

It may be argued that Mr. Justice Davis here by inference says the assessors were to value the property "as part of a telephone system within a given municipality". If so he adopted a view put forward by Mr. Justice Graham in the Nova Scotia court. This value is not necessarily the same as that set out by Mr. Justice Crockett (i.e. as an integral part of a provincial system) but the value of a connected system within the town coupled with a *possibility* of provincial connection.

Flatly opposed to the foregoing views is the opinion of Mr. Justice Kerwin. He adopted the view of Chief Justice Chisholm of the Nova Scotia court and said "*that value as stated by the Chief Justice is to be fixed without considering the property as an integral part of the appellants system*". There being evidence from two witnesses who had fixed the value on that basis we should not interfere with the assessment.

Mr. Justice Hudson agreed to dismiss the appeal" always bearing in mind the considerations mentioned by Chief Justice Chisholm.

One difficulty about the view expressed by Chief Justice Chisholm and concurred in by Kerwin and Hudson, J. J. is a matter of fact. The difference between the two valuations—\$10,800 and \$3,200—forces a conclusion that the larger figure must have been arrived at by bearing in mind that the property was an integral part of the provincial system of the company. That the town was entitled to do this was the contention of its counsel before all courts.

In the result towns will undoubtedly be induced to assess above "scrap value", but the whole question may have to be litigated afresh. In assessing above scrap value what yardstick assessors should use, has not been explicitly set forth.

R. M. FIELDING, K. C.

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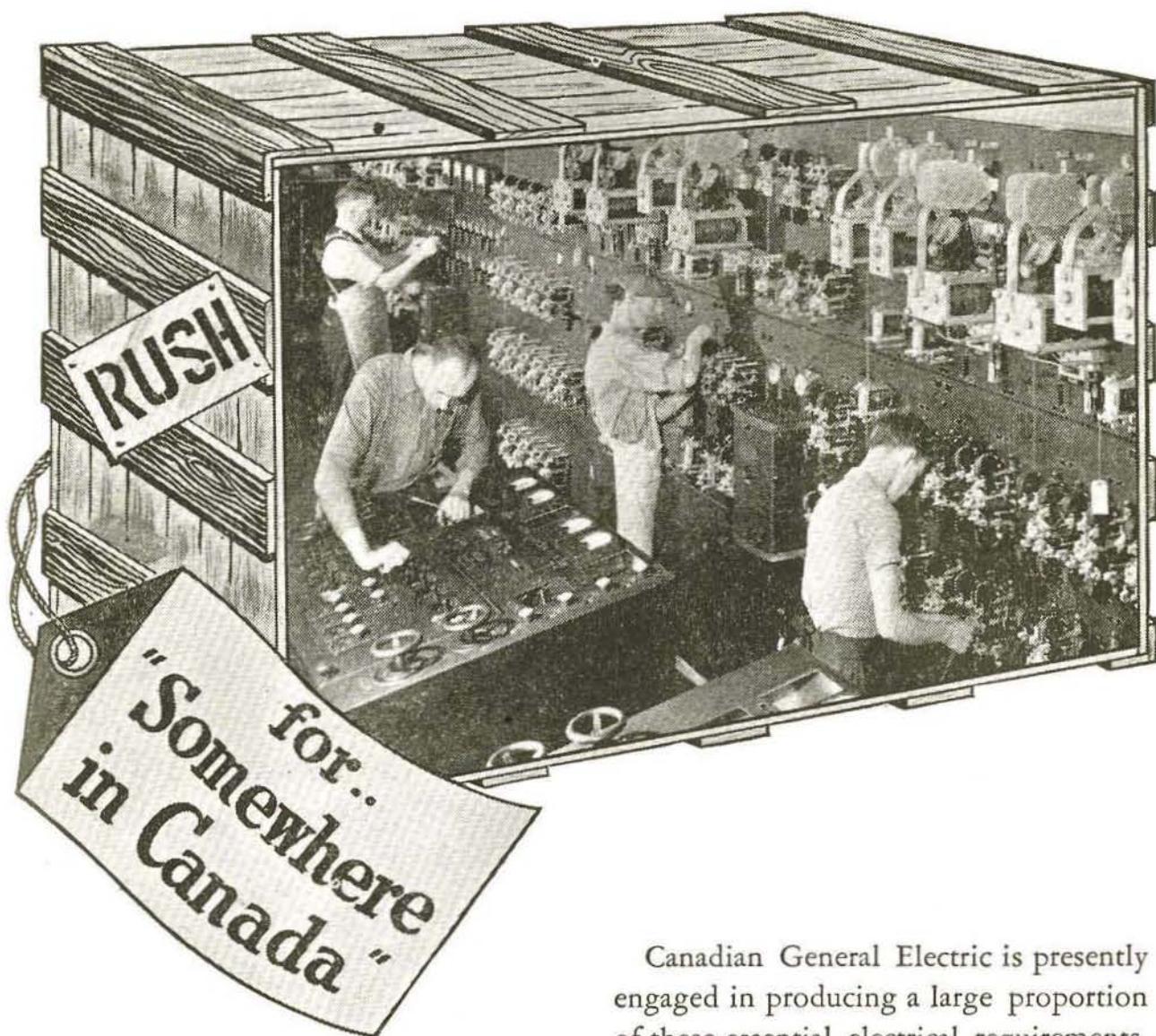
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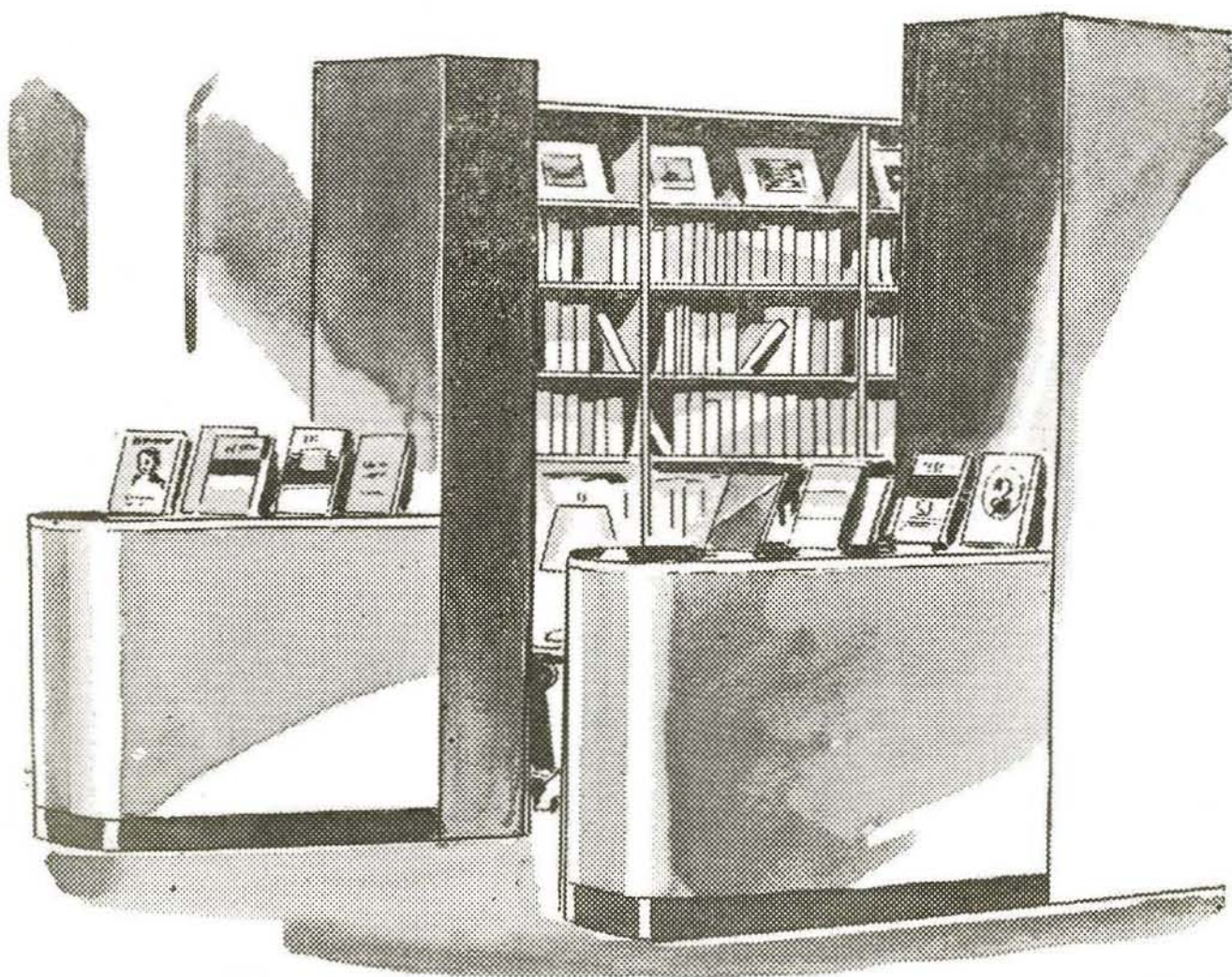
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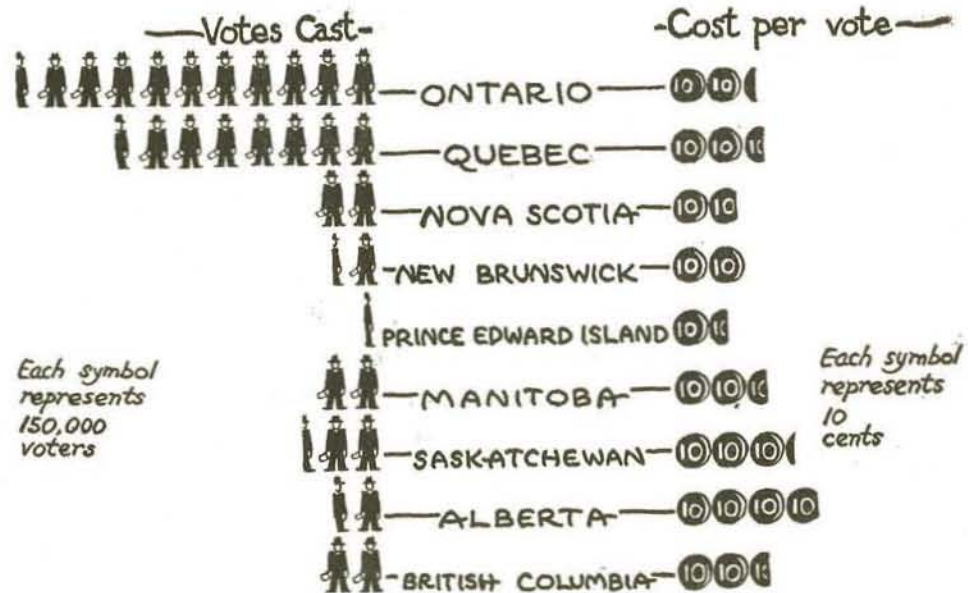
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## WHAT DOES IT COST TO VOTE?

This diagram shows the number of votes cast and the official cost per vote at the Dominion Election 1935



See Jas. R. Pollock's article on page 123

# PUBLIC AFFAIRS

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## OFFICIAL JOURNAL

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## PUBLIC AFFAIRS

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# Civil Re-establishment of Ex-Service Men

By IAN A. MACKENZIE

CANADIANS are deeply conscious of their indebtedness to the men who serve their country in its armed forces. The steps taken after the last war to effect the civil re-establishment of those who had served in the Great War, particularly those who were casualties, and those who had actually been under fire, are familiar in broad outline, if not in detail, to most Canadians. Pensions, war veterans' allowances, vocational training, hospital treatment, land settlement, returned soldiers' insurance, and gratuities were arranged for, and it is a matter of congratulation that these measures never became subject of party strife.

Immediately on the outbreak of this war, in September, 1939, steps were taken to extend the provisions of the Pension Act to members of the armed forces on active service, and from time to time amendments have been made, as outlined in another article in this issue.

The Dominion Government in December, 1939,<sup>1</sup> appointed a special Cabinet Committee on Demobilization and Rehabilitation to study and advise upon measures which will be required to meet the problems arising from demobilization and the discharge from time to time of members of the forces during and after the present war. This Cabinet Committee was authorized to appoint a General Advisory Committee selected from the personnel of Government departments, and to consult provincial and municipal authorities and public service organizations generally.

The General Advisory Committee, under the Chairman of the Canadian Pension Commission, was organized in

October, 1940,<sup>2</sup> and a series of sub-committees appointed to deal with specialized phases of the problem. Broadly speaking, the chief governing principles which are guiding the Committee in its work may be stated as follows:

(1) To avoid duplication of machinery and clashes of jurisdiction on the one hand, and to avoid gaps in administration on the other.

(2) The Employment Service of Canada established under the Unemployment Insurance Act will give specialized attention to the placement of ex-service men.

(3) Information, guidance and directional services to be furnished by the Department of Pensions and National Health.

(4) Pension and other legislation to be extended and modified from time to time, to meet the new conditions of the present war, as may be found advisable.

(5) The work of the General Advisory Committee to be kept strictly advisory in character—administrative responsibility being assumed by appropriate departments and branches of the executive government.

Prior to the passing of this Order-in-Council the work was being done almost entirely by government officials. But authority has now been granted to name recognized experts from outside the service to assist on the sub-committees.

The General Advisory Committee is also authorized to bring before it persons specially qualified to advise on any matters coming within its terms of reference.

It may be convenient to examine the nature of the problem which confronts the Committee, and to indicate the various measures which have been adopted, the policies which are being studied, and the general administrative organization being

EDITOR'S NOTE: The Honourable Ian A. Mackenzie, K.C., M.P., M.A., LL.B., is Minister of Pensions and National Health, and Chairman of the Cabinet Committee on Demobilization and Rehabilitation. For further details relative to rehabilitation, the reader is referred to a speech made by Mackenzie in the Dominion House of Commons on December 6th, 1940.

(1) P.C. 4068.

(2) P.C. 5421.



developed to take care of the whole problem. In the first place it is noted that the great majority of the members of the forces are born in Canada and have been brought up in our schools, and have in the main some contact with homes and communities throughout the Dominion. This is mentioned because in the Great War a large proportion of those who served in the C.E.F. were born in the British Isles and many of them had been immigrants who had arrived in Canada in the years prior to 1914 and had not become established in the country of their choice. Those now serving in Canada's armed forces have more intimate knowledge of the communities from which they come and efforts are being made to retain the Canadian atmosphere and background while they are serving overseas. The work of the Auxiliary Services (the Salvation Army, Knights of Columbus, Young Men's Christian Association, and the Canadian Legion), both in Canada and overseas, assists in keeping the Canadian environment. The Canadian Legion Educational Services, whilst interested in all the informal types of education, has concentrated on the formal side on correspondence work to assist members of the forces to complete their high school standing. Upwards of 15,000 are registered in these secondary school courses. Furthermore, all branches of the services, owing to the mechanized character of the war, are finding it necessary to establish a great deal of technical and trade training, which will be productive of many skills useful for civil occupations on demobilization.

#### 1. PRESENT PROBLEM OF DISCHARGED MEN

During the past seventeen months all arms of the service have been endeavouring to bring their units to a high level of efficiency. Strict training and stringent medical examination have eliminated from the forces, particularly the active army, many who though not unfitted for civil life are unfit for active military service, under the present high standards.

There have been more than 20,000

discharged from the armed services, but many of these represent persons who did some temporary guard duty in their own localities. Some served for a few days or a few weeks; some were discharged as under-age (false attestation); quite a large proportion as unlikely to become efficient soldiers and a number were so discharged as a punishment. About half of the number were discharged as physically unfit under existing standards. This does not mean unfit for civilian work, but unfit for military service. It should be made clear that up to the end of last year the number of these men who have been discharged who had seen service overseas was less than 1,000.

At once it is clear that in respect of these men the Dominion Government has incurred considerable expenditure in taking them into the army, in medical treatment of disabilities, most of which were of a pre-enlistment character. They have never (with the exception of a few hundred who have returned from overseas) served under fire in this war, and for various reasons have not been able to render the country any military service in action with the enemy. In most cases such service as they have had has been in their native province, and their civil life has not been interrupted for many months. In fact the majority of them have served under six months, less than one-half the period of compulsory service of the draftees in the United States. However, it is desirable that these men should be absorbed into civil life again as quickly as possible, and that they should begin to assist the country in non-military pursuits suited to their capacity. But it would be a fatal mistake to assume that the case of men who have been unable to render any service in the face of the enemy merits more consideration than that given to veterans of the Great War who fought at Ypres, Vimy, Passchendaele and Cambrai, or to assume that their cases are parallel to those of men who remain in the army to fight the war. It may be said to the credit of the majority of these men who have so willingly offered their

services to their country that they have returned to civil life, found employment, and are carrying on loyally. A few cases of genuine hardship exist where men have left steady employment and found it difficult to regain their former jobs. There remains a residue of problem cases of discharged men somewhat debilitated, unskilled and, therefore, not near the top of an eligible list, as far as employers are concerned.

## 2. SPECIAL MEASURES

The measures taken to assist in the civil re-establishment of ex-service men are as follows:

(1) Provision of rehabilitation grant of thirty days' pay and dependents' allowances for men honourably discharged after six months' service or more.<sup>1</sup>

(2) Preferences in employment in all munitions and construction contracts made by the Dominion Government have been arranged for.

(3) A War Emergency Training Programme, under the Department of Labour, with a scale of allowances has been announced, with preference for discharged men.

(4) Committees have been formed in all the large centres to assist civil re-establishment.

(5) The provisions of the Pension Act and the machinery of the Department of Pensions and National Health in respect of hospital treatment, etc., are being utilized to deal with casualties.

(6) If a man is in hospital under the Department of Pensions and National Health at the time of his discharge, treatment is continued and a special allowance equal to assigned pay and dependents' allowance to the man's dependents is continued until it has been determined whether the man is eligible for pension.

(7) Until the establishment of the Dominion administrative machinery described in the next section, the Veterans' Assistance Committees and the District

Administrators of the Department of Pensions and National Health are giving special attention to discharged men of this war.

## 3. STRENGTHENING OF ADMINISTRATION MACHINERY

(a) Under the Unemployment Insurance Commission there is being set up the Employment Service of Canada which will give specialized attention to veterans. This is now in process of organization, and will be an effective system for placement.

(b) The Veterans' Welfare Division of the Department of Pensions and National Health has been established, and personnel is now being selected. The duties of this Division shall be to give special consideration to the problems of the men discharged from the armed forces during and after the present war. The functions of the Veterans' Welfare Officers will be two-fold:

(a) To see that every requirement of a discharged man which can be assisted by an existing Government agency is brought to the attention of the appropriate department and followed up systematically;

(b) To bring the man's other problems to the attention of such voluntary organizations and committees of citizens as exist for the assistance of ex-service men in his own community.

An occupational history form is being secured in respect of every man to whom rehabilitation grant is paid, and of all members of the armed forces, in order to document the Employment Service of Canada, the Veterans' Welfare Division, and the General Advisory Committee on Demobilization and Rehabilitation.

Since the last war there have developed many Dominion agencies dealing with various phases of the public service which will be able to turn their attention to the carrying out of policies relating to civil re-establishment.

The Youth Training Plan of the Department of Labour, which works in close co-operation with the provincial

(1) This is in addition to \$35 clothing allowance. Owing to deferred pay system, single men who have served overseas will have a considerable amount to their credit on their return to Canada.

administrations, constitutes a useful framework for vocational training. The various divisions and branches of the Department of Pensions and National Health have a background of experience of past policies, whilst the Canadian Pension Commission and the War Veterans' Allowance Board have many skilled public servants who know a great deal about ex-soldier problems. In the event of steps being taken to assist land settlement, the Soldiers' Settlement Board is in a position to carry out administration; whilst the Director of Housing in the Department of Finance can place his knowledge at the disposal of the Government in connection with any housing project which may develop. The Department of National Defence is naturally responsible for the work of actual demobilization, and it is hoped that by categorization of the men while in service demobilization plans can be made in the light of full knowledge of civilian opportunities, taking into account the experience gained in the last war.

Already an approach has been made to the premiers of each province suggesting the formation of planning or advisory bodies similar to the General Advisory Committee of the Dominion in the hope that local effort and initiative may be

fully utilized. Meantime the Dominion Government has begun to accumulate information and sub-committees are meeting regularly to discuss questions of post-discharge pay, employment, retraining of special casualties, vocational training, interrupted education, land settlement, the administration of special funds, preferences in employment in the public service, and other projects designed to assist men to regain their footing in civil life.

Use is being made of the forthcoming census of 1941, of research by students of national problems, and of information gathered from the records of the services under the various Government departments. It is felt that the rehabilitation of the ex-service man of this war must be the responsibility not of one department but of all the departments of the Government; not of any section of the community, but of the whole community. It is hoped that the goodwill of every provincial government and every citizen will be secured to the end that our fighting men will on their return find not only a welcome home, but renewed opportunity to serve the country in new civil employment and in the making of homes. This cannot be done unless it is the business of all of us.

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## Canadian Pensions For War Disabilities

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**A** WAR pension is money owed by us all to a sailor, soldier, airman, or his dependents because of his disablement or death. The object of the pension is to ensure for the pensioner and his dependents maintenance which he is unable to provide.

One result of the first Great War was to give many men, who formerly felt

nothing of it, a feeling of personal responsibility towards their community. The universal desire to compensate fairly those who suffered by their war service is a part of that feeling. When compensation is thought of, pension naturally suggests itself. But there was for a time much discussion of pension scandals. For that reason, there is usually associated with our desire to compensate by fair pensions those disabled in war, a feeling that war pensions are inevitably subject to abuse and graft. So, there was every-

EDITOR'S NOTE: For the information in this article we are indebted to the Chairman of the Canadian Pension Commission, who is also Chairman of the General Advisory Committee on Demobilization and Rehabilitation, which is an Inter-Departmental Committee appointed by the Dominion Government.

where a hope that pensions would compensate fairly for death and disablement and that abuses would be avoided by the wise drafting and wise administration of pension legislation.

In English-speaking communities, though laws may be inscribed in statute books, not written codes but public opinion decides almost from day to day the nature of the control which law enforces. To secure sound public action on any question by such communities, it is necessary for the public in general to have up-to-date knowledge of the question and an appreciation of its necessities. To secure good pension law and its proper administration, we must fortify and guide our desire to deal fairly with fighting men by understanding what should be done for them and the manner and cost of doing it.

To-day all democratic peoples hold that war is a social risk. When a social unit, a nation, is at war, each of its citizens is equally affected, equally liable for public service. Those who give public service do so not for themselves alone but for the society of which they are a part. Therefore, each citizen should share equally in the suffering which war brings to his nation. War may make citizens suffer in property or in person. Compensation for property loss lies outside the province of a war pension. A war pension compensates only for personal detriment.

### PRINCIPLES

It will be found that pension laws, in common with all other laws, are based upon certain principles. At the same time, the basis of pension law is of a more or less complex nature. There seem to be three principles set out, as it were, in over-lapping squares, and the law which is to be built on these squares must rest lightly on the weak parts of the foundation unless it is to fall. This three-fold foundation may be expressed in the following terms: A pension is given as a mark of gratitude. Pension is given in payment of a debt, or a pension

is given to provide subsistence. These three over-lap and it is frequently extremely difficult to say, in regard to any particular provision, which principle forms the larger part of its foundation. The pension system which takes into consideration gratitude only, would differentiate between members of the forces who are in the presence of the enemy and those who are at the base, and would differentiate again between members of the forces who have performed acts of bravery and heroism and those who have simply done their duty. The pension system which bases itself on the conception that the pension is a debt, would consider the member of the forces in the light of the employee of the Government, irrespective of whether he is in danger at the front or is in comparative safety at the base. It would not differentiate as to the manner or place of injury, but would only consider the degree of incapacity suffered.

The pension system which relies upon the principle that subsistence must be provided for the member of the forces will only take into account his means and earning capacity. If he has none, he would be given a subsistence allowance. If he is able to provide for his needs, he would be given nothing.

A study of the present Canadian Pension Act would seem to show that in framing it, Parliament carefully considered the value of each of these principles, both separately and in combination, and arrived at the conclusion on the one hand, that the pension payable to a sailor, soldier or airman or to his legal wife and legitimate children, should be awarded because the sailor, soldier or airman had earned the payment of a debt to himself or to his wife and children, and this pension should not be reduced or discontinued because these persons were, or had become, self-supporting; and on the other hand, that the pension payable to other persons dependent on a sailor, soldier or airman should be awarded to provide subsistence for such persons, and should be discontinued or reduced as soon as these persons were, or had become self-supporting.

### ESTIMATING DISABILITY

The pension paid to disabled men varies in amount in accordance with the degree of disability existing in them. In estimating the degree of a disability no consideration is given to a man's age, previous earnings, or specialized technical ability. Consideration is given only to the pension applicant's inability to do things which he is unable to do because of events occurring during his service. The physical and mental condition of a sailor, soldier or airman is established by medical examinations made at his enlistment, at his discharge, and whenever it is necessary to do so for pension purposes. At these examinations the extent of any disability is estimated. In order to assist and guide the physicians and surgeons who estimate the extent of disabilities, a disability table was drafted. This table was based upon the practice of old pension administrations, upon judgments of all parts of the world in industrial accident cases, and upon experience of what has actually happened to men disabled in civilian life who, thrown on their own resources, have attempted to maintain themselves by their own labour.

The nature and combinations of injuries may vary infinitely. Consequently, no table of disabilities can give a percentage of disability for every possible injury or combination of injuries. In a disability table certain injuries, such as the loss of both eyes, both arms, both legs, are taken as being totally disabling; they are listed as entailing a disability of 100 per cent. Less grave injuries, such as the whole or partial loss of use of an eye, or of an arm, or of a leg, cause disabilities of less than 100 per cent. To say that an injury produces a disability of 100 per cent means that it produces a disability equivalent to that caused by the loss of, let us say, two legs. It does not mean that the man who is said to be totally disabled is unable to work and to contribute to his own support. Most blind men earn little or nothing; therefore, blindness is said to cause a disability of 100 per cent. Exceptionally, by determination and industry, a blind

man may earn much. The exceptional income earned by a disabled man of exceptional merit, is his. That he earns it is not considered in the estimation of his disability; the percentage of total disability present in him is determined, in accordance with the disability table, by the extent of the inability to do things occasioned by his damaged body and mind. If in spite of his disability he earns, his earnings are the reward of his exceptional industry and determination and his pension is uninfluenced by them.

### MAIN FEATURES OF PENSION ACT

The Canadian Pension Act of 1919 established a board consisting of three members vested with exclusive power and authority to adjudicate upon pension claims and to award pensions for disability or death related to military service in the first Great War. This continued to be the establishment until 1933, when a new body known as the "Canadian Pension Commission" was appointed, to consist of not less than eight members, which might be increased to twelve. The present Commission consists of eight members, including the Chairman.

The main governing principles of the Act are:

- (a) That pension may be awarded only to or in respect of "members of the forces," that is to say, regularly attested or enrolled persons who received military pay for their services.
- (b) That disability or death, to be pensionable, must be due to injury or disease or the aggravation thereof incurred during or attributable to military service. It should be noted that service in itself, however long or meritorious, is not pensionable under this statute. Pensions for long service, corresponding to superannuation in the Civil Service, for persons who enter military service as a career, are provided under a statute known as the Militia Pension Act.

The provisions of the Pension Act, as originally enacted in 1919, although wide and generous in their scope as compared with pension legislation in other countries have, nevertheless, been considerably broadened and extended by various amendments enacted from time to time during the past twenty years. These amendments in general:

- (a) Greatly increased the actual amount of pension payable.
- (b) Enlarged the grounds on which pension might be awarded.
- (c) Authorized certain additional benefits, such as, clothing allowance for pensioners compelled to wear artificial appliances, allowances for parents, and special provisions for disability due to tuberculosis.

### PROCEDURE

The procedure at present to be followed in dealing with applications for pension is laid down in Sections 51 to 61 of the Act. Briefly, it consists of three stages for applicants whose claims are not granted. On first application, the evidence presented is considered at what is known as a first hearing. If the Commission's decision is adverse to the applicant, he is entitled to a second hearing, provided he applies within ninety days of the first hearing. When presenting his claim for second hearing, he is required to include all disabilities which he claims to be due to his military service and, after a decision on second hearing has been given, he cannot apply in respect of any new condition. Prior to second hearing, the applicant is furnished with a complete and detailed summary of all evidence available in the departmental records pertaining to his case. He is given every opportunity to review this evidence, to include any additional evidence he can secure, and is allowed six months from the date of mailing the summary of evidence in which to prepare his claim. He may also take advantage of the services of an organization known as the Veterans' Bureau which was set up by the Dominion Government for the express purpose of assisting pension

applicants, without expense to themselves, in the prosecution of their pension claims. This body has been in existence for a number of years, has a staff of advocates and other officials who are thoroughly conversant with the provisions of the Pension Act, and who have had considerable experience and training in the preparation and presentation of pension claims. When notified by the applicant or his representative that the claim is ready for hearing, the Commission then gives a decision on second hearing. If this decision is adverse to the applicant, he then has the right to appear before an appeal board of the Commission sitting in his district and to call witnesses, if he desires. The judgment of an appeal board is final and the application cannot be again considered, except by special permission of an appeal board when it is shown to the satisfaction of such a board that an error has been made by reason of evidence not having been presented or otherwise.

This procedure has proved eminently satisfactory. Not only is the applicant made fully aware of the reasons which preclude entitlement from being conceded, but he is given adequate, expert assistance by the Veterans' Bureau in the preparation of his claim. It has resulted in bringing to a finality many claims in which the applicants have realized that the evidence of continuity with service of the condition causing disability or death was insufficient and they have decided not to proceed further with their applications.

It should be noted with reference to the present war, that the cases of all men discharged from the forces for medical unfitness are automatically considered by the Canadian Pension Commission.

### RATES

The rates of pension payable are contained in Schedules A and B of the Pension Act. Schedule A, containing the scale of pensions for disability, comprises twenty classes ranging from five per cent to one hundred per cent, and an additional class for disabilities of less

than five per cent, for which a final payment, not exceeding \$100, may be awarded. The rate of pension for a totally disabled pensioner, for all ranks below that of Captain, is \$900 per annum. A married pensioner, totally disabled, receives an additional \$300 for his wife, if marriage took place before the 15th of May 1933 \$180 for the first child, \$144 for the second, and \$120 for the third and subsequent provided they been born prior to that date. An additional allowance for helplessness, not exceeding \$750 per annum, may also be paid in cases of total disability when the services of an attendant are required.

The widow of a deceased soldier, for all ranks below that of Captain, receives \$720 per annum, \$180 for the first child, \$144 for the second, and \$120 for the third and subsequent.

Orphan children receive double the rates for children.

#### MISCELLANEOUS PENSION ACTIVITIES

The Commission's routine pension work arising out of the first Great War, involves administration of some 80,000 disability and 18,000 dependent awards, as well as adjudication on C.E.F. disability claims which continue to be received at the rate of roughly 200 a month, and C.E.F. death claims averaging around 50 a month, according to the last available statistics. Decisions rendered by the Commission on various types of applications arising out of C.E.F. claims and awards average over 1,100 a month, and it is to be noted in this respect that the total number of beneficiaries under the Pension Act, as at the end of the last fiscal year, was 224,253, representing an annual liability of \$40,456,252.

As a result of a suggestion made to pensioners last July, regarding the purchase of War Savings Certificates by deductions from their pensions, 8,868 pensioners responded, contributing approximately \$65,210 a month as at the end of December last, or an annual contribution of roughly \$782,528. These requests from pensioners have been dealt with individually by the Commission

and its staff and letters of acknowledgment and thanks have been sent in each case. War donations from 169 pensioners, which have been similarly acknowledged during the same period, amount to approximately \$1,916.

#### CHANGES DURING PRESENT WAR

On September 2, 1939, by P.C. 2491, the benefits of the Pension Act and the whole machinery of the Canadian Pension Commission were placed at the disposal of the members of the naval, military and air forces of Canada who, while serving on active service, suffer disabilities.

In the same way, the dependents of such members of the services whose deaths occurred in the performance of their duties on active service were brought under the benefits of the existing pension legislation.

Later, in the light of administrative experience, P.C. 1971 was passed on May 21st, 1940, providing certain regulations for the guidance of the Canadian Pension Commission in administering the act in its relation to men on active service in the present war.

The chief principle involved in the order-in-council of May, 1940, was a clearer definition of the responsibility of the state, in relation to those whose service occurred in Canada.

It was provided that, where the man served in Canada only, the liability for war pension should exist only when disability or death arose as a direct result of the performance of military duties.

A further amendment to the pension legislation was adopted on September 25, 1940, by P.C. 63/5079.

This order-in-council provides that Canadians who have joined the Imperial forces since the outbreak of war shall receive pension at the Canadian rates.

Specifically the order-in-council provides that the Canadian Pension Act shall apply to persons who were resident and domiciled in Canada at the outbreak of the war and who, subsequent to September 1, 1939, have become members

of the naval, military or air forces of the United Kingdom.

The benefits of the Canadian Pension Act shall apply to such persons if they suffer disability or death in respect of which a gratuity or pension is awarded under the laws or regulations of the United Kingdom, provided that the benefits shall be paid to persons who are residents of Canada, and only during the continuance of their residence therein.

The object of this was to provide for pension at the Canadian scale to bona fide Canadians who since the outbreak of war have joined the Imperial forces or been transferred thereto, and who return to live in Canada, or whose dependents, in the case of death, reside in Canada.

The large number of Canadians who have entered the service of the Royal Air Force and of the Royal Navy are, of course, the chief persons affected.

Under Order-in-Council P. C. 3359, dated the 10th of November, 1939, the Commission also now has the responsibility of adjudicating on claims "for the payment of pensions to such persons employed in ships of Canadian registry or licence and such Canadian salt-water fishermen as, in the pursuit of their

callings, suffer disability or death as a result of enemy warlike action or counter-action taken against the same." An instance of this was the sinking of the S.S. "St. Malo," with a loss of twenty-seven lives. Under Order-in-Council P.C. 32/1391, dated the 10th of April, 1940, the Commission adjudicates on claims in respect of disability or death incurred by Special Constable Guards employed by the Royal Canadian Mounted Police in guarding vulnerable points in Canada.

In conclusion, let it be repeated: satisfactory pensioning depends upon public realization of the principles underlying pensions, and upon efficient application of those principles. Essential to efficient administration are unhampered control by a central office and the maintenance of close personal touch with each individual pensioner by branch offices.

The work of pension administration cannot be definitely and finally charted; each day brings a pensioning body new troubles, new problems to be solved. War pensions must be governed by general principles, which must be applied by a sympathetic body, one which keeps in mind both the interests of the state and those of the disabled ex-soldier.

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## The Sirois Report Before the Ottawa Conference

By H. D. Woods

**F**OLLOWING the publication of the report of the Royal Commission on Dominion-Provincial Relations, and particularly since the recent abortive attempt at implementation at Ottawa, the controversy in the country has been widespread, being overshadowed only by the incessant bickering over the extent of the war effort. Any attempt to survey even a small part of the published con-

troversy would involve a research project of impossible magnitude. Yet it is possible, by careful selection and sifting, to establish an intelligible pattern of disagreement over this important issue of Dominion-Provincial relations.

### STATEMENTS OF DOMINION CABINET MINISTERS

A good starting point is the published report of the two plenary sessions of the ill-fated conference at Ottawa on January fourteenth and fifteenth. The Dominion

EDITOR'S NOTE: H. D. Woods, M.A., a graduate of the University of New Brunswick, McGill, London (England) and Toronto, is Lecturer in Economics at Union College, Winnipeg.



prime minister opened the deliberations of the first session by declaring it to be the government's considered view that adoption of the recommendations was essential if the country was to be placed in a position to achieve the maximum war effort, and to lay the foundations for post-war reconstruction. The crux of the problem for the government was the strained financial relationship between the Dominion and Provincial governments. The difficulty was not new, in fact had been so serious in 1937 as to warrant the appointment of the commission. Mr. King stated that although implementation was desired in order to facilitate the war effort, by introducing improved methods of public finance which would eliminate the competition for revenues between provinces and dominion and ensure an equitable sharing of the burden of the war, action would have been required even in peace time. However, the Dominion Government had no desire to force the issue and were willing to negotiate with the report as a basis, with partial implementation as a second-best to full acceptance.

The essential recommendations of the report which dealt with the problem outlined were stated by the Prime Minister as being, first: the assumption by the dominion of the whole of the net debt of the provinces. This was designed to remove the burden of debt from those who, for various reasons, such as loss of population, loss of markets, calamity of drought and pestilence, or over-optimistic expansion, were without the capacity to bear the load. A second advantage would be the strengthening of public and private credit by removing the danger of provincial default. Associated with this advantage would be an easing of the tax burden, since debt servicing would be at lower rates whenever issues transferred from province to dominion were refunded.

The second recommendation favored by the Dominion Government would transfer the responsibility for unemployed employables from the municipalities and provinces to the dominion. This, Mr.

King thought a logical outcome from the past which would prevent a repetition of the confusion, inefficiency, delay, and inequalities of the existing system of administration which involves heavy strain on municipalities and on provincial credit.

The relinquishing by the provinces of the right to personal and corporate income tax and to succession duties was the third recommendation sponsored by the dominion. Exclusive right in these fields, as recommended by the commission, was considered necessary by the dominion financial authorities and advisers if Ottawa was to be able to meet its growing obligations efficiently and assume the additional burdens to be transferred from the provinces. To support this claim the prime minister argued that a large tax-gatherer is axiomatically the most efficient, and that a situation of decided inequality, double and even treble taxation would be eliminated.

The fourth recommendation providing for the abolition of the present system of subsidies and the establishing of national adjustment grants by the dominion to the provinces in lieu of the former subsidies was also supported by Ottawa.

The Prime Minister then attempted to reassure the delegates from the provinces by suggesting that the proposals were for reform and did not involve a rewriting of basic constitutional principles; that the recommendations, far from increasing centralization of governmental power, were calculated to guarantee provincial autonomy by eliminating overlapping jurisdiction and making clear definition of function, and particularly by guaranteeing provincial solvency; that provinces were not asked to give up any exclusive right; and that principles of democratic government would be strengthened and ensured by clearing up the muddled situation in administration.

On the second day of the conference, after the possibility of reaching any agreement upon which to base further discussion seemed rather limited, Mr. Ilsley, the Dominion Minister of Finance,

addressed the delegates at some length. He supported the dominion's case as presented by the prime minister with figures indicating the magnitude of the task of financing the war; suggested that the delegates and public failed to realize that a "business as usual" war effort was out of the question, and reminded the conference of a billion-dollar war budget for the year, and aid to Britain to the extent of \$300,000,000 in repatriating securities. Four points were mentioned by Mr. Ilsley as justifying the adoption of Part I of the report, or some better alternative. These were the provision for a fair distribution of the tax burden, the avoidance of adverse effect on Canadian credit and war financing, the establishment and maintenance of minimum national standards of social services, and preparation for meeting the problems of the post-war period. Thus, it will be observed that Mr. Ilsley was fortifying the case presented by Mr. King, rather than adding any new points.

From the addresses of these leading ministers, the prime minister and the minister of finance, it becomes apparent that the attitude of the Dominion Government was favorable to the adoption of the report along the lines of the major recommendations, or on any compromise lines which would achieve similar or partial results. In fact there is the evidence of Mr. Ilsley's address to indicate that the department of finance was urging the adoption of the report as a means of solving the perplexing and pressing problem of war finance. There seems to be no doubt also that the government is in substantial agreement with the report and would wish its adoption aside from the war problem.

#### ONTARIO'S ATTITUDE

The first province to present a case was Ontario, represented by Premier Hepburn. Ontario opposed not only the report but also the calling of the conference. The opposition was based on several points, ranging all the way from objection to the personnel of the commission to charges of abuse of patriotism to cloak a "nefarious"

scheme to enrich the holders of bonds of distressed provinces. On this point the *Toronto Star* was quoted. Mr. Hepburn urged against raising the general issue of the report during war-time with the possibility of impairing national unity and thereby injuring the war effort. Here it was suggested that the "purely financial press" had overplayed its hand. The *Toronto Telegram* had warned against preferred treatment for Quebec under the adjustment grants, and Mr. Hepburn's remarks on the point leave little doubt that the religious and race questions might easily become serious issues. The Ontario premier criticized the commission on the grounds that his province had not been consulted regarding the terms of reference contained in the order-in-council creating the commission. Nor had the government added an Ontario representative after the withdrawal, because of ill-health of Mr. Rowell. The continued use of the name Rowell was referred to as a deliberate attempt at propaganda. From there the general trend of remarks moved to a criticism not so much of the commission and the conference as of the Ottawa government because of its war effort and because of its failure to reabsorb the unemployed. Much was made of Ontario's cooperation with the dominion regarding the income tax and its war contributions generally.

The Ontario case was further elaborated by Mr. McQuesten, who endeavored to show that implementation of the financial recommendations of the commission would work great hardships on that province. Provincial autonomy must be based on adequate revenue with which to discharge provincial functions. Adoption of the report would deprive Ontario of certain revenues while leaving behind the most costly of the services to be performed. The province, since the present government came into power in Toronto, had been able to balance budgets and even a reduction in debt seemed probable. As a result the province had been able to come to the aid of the nine hundred municipal authorities. The province had, for example, assumed the entire capital

cost of highway construction; it had made great strides in public health aid; it had relieved the municipalities of all contributions for old-age pensions and mothers' allowances. The cost of these services and of education would increase for another fifty years. The figures of the commission report, which purported to show a net saving to Ontario, were criticized and alternative figures, which suggested a serious net loss following implementation, were presented. These losses would bear heavily on education, particularly the University of Toronto, and on public health and the municipalities. Time would aggravate the difficulty because of the expansion of social services. The people on Ontario in the lower scales would be reduced to a condition of "servile dependency." Mr. McQuesten announced Ontario's withdrawal from the conference.

The province of Quebec was in that group willing to negotiate but on a limited basis. Mr. Godbout's statements were therefore limited to a few general principles. National unity was stressed, and particular emphasis was placed on the war problems. He disagreed with the plan of tying up war finance with a general reform of Canadian federation. ". . . I think we should meet a special situation with emergency measures, and I do not think we should condition the permanent future of Canada on the war situation now prevailing." Quebec's willingness to work to some solution is illustrated by the premier's reference to the "week or these weeks" of work ahead for the conference. In his second address Mr. Godbout appeared a little less compromising. He insisted that nothing must be done to jeopardize provincial autonomy and provincial rights.

#### PRINCE EDWARD ISLAND

Prince Edward Island, although expressing through its premier a more or less common stand with the other maritime provinces, was considerably more ready to accept the general plan of the report than were Nova Scotia and New Brunswick. Premier Thane Campbell

attempted to dispel the fears expressed by others of increased centralization, but himself raised objection to the menace of bureaucracy at Ottawa. This menace had become greater with the increased regimentation associated with the war effort, and provincial economic policies were being frustrated at times by the action of Ottawa departments. He advocated as a partial solution annual dominion-provincial conferences, and although he did not support the New Brunswick proposal for a department of the Dominion Government to handle dominion-provincial relationships, yet he suggested some agency, such as a committee of the government, which would act to protect the provinces from the bureaucracy and departmentalism of the federal government services.

Mr. Campbell then took issue with specific objections to the adoption of the report which had been raised by other provincial representatives. He had come to recognize the need for the Dominion Government taking over the income tax if satisfactory administration were to be effected. On the question of implementation during war-time the premier favored this course rather than temporary expedients, because of the dislocations which might follow from the latter. He strongly supported the idea of a finance commission to control provincial borrowing, but advocated that the provinces be permitted to borrow on general permission rather than application for each specific expenditure. In general, Prince Edward Island was favorable.

#### NOVA SCOTIA AND NEW BRUNSWICK

The Nova Scotia premier, Mr. MacMillan, adopted an attitude which might be described as respectful opposition with the door left open for negotiation. Nova Scotia would have to answer "No" to a categorical statement on the whole report, but Mr. MacMillan preferred to look upon the report not as a plan to be either accepted or rejected, but rather as a basis of discussion. The difficulties of the province within confederation

were restated in brief form, and emphasis was placed on the severity of the social problem for a province which, like Nova Scotia, was suffering from loss of population and the associated disturbance of the ratios in specific age groups. There is no doubt that Nova Scotia intended to stay with the conference and discuss the report.

Mr. McNair for New Brunswick was also open to conviction on parts of the report. He withheld judgment on the financial recommendations which he believed to be the crux of the matter, but specifically disagreed with the findings of the commission on New Brunswick's special claims, and put it on record that the province participated in the conference with that reservation clearly understood. Otherwise New Brunswick was agreeable to doing business.

#### SUPPORT FROM MANITOBA

The strongest support for the report came from Premier Bracken of Manitoba. The argument was to a considerable extent a repetition of the case presented by the Dominion Government. Implementation was justified as a "peace-time necessity and as one of the most important steps that we can take to strengthen our nation's war effort." Economic data to support the position was furnished and was of a similar character to that contained in the first volume of the report. Implementation would fulfil the intentions of the Fathers of Confederation to build a political nation and an economic unit. By adjusting provincial functions to provincial finances it would enhance provincial autonomy. Manitoba supported the idea of a national finance commission to supervise provincial borrowing on dominion credit. The report must be implemented for Manitoba because the war had only served to aggravate serious dislocations due to excessive wheat carry-overs. Much was made by Mr. Bracken of the problem of taxation; and a closely reasoned argument, supported by liberal quotations from the commission report, was adduced to show the effect of the present tax structure on

wealth and income of the various classes in the country. It was argued that the dominion was forced to rely pretty much on indirect taxation, and that form was regressive, and therefore bore with undue severity on the poorer classes and on unprotected producers. It was urged that such progressive taxes as the income tax should be turned over to the dominion. Mr. Bracken also developed the idea that the structure of the Canadian economy had been partly determined by deliberate national policy and that accumulation of wealth and income in certain provinces had resulted. These escaped much taxation because the dominion had restrained itself in the use of such taxation as seemed to be invading provincial fields.

The probable consequences of non-implementation were outlined by the Manitoba premier. The increased burden of the war would drive the Dominion Government much further into the fields of direct taxation, thereby drying up provincial revenue from income, corporation and inheritance taxes, and forcing the provinces to default. The attendant shock to Canadian credit might imperil Canadian victory.

#### SASKATCHEWAN

Saskatchewan was equally anxious to have the major recommendations adopted. A considerable portion of Premier Patterson's argument was along the lines laid down by Premier Bracken and Premier Campbell. Comment was made on the problems of operating a federal system and of the growing difficulty of defining the functions of each government in a modern federated state. On the question of centralization, Saskatchewan, although jealous of provincial autonomy, was convinced that implementation would do no harm. The general principles of the financial recommendations were approved, but Saskatchewan could not agree to the commission's findings on transportation. The reasons for this latter attitude were not elaborated. Mr. Patterson then briefly outlined the peculiar difficulties of Saskatchewan, difficulties associated largely with de-

pendence on one industry and one crop, resulting in a "haphazard" economy. Saskatchewan was on the side of the yeas.

#### MR. ABERHART'S INTEREST

Mr. Aberhart for Alberta struck a somewhat independent note when he said that he was convinced "that confederation was not, and is not, responsible for the devastating economic problems we face to-day . . . a new, organized economic and financial system must be set up." He then suggested that under the War Measures Act the federal government had all the powers necessary to carry on the war effort. The problem of debts could be left until after the war, when they would be better understood than at present. Alberta feared the imposition of the will of Ottawa on the provinces at this time. It would be most unfortunate if the idea became general that "there is a concerted and deliberate attempt being made by the money powers to increase centralized control of our national life while our attention is fully occupied with the prosecution of our war effort, and that thereby there is developing an endeavor to obtain an unfair advantage over the people by means of imposing upon them a crushing debt structure under which they will be further enslaved." Mr. Aberhart used such terms as "financial dictatorship" and "fascist state" and referred to the "barrage of inspired propaganda." The argument might be summed up briefly in the premier's own statement, ". . . our present system of finance is doomed. It cannot be bolstered up, no matter what they do." Alberta, like Ontario and British Columbia, finally refused to negotiate on the basis of the report.

#### BRITISH COLUMBIA

Premier Pattullo for British Columbia objected to implementation on grounds which placed him in opposition not only to the specific recommendations of the report, but to the aims which were meant to be achieved. For example, he opposed

the idea of a general Canadian average. Like the commission, he recognized five economic regions, and he saw no advantage in bringing them to a "common level." "British Columbia . . . does not want to be pushed down either to the bottom or halfway, there to turn the treadmill of mediocrity in perpetuity." Plan I of the report would weaken the provinces by increasing centralization by direct transfer of functions and revenue to Ottawa, and by increasing Ottawa's supervision over functions left with the provinces. The plan would interfere with developmental programs and aggravate disharmony between provinces and dominion.

#### EVALUATION

In addition to the official attitudes of the dominion and the provinces, there has been much controversy in the country, but little could be gained for the present purpose in any further survey of the pros and cons. In general the report met a favorable press, and some papers, such as the *Winnipeg Free Press*, were strongly advocating implementation. There were a few like the *Toronto Telegram* which were equally hostile. Little was added in the public discussion to the reasoning which emerged in the Ottawa conference. On another plane, implementation met opposition in a review<sup>1</sup> by Dr. H. A. Innis of the University of Toronto. This exhaustive and penetrating analysis of the report cannot be reduced to a few brief statements. It is strongly recommended to all careful students of the problem.

Generalizing, the report was supported by the Dominion Government on the two grounds of peace-time necessity and as an aid to the war effort. Behind the prime minister stood the minister and deputy-minister of finance wrestling with the problem of war finance. The report was supported by the little province of Prince Edward Island and the more depressed area of the west—Saskatchewan and Manitoba. Three provinces—Ontario,

(1) *The Canadian Journal of Economics and Political Science*. Vol. 6, Number 4, November, 1940.

Alberta and British Columbia—each for its own reasons, opposed and refused to negotiate. The other three—Nova Scotia, New Brunswick and Quebec—expressed reserved willingness to negotiate, using the report as the basis of discussion.

Any attempt to evaluate the report and the different points of view is rendered difficult by the dual purpose which is implicit in the proposals. The short run problem of war financing was combined by those favorable to the implementation with the long-run question of dominion-provincial finances. Much that has been said can be explained as opportunistic short-run politics. Little is to be gained in remorseful regrets that politicians have played their usual game. Yet the problems with which the commission attempted to deal remain, and careful reading of the report and of the controversy serves to bring to light some fundamental issues upon which the Canadian cleavage may grow. The elements of national unification provided by trans-continental railways and tariffs may not be a lasting guarantee that the dis-integrating influences of geography will not assert themselves. Behind the

controversy over the report looms the spectre of the Siegfried thesis of east-west versus north-south axes. It is a paradox of large modern federations that they operate efficiently, although not necessarily with equity, when they are built around a dominating nucleus interested in exploiting the economic possibilities of the remaining hinterlands. A Canadian federation has been associated with the expansion of the St. Lawrence-Great Lakes economy into the west with railways, wheat and financial institutions, and into the maritimes in search of markets for the growing industrialism of Ontario and Quebec. The difficulties of wheat and the growth of alternative hinterlands in the mining, power, and paper of the pre-Cambrian shield have reduced the importance of the national government and enhanced the position of certain provincial governments as developmental agencies. British Columbia finds it difficult to integrate her economic life with the distant economy of the east, and Alberta is true to the frontier in seeking a monetary solution. The dominating region of the St. Lawrence may be losing interest in domination.

## Official Costs of Canadian Elections

By JAMES R. POLLOCK

THE administration of popular elections continues to be an important part of the democratic process. Occasional consultations with the people are necessary to determine the scope and direction of public policy. It follows, therefore, that the management of public elections must be honestly and efficiently conducted if the popular will is to be accurately

and promptly translated into government action.

Unfortunately, however, election administration has been one of the most neglected fields of public administration. Few studies of the problem have been made, and little public or official attention has been given to improving the machinery through which the voters record their decisions.<sup>1</sup>

EDITOR'S NOTE: Dr. James R. Pollock is Professor of Political Science at the University of Michigan. He is author of various books and many articles on the administrative problems involved in elections, and of several books on Nazi Germany.

The drawing on the cover illustrating some features of Table 2 is by Professor A. S. Mowat of Dalhousie University.

(1: See Joseph P. Harris, *Election Administration in the United States* (Washington, 1934); James K. Pollock, *German Election Administration* (New York, 1934); and James K. Pollock, *Election Administration in Michigan*, Supplement to the *National Municipal Review*, Vol. 23, No. 6, June, 1934.

Canada is no exception to the above statements, although as we shall see, the Dominion has gone farther in providing an orderly and well-directed official management of elections than her neighbor to the south. Through adequate records, both statistical and financial, the investigator is supplied with the materials necessary for an evaluation.<sup>2</sup>

Large sums of money are required to stage a national election. Not only must the candidates and the political parties raise considerable funds for electoral expenditures, but the government of the Dominion must provide a thoroughgoing and complete system for recording the popular will in the most accurate manner. It is the official cost of Dominion elections which will be treated in this article.<sup>3</sup> Using the official figures for the two Dominion elections of 1930 and 1935, including the preparation of the register of 1934 and the revision of 1935, we are able to obtain an adequate picture of the outlays necessary for public elections, and to make some comments regarding them.

#### THE ORGANIZATION OF CANADIAN ELECTIONS

The Dominion Parliament has provided for a centralized control of Dominion elections.<sup>4</sup> Members are returned from the nine provinces and the Yukon territory under the provisions of Dominion legislation covering registration of voters, ballots, election officers, and all the other details of election administration. To insure the faithful execution of this legislation, Parliament has created the position of Chief Electoral Officer. Elected by resolution of the House of Commons, the Chief Electoral Officer exercises "general direction and supervision over the administrative conduct of elections." He is removable only for cause "and in the same manner as, and upon the same con-

ditions as a judge of the Supreme Court of Canada."

Under the Chief Electoral Officer the Governor-in-Council appoints the returning officers for all of the electoral districts. In 1935 there were 243 of these officers. The returning officers in turn appoint their own election clerks and also one deputy returning officer for each polling station in their respective districts. The deputy returning officers appoint the poll clerks. In 1935 there were 32,464 deputy returning officers and 32,464 poll clerks.

Formerly, revisions of the electoral lists were made each year, but under the act of 1938, new voters' lists are to be prepared only before a general election. Each returning officer appoints two enumerators for each urban polling division, and one enumerator for each rural division. The preliminary voters' lists are prepared by these officials in house-to-house visitations, and are revised in urban areas by a designated judge, and in rural areas by the enumerator himself.

#### LEGAL PROVISIONS FOR OFFICIAL ELECTION EXPENSES

Unlike the practice in the United States, Canadian election laws are careful to provide for a uniform tariff of fees for election officers, and to require uniform accounting and control features for all election expenses.<sup>5</sup> In this way both the Chief Electoral Officer and the Auditor-General may keep complete control over election expenditures.

In urban areas, electors cannot vote unless their names are on the voters' list. Rural citizens, however, may vote, after swearing to their qualifications, even though they were not previously registered.

It is the duty of the Returning Officer of each electoral district to provide sufficient ballots for each polling station in his area. The list of urban polling divisions being closed, it is necessary to provide only a small margin of ballots over and above the number of names on

2. I am indebted to the Auditor-General of Canada and to the Chief Electoral Officer for making the necessary records available for this study.

3. Further studies in the field are needed in order to observe the practical application of election regulations in the constituencies.

4. *Statutes of Canada*, 1938, 2 Geo. VI, Chapter 36.

5. See the *Tariff of Fees for Election Officers* made in pursuance of section 60 of the *Dominion Elections Act*, 1938.

the list, since only the spoiling of ballots needs to be provided for. But in rural polling divisions a large margin must be allowed, since the lists are not closed and the supply of ballots must be such as to permit voting by voters whose names do not appear upon them. The election instructions sent to all Returning Officers recommends that five per cent more ballots than registered voters is sufficient in urban areas, but at least twenty per cent more should be printed for rural districts.

All ballot papers are furnished and numbered by the Dominion government. Every sheet must be returned from the printer, even though several may have been spoiled in the printing.

The election law requires the printing expenses to be actually and reasonably incurred, subject if considered advisable, to the approval of the King's Printer. Each claim must be certified by a voucher and also by a sample of the work done.

Broad provisions for absent voting have not existed in Canada. But persons employed on railways, vessels, air-planes, or other modes of transportation, and certain other persons such as commercial travellers and members of the naval, military, air and mounted police forces of Canada, are permitted to vote at advance polls held in their election districts on three days of the week before polling day. If such a voter is obliged to be absent on election day from his home precinct because of the nature of his employment, he may obtain from the proper election official a certificate which entitles him to take part in any advance poll in the electoral district.

Voters' lists are obtainable by citizens at cost. Candidates may secure as many as twenty copies free of charge. One additional free copy for each polling division in the electoral district is also furnished to each candidate.

It is possible to analyse in detail the cost structure of Canadian elections from the Auditor-General's reports.

Tables I and II are prepared to show the cost of elections per inhabitant, per registered voter, and per vote cast in

the two elections of 1930 and 1935. The figures are arranged by areas so that comparisons may be made.

With such adequate figures before us, it is only necessary to point out a few facts of general significance. First of all, it should be clear that parliamentary elections are conducted most economically in the eastern provinces. In the larger, more sparsely settled western provinces, especially in the Yukon Territory, average election costs are considerably higher. The variations in costs are obviously due to a number of factors. Registration costs are different in different areas. House-to-house visitations are only made in urban areas. We find therefore that the percentage of registered electors and the percentage of votes cast is much smaller in the provinces where the costs are relatively highest. We find also from the report of the Chief Electoral Officer that in the 1935 election there were in Canada 561 polling divisions in which less than 20 votes were cast. In many of these precincts fewer than five ballots were cast and in a dozen or so polling stations the election officials must have been the only voters since but one or two votes are recorded.

Compared to registration and election costs in the United States, the average Canadian figures are small. But the wide variations among provinces and among items of expenditure should be the basis for a scrutiny by the appropriate officials. For the average citizen it is interesting to note that a general election is not a cheap pastime. It costs millions of dollars, sometimes as much as 54 cents a vote. The whole paraphernalia of registration and voting which must be carefully set up and administered is costly, and election machinery should be watched for economies, as well as for irregularities.

It is also interesting to note that registration costs are not excessive. Even though it does cost nearly a million and a half dollars to prepare a new list of voters in Canada, the average cost per registered voter compares favorably even with the most efficient and econ-



omical systems to be found in a few cities in the United States. The Dominion average of performance, in other words, is high when compared to other registration systems. This is true despite the fact that a careful enumeration is made each time new lists are prepared, and despite considerably more printing

waste and extravagance which occur in jurisdictions where local election officers print their own ballots and pay their own prices for election workers without regard to any national scale.

Another fact which explains why Canadian election costs are below those in the United States is the continuity of Cana-

TABLE I  
AVERAGE ELECTION COST 1930 GENERAL ELECTION

	Population 1931	Registered 1930	Votes Cast 1930	Election Cost 1930*	Average Cost Per		
					Inhabitant	Reg. Voter	Vote Cast
Ontario.....	3,431,683	1,894,624	1,364,960	\$ 735,866	\$ .214	.388	.54
Quebec.....	2,874,255	1,351,585	1,029,480	534,041	.186	.395	.52
Nova Scotia.....	512,846	275,762	268,727	98,058	.19	.355	.36
New Brunswick.....	408,219	207,006	186,277	68,251	.167	.329	.36
Prince Edward Island	88,038	59,519	46,985	15,410	.175	.327	.26
Manitoba.....	700,139	328,089	235,192	135,888	.194	.414	.58
Saskatchewan.....	921,785	410,400	331,652	202,222	.219	.49	.61
Alberta.....	731,605	304,475	201,635	163,072	.223	.535	.81
British Columbia....	694,263	333,326	243,631	170,391	.245	.51	.70
Yukon.....	4,230	1,719	1,408	4,689	1.11	2.73	3.33
Canada—Total.....	10,367,063	5,153,971	3,922,481	\$2,127,893	\$ .205	.41	.54

\*Includes registration cost figures.

TABLE II  
AVERAGE ELECTION COST 1935 GENERAL ELECTION

	Population 1931	Registered 1935	Votes Cast 1935	Election Cost 1935	Average Cost Per		
					Inhabitant	Reg. Voter	Vote Cast
Ontario.....	3,431,683	2,174,188	1,608,244	\$ 357,644	\$ .104	.164	.22
Quebec.....	2,874,255	1,575,159	1,162,862	265,350	.092	.168	.23
Nova Scotia.....	512,846	304,313	275,523	48,414	.094	.159	.18
New Brunswick.....	408,219	229,266	177,485	34,288	.084	.149	.19
Prince Edward Island	88,038	61,641	53,248	8,808	.10	.165	.14
Manitoba.....	700,139	377,733	284,589	68,736	.098	.182	.24
Saskatchewan.....	921,785	451,386	347,536	107,897	.114	.239	.31
Alberta.....	731,605	368,956	241,107	90,424	.117	.245	.37
British Columbia....	694,263	382,117	292,423	79,361	.123	.207	.27
Yukon.....	4,230	1,805	1,265	2,755	.65	1.53	2.18
Canada—Total.....	10,367,063	5,918,207	4,452,675	\$1,063,681	\$ .10	.18	.24

than is required in the United States. One significant item in the relatively low Canadian registration and election costs is the item for printing—an item which, because of its size, still brings joy to the hearts of political printers in the United States. The centralized control over such matters in Canada accounts for the absence of much of the

dian election personnel. Not only are the top administrative posts out of politics and on a basis of permanent tenure, but the same is true with the returning officers. With permanent, experienced officials, it is natural to find lower costs than under a system where patronage appointments are made to election posts.

In conclusion, one should repeat that

the merit of the Canadian administration of elections, especially in the matter of costs, is due principally to two factors: one is the centralized and uniform control over registration and election matters in the hands of the Chief Electoral Officer; and the other is the emphasis which is placed on a regular, uniform

schedule of fees and expenses administered under the control of the Chief Electoral Officer and the Auditor-General. The combination of centralized control, economical standards, and experienced personnel has given Canada a relatively economical and satisfactory election administration.

## Highway Costs and Motor Taxation

By GILBERT WALKER

### I

COMPETITION between highway carriers and railroads has become a universal condition—certainly it is found in all developed communities. Everywhere there have arisen the same awkward problems, among them the question of highway finance. A highway is an expensive piece of equipment, and costs a great deal to construct and maintain. In many Provinces of the Dominion, and States of the Union, debt incurred to finance highway construction accounts for the larger part of public liabilities, and annual expenditure upon upkeep is the heaviest charge upon the public revenues.

The highway is owned by a public authority, and it is used by many classes of people, and for many purposes; by the general public going about their ordinary affairs, by government, by the private motorist and the business man, and by the commercial motor operator. It is furnished originally for all, and primarily for none, though the elaborate construction of the modern highway has been undertaken mainly for motor traffic. All citizens, and all vehicles, have equal rights upon the highway, and none have a prior claim. Out of this there arises

the problem, what share of the common costs of the highway shall be assigned to each party?

The case of a railway raises the same problem though in a different form. A great proportion of the expenditure of a railway, costs of constructing and maintaining track, road-bed, and so on, is overhead, incurred in common for all traffic carried. These charges are parallel to the costs of building and keeping up highways. Unlike the highway user, the railway both owns the track and carries the traffic. Railway managements can be, and often are, expected to undertake the whole outlay involved in working the service. It is their usual practice to distribute the common overhead costs of the railway between the different classes of traffic carried, rather than between the several types of vehicles in which it is conveyed, the plan upon which highway authorities are proceeding.

### II

As political and economic circumstances dictate, the highway authority may consider, as in Great Britain, that motor traffic is a proper object of sumptuary taxation, and raise each year a much greater revenue from the motor user than is being spent upon the road; or in sparsely settled areas, the government may deem it desirable to encourage the growth of highway communications by levying in taxation very much less than what is being spent. There is no com-

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elling reason of politics or economics which demands that revenue from taxation of motor vehicles shall be any particular proportion (or multiple) of what is spent each year on highways. No rule can be laid down; in each case the relationship between receipts of motor taxation and annual expenditure must depend upon the economic conditions and political exigencies of place and time.

It is often recommended that the yield of motor taxation should equal expenditure upon highways, less, possibly, a small deduction to balance the rights of the non-motoring public. This is sometimes described as the application of the concept of a "public utility" to the highway. Taxation is considered 'fair' in the sense of this proposal when motor vehicles as a whole are taxed at a rate equivalent to the whole annual expenditure or 'cost' of highway construction and upkeep, and (most important) when the total tax burden is distributed between private passenger cars and commercial vehicles, trucks and buses, in such a way that the latter pay a share of the total, at least equivalent to the annual 'cost' of constructing and maintaining a highway suitable for this traffic, and capable of supporting the heavy loads involved. This proposition is accepted by railways, highway authorities, and truckers alike. Railway companies see in it the prospect of heavier financial burdens on their competitors; highway authorities larger revenues, and truck operators cannot deny the equity of the suggestion. The idea appears simple, but translation into the practical details of a tax schedule raises difficulties. Much ingenuity is expended in elaborate computations of the total annual cost of highways and in the allocation of shares between the several classes of motor user.<sup>1</sup> But expert opinion among highway engineers, as in other professions, can be found on both sides. Some support the railways who claim that taxes on trucks are unreasonably low, and others the truckers, who

protest that taxation is already unfairly heavy.

The annual 'cost' of a piece of durable equipment such as a highway may be distinguished from expenditure laid out from year to year on construction and upkeep. The second is the amount actually spent in any year, both on capital and current account; the first, the sum of the provision which should be made annually to depreciate the asset to nothing over the period of its useful life, interest on the depreciated value of the capital sunk in construction, and the amount spent each year on maintaining the property in good condition. The original investment in a highway is large compared with what must be spent each year on maintenance—the former may be twenty times (or more) as much as the latter. Provision for depreciation thus becomes the most important part of "annual cost". That quantity will be small or great according as the highway is expected to last a considerable number of years, or must be replaced in very few. The time during which a given highway construction endures is governed by many things, weather, traffic, the state of repair in which it is normally kept and so on. Some of these factors depend upon events the course of which cannot be foreseen. A road, built to give service over a certain period may become obsolete in much shorter time if there is an unexpected growth of traffic; or it may be irreparably damaged in very few years if the highway administration has to economise on maintenance. On the other hand, if traffic never exceeds the volume and weight for which the structures were originally designed, and if an adequate sum is spent each year on upkeep, the highway may last indefinitely, and be as good at the end as it was at the beginning. The calculation of an exact figure for 'annual' cost demands assumptions about the likely term of the highway's usefulness, the justice of which cannot be known in advance, and which subsequently may become indefensible. Uncertainties such as these make "annual cost" an arbitrary

1. See particularly, the work of Messrs. Breed, Older and Downs, "Report on Annual Highway Costs, Province of Ontario". Made to the Railway Association of Canada, 1938.

figure and one open to dispute. It is consequently not a suitable quantity upon which to base a tax programme. Policy must be guided rather by estimates of annual expenditure, the second concept distinguished above, what should be spent from year to year to allow for the expected growth of traffic, and to keep the existing plant in as good condition as when it was new, plus an allowance to provide for the service of debt including amortisation at whatever rate is deemed practicable or desirable.

### III

The total expenditure upon highways, however it be measured, is, for the greater part, "overhead" in respect of any particular user or class of users; an outlay incurred *in common* for all users. But for the advent of motor cars, the needs of the public for roads might have been satisfied with a light and inexpensive construction. Modern motor traffic demands solid foundations, good pavements, and easy curves, and the surface must be kept up to a high standard. The sum laid out upon these structures, and to make good extra wear and tear caused by motor traffic, is the "cost" falling upon the highway authority on account of the motor user. Heavy commercial traffic calls for additional work upon foundations, requires thicker, wider pavements, gentle curves and easy grades; and makes greater demands for maintenance. This expenditure is the "cost" of adapting and improving a motor highway to make it suitable for commercial traffic. But a highway capable of carrying heavy vehicles could not be constructed for this sum alone. To do that requires an outlay equal to the whole expenditure currently being made upon motor roads. The cost of accommodating any particular type of traffic on the roads is the sum which would be saved if that class were to be excluded, the increment of outlay required to adapt the highway to the special requirements of that class.<sup>1</sup>

1. This quantity is sometimes called the specific or differential cost, to distinguish it from average cost, a figure obtained by dividing the whole outlay expended on production from first to last, by all the units produced. See last paragraph of Section III.

This is all the expense to which the highway authority is put if this type of traffic is to be allowed, *in addition* to what must be spent in any case to get a highway suitable for all the other traffic expected on the road. It is therefore the cost to the authority of providing for that traffic. The cost of some types of traffic might therefore be nil, as when motor cycles or very light cars are allowed on a highway built to carry the heaviest vehicles. In the case of traffic in trucks and buses, the specific cost is certainly a positive quantity; but still probably only a small part of the total expended upon highways. No part of what is spent to provide a highway for public use alone, nor the larger sum demanded by a motor road suitable for private cars and light trucks is included in the (specific or differential) cost for which heavy commercial traffic is directly responsible. None of this expenditure would be saved were the heavier vehicles to be excluded from the roads; and none is specially undertaken on their behalf. The only charges for which heavy vehicles are solely responsible, and which therefore can be reckoned as the cost of providing for commercial traffic is the outlay directly incurred in widening, straightening and strengthening a modern motor highway, and in making good wear and tear, the result of the passage of these vehicles. The Chevrier Commission in Ontario put these charges at 7% of the total outlay in that Province.<sup>2</sup> If this estimate be accepted, the remaining expenditure, (93%) must be undertaken if a road is to be got suitable for any motor traffic at all. The sum of the specific costs for which the parties liable are severally responsible will not, of course, amount to more than a small part of the whole expenditure. The rest of the outlay, the greater part if the computations of the Commission are correct, is an overhead, incurred in common for all types of motor traffic, and not specifically for any one. All users benefit, and all can be asked to contribute; but there is no means whereby

2. Note. Report of Royal Commission of Transportation, Province of Ontario 1938, p. 11 and p. 228.

shares in an expenditure such as this can be assigned to each as a *cost*. The *cost* of providing for any class of vehicles is the extra outlay incurred specifically because the road is to be made suitable for them, outlay which could otherwise have been saved. Cost in this sense, specific or differential cost, must be distinguished from "average cost per vehicle", the average expenditure per vehicle laid out on the highway. This is a figure which can be obtained by simple division; but that is a suitable method of allocating a common overhead charge only if equipment is being used to capacity, or if the number of users does not vary; and if the use made by each is substantially homogenous with that made by all others. None of these conditions is fulfilled in respect of traffic on a highway.

#### IV

A highway, designed to support a given maximum axle load, can carry a great volume of traffic of that weight or less; and it must be built up to that standard if any such axle loads are to be permitted. Otherwise the pavement will be broken and the foundations wrecked. To carry any commercial traffic at all, expenditure upon additional structures must be undertaken. This expenditure is necessary if a minimum of trucks and buses is to use the highway; but the highway as improved can withstand without damage a density of traffic very much greater than the minimum. For a considerable range of traffic therefore, not exceeding the maximum axle load for which foundations and pavement are designed, the costs of constructing the highway are invariable. No more need be spent, because a greater volume of traffic is expected, nor can anything be saved if the density is going to be less. If foundations and pavement are made strong enough from the first to support the weights allowed, the factor mainly limiting the increase of traffic is congestion of the highway. Congestion can be relieved and the capacity of the highway increased only by building additional carriageways, or parallel roads of an

equal standard. Up to the point at which this outlay must be incurred, the costs of the highway are constant whatever the volume of the traffic.

In relatively thinly populated communities it is reasonable to assume that highways are far from being congested. The only expense incurred therefore if one more vehicle is permitted to use the road, and the only charge saved if one were removed is the sum required to make good the extra wear and tear caused by the passage of that vehicle. This, a very small quantity,<sup>1</sup> is the "cost" of allowing the individual truck or bus to run over the highway. All the remaining expenditure, substantially the whole, both that incurred in common with all other traffic, and that undertaken specially for any particular class, is a fixed charge, "overhead" in respect of any particular vehicle, private car, truck or bus. The sum of the costs incurred on behalf of each vehicle separately, like the sum of the specific costs of providing for each class, do not amount to the total outlay on the highway;<sup>2</sup> and if the object of tax policy is to recover in revenue what has been laid out, it follows that the concept of a 'cost' per vehicle cannot be used to determine or justify tax schedules. In sparsely settled communities, truck registrations as a general rule are increasing. The duty upon each therefore, if made dependent upon average cost, should *fall* as number rise. If it is intended that the tax should remain stable over a period of years, the rate must depend from the first upon estimates of what is the expected average annual number of registrations throughout the useful life of the highway. Neither quantity can be predicted with any assurance. Scales of duty reached in this way will be just as arbitrary, as

1. Not only small, but also, apparently, difficult if not impossible to estimate accurately. In a (subsequent) work upon highway costs in the United States, prepared for the Association of American Railroads, Messrs. Breed, Older and Downs remark that "in general, these (maintenance) costs increase with traffic of a given pavement type, but there is no definite relationship between them... Attempts to correlate traffic and surface maintenance costs often have inconsistent and freakish results. This is because there are other factors controlling these costs which often outbalance the effect of traffic."

2. The usual condition of "average cost" diminishes as output increases.

those calculated by any other method of allocating an overhead charge.

In densely populated communities as, for example, Great Britain and certain parts of the United States, it cannot be assumed that highways generally are free from congestion. Many roads must already be approaching, or have reached that condition. The introduction of more vehicles on these highways can only be at the expense of the 'road-space' occupied by existing users, and must delay the passage of all. The registration and running of additional cars, trucks, or buses, far from being nearly costless, now becomes exceedingly expensive. It is no longer a matter of allowing an (or some) extra vehicle(s) upon highways already there, capable of taking them and with space to spare, at a cost no greater than the small sum required to make good any additional wear and tear which may be caused. The highway is congested. More traffic consequently demands new roads, or at least additional carriageways. Congestion caused by a great increase in the number of private cars and small trucks can be met by the construction of a lighter type of carriageway for the exclusive use of these vehicles, and no provision need be made for commercial traffic. The whole of the additional outlay can, and should, be levied upon the lighter vehicles on account of which alone, the new highways were required, and are provided. But if the congestion is brought about by commercial traffic in heavy vehicles, then the strongest and most substantial type of new carriageway and roads must be built, or the pressure relieved by diverting private cars to other possibly less expensive highways. But many new highways which have to be built are demanded by the growth of heavy trucks and buses. The whole outlay upon new construction therefore becomes part of the specific or differential cost of providing for that traffic. If instead other traffic is diverted, the cost is no less. Heavy traffic has become the exclusive or primary user of the original and most expensive highway; the private car, crowded off

this road, is compelled or induced to use other and possibly less convenient highways. The expense for which the commercial user is immediately responsible now includes the whole cost of the original highway plus an allowance for inconvenience caused to other users. This is measured by the difference between the worth of the first to the private user before it became congested and the lesser worth of the new road, or of the original in its congested state. The sum of these charges is the specific cost of providing for trucks and buses, and should be borne by the operators of these vehicles as their contribution to the expenses of the highway authority in addition to their share of the general overhead of the highway system. It follows from this that as commercial traffic increases to the point at which the highway is about to get congested with these vehicles, the cost of providing for additional vehicles rises steeply from the negligible item of extra wear and tear to the immense sum represented by the cost of new construction. This conclusion has an important bearing upon the rate of tax which is appropriate, and it should be borne in mind by those responsible for determining tax schedules.

## V

This article attempts only to show that figures of 'cost' of highways per vehicle, or for each class of vehicle, however elaborately calculated, are not exact, indisputable quantities amounting in sum to total annual expenditure upon (or cost of) constructing and maintaining a highway system. Nothing which is said here can be taken to preclude a highway authority from raising in motor taxes all, more, or part of what is spent annually upon highways, plus interest and amortisation of outstanding debt. Each motor user, private and commercial, can be charged with a share of the common and constant expenses in addition to the specific differential costs for which he is directly responsible. But the idea of "cost" cannot be used to determine what these shares should be—some other

principle of distribution must be found.

The situation of a highway is similar in this respect to that of a railway, or any other enterprise which uses an expensive equipment to produce or dispose of an output diverse in character and not normally fully absorbing the whole capacity of the plant. The railway management, or business executive, expects (usually) that the total proceeds of carrying traffic or of producing and selling goods will cover the whole costs of operating the railway or of conducting the business, overhead as well as direct, and provide in addition for interest and dividends, replacement and expansion. The out-of-pocket expense, the specific or differential costs<sup>1</sup> that is, of carrying any given consignment are very small; the major part of the expense of running a railway is overhead. This overhead cannot be allocated as a cost, a sum which can be saved if the consignment is not conveyed, an expense incurred only if it were carried. The several traffics, or diverse outputs, are charged "what the traffic can bear", whatever can be exacted from shipper or consumer over and above the direct costs of handling and conveyance, or out-of-pocket expenses of production, limited either by public policy (in the case of the railway) or by the competition of other producers and similar articles. A highway authority is in the same position. Most of its expenditure is overhead, part only the result of any particular traffic. Like the railway company<sup>2</sup> the authority cannot use "cost" to determine what share each vehicle must pay over and above the very small proportion of expenditure for which that vehicle is directly responsible. Tax gatherers must fall back upon what can be exacted—what the traffic will bear; and what is just and expedient—public policy. Since, on the

whole, a tax on transport is not a good method of raising revenue, the element of monopoly, what the traffic will bear, should play the smaller part and the element of public policy, what is just and expedient, the larger.

Compared with highway transport, carriage by rail is costly. It demands the exclusive use of a special track. This track has been expensive to construct, and a great deal is spent each year on upkeep. Road transport has involved no such outlay. Highway carriers can share the public road with many others. The cost of the additional structures and extra maintenance demanded by commercial traffic is often not a great proportion of the total. This is the "cost" of providing a track suitable for the carriage of goods and passengers by road. To this extent the commercial motor is a cheaper and more economic means of transport than the railway. It is made so just because highway carriers can share the public road with so little extra expense to the highway authority. This is a considerable advantage, and one of which the public should not be deprived by countervailing taxes on trucks and buses, without good cause.

The point at issue therefore, when a highway authority is deciding upon its tax programme, is not how should costs of highway construction and upkeep be allocated between the several users, whether in proportion to ton-miles run, vehicles miles, or any other of the bases considered by the Chevier Commission. The question rather is this, how much of the economies represented by the lower costs of making a highway suitable for trucks and buses, compared with the sum laid out upon the railway track should the public be allowed to retain, and of how much should it be deprived by rates of tax on heavy commercial vehicles exceeding expenditure for which that traffic is responsible? Public policy is paramount in determining upon this issue; and public policy includes not only the fiscal question, how much revenue is it desirable to raise from

1. Marginal cost, in the language of the economist, if output is homogenous and units small.

2. Railway and highway authorities share this characteristic with all enterprise which produces a variety of output from a common equipment, and must make provision for a varying proportion of idle capacity. The exceptions to the rule are businesses which market a completely homogenous output, the product of a plant normally operating at its optimum capacity, (or at some definite proportion of the optimum), the single "firms" of economic theory.

commercial traffic as a contribution to highway expenditure (or to the public treasury) but also the transport question, what part is the truck and the bus to play in the immediate future, and to what extent should truck competition be restricted in the interests of the railway. Taxes may be levied, and duties imposed, solely to obtain a given revenue from motor users, and with no intent of affecting the relations between railway transport and motor users. But a tax system designed to resolve also the difficulties and inequities which beset competition between road and rail cannot be proposed until transport policy has been formulated. The equity and propriety of a given schedule of taxes cannot be judged

except in relation to the purposes which it is intended to serve. Functions must first be distinguished, and traffic divided upon general principles of transport policy. When that has been done, rates of tax can be settled which will help to confine truck and bus operators within their allotted sphere. No general policy, universally applicable, can be outlined here, for what is appropriate depends upon the fiscal and economic conditions of the country, province or state concerned. Space does not allow the case of any particular community to be examined in detail; but in another place, the writer has endeavoured to apply this argument to the particular circumstances of the Province of Nova Scotia.

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## "Agricola": A Pioneer in Adult Education

By J. S. MARTELL

"AGRICOLA" would probably feel quite at home among co-operative leaders in Nova Scotia to-day. He too in his time, more than a century ago, told Nova Scotians that they could pull themselves into prosperity. The program he advocated was much narrower than that now being urged by the adult educationists of St. F. X.; but he was not far behind them in many of his methods of arousing the people to action. His appeal to self-interest, his call to local patriotism coupled with an attempt to create confidence in the resources and prospects of the province, and his emphasis on the necessity of practical education and the importance of mutual aid, the worth of work, and the love of the land are the very approaches used by some of the modern masters of the mass mind. The parallel extends even further. "Agricola," like the men of Antigonish, driven in part at least by fear of a foreign

ideology, in his case the republicanism of the United States, came forward in a post-war period when an economic depression seemed to stimulate thinking in all fields, and, like them too, he was fortunate in finding a government ready to lend valuable support. His success also was spectacular, attracting the attention of people far beyond the borders of the province, while within the province his response likewise came mostly from the eastern counties and Cape Breton. Here the similarity ends, as well it might. "Agricola's" movement petered out in seven years, although the work was taken up by others in the decade after his death.

A detailed account of "Agricola" and his achievements having recently been published<sup>1</sup>, little need be said about the man or what he did beyond the bare facts that he was a Scottish merchant named John Young of good education

EDITOR'S NOTE: J. S. Martell, Ph.D., is on the staff of the Public Archives of Nova Scotia at Halifax.

<sup>1</sup>: Bulletin of the Public Archives of Nova Scotia Vol. II, No. 2, Halifax, 1940.



and with an intense interest in agriculture who came to Halifax in 1814, when he was forty-one years of age, and after a short period of obscurity emerged as the man who, under the pseudonym of "Agricola," had started a province-wide discussion of agricultural problems. This led to the creation of a Central Board of Agriculture, with himself as full-time Secretary, which before its charter ran out in 1825 encouraged the formation of twenty-eight agricultural societies and with them, aided by generous government grants, did much to introduce new ways of farming, to extend tillage, improve livestock, increase oat mills, facilitate marketing, and thus add to the prosperity of the province by making it less dependent on the United States for foodstuffs, for it was Young's firm conviction that "this Province can never thrive so long as American produce is indispensable for the feeding of the population."

How did Young manage to stir the people out of their inertia long enough to start the ball rolling? Unknown beyond a small circle of friends and without public organization or private influence behind him, he first played upon the popular love of mystery by writing letters about the sad state of agriculture and the deplorable dependence on the United States and sending them to the press under the assumed name of "Agricola." Not even his publisher, Anthony Holland of the *Acadian Recorder*, knew who he was; but so well written were his communications and so obviously full of good sense that Holland, like most of the readers of the *Recorder*, judged them to be from the hand of a learned and probably influential person. Public curiosity was further heightened by the fact that the writer was so outspoken. Brushing aside the belief held by "a certain gloomy class of declaimers," he asserted that "it will be found that our increasing poverty may be traced to ignorance and inactivity, not to the niggardliness of nature, nor to the want of physical capabilities." Further, many

Nova Scotians notwithstanding, he maintained that "the climate of Nova Scotia, such as it *now* exists, is superior, with regard to the genial influence and heat of its summers, to all the northern European kingdoms, and is much more capable of producing the farinaceous corns . . . We want industry, not a propitious climate, to make us rich in agricultural produce."

Such statements soon raised the ire of certain gentlemen, including the Vice-President of King's College, the Rev. Dr. William Cockran, who was the President of the old and stationary Hants Agricultural Society. He and other conservatives of the day expressed contrary views in Edmund Ward's *Free Press*, and shortly there was a heated controversy between correspondents in the *Acadian Recorder* and the *Free Press* over the merits of "Agricola" and his radical and enthusiastic ideas. So long as Young remained anonymous, this was all to the good in giving his views wider publicity; but later, when he was Secretary of the Central Board and known under his own name, the personal pettiness to which his opponents often descended drove him more than once to the point of exasperation. In the meantime, however, he was attracting an ever-increasing number of readers and to them he unfolded his program in a positive, brilliant style.

While doing so he had to clear the way for his advanced thoughts by overcoming as best he could a very peculiar prejudice in the public mind. It came from the fact that the average farmer was ashamed of his job, and being ashamed, had lost the respect of the community. At least this was "Agricola's" accusation and there were not a few observers who bore him out. "The keeper of a tavern or a tipping-house, the retailer of rum, sugar and tea, the travelling chapman, the constable of the district, were far more important personages, whether in their own estimation or that of the public, than the farmer who cultivated his own lands . . . Farmers would blush to be

caught at the plough by their genteeler acquaintances . . . ” Both by his own words and by his success in rallying Lieutenant-Governor Dalhousie and other high-ranking officials of the Government to his side, Young did much to change the popular conception of agriculture and to raise farmers to a sense of the dignity of their labour. The testimony of John Starr at the annual meeting of the Central Board in 1821 was typical of that of Young's stout supporters: “On the establishment of the Central Board a new train of ideas arose and a sentiment of honour succeeded to this feeling of shame. Instead of saying to his servant ‘Go and do it,’ the farmer now says: ‘Come and do it,’ and he both holds the plough and performs other operations pleasantly because his profession has been rendered honourable.”

When discussing the advantages of his scheme of a central agricultural board working with local agricultural societies, Young laid the most stress on the opportunities for education and co-operation. It is here that his Letters remind one most markedly of editorials in *The Maritime Co-operator* and speeches by Dr. Tompkins and Dr. Coady, although his language was far less restrained, as, for instance, in his very first letter when illustrating the connection between knowledge and economic advancement: “The ignorant and unlettered boor is no more capable of being an enterprising and successful farmer than the team which he drives.” Speaking of the books, pamphlets and magazines that would be made available through the societies—the library of the Central Board boasted over three hundred volumes in 1825—he declared that they would “rapidly dispel that total ignorance, which, like the gloom of midnight, has cast over us a darkening mantle.” The farmer, he insisted, could not remain ignorant of the ideas in this latest literature which described how agriculture in the old country was being transformed under the stimulus of the industrial revolution “without sacrificing both his own and the best interests of the public.” Other

knowledge would emerge from his association with fellow farmers. “His attendance upon their stated meetings would furnish him with materials for thinking, and with subjects for experiment. He would return home with his mind stored with new ideas, and stimulated to take his part in the progress of improvement.”

Co-operation among farmers, as he saw it, was a practical need in the province. “There is here an obvious want of bread corn. We have no regular and adequate supply either of flour, of oatmeal, or of shelled barley for the use of the inhabitants: and Halifax has to import these articles from England and the States. Even those products, such as hops and barley for malting, for which our climate is supposed to be peculiarly favourable, are reared in such inconsiderable quantities as to bring the conviction irresistibly home that a stupid and contented indolence lies at the bottom of our poverty, and that we could be richer and more independent of foreign supplies if we would resolutely shake off our supineness.” Co-operation was obviously necessary “to draw forth the utmost powers of fertility.” An agricultural society could import “those new models of agricultural instruments . . . and also . . . livestock . . . ” “A man hesitates, and the caution is warrantable, to embark his own capital in any hazardous speculation for the public good, while he would most cheerfully bear his share in a joint adventure.”

The response to “Agricola's” skilful appeals and promises was remarkable. Less than six months after the appearance of his first letter, in December, 1818, he happily announced a public meeting under the patronage of Lord Dalhousie for the formation of a Central Board. Even before this he had had the pleasure of hearing from four new local societies. “Men of all ranks and conditions, even females respectable for age and virtue, have caught the prevailing ferment, and written me in a tone of interest and ardent expectation.” One admirer wrote: “As faith without works is dead,

so praise without food is dead also. Do me the honour to accept this turkey at my hands." Praise alone, but handsome praise, poured in from the other colonies, in newspapers and letters, and from the United States and Great Britain, where his fame had spread. In Halifax he was the most discussed man of the day, yet still unknown even to Lord Dalhousie, with whom he had begun a private correspondence some months earlier.

"Agricola's" unique achievement ended with the adoption of his program. It is too much to expect that any man in like circumstances would be disinterested enough to forego the laurel wreath and whatever went with it; but if Young had remained anonymous and allowed others to carry out his plans, the move-

ment he began might have continued without interruption, for he unfortunately became a personal symbol for attack in the next seven years. Other reasons for the breakdown at the end of that time, however, may be found in factors that were more general and impersonal. These it is not possible to discuss in this space; but one in particular was illuminated in Young's shrewd fear expressed in 1823 that "the days of our adversity have not been of sufficiently long continuance to correct our faults, and make a serious and lasting impression." The farmers were beginning to feel the upswing of better times. To-day co-operative leaders watching the effect of war-time wages express a similar fear.

## Municipal Government In Newfoundland

By H. B. MAYO

NEWFOUNDLAND has very little of the apparatus of local government. There is no widespread system of municipal, district and other local councils such as one finds in politically developed countries. The very term "local government" is not widely understood. I once gave a simple radio talk on the need for local government in the island. Next day a dear old soul remarked, "Ah, yes. You want us to get back our own responsible government. How nice!" She had confused local government with autonomy for the country as a whole.

Such local authorities as do exist are the Municipal Council of St. John's; the embryonic town council at Windsor (formerly Grand Falls Station); and, scattered around the country, various *ad hoc* authorities such as local Boards of Health, School Boards and Harbour Boards. Certain local affairs, normally

regarded as the duties of a town council, are looked after in St. Anthony by the International Grenfell Association and, in the paper mill towns of Corner Brook and Grand Falls, by the paper companies.

The St. John's Municipal Council—dating from 1888—now operates under the Act of 1921 and amendments thereto (the "City Charter"). There is a Mayor, a Deputy Mayor, and seven councillors. Elections occur every three years, and the franchise is open to all householders and to all male non-householders over 21 who pay a poll tax of \$5. (Very few do pay a poll tax). Party politics do not enter into municipal elections.

The Council's main responsibilities are streets and street lighting, water supply, sewerage and public parks. The usual utilities such as tramways, bus system, electricity, gas and telephone services are in private hands. The Council has nothing to do with elementary and secondary education, which is in charge of denominational school boards.

Power of the Council to raise loans

EDITOR'S NOTE: H. B. Mayo, a young Newfoundlander who studied at Dalhousie University and as a Rhodes scholar at Oxford, served for several years under the Commission of Government in Newfoundland and is at present on the staff of the Extension Department of the University of Alberta.

is subject to the consent of the Government. The largest single source of revenue is the property tax, the rate of which stands at 16 per cent of the estimated rental value. Another large source of income is the customs tax on coal, collected by the Government and passed over to the Council. There are a variety of other taxes, some of which yield next to nothing, ranging all the way from bank taxes to junk dealer's licenses.

Since this Council is virtually the only piece of political democracy in Newfoundland (for the Commission of Government is an appointed body), its working is of particular interest both to Newfoundlanders and to students of government outside the country. Its public deliberations and reported activities in the newspapers do not particularly reassure one that Newfoundlanders have learned the lesson of that humiliating February in 1934 when a bankrupt democracy voluntarily retired in favour of a benevolent dictatorship. But perhaps it is not fair to judge an organ of democracy by its debates. Even the Mother of Parliaments has been called, rather scathingly, "Yon towers of talk at Westminster." A better criterion is the kind of public service it renders.

St. John's is magnificently situated on the side of a hill around a land-locked bowl of a harbour, but the work of man has not enhanced the beauty of its setting. The city has never been the subject of any comprehensive town planning, and the many shabby houses, wretched streets and horrible slum areas do not betoken enlightened government. Until a few years ago there was no public library in the city, and even to-day the library is not a Council affair, but is managed by a separate Public Libraries Board and financed by the Government. The city's finances were anything but healthy in 1933, and it has been said that good fortune more than good management enabled the Council to avoid the fate of the Government in 1934 when it was put into the receiver's hands. And according to one who should know, em-

ployment in the municipal service is nothing like as graded and effective a system as the Commission of Government has made of the Civil Service.

Although these and other charges may be brought against the Council, of how many cities in Canada and elsewhere could not the same things be said? There is, too, a brighter side to the picture. The city administration has not suffered the same corruption that is commonly charged against the Government of the old days. If not progressive, it has at any rate been honest administration. Now and then too a city father of vision has appeared in the Council to raise the whole tone of policy. And in recent years the city has improved in many respects—streets are gradually getting better, the sewerage system is steadily improving and the public gardens are better kept. Even a housing scheme has been mooted, and there was an attempt to gain some of the public utilities for municipal ownership (thanks in both cases to that energetic and alert councillor, J. T. Meaney). A town-planning commission was set up in 1931, and though its report is a closely guarded secret, and the commission was allowed to become defunct, some of its ideas are being slowly carried out by the Council. There is some "zoning," and rebuilding is banned in the worst slum area. Moreover the Government cannot escape its responsibility for municipal housing. It is hard to see how any re-housing on a large scale, that could substantially alter the face of the city within the lifetime of any now living, could be carried on without the fullest assistance of the Government.

A Local Government act was passed for the outports (i.e. settlements outside of Saint John's) in 1933, the last year of the elected legislature, giving towns with a population of 1000 or more the right to form a town council. Certain towns, mainly industrial centers, were exempted from the Act on the ground, probably, that they are well looked after by the companies. Councillors were

to be appointed for the first term and elected thereafter. The Act has never been more than a dead letter. Another Act concerning local administration was passed in 1937, also providing for councils, and cutting out many of the numerous taxes which marred that of 1933. But there was no mention that the councils were ever to be other than appointed. An interesting theory has been put forward by a student of government<sup>1</sup>, that the two acts reflect the nature of the different authorities which passed them: the democratic government provided for elected councils, the appointed government for appointed councils.

This latter Act has borne two fruits. A Board of Management has been set up for the town of Windsor, and, securing funds from local taxation, is attending to the more urgent problems such as sanitation. Judging by the newspaper reports, the experiment is not an unqualified success. This, however, is not to condemn the undertaking, for many initial councils in other countries have also had difficult going. In any case Windsor is hardly the most favourable spot in Newfoundland for an experiment in local government.

The other fruit is that the Commissioner for Public Utilities has declared the Newfoundland Airport a local government area under the 1937 Act, and will be responsible for the administration of its local affairs. This is perhaps as satisfactory as any arrangement that could be made, for the airport is not a town in the ordinary sense. It is an air base—an overnight growth—and of high strategic importance.

The *ad hoc* authorities such as School Boards, Boards of Health, Harbour Boards, are the nearest thing to local government organs in the outports of Newfoundland. They are usually appointed, on recommendation from the locality, so that they are virtually elected, and hence are held responsible by local residents. The school boards are most numerous, and cover the country. They are denominational, for education in

Newfoundland is along church lines. Many of the Boards of Health are doing a fine job, especially in areas where cottage hospitals have been built in pursuance of the vigorous policy of the Department of Public Health and Welfare. Some of the Harbour Boards are also alive and have been known to raise loans and tax shipping in the course of their responsibility for the harbours.

Newfoundland has had representative government since 1832, and responsible government since 1855. In spite of this fairly long history of autonomy—long as Dominions go—there has been, outside of St. John's, no development of government on a local scale. Observers have not been wanting who have had grave doubts about the success of a central government that was not broad-based upon a system of local authorities. Among them were Sir Alexander Harris, a former governor, and J. D. Rogers. The latter in his *Historical Geography of Newfoundland* says: "In 1855 coping-stones were placed on the constitution, but the humbler offices on the ground floor are still lacking." And these humbler offices are still lacking.

Is there a positive correlation between this absence of the spirit and organs of local government, and the bad government which contributed so much towards paving the way for the debacle of 1933? In at least two ways, I think, there is.

First, local councils would have provided a training in the art of politics. The touch of direct taxation might have wakened the electorate to a conception of the duties as well as the rights of citizenship. The burden of indirect taxation, so characteristic of Newfoundland, is not so readily seen and hence the representatives were not often called to give an account of their stewardship. Out of the local authorities might also have come valuable, trained leadership to pass on to the central legislature.

In the second place, the absence of local authorities led to an inevitable concentration of too much power and too little responsibility in the hands of the district member. He was the mouth-

(1) Mr. Isaac Mercer, LL.B.

piece for the district in the legislature, and the channel through which public money flowed to the district.

The Amulree Commission saw clearly a close connection between local government and good government on a national scale:<sup>1</sup> "As there was no local government, he (the member) was expected to fulfil the functions of a Mayor, and of every department of public authority . . . This political system, combined with the effects of the credit system in the fishing industry, weakened the fibre of the people." And again: "The absence of any form of municipal government and the conduct of the entire administration from St. John's . . . have had an unfortunate effect upon the people in retarding the development of a public spirit and a sense of civic responsibility."

With this in mind the Amulree Commission naturally enough went on to conclude: "The formation of municipal governments in the more important outports, under proper control, and with the proper safeguards, would do much to induce a sense of responsibility in those called upon to contribute towards the expenses of such governments. We hope that steps will be taken to form municipalities as times improve, and we recommend that the new Government should do all in their power to encourage such a movement."

This recommendation has never been

<sup>1</sup> Report of the Newfoundland Royal Commission 1933, pp. 82, 83, 217, 218.

carried into effect, and there is no indication that the Commission of Government has given the matter the slightest thought. Perhaps the argument is that "times have not improved."

The danger is that autonomy may again be restored to Newfoundland without any preparation being made for that event. The restoration may come either as a demand from the people, as the Commission grows more unpopular or, at the end of the war the British Government may freely confer it under the impression that it would be a suitable reward for faithful war service.

The Commission of Government will have to realize, with more clarity and unanimity than it does now, that it is essentially a committee of reconstruction as well as a watchdog for the bondholders. One of the biggest jobs of reconstruction is to prepare Newfoundland for the resumption of self-government. And that of necessity involves the fostering of a system of local government, along municipal, regional or other lines. Too much centralization will merely lead again to "apoplexy at the center and paralysis at the extremities."

Perhaps, after all, the initiative must come from the Newfoundlanders themselves, and there are already a few encouraging signs of such an awakening. Or it may be that Newfoundland will enter the Canadian confederation and the local government experience of Canada will find its way into the oldest colony.

## Comments on Mining in Nova Scotia

By G. VIBERT DOUGLAS

**N**OVA SCOTIA is a mineralogical museum. From beautiful zeolites to massive nickeliferous pyrrhotite there is a great range of minerals, diverse in form and composition. A museum how-

ever is not an emporium, and while Nova Scotia can boast of a great many species it cannot boast of large quantities of all of these minerals.

The province has large reserves of coal and gypsum. A sizeable deposit of barytes is being developed at the present time. There is one good deposit

EDITOR'S NOTE: G. Vibert Douglas, M.C., M.Sc. F.G.S., F.G.S.A., M.E.I.C., is Professor of Geology at Dalhousie University.

of salt, and numerous salt springs which may indicate others. These are the chief mineral deposits involving fairly large tonnages.

In a different class are the gold, tungsten, tin, molybdenum, antimony, arsenic, manganese, iron and copper deposits which on the whole are small though often rich. These require all the ingenuity of the ablest mining engineers to make them economical.

Garnets, which are useful for abrasives, infusorial earth and zeolites, which have properties of value as absorbents, come in a class of their own.

There are large deposits of dolomite, limestone and shale which are potentially valuable but are not being worked to any notable extent at present.

Building stone of various kinds, notably the Wallace sandstone, is available for construction. The Province Building in Halifax is an example of the excellent weather-resisting properties of this beautiful stone, while for bricks there is a considerable quantity of clay, which is also utilized for piping.

Blomidon amethysts give Nova Scotia its gem stones, though many of the amethysts sold in the province are of foreign origin.

In the past there have been many attempts to make producing mines of ore-bodies of gold, tungsten and the other metals previously mentioned but of these ventures few have been successful. The reason why the balance has been on the side of failure is attributable in large measure to incomplete knowledge of the size and tenor of the ore-body in the initial stages of the operation. An attractive looking vein showing gold is found. A shaft is sunk and a mill is erected. Subsequent underground work fails to reveal any considerably body of ore. The original capital becomes exhausted and the shareholders after a few attempts to find ore are discouraged. The enterprise is a failure. If there had been a portion of the original capital expended on exploration and had the extent of the ore-body been accurately determined before the mill was built,

the financial loss would have been less. There are numerous cases in the past and examples at the present time which bear out the truth of this statement. It is an unfortunate thing that plausible promoters can extract hard-earned cash from the public by the portrayal of rosy prospects. This article will have repaid the author if it does nothing more than warn its readers to beware of promoters who talk big. The shortest way to the front door should be indicated swiftly to such personages, for they are a menace to the well-being of a community.

The only sound way to approach a mining venture is to remember the following things:

1. A mine at best is a diminishing asset.
2. It is utterly fallacious to assume that it will get better at depth.
3. Only invest in a mine, and especially a prospect, what you can afford to lose or would be willing to stake on a horse race.
4. Demand full and reliable information regarding—
  - (a) Tons of ore proven and indicated.
  - (b) Value per ton of the ore.
  - (c) Number of tons per day or per year it is proposed to mine.
  - (d) Cost of mining a ton of ore.
  - (e) Cost of treating and marketing a ton of ore.
  - (f) The number of shares that are being issued.

From these figures it is possible to find out how much you can expect to receive in dividends.

There are communities in Nova Scotia that are poorer to-day because they invested in mining projects glowingly described by promoters who were lacking in knowledge and in honesty.

Up to the present Nova Scotia has not been able to help the war effort very much with the supply of minerals other than coal because it has been cheaper to buy the required materials such as manganese, tungsten, antimony and molybdenum than to mine the known deposits

# Industrial Relations and Social Security

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## Canadian Unemployment Insurance in the Light of Foreign Experience

By P. WAELBROECK

**B**Y adopting the Unemployment Insurance Act of August 7, 1940, Canada lined up with the countries which had considered it necessary, in increasing numbers during the last twenty years, to introduce a compulsory system of State provision for the unemployed.

At first sight it may seem surprising that a country should introduce a reform of this kind and undertake the financial obligations involved, at a time when the prosecution of the war requires it to exploit all its resources and when the openings for employment created by the war have removed the problem of unemployment from the field of immediate and pressing concern. But the Canadian Government and people understood that it was necessary to look to the future. The memory of the last post-war period is alive in the minds of all the workers. They know that after the feverish activity of to-day, which is directed wholly towards meeting the requirements of the struggle, the end of hostilities will bring about a radical change of industrial structure; and although it is to be hoped that this time the Governments will take steps to alleviate the effects of this change on the employment market, it is inevitable that the worker who is invited to-day to make every effort for the national

defence, and consequently often to change his employment and even his occupation, will not respond to the appeal with the same fervour if he does not possess some guarantee that he will be protected later against the unemployment to which such changes expose. As the Minister of Labour stated in the House of Commons on July 16 last: "The surest foundation on which to base democratic Government is a happy and contented people. Nothing militates more against happiness and contentment than fear. By this measure fear will be removed to some extent from 4,600,000 of the Canadian people . . . This done, it will be recorded of the present generation that at a time when we were bending every effort and endeavour to overcome the enemy at our gate we were not unconscious of our duty and our obligation to promote the welfare and happiness of our own people."

In support of the reform, these lofty social considerations were backed by altogether practical considerations of economic policy. For some twenty years, and especially since the great depression of 1929 to 1932, there has been much talk of the methods of diminishing economic fluctuations, and it has been generally agreed that unemployment insurance, by moderating the purchasing power of the masses in boom periods and maintaining it at a certain level in unemployment periods, has a useful stabilising influence. At the present time the fundamental economic problem which every country at war has to face is that of financing the war, and this problem is connected with the problem of prices. Disequilibrium between the purchasing power of the population, as stimulated by economic activity, and the production of consumers' goods, as restricted for the benefit of armaments production, must be prevented in order that there shall not be a spiral rise of wages and prices which would

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**EDITOR'S NOTE:** Mr. Pierre Waelbroeck, of Belgian nationality, has played an important part in the work of the International Labour Office since the creation of the Office in 1920. He was chief of the Editorial Section for 16 years, and, in this post, was responsible for directing, editing and publishing the many publications of the Office. Since 1936, he has been in charge of the Employment, Unemployment and Migration Section and is now directing the research work of the office in this field from Montreal, where the working centre of the I.L.O. was transferred temporarily in September last.



undermine the foundations of the financial structure of the country. The solution is to divert purchasing power from private consumption into channels promoting national defence. To this solution unemployment insurance makes a useful contribution, since it withdraws from private consumption the money paid into the insurance funds. As was stated before the Committee of the House of Commons by the Economic Adviser to the Dominion Department of Finance, owing to unemployment insurance, "about four million dollars would become available each month for investment in Government securities, money which would otherwise have to be drawn by taxes or loans." The purchasing power set aside to-day in this way is by no means lost to the insured population; it will be restored to them later in the form of benefits, and will help after the war to break the force of any effects of unemployment on consumption. Lastly, from the point of view of the actual working of the unemployment insurance system, the present time is particularly propitious for introducing the system, since the increasing activity on the employment market provides a favourable basis for the initial period of operation of the scheme by making it possible to accumulate sufficient reserves before the claims for benefit have assumed considerable or even only normal dimensions.

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Although war conditions made the adoption of the Canadian Unemployment Insurance Act particularly significant, the Act itself has not been influenced at all by these conditions. It is by no means an emergency measure, but has been conceived as a lasting factor in the social organisation of the country. The hostilities have no doubt had the result of hastening its adoption, but the scheme had been under consideration for several years, and it is in the light of the permanent needs of the country that its main features were fixed. Without entering into detail as to its provisions, it may be indicated briefly how the Canadian system compares, in fundamental respects, with similar systems adopted in other

countries and with the principles laid down in the International Labour Convention of 1934.

The first distinctive feature of the Canadian Act is that it introduces a single national system of unemployment insurance, notwithstanding the federal Constitution of the country. In this respect it is a departure from the precedents set by other federal States which have introduced unemployment insurance, such as Switzerland and the United States, where the federal authority has confined itself to stimulating the introduction of separate insurance schemes in conformity with certain prescribed standards. Experience has shown that, however active such federal intervention may be, this method is unable to prevent differences, which are sometimes substantial, between the benefits to which insured persons are entitled in different parts of the country, the result being a dangerous insecurity in the rights of the insured and an obstacle to the mobility of labour. It has also shown how much time is needed to bring insurance systems which are set up separately into line with each other, and to remove divergencies and inequalities once they have been created.

The Canadian Government has aimed at averting these difficulties and complexities at the outset by introducing at once a single insurance system, applicable uniformly throughout the country. It was for this reason that in 1935 it caused the Dominion Parliament to adopt a first Act introducing a national unemployment insurance system, and that after the Act was declared unconstitutional by the Judicial Committee of the Privy Council in 1937, it decided to invite each of the Provinces to consent to an amendment of the Constitution which would give the Dominion Parliament the necessary authority to legislate on unemployment insurance, in preference to encouraging the introduction of separate systems by the Provinces. The procedure threatened to be long. On the eve of the outbreak of war the consent of three Provinces was still lacking.

There can be no doubt that for the reasons already indicated the circumstances of the war helped to overcome the final resistance and to give the federal authorities the powers they needed. The method chosen has perhaps taken some time to carry out, but by enabling Canada to organise an unemployment insurance system from the outset on a national scale it will prove of lasting advantage.

Not all the workers of the country are included in the scope of the Act of August 7, 1940. It is estimated that the number who will be covered by insurance will be 2,100,000. The exceptions for which the Act provides are to be found in one or more of other unemployment insurance systems and are covered by the provisions of the International Convention of 1934. They may be divided into three main groups. In the first place, there are the workers for whom unemployment is not a risk calling for special measures, either because they enjoy security of employment—the typical case is that of public officials—or because their earnings are high enough for them to be able to cope with the effects of any unemployment themselves. At the other end of the scale there are the workers for whom unemployment is such a serious risk that it is not considered possible to provide against it by the same measures as those applicable to the unemployment of other workers; this is the case for casual or seasonal workers. Lastly, there are the workers whose employment is of such a nature that it is considered not to lend itself to the supervision without which an insurance system cannot work. This is the reason why home workers and domestic servants, for example, are often excluded from unemployment insurance schemes, and it is sometimes put forward to justify the exclusion of agricultural workers.

The fact is, however, that these various groups are not excluded in the same way by all unemployment insurance laws; from which it may be concluded that the obstacles to their inclusion are

not as absolute as is sometimes supposed. Undoubtedly the special circumstances of each country must be carefully considered. Undoubtedly, too, the insurance of a particular group against unemployment may call for special measures; in Great Britain, for example, the unemployment insurance of agricultural workers was effected in 1936 by the introduction of a special scheme. And again it has undoubtedly been considered preferable as a rule to simplify the initial application of unemployment insurance by limiting it at first to those groups where the difficulties of administration and supervision would be smallest. It is therefore not surprising that the Canadian legislation allows for substantial exceptions to begin with. But the Act itself contemplates the gradual extension of the scope of insurance. The Unemployment Insurance Commission, which is responsible for the administration of the Act, may make regulations to include or to exclude limited groups of workers in certain employments if experience under the Act indicates that this is advisable. Moreover, it may recommend the establishment of supplementary insurance schemes to cover workers now in excluded employments. Special regulations may be made for casual and seasonal workers, number of whom is, for climatic reasons, particularly large in Canada. Thus the way has been left clear for widening the scope of the insurance system once the difficulties inherent in any new institution have been overcome.

Like every other unemployment insurance Act, the Canadian Act contains a set of provisions defining the conditions on which benefit may be claimed and the reasons for which the claim is forfeited. Without dwelling in detail on these rules, which vary from country to country, and for which the International Labour Conference decided in 1934 that the Convention should not contain precise regulations but that only certain recommendations should be adopted, it will be sufficient to mention that the Canadian Act does not make the right to benefit

subject to a means test, thus complying with the insurance principle as defined, in contradistinction to the relief principle, in the 1934 Convention.

For the purpose of fixing the benefit period, the Canadian Act goes further than other similar legislation in its attempt to take into account both the benefits already paid to the insured person and his periods of employment during the preceding years. A worker who becomes unemployed is entitled to one day's benefit for every five days' contributions paid by him in the five years preceding his benefit claim, less one day's benefit for every three days' benefits received by him during the previous three years. The object of taking a longer period than the benefit year into account is to level out fluctuations which would otherwise occur in the period of benefit. The system also means that workers who have not suffered much unemployment in the preceding years are secured a comparatively long benefit period; a worker who becomes unemployed after having been employed continuously during five years can count on a full year of benefit. On the other hand, it must be observed that for workers who are frequently exposed to unemployment, and whose need of protection is therefore particularly great, there is a risk that the benefit period may be rather short.

As regards the amount of benefit, a choice had to be made between the two systems that are to be found in other countries. The first, which is in operation in Great Britain, is that of benefit at a flat rate irrespective of the insured person's earnings. It has the undoubted advantage of simplicity, but the drawback of not taking the insured person's previous standard of life into account. If the worker previously earned high wages, the benefit he receives is not sufficient to prevent a serious curtailing of his resources. For low-paid workers, on the other hand, the flat rate always raises a problem of over-insurance. Hence the general tendency to reject the flat rate system and to grade benefits according to the unemployed worker's previous

wage. The first (invalidated) Canadian Act of 1935 had adopted the flat rate system, but in 1940 it was decided to change to the graded system. On the other hand, the example of those American laws which make the benefit exactly proportionate to the wages actually earned during a specified period was not followed. To this method, which calls for a detailed system of individual accounting, the Canadian Government preferred the wage class system which several countries have adopted as a compromise. Here the insured persons' earnings are grouped in wage classes and the rate of benefit is graded according to these classes.

The wage classes used for fixing benefit rates also serve to define contributions. In the Canadian system these are paid by both employers and workers, as is usual in most foreign systems, though not in the majority of the special laws in the United States, under which the employers alone contribute to the financing of the insurance scheme. An interesting and original feature of the Canadian system is that the grading of contributions according to wage classes is fixed differently for employers and for workers, so that the lower paid workers contribute at a lower rate than their employers, the reverse being the case for the higher paid workers. The object of this method, which is clearly inspired by social considerations, is to make the burden of insurance as light as possible for the workers who are least able to bear it.

As regards the contribution of the State to the financing of the insurance scheme, the Canadian system has, so to speak, compromised between the British and the American systems. Whereas the former provides for the payment by the public authorities of a contribution equal to the employer's or worker's contribution, so that one-third of the total burden is met by the State, in the United States the Federal Government merely grants an annual appropriation to meet the administrative expenses of the insurance fund in each State and all but one of the special laws make no provision for a contribution from the public author-

ities. The Canadian Act provides that the Dominion Government shall add to the employer's and worker's contributions a sum equal to one-fifth of the combined total. In addition it bears the entire cost of administration, with the result that the total share of the Government is about twenty-three per cent of the cost as compared with the British thirty-three and a third per cent.

A last fundamental feature of the Canadian system which in the present circumstances calls for special attention is the democratic nature of its administration. The National Unemployment Insurance Commission which is responsible for the administration of the Act consists of three members, two of whom are appointed after consultation with the employers' organisations and the workers' organisations respectively. The Commission is assisted by an Advisory Committee of four to six members, who must include at least one representative of employers' organisations and one representative of workers' organisations. Similarly, the members of the courts of referees set up to deal with insurance claims are chosen from panels of representatives of employers and insured workers. Thus the principle of "the participation of representatives of the contributors in the administration of insurance schemes" which was recommended by the International Labour Conference in 1934 is very widely observed. In fact, as was stated by an expert in the Dominion Department of Labour, "Practically the whole of the administration . . . will be in the hands of representatives of employer and employee, who pay by far the larger proportion of the fund . . . Because you have employer and employee sitting in on the administration . . . we are going to get a fairly sound and efficient administration."

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Although this comparison of the Canadian unemployment insurance system with the systems of other countries is a mere sketch, it cannot be concluded without at least a reference to two related problems.

No insurance system is sufficient by itself to protect the workers against the consequences of unemployment. It has been seen that certain classes of workers are usually excluded from the scope of such systems, and that a maximum limit is always set to the benefit period. In the Canadian system, the excluded groups will be comparatively numerous during the initial period of application and the benefit period is comparatively short for workers who are exposed to frequent or prolonged periods of unemployment. Most countries which have introduced unemployment insurance systems have supplemented the protection so given to the worker by assistance systems, which are planned and administered in close co-ordination with the insurance system. The Recommendation adopted by the International Labour Conference in 1934 expressly provides that "in countries in which compulsory or voluntary unemployment insurance is in operation, a complementary assistance scheme should be maintained to cover persons who have exhausted their right to benefit and in certain cases those who have not yet acquired the right to benefit; this scheme should be on a different basis from the ordinary arrangements for the relief of destitution." For some time the need of such a scheme has been stressed in Canada; and it is to be hoped that, in agreement with one of the recommendations made in the Sirois Report, the Dominion will be given the necessary powers to introduce a national assistance scheme which, when co-ordinated with the insurance scheme already in operation, will give the workers full protection against the consequences of involuntary unemployment.

Further, it is impossible to imagine that an insurance scheme will be efficiently applied if there is no collaboration and co-ordination with a national employment service, able to reduce the cost of insurance by seeing that employers in search of labour and workers in search of jobs are brought into touch with each other as rapidly as possible and by checking the involuntary character of the unem-

ployment of persons applying for benefit. This necessity was fully realised in Canada, and one part of the Unemployment Insurance Act is devoted to regulations for reorganising the placing system on a national basis. This is unquestionably the part of the Act which calls most urgently for application to-day, not only because the condition is one that must be satisfied before any insurance scheme can work properly, but because the war raises difficult problems of labour supply which can hardly be solved in the absence of a well equipped and co-ordinated service, able to take the initiative and carry out the supervision necessitated by that development or regulation of placing operations and vocational training which is needed in consequence of the expansion of national defence industries. An efficient employment service, in day-to-day contact with economic facts and enjoying the trust of employers and workers, will also render inestimable service after the war, especially for the readjustment of the employment market to peace-time conditions.

In conclusion, a last observation is called for. Reference has been made above to the arguments in favour of introducing unemployment insurance at the present moment. Certain critics reject these arguments. They attack the actuarial bases of the Unemployment Insurance Act. Some of them go so far as to assert that the introduction of this system is inopportune to-day because unemployment will disappear before the end of the war and after the war the crises will be such that the reserves which have been accumulated, will be insufficient to prevent a financial collapse of the system. As regards the immediate future, it may be replied that the war creates unemployment as well as openings for employment, and the British example shows that, in spite of a highly developed organisation of the employment market, workers who lose their employment in non-essential industries need to be insured against the unemployment to which they are exposed before they are re-absorbed by essential industries. As to

what will happen after the war, a discussion of the actuarial problem is out of place, for the reply to these criticisms lies elsewhere. If after the war the economic system is left to itself, if nothing is done to help it to find out what its new structure ought to be and to make the necessary adjustments, then it may safely be predicted that unemployment will assume catastrophic proportions, upsetting all actuarial calculations and reducing the available reserves to insignificance. But if, on the contrary, social progress, that is to say, the improvement of the material, moral, and intellectual conditions of the population, is considered as important a matter in peace as the victory of arms in war, if the transformation of the economic system to the service of this end is prepared as carefully and its reorganisation pursued as energetically as is the case to-day for the adjustment of industry to national defence needs, there is every reason to hope that unemployment will be kept within such limits that unemployment insurance, co-ordinated with a reasonable unemployment assistance scheme and supplemented by an active and experienced employment service, will be able to fulfil its purpose adequately.

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### Wartime Wage Policy

With commodity prices and profits already controlled on a wide scale the government of Canada has now taken action to control wages, the other factor in the inflationary spiral. The Order in Council (P.C. 7440) issued on December 16 is an attempt to maintain basic wage standards but to limit increases to a necessary adjustment to changes in the cost of living. To attempt to set wages arbitrarily would involve administrative difficulties and deprive organized labor of the fruits of collective bargaining. So, the assumption is made that wage rates already in existence are fair and reasonable, and should be used as a measuring rod.

The standard chosen is the general level which prevailed during the period

1926-29, or any higher level established since that time. This standard is to be regarded as the general level in existence at that time and exceptions are made for cases where it can be clearly shown that a wage was either abnormally high or low. In these cases a Board of Conciliation may decide on a rate that it considers fair and reasonable. If the 1926-29 wage is higher than present levels the Board may prevent its restoration and limit wage increases in this case to 5 per cent per year. The Order also provides that no reduction should be made in wages in effect at the date of issue and that provincial minimum wage standards shall be regarded only as minimums.

While this basic wage rate is not to be changed, provision is made to protect the workers against rising costs of living. The measurement used is the new cost of living index prepared by the Dominion Bureau of Statistics, with any regional adjustments that may be required. When this index shows a rise of at least 5 per cent since August, 1939, the workers are entitled to a cost of living bonus. This bonus shall be adjusted not more frequently than quarterly and shall be increased only if the rise in cost of living since the last adjustment has been 5 per cent or more. With the fact in mind that the burden imposed by rising prices varies inversely with income the bonus was made a flat amount per hour or week, uniform for all workers.

This legislation is aimed only at protecting a basic standard of living and of course leaves a wide range of matters to be dealt with by employers and employees. There are, however, several general stipulations made. The most important is that any suspension of working agreements regarding hours, working conditions, overtime, etc., shall be regarded as temporary, applying only for the duration of the emergency. Any such suspensions or departures from trade practices must be recorded with the Registrar of the Industrial Disputes Investigation Act. These records are designed to facilitate the restoration of the conditions after the war.

The Order in Council is designed as a guide for the Boards of Conciliation set up under the Industrial Disputes Investigation Act. It applies, therefore, only to industries coming within the scope of the Act. Those included are:

1. Industries engaged in work affecting munitions of war, supplies, or defence projects.
2. Industries employing ten or more persons and providing transportation, communication or public utility services.
3. All industries in which the parties to a dispute agree to ask for a settlement under the Act.

The definition of "munitions of war," "supplies" and "defence projects" is a very inclusive one and if this wage policy is adopted in all such industries it may well be considered the policy governing the industry of Canada as a whole.

#### Comments on Mining in Nova Scotia

(Continued from Page 140)

in the province. If the war continues and the other sources become limited, some activity in Nova Scotia is to be expected. The province has been collecting data and making surveys and examinations of the possible resources so that when the demand for any mineral product comes, the location and geological facts which are known will be available. Those in the province responsible for the natural resources are in close touch with the Dominion authorities who deal with the supply of raw materials.

Nova Scotia has been fairly carefully prospected but not by any means completely. Within the year a deposit of barytes has been proven and there are excellent chances of finding other mineral deposits. The old geological survey sheets should be studied. Everything that one sees in the fields and woods should be looked at critically. If it is unusual, the finder should try to determine its nature.

Keen observation on the part of all, with honest interpretation on the part of the professional man, will place the mining industry of any province on a sound footing.

# Current Public Affairs

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## Institute of Public Affairs

The Institute announces a series of public lectures to be held at Dalhousie University on Friday, March 14, 21, 28 and April 4. Canadian war problems will be discussed by well-known Members of Parliament who have kindly agreed to come down to Halifax for that purpose. The following is the schedule:

This War and the Last War—Brooke Claxton, K.C.

French Canada and the War—L. P. Picard

The War and Social Justice—M. J. Coldwell

Problems of the Western Canada—John E. Diefenbaker.

As part of the Institute's war research project a survey of household budgets in a number of Maritime universities will be held in April. It will be undertaken in cooperation with Acadia, Mount Allison, St. Francis Xavier, St. Thomas and the University of New Brunswick, each university surveying a group of representative wage-earner families in its own community. It is the purpose of the survey to collect reliable data about costs of living in the Maritimes and to ascertain changes which have been brought about by war conditions. The survey will supplement the findings obtained by the Dominion Bureau of Statistics in its investigation undertaken during 1938-39 in Halifax, Saint John and Charlottetown. Some results of this investigation have been discussed in an article, "Household Budgets of Wage-Earners in Canadian Cities," by H. F. Greenway and D. L. Ralston, published in this journal in August, 1940.

The fourth annual Report of the Institute has just been issued and may be obtained free of charge from the Institute's office at Dalhousie University.

## Civilian Emergency Organization in Nova Scotia

Because of its geographical position and its special war responsibilities,

Nova Scotia is recognized as Canada's first line of defence, and of danger. No one doubts that should opportunity occur, the enemy would lose no chance to cripple the facilities of this Province and its vital ports whether by air raid, incendiary bomb, munition blast or sabotage. That Nova Scotia is essentially a war-zone was in the mind of the National Red Cross Council when it decided to defray any reasonable expenditures for preparedness in this area, and for the emergency care of victims of attack.

As a consequence the Nova Scotia Division has set up a provincial organization with comprehensive plans covering rescue work, human service, such as the provision of emergency food, clothing and shelter, medical relief and transportation. In addition it has enrolled large numbers of citizens pledged to serve in any emergency which may arise.

The Province has been divided into fifteen areas. Naturally the so-called vulnerable points have been the first to receive attention. Organization has already been effected in Halifax, Dartmouth, Woodside, Rockingham, Prince's Lodge, Birch Cove, Bedford, Sydney, North Sydney, Sydney Mines, and Glace Bay. Responsible committees will be set up in other areas as rapidly as possible.

Some of the work done may be briefly indicated. First there was the preparation and distribution of volunteer registration forms; 25,000 of these were printed and distributed in the Halifax area and 50,000 more prepared for the Sydneys and elsewhere. The classification and carding of this army of volunteers entailed a great deal of work. Then there was the compiling of a disaster manual of instructions for the guidance of committees. Surveys of resources were made and representations made to the National Office as to the local requirements. As a result, four mobile operating units equipped with surgical supplies, stretchers, drugs and serums, were sent to this Division, as well as boxes and bales of

blankets, bedding, and other requisites which have been assembled in strategic centres. In addition two further mobile operating suites and quantities of supplies have been stored at a central point, and a transport system organized and standing ready at a moment's notice to rush supplies to a scene of need.

Important as are supplies and facilities, success in disaster relief depends largely upon competent personnel. Many meetings have been held, committees organized and instructed, conferences held with authorities, and fullest cooperation has been forthcoming from business executives to bicycle boys. Of special interest has been the service pledged by members of the labour unions—a unique feature of Canadian disaster organization. Some idea of the work involved may be gained by reference to the single case of emergency medical division. This division embraces seven separate committees, each in charge of a doctor. Among their duties are the selection and designation of emergency shelters for hospitals and dressing stations, the organization of nursing services, and a blood-donor registration clinic. The latter has already tested and typed hundreds of volunteers. It is hoped that there may be no need for all or any of these services, but the public should know that well-defined plans and preparations have been made to meet such calamities if and when they do occur.

S. H. PRINCE  
Provincial Chairman

### Canadian Legion Library for His Majesty's Forces

In the last few months the Canadian Legion War Services has added to its Education programme a library service.

Last fall \$12,000 was allocated to the Atlantic Command Area for books to be selected and distributed by the staff of the Nova Scotia Regional Libraries Commission, whose services were lent to the Legion for this purpose. A further sum of money has been granted for 1941.

Already some 6,000 volumes are out

in camps and forts. Every title has been carefully selected either for its practical use, its value in a particular field, or its entertainment or recreational quality.

The nucleus of the library consists of a wide variety of books on technical subjects: automotive engineering, diesel engineering, blueprint reading, seamanship, aerodynamics, air navigation, radio flying, etc. Books of this type are of use to men in their work to-day in the Services and will help to equip them for jobs when the war is over.

It is a measure of our freedom as compared with the slavery of Europe under Hitler that we can still read such books as Maurois' "Tragedy in France," Hambro's "I Saw it Happen in Norway," Van Kleffens' "Juggernaut Over Holland," Laski's "Where Do We Go from Here?" and Valtin's "Out of the Night." Thanks to the Legion Library Services, this freedom is not only a theory, for these and many other books of absorbing interest on current affairs are in the library.

During the past few years there has been a great output of "readable" popular books on a variety of subjects and it has been the aim to include all these in the library: biographies, travel books, popular histories, and simple books on economics and politics from the United States and England. There are novels too.

Regarding this library service, Mr. Robert England, Director of the Educational Services of the Legion wrote: "We feel that our Educational Services would be meaningless without some attempt to provide reading material for these men, many of whom are so far from home, and to encourage them to make use of the books made available by use of modern library techniques . . . It seems to us here that there is a chance at this time to develop the regional library idea and at the same time encourage the reading habits of the men. Contacts which the men will have with such a developing library service would have an incalculable influence on the future of library work in Canada when they return to civil life throughout the Dominion."



# What Municipalities Are Doing

Contributions from Municipalities to this Column will be most welcome

## Nova Scotia Union of Municipalities Presents Proposals to Government

The Executive of the Nova Scotia Union of Municipalities met with representatives of the Government of Nova Scotia at Halifax on February 18th to present a number of resolutions containing proposals for legislation at the coming session of the legislature. Among the matters raised were taxation without consent, sharing in the expenses of certain municipal offices, and certain amendments to the Assessment Act and the Old Age Pensions Act.

At the conference spokesmen of the Union reasserted the contention of the Union that financial burdens should not, as a general rule, be imposed on municipalities by legislation without previous consultation between the officers of the Union of Municipalities and the Department concerned. They also urged that, since the municipalities have to provide offices for sheriffs, registrars of deeds, registrars of probate, prothonotaries, clerks of the crown and clerks of the courts, and have to furnish heat, and light such offices, and since the Province of Nova Scotia receives an income from those offices, the Government should financially assist the municipalities therein.

Extension of benefits to include the insane is sought by the Union in an amendment to the Old Age Pensions Act, so as to include municipal charges who, but for such insanity, would be entitled to the benefits of the pensions. Another of the resolutions asks for a general plan together with an outline of financial arrangements whereby the municipalities may establish and maintain hostels and recreational facilities where required throughout the province for the defence forces.

## Administrative Reforms in Local Government of New Brunswick

The Minister of Municipal Affairs of New Brunswick, Mr. C. H. Blakeney, is reported to be about to introduce legislation into the New Brunswick Legislature designed to remedy existing faults which have been disclosed by the work of a committee of the Union of New Brunswick Municipalities. In its final report that was recently submitted, he has recommended some twenty-seven amendments and revisions of the Rates and Taxes Act, the Municipalities Act, the Hospital Act, the School Act and the Highway Act.

By the terms of reference the committee was limited to a study of problems of assessment and taxation but in their report they were forced to touch on other issues of public policy in order to give a complete picture of the problem which they were facing.

Their first recommendation was that either the Road Tax be stabilized at the amount of the 1938 levy, instead of levying it at a proportion of the assessed valuation of the county as heretofore, or, better still, that the Province assume the full cost of the upkeep of all highways. They were of the opinion that greater efficiency could be achieved by consolidating all rural taxes, including Road and School taxes, with a single taxing authority, as is now being done in the towns and cities. Among the advantages suggested by the change would be a reduction on the cost of collection, more competent men as collectors because of the higher remuneration which would result, and the opportunity for better auditing facilities which would result from centralisation.

They recommended the abolition of the old Parish Boards of Assessors, and their replacement by either one County Board or a County Chief Assessor who

would be Chairman of all such boards. All county monies, they suggested, should be audited by Chartered Accountants or by Accountants approved by the Department of Municipal Affairs. They further urged the desirability of inspection of the records of Municipal Offices by the Department of Municipal Affairs, with some powers of control vested in the Minister in cases where a Municipality is in patent financial difficulties. They made a number of recommendations aimed at standardization of procedure under the Rates and Taxes Act.

### Why Relief Costs Do Not Show a Greater Decline

Though relief costs of Canadian municipalities have been considerably reduced during the last year with the expansion of defence industries, the decline is not in keeping with the increase in employment which characterizes the Canadian labour market. Various explanations have been given and blame has been laid on relief recipients as well as on relief administrations. It would have been better if instead of indulging in generalities investigations were undertaken in various municipalities in order to find out the reason for the phenomenon. This has been done by the Local Taxpayers' Association in the City of Pittsfield, Mass., and according to a report contained in the January issue of "Public Management" it was found out that in the main the cases on the welfare rolls are those of persons who because of poor health, insufficient education, family maladjustment, age disqualifications or lack of trade or a trade trained skill are unable to compete successfully in community life.

The survey found that 42 per cent of the heads of families were reported in poor health. Such maladies as heart trouble, hernia, nervous disorders, diabetes, and arthritis were most frequently found. Nearly one-third of the welfare cases had received hospitalization during the last fifteen months.

Insufficient education came next in importance. It was found that 79 per

cent of the heads of welfare families did not go beyond the eighth grade.

One of every three families on the welfare rolls was broken by death or marital difficulties; 25 per cent of the heads of families were widows and in 10 per cent of the cases women who were heads of families were divorced, had been deserted, or were separated from their husbands. Out of every ten heads of families receiving relief, five were over 65 years of age, three between 40 and two between 20 and 40. Two-thirds of the heads of families receiving aid were labourers, either unskilled or semi-skilled. The advance of machine technology has brought to the welfare rolls an increasing number of persons unqualified to meet industrial employment standards.

### Municipal Tax Collectors

Tax collection remains one of the perennial problems of municipalities in the Maritimes. In New Brunswick several counties have experimented in recent years with pooled collections by a single collector for all rural taxes. The question was one of those foremost in the minds of the five-man committee on taxation and assessment which recently reported its findings to the New Brunswick Union of Municipalities. In Nova Scotia the Colchester municipal council has maintained a central collector located in Truro for the past four years. At the January meeting of the council the matter came up for review and the council voted to continue with the system of centralised collections. The council was of the opinion that centralised collection had been so far economical and efficient and was worth carrying on with.

The Cape Breton County Council has received a report compiled by the Department of Municipal Affairs on the tax structure of the county. The purpose of the survey was to determine the collectibility of outstanding taxes, the accuracy of the present assessments and to gather data from which it would be possible to materially improve the 1940 and 1941 assessment rolls and from which it would also be possible to increase tax collections for 1940.

# Legal Department

## Municipal Tax Problems Concerning Soldiers on Active Service

**EDITORIAL NOTE**—The following questions were discussed at the Short Course for Municipal Officers of Halifax on August 31, 1940. W. E. Moseley, L.L.B., Town Solicitor of Dartmouth, has kindly summarized the answers.

**Question 1**—Is a soldier on active duty stationed in a municipality other than the municipality in which he ordinarily resides liable for poll tax in (a) the municipality in which he is stationed? or (b) the municipality in which he ordinarily resides? If he is stationed in one municipality but is permitted to and voluntarily resides in another municipality immediately adjoining same, this being not his ordinary place of residence when in civilian life, does he then become liable to be assessed for poll tax in such municipality?

**Answer**—Sections 5 and 6 of the Assessment Act authorize the levy of a poll tax upon every male "resident" of the town or municipality and the answer to this question therefore depends upon whether or not it can be said that the soldier is a "resident." What constitutes "residence" is a matter to be determined from all the circumstances under which a man stays in a given place; and what is "residence" under one enactment is not necessarily "residence" under another. A full discussion is contained in Manning "Assessment and Rating," (2nd ed.) at page 116 et seq. and the following quotation from page 117 may be helpful:

"residence is a question of law and fact—chiefly fact. It is founded on actual physical presence in a place, for some appreciable period of time, coupled with an intention to remain there. The intention may be inferred from the circumstances surrounding his presence or from the relationship which he bears to the place. The place where a man's family is to be found, is not, however, generally regarded as conclusive."

The circumstances here are simply that the soldier was transferred to the municipality, without his volition, and it would seem very difficult to infer any intention to remain there; rather would the opposite seem to be the case, namely, that as soon as he is released he will

go back to his former home.

As to the municipality in which he is stationed, he is not a resident because he lacks "intention to remain there." As to the municipality in which he ordinarily resides, he is not a resident because he lacks "actual physical presence." As to the last case cited, a third municipality in which he voluntarily resides, while stationed in an adjoining one, it would seem that, as he voluntarily goes there, he has become a resident; but on further consideration it will be apparent that there can be proved no "intention to remain there" unless some stronger circumstances appear but it may more readily be inferred that his stay in this third municipality will cease immediately he is released from active duty.

It is submitted therefore that the soldier in question has no "residence" and need not pay poll tax in any of the three municipalities.

A man must have a "domicile;" but "domicile" and "residence" are not synonymous terms; in this case his domicile would continue to be the place of his domicile while in civil life; should a Court determine that he *must* have a "residence," within the meaning of the Act, then that too would be his residence. If therefore he must pay poll tax it would be in the municipality referred to in part (b) of the question.

**Question 2**—May a member of the Canadian active service forces or of the non-permanent active militia be arrested under a warrant for taxes?

**Answer**—The right to arrest a member of any of the military forces of Canada is governed by S. 144 of The Army Act (44 & 45 Vict. ch. 58 Imp.) which is made applicable by S.69 (1) of the Militia Act ch. 132 R.S.C. 1927. This section provides that "a soldier of His Majesty's regular forces shall not be liable to be taken out of His Majesty's service by any process, execution or order of any court of law or otherwise . . ." It is submitted that a tax warrant is included in this class and consequently a soldier whether in the active service force or in the non-permanent active militia is exempt from arrest under such tax warrant. Section 2 (e) defines militia as meaning "all the military forces of Canada." Under Part (b) of Section 144 (1) there is an exception made in the case of a debt or sum of money exceeding \$30 and consequently a tax warrant could be executed for that amount.

# The Bookshelf

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CANADA GETS THE NEWS By Carlton  
McNaught. Ryerson Press, Toronto. \$3.50.

This book is one of the research studies issued under the auspices of the Canadian Institute of International Affairs. It achieves a high standard of objective description and analysis. The author is concerned neither to praise, defend nor damn the Canadian newspaper press. At the same time he makes very clear the limitations of the Canadian newspaper in handling foreign news. If the Canadian public is to learn how much confidence to put in its newspaper press, and if it is to be better served by the newspapers, this book should make an important contribution. It is to be hoped that it will be widely read by the public. Chapter XI, in which an actual and objective record of the kidnapping of Marshal Chiang Kai-shek in December, 1936, is set side by side with the garbled Canadian newspaper accounts of the episode and their editorial comments thereon, is apt to destroy many illusions

B. S. KEIRSTEAD

THE MILITARY PROBLEMS OF CANADA, By C. P.  
Stacey. Ryerson Press, Toronto, (1940) \$2.50.

This little book will be extremely useful to students both of Canadian history and defence problems and should be required reading for all newspaper editors in these days when arm-chair strategists are enjoying their inning. Those who know of Professor Stacey's earlier studies on defence will expect a high standard of scholarship and objectivity and they will not be disappointed. A weakness is perhaps the lack of attention to economic aspects of defence which in days of total war are so important. But an author has the right to stake out his own boundaries. Chapters are: Geography and Canadian Security; The Military Institutions of an Unmilitary People—Canadian Defence Policy to the Great War; The Great War and After (1914-1935); The New Defence Policy (1935-1939); The Second World War.

The book is published under the auspices of the Canadian Institute of International Affairs. Major Stacey is now official historian of the Canadian forces overseas. Both the Institute and the author are to be congratulated on the production of a timely and very readable volume.

R.A. MACKAY

THE ECONOMIC WELFARE OF CANADIAN  
EMPLOYEES. Bulletin No. 4, Industrial  
Relations Section, School of Commerce and  
Administration, Queens University, Kingston,  
Ont. Price \$1.25.

Little noticed by the general public, most useful work has been done during the last few years at Queens University by the Industrial Relations Section. Under the direction of Dr. J. C. Cameron it has become a centre of information and research for employer-employee relations in Canada. Its annual conferences are attended by representatives of nearly all major industrial concerns in Quebec and Ontario. With many hundred firms cooperating, it is in an excellent position to find out what is going on in Canadian industries. Its research bulletins compiled on the basis of comprehensive questionnaires give therefore an accurate picture of industrial welfare plans such as "Industrial Retirement Plans in Canada" and "Vacations with Pay in Canadian Industry" 1938 and 1939 (\$1.00 each.) While these publications will mainly appeal to the specialist, a pamphlet "The Right to Organize—Recent Canadian Legislation" (1938) and the bulletin under review will be of considerable interest to all Canadians who favour social progress.

More characteristic than the title "The Economic Welfare of Canadian Employees" is the sub-title "A Study of Occupations, Earnings, Hours and Other Working Conditions 1913—1937." It is a study long overdue for Canada, giving an answer to the question whether the economic conditions of Canadian employees have improved or deteriorated during the last twenty years. The actual wage rates paid to workers give naturally only a very incomplete picture. Hours of work, unemployment and cost of living are equally or even more decisive factors for determining the economic welfare. The information about some of these data available in Canada is still rather scanty and the author of the bulletin was therefore more limited in his findings than researchers in the United States where the problem has been given great attention for a good many years. But for the manufacturing industries for which statistics are more adequate the bulletin contains most revealing findings; for instance, that productivity, that is the index of efficiency of production per employee, increased 52 per cent between 1913 and 1937 while during the same period average real annual earnings per employee rose 34 per

cent. This is in keeping with the results of a comprehensive investigation of the Brookings Institution covering the major industries in the United States, the main features of which are explained in popular language in a pamphlet "Productivity, Wages and National Income" (Brookings Institution Pamphlet No. 23).

Chapters on hours of work and working conditions in Canadian industries—including labour legislation—add to the value of the study under review.

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A PLAN FOR BRITAIN. Planning Pamphlets No. 3. National Economic and Social Planning Association, Washington, D. C. 25 cents.

This is a truly remarkable publication, not only in view of its contents but also because of its (English) authors and its (American) sponsors.

The small booklet contains a collection of short articles on Britain's social and economic war aims as envisaged by a group of private British citizens, all of them keen on social reform and all experts in their particular field. Eminent scholars, scientists and writers like A. D. Lindsay, the Master of Balliol College; Julian Huxley, the biologist, and J. B. Priestly, are among them, though the introductory article—and one of the finest in the series—has as its author a simple Welsh coal miner.

These articles which are written in a language readily understandable to "the man on the street" and which first appeared in an illustrated English weekly have now been republished by the National Economic and Social Planning Association of Washington, D. C., a research organisation which has to its credit a number of important studies (among them one on Hemisphere Defence) and whose members are mainly economists and other scientists.

These are the component parts of "A Plan for Britain" as described in nine chapters following the introduction which was previously mentioned: "Work for All—The First Necessity in the New Britain," Thomas Balogh; "Social Security," A. D. K. Owen; "The New Britain Must be Planned," Maxwell Fry; "Plan the Home," Elizabeth Denby; "The Land for All," L. F. Easterbrook; "A Plan for Education," A. D. Lindsay; "Health for All," Julian Huxley; "A Real Medical Service," Dr. Maurice Newfield, and "When Work is Over," J. B. Priestly.

In the foreword given to the booklet by its American sponsors two reasons are stated for the republication: people in the United States want to know the kind of a country that may

emerge out of Britain when the war is over. In larger part, however, the articles are presented because they serve as an example of the thought and inquiry which in the opinion of the sponsors should be undertaken by people throughout the United States.

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PUBLIC ADMINISTRATION ORGANIZATION'S. A DIRECTORY, 1941, Public Administration Clearing House, Chicago. \$1.50.

The well known and useful directory of voluntary unofficial organizations in the field of Public Administration in the United States and Canada appears for the fifth time.

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CITY MANAGEMENT: THEORY AND PRACTICE OF MUNICIPAL ADMINISTRATION, by Henry G. Hodges. F. S. Crofts & Co., New York. (1939) \$4.50.

POLICE SYSTEMS IN THE UNITED STATES, by Bruce Smith. Harper & Bros. (1940) \$5.00.

GOVERNMENT PUBLICITY: ITS PRACTICE IN FEDERAL ADMINISTRATION, by James L. McCamy. University of Chicago Press. \$2.50.

The important phases of public administration discussed in the three books under review have, as far as we know, never been the subject of major Canadian publications. Since the problems involved are just as acute in Canada as in the United States, it seems worthwhile to find out how they have been dealt with by our great neighbour and how much might be applicable to the conditions prevailing here.

In City Management, Professor Hodges, himself a former general inspector of public works in Philadelphia, has given us a comprehensive and valuable textbook dealing in a systematic way with all phases of municipal government and administration.

About the second book that deals with Police Administration Raymond D. Fosdick has the following to say in his Foreword: "Bruce Smith has employed the entire range of public police agencies in the United States—the smallest as well as the largest of them—for the purposes of his descriptive and critical treatment. He traces the origin and development of the several types of police organisms employed by the local, state and federal governments, defines their scope and structural organization, explains their inter-relations, exposes their strong points and their weaknesses. Thus a balanced treatment

of the American police problem in all its ramifications is secured."

The third book, *Government Publicity*, though written before the war, is most timely in view of the present situation. How far should the government go in providing information? Where is the line of demarcation between information and propaganda? What methods should be used by the government? These are some of the many interesting questions dealt with in Mr. McCamy's book, mainly on the basis of the experience in the Roosevelt administration. Those who are of the opinion that government publicity is insufficient in Canada and that the government often misses opportunities for stating a good case will agree with Mr. McCamy when he demands that administrative publicity should be recognized as a proper staff function in public administration.

#### NEW PAMPHLETS

In the Oxford Pamphlets on World Affairs which are published by the Oxford University

Press and sell for ten cents each, three new volumes have come out: *South Africa*, by E. A. Walker; *The Arabs*, by H. A. R. Gibb, and *The Origins of the War*, by E. A. Woodward. Also from the Oxford Press, though not in the series, appeared recently a fascinating pamphlet, *Lies as Allies of Hitler at War*, by Viscount Maugham. Price fifteen cents.

In the series *Behind the Headlines* published by the Canadian Association for Adult Education and the Canadian Institute of International Affairs, the last pamphlets are *Confederation Marches On*, a comment on the Rowell-Sirois report by R. M. Fowler; *Shake Hands Latin America*, by Mary McLean and J. R. Baldwin; *Labour and the War*, by Andrew Brewin, and *American Dollars are Hard to Get*, by T.L. Avison.

Of the Public Affairs Pamphlets which are published by the Public Affairs Committee in New York and which have been repeatedly recommended here, four new issues have appeared: *Credit Unions*, *The People's Banks*, *Read Your Labels*, *How Shall We Pay for Defense?* and *What It Takes to Make Good in College*. The price is ten cents each.

## STUDIES OF THE INSTITUTE OF PUBLIC AFFAIRS

Dalhousie University

Canada's Unemployment Problem

Edited by L. RICHTER

Dalhousie University. Price \$2.50

Studies in the Economy of the  
Maritime Provinces

By S. A. SAUNDERS. Price \$2.00

The Next Step in Canadian  
Education

By B. A. FLETCHER

Dalhousie University. Price \$2.00

The Macmillan Company of Canada  
Limited, Toronto

## 2 NEW

### DALHOUSIE BULLETINS ON PUBLIC AFFAIRS

To be published in April

#### No. 11. Canada's Economic War Policy.

By B. S. KEIRSTEAD

Price 25 cents

#### No. 12. Recent Trend in Municipal Government in the United States.

By A. D. H. KAPLAN

Price 25 cents

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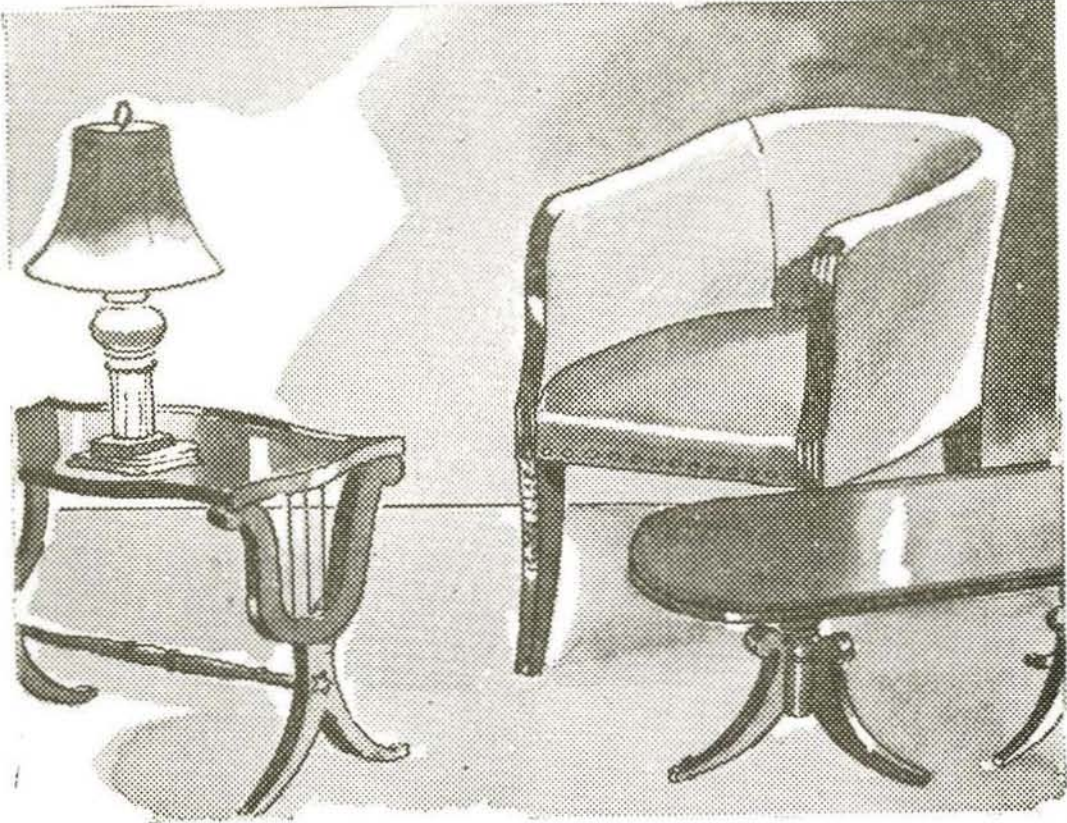
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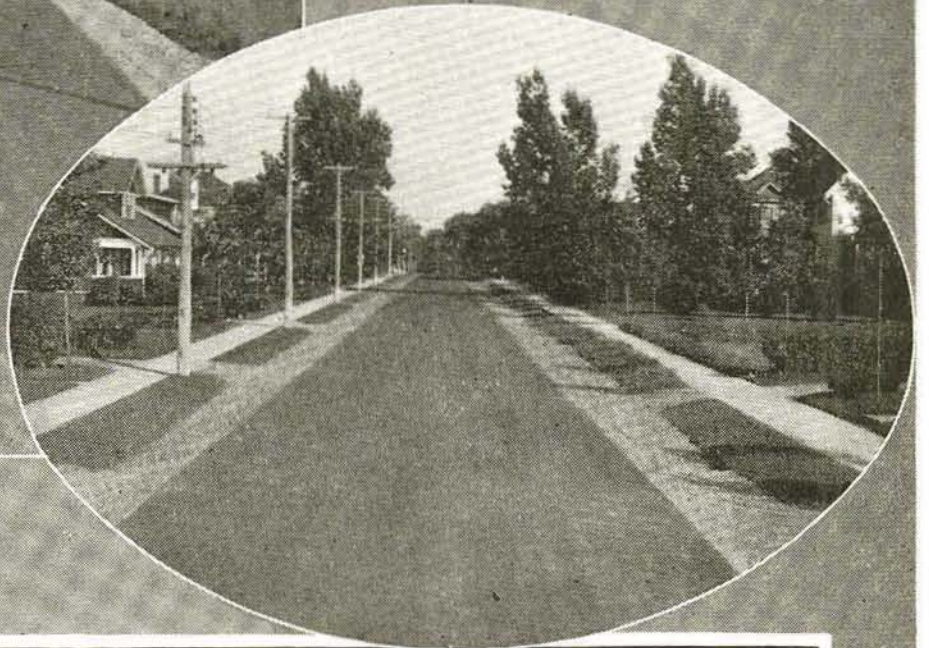
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SUMMER 1941

A Maritime Quarterly for Discussion of Public Affairs

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# The War of Intelligence

By T. W. L. MACDERMOT

WE may sometimes wonder if we are learning fast enough how to fight this war. Not the soldiers, sailors, and airmen overseas perhaps, for their teacher has been bitter experience, but that other army, the army of civilians whose share in the battle is just as important. Many of this army have not even yet realized how truly they are in the battle line, and are still trying to maintain an uneasy alliance between immediate war purposes and habitual pre-war practices. Yet our survival hangs on whether or not we can adjust ourselves, in the fighting services, in industry, finance, and in our thinking, and quickly enough and totally enough to meet the enemy on *all* fronts as he attacks.

One of the most vital of those fronts is that which might be called the Information Front. In one way, if we assign a comprehensive enough meaning to the word "information," it is *the* most vital, because all the ideas, the feelings, the aspirations that drive modern populations to fight as nowadays they have to fight, spring from their conviction, understanding, and knowledge, about the cause for which they are fighting. In Canada as in Russia and in the U.S.A., the further people are from the actualities of war, the bombs, flames, bloodshed, the less heart they have for it, the less interest they take in the stakes at issue. Conversely it is where people know most about the war, feel it in their homes, read it in the skies, and hear its thunder in the hours of darkness, that there is the most fixed determination, the most united will, the intensest concentration on the job in hand.

But it is not only as a fighting dynamic that a lively knowledge of what the war is about is important to-day. Ideas and imagination, a conscious purpose, an

intelligible and universally expounded plan of action for the immediate and for the remoter future—these are now major weapons of war. Our language is filling up with verbal proof of this. The Quislings and the Lavals, the 5th Columnists and the propagandists—these are the sappers and the miners of modern warfare—the so-far victorious termites whose insidious labours—far in advance of the Panzer divisions—have made the cruder persuasion of bomb and artillery a quick and foregone conclusion. And while we are training our troops, and producing equipment for the soldier's battlefield, with all our energy and on an incredible scale, we still tend to babble comfortably about our free unsubsidized press and democratic speech, and to trust that the patriotism of editors and orators will compensate for the fact that they are practically alone in their task of informing the public.

It is not that our press and platforms are deficient in their collective will to victory, or skill in carrying out their traditional function. But the press, the private pamphlet, the lunch club, the platform—these are still operating for the most part as they have always operated. Their impact is still on the haphazard, competitive, localized lines to which we are all accustomed; their tempo is still that of peace days, their machinery still geared to the easy going requirements and capacities of a civil population. But we are no longer or should no longer be a civilian population.

Let us keep the maximum of free press, of free speech, of independence of judgment, which war restrictions allow. But it may be a fatal mistake both for our present necessities, and for the titanic demands on national solidarity and fixity of purpose that the future will make if we are content with this.

For if common sense does not convince us, the methods of the enemy, of the

EDITOR'S NOTE: T. W. L. MacDermot, M.A., is Principal of Upper Canada College, Toronto.

Germans in Europe, South America, and U.S.A., of the Italians in the Arabic and Mohammedan world, should make it clear that information, persuasion of every kind, is the backbone of an impregnable defense, and the spear head of a successful attack. In a word, the creation of morale is one of the first duties of a people striving to save itself from destruction, and that last is the supreme function of government.

Canadians in all parts of the country are fully alive to this. The formation of the Bureau of Information is a practical recognition of it, and the not-so-well-known-as-it-should-be work of the Bureau in both French and English, in the U.S.A. and for mounting thousands of individuals everywhere prove it. Unofficial organizations created for public education have turned most of their energies to the question of morale. The Canadian Association for Adult Education alone, for example, issues and sells tens of thousands of pamphlets to Canadians who if they cannot carry a rifle are determined to know whither we are going or may go, as a result of this war. American Foundation money is being spent by that Association, by the Canadian Institute of International Affairs on the production of pamphlet material and radio forums have been organized.

Another important group of Canadians who are very much alive to this matter is composed of the teachers. More acutely than most, they are aware of the importance of young people knowing and understanding what this war is about. If nothing is done about it, they are perfectly sure that their young charges will become men and women empty of conviction and utterly unprepared to fight with mind and feelings for what we now say we believe in. They are doing something about it, and on their own initiative are collecting material as fast as they can with which to equip themselves and their pupils for the all-in struggle in which we are engaged.

But private initiative is not enough. Modern war cannot be fought on that basis. It has not the means—in time, money or resources. Nor has it the

tactical position from which a *completely national* push can be launched. For this a Ministry of anything one likes to call it, Propaganda, or Information, or Exhortation, with aims and powers into which every citizen can fit, should be created. It will have to be as passionately motivated as is a fighter entering battle. It must not only be inspired by a rhetorical faith in democracy, (which because it is inherited from the past is somewhat old-fashioned in its phraseology) but it must have the authority and the courage that goes with authority, to put that faith into practical, modern times which will be varied enough to suit everybody. A journalist and a preacher can understand the value of free spirit because he exercises it and depends on it: a scientist and an artist can appreciate the freedom of thought. But a child or a working man who seldom has the opportunity or desire to take advantage of these liberties, as they are ordinarily understood, does not understand them; similarly the French Canadian or the New Canadian may experience no emotion and derive little satisfaction from the ideal of upholding institutions if they are only called "British" or "American." For these citizens and others like them, the essential values behind these words and names, values which we believe are equally important to all human beings, must be pictured in other ways, other words, before they can throw themselves heart and soul into a war in defence of them.

That branch of National Defence, therefore, in which everyone can and craves the opportunity to take part, the defence which arms our minds with knowledge of what we are doing and why we are doing it, and renders them proof against the insidious and ubiquitous counter-persuasion of the enemy we are fighting, the defence which steels our hearts and will help to steel for grimmer action the hearts of our soldiers, must draw up a plan of campaign. A plan for the immediate present, and a plan for tomorrow, a plan stated in such clear terms, and in enough different ways as to be intelligible to all Canadians; and a plan which all Canadians, whatever they are do-

ing, can fit in to whatever they are doing.

This is the most difficult part of the task. "War aims" apart from the clear one of defeating the Nazis, are not easy for a government to define, principally, perhaps, because governments do not want to make "election pledges" on a serious matter of this kind. Disillusionment is still a painful part of democratic mentality, and easy promises now would be suspect. But when Hitler makes a speech, when his agents pour into South America, rove the U.S.A. and conquer Europe, they announce "a new order," not in vague terms, but in very specific terms indeed, and their persuasive power is enormous. It may be said, they can do this because they have no scruples about the truth or integrity: and their persuasiveness comes more from the violence behind the speeches and arguments than from the attractiveness of the promises or the appeal of the promised new order. And this is undoubtedly in part true. But it is not wholly true, and in any case the persuasive effect is gained. To fight it successfully we cannot wait for the military victory. We must here and now find and use a way of exhibiting the prizes of a victorious democracy as winningly and convincingly as the Nazi new order is exhibited.

The solution of this problem at this moment may be even more important in Canada than in Great Britain. In Britain no persuasion, information or propaganda has been needed to put citizens of the British Isles on a total war basis. The Hun's bombs alone would have done the job. But even in the midst of the crucifying exactions of warfare, the churchman, the intellectual, the popular journalist and many others are far from neglecting the need for a moral and rational scheme of things to come, as part of their war effort.

The matter is a basic one anywhere—but certainly in Canada. If it could be solved, the rest would be comparatively easy. For that rest is how the information might be spread abroad, the propaganda distributed, the united purpose engendered.

There is plenty of machinery available,

and unlimited willingness. But full efficacy would seem to depend on the completeness of its organization, which should be on all-in lines. Again we must remind ourselves that this war is a pan-citizen war. If His Majesty is correct in saying that we are all in the front line now, we should be treated like front line troops—and even in the quiet skirmish called the Great War of 1914, the front line was no place for half measures. Government departments or government agencies like the C.B.C., the Film Board, the Bureau of Information, which are responsible for the defence of the front lines of national thought, national knowledge and national spirit cannot be content to leave any section of those lines to the chance care of anyone. The Press, the Commercial Film houses, the American Commentator, are all helping in that defence, and may be depended on to continue doing so. But for obvious reasons they cannot supply the national concentrated impulse, cannot be sure of blanketing the country as a whole, as our national government can do. We have a large number of patriotic private enterprises working to train people for an emergency military defence if and when that becomes necessary. But this vital question has not been left to local enterprise. The Ministry of National Defence is responsible for the whole, simply because by long habit we realize that military defence is too urgent to be left to individual organization. When we grasp the fact that mental defence is equally urgent in this war, we shall treat it accordingly.

The first thing needed then is what someone has called a Fourth Service—to be added to the Army, Navy, and Air,—an Information Service. Into the ranks of its present divisions, of the writers, the broadcasters, and the film makers could be drafted imaginative, creative writers of plays, poetry, biography, and current events to do what was attempted in the "Face the Facts" series of addresses—to stir the blood and call forth the idealism that is still latent. To those would be added the artists of Canada—in whom we are richer than the present

supply of posters, for example, would indicate—to picture on canvas, in stone and iron, on the hoardings, in pamphlets, and books, the heroism of the present and the possible beauty of the future. The artists themselves could astonish the country if they were organized and given anything like a free hand. So too perhaps would the musicians if in a national service they were given the inspiration that opportunity brings.

There is equal scope for men and women on the thousands of platforms that cover the Dominion. No single body of men would seem better equipped to carry to the citizens of this country a stimulating and heartening account from month to month of what is being done by government—and perhaps what might further be done—than the 245 members of the House of Commons. Here and there this is being done, but not as extensively as it might be. And for others who have the gift of speech and exposition there are many many other calls for the same sort of thing, in the camps, luncheon clubs, discussion groups, and so on.

There is plenty of information now being printed and distributed, and the volume of correspondence with which the Government Departments mentioned have to deal every day is already over-

whelming. But for one person who writes in for information, there are probably ten who do not, and it is a fact that in the rural parts of every province there are thousands who are as yet almost untouched.

It may be that we are already on the road to accomplishing all these things, and the many more that might be mentioned. They are not suggested in any spirit of disbelief in the whole hearted devotion of any of our authorities for the maximum effort and the maximum only. One has but to visit Ottawa to be disabused of that. But our system of government is predicated on the will and support of our people, and if the sample reports that one has from various parts of the country and various sections of the community are any reflection of a general state of mind, that will and support is capable of infinitely more than it is now doing, and is crying out to do it. An imaginative, audacious, nation-wide enlistment of the talents with which we are endowed, would multiply the fighting strength of this country in its war for democracy beyond belief. And the newly released forces of sacrifice and inflexible resolution would bind our soldiers and civilians together into one truly armed nation.

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## Defence Housing

By GEO. S. MOONEY

VIRTUALLY every Canadian city, large and small, from the Atlantic seaboard to the shores of the Pacific, is face to face with an acute and pressing housing shortage.

A good portion of the problem is a carryover from the depression years. But to this unattended backlog of unbuilt housing, especially for the low-wage income families, has been added a further

problem growing out of the unforeseen, rapid and unparalleled expansion of Canadian industry for war production, and a consequent shift in urban population.

In some parts of the country, new towns are springing up around specialized war industries which, because of the hazards attending their operations, have had to be located in remote areas. In other sections, the locating of large-scale government-owned war industries, particularly in the smaller or medium-sized towns, has absorbed the available local labour, and attracted hundreds, thousands, of ad-

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EDITOR'S NOTE: Geo. S. Mooney is Director of the Canadian Federation of Mayors and Municipalities, with headquarters at Montreal, and Co-Director of the Industrial and Economic Bureau of the City of Montreal.

ditional industrial workers to the area. In the larger metropolitan centres, plant expansions and new war industries have developed in outlying districts or in parts of the city where little or no surplus shelter accommodation of any sort was available. As a consequence, by the early spring of this year, the situation was so serious in many industrial communities that a migratory labour problem had arisen, in which workers flocked from one city to another in search of employment with shelter. In some sections the movement reached the proportions of a Canadian version of the Grapes of Wrath. Families arrived in some towns in "jalopies" and trailers and rented space in the yards, both front and back, of regular residents, all using existing sanitary facilities. The result was bad from both the family, the town, and the town's residents' point of view.

All this adds up to a housing problem the nature and extent of which this country has never experienced before. Much depends on how the situation is handled. For it will profit us little if we successfully overcome the bottlenecks of industrial production, only to find our "total war" effort being jeopardized by inadequate and unsatisfactory housing facilities, a condition which inevitably will result in a high labour turnover, industrial inefficiency, and discontent among the war workers on the home front.

Obviously, we can't afford to risk any such possibility. In this moment of crisis and through the uncertain period that now looms before us, our vast defence program must not be endangered by any factor so clearly within the nation's control. Canada's manpower is in overalls in the blitzkrieg of 1941. To do the job expected of it, it will have to be properly housed.

The first step in this direction, a somewhat halting one, was taken by the Federal Government on February 24th of this year. On this date, an Order-in-Council was passed setting up Wartime Housing Limited, a government-owned corporation under the presidency of Joseph M. Pigott, of Hamilton, Ontario.

Subsequently the company was organized and established its offices at 55 York Street, Toronto. It is now engaged in exploring the situation throughout the Dominion, and in several centres where the situation was patently critical and urgent a housing program has already been put in hand. In other centres, a housing program will shortly be announced.

Recently (April 22nd) Mr. Pigott addressed the annual conference of the Canadian Federation of Mayors and Municipalities, held at Ottawa. At that time he presented to the Mayors of the Dominion an outline of the general policy which Wartime Housing Limited will pursue. Only portions of this have been released to the public press; and inasmuch as such policy is of wide public interest, this present article provides a timely occasion to summarize Mr. Pigott's statement.

According to Mr. Pigott, Wartime Housing Limited will build housing accommodation only where it is of the opinion that there is a definite and acute shortage due to the additional employees required in connection with munitions work or defence projects. It will provide this housing only where private capital has failed to do so, or where, because of the temporary nature of the requirements, private capital is not available for development purposes.

This housing accommodation will be temporary in character, and will be rented to the occupants by the company. It will be built at the lowest possible cost consistent with proper standards of health and sanitation, and with the necessity in this country for insulation against cold weather.

Generally speaking the company will erect such housing accommodation believing that it is only required for the duration of the war, and that when the present emergency has subsided, the housing will be liquidated.

In view of these circumstances, it is the intention of the company, so far as it is possible to do so, consistent with cost, to build these houses so that the



greatest amount of salvage can be obtained. For this reason, to a great extent, the houses will be demountable, or, in other words, they will be so built in convenient sections bolted together, that they can be taken apart later, and in this manner salvaged more cheaply and with a greater salvage value.

Mr. Pigott stated that it was the intention of the government housing company to standardize on two or three types of houses. He intimated that there will be two plans for 2-bedroom houses, and one plan for 4-bedroom houses. There will also be standard staff houses to accommodate approximately 90 unattached men.

Said Mr. Pigott: "It is the intention of the company to take tenders from contractors whose organization and experience is considered satisfactory to the company for the particular project in mind. It is hoped that the larger general contractors will be properly interested in this field, and will make their larger organizations available." He intimated that in projects as large as this, mass production methods will have to be employed, since cost and time are very important factors. In other words, where the program will involve 300 or 400 houses, it will not be the policy of the company, for obvious reasons, to engage a large number of contractors to build a few houses each, but, on the contrary, the responsibility will be placed with companies properly organized to work on the desired scale.

Mr. Pigott paid a generous word of appreciation to the R.A.I.C. for the many generous offers of assistance it had made to Wartime Housing Limited, and stated that advantage had been taken of a conference with some of the Institute's best authorities on development of this kind, also that consultation had taken place with many other architects throughout the Dominion, and that after visiting Washington, D.C., to enquire into American policy, he felt that Wartime Housing Limited was proceeding with confidence that the right path was being followed. In certain centres, he intimated, it may

be possible that special provisions will have to be made to suit a particular purpose. In such cases, it is possible that associate architects of the district may be called upon to furnish some special service, but apart from this, the company is availing itself of the studies and experimentation carried on by the Housing Department of the Department of Finance during the past year, and is using, with very little alteration, their plans for demountable and staff houses. In these circumstances, he stated, there is little to interest architects professionally in the special defence housing contemplated by Wartime Housing Limited.

During the past few weeks, specially selected men have been out in Ontario and Nova Scotia, examining local conditions, and their reports are being dealt with by Mr. Pigott's office as soon as they are complete. When these reports are received and considered, recommendations are made to the government, as to what should be done in the circumstances, and where the government approves of the plans which have been presented, Orders-In-Council are passed, and Wartime Housing Limited forthwith is authorized to proceed with the necessary construction.

The government having approved, the company first appoints a local authority for the city or town concerned. These committees will consist of prominent, wellknown citizens, willing to give their services voluntarily for the duration of the emergency. They will of course require the services of paid administrators. For in addition to the preliminary work of locating sites, and arriving at decisions, there will be the heavy task of managing the properties, collecting the rents, engaging staff to run the staff houses, in addition to providing staffs and equipment for staff dining halls and, in certain places, recreational facilities.

Generally speaking, the houses to be erected by Wartime Housing Limited, are to be built of wood, on posts, with a variety of finish both outside and inside, according to specifications drawn up, the specifications to permit a certain

freedom of selection. This, in order not to create a shortage of any one material. Material such as plywood, gypsum lumber, plasterboard, ordinary sheathing, siding, etc., will all have their place.

"It will be the policy," said Mr. Pigott, "for the company to feel its way carefully in the providing of accommodation. The first accommodation will be erected for single men, and only when the company is sure that the demand exists for family units will houses be built. In certain centres there is a general scarcity of housing, and where that exists, the company will, as far as it is able to do so, consistent with the carrying on of the manufacture of munitions, keep out of the way of builders of permanent homes. It cannot be emphasized too strongly that the company has not been created to go into the permanent housing field, nor to compete with the builders of permanent houses. As has already been stated, it is only where, for obvious reasons, private capital is not or would not be interested, that the services of this company will be engaged."

In brief, the foregoing is the program and policy of the federal government, so far as defence housing is concerned. In summary, we gather that insofar as housing shortages definitely created by special government-owned war industries are concerned, the federal government will undertake, through its government-owned corporation, Wartime Housing Limited, to provide temporary, demountable housing in those areas where housing facilities do not exist, or where they are critically inadequate. But such a program will by no means overcome the backlog of housing shortages already in existence at the outbreak of the war, and which in many cases have been aggravated to the crisis stage by plant expansions and new industrial developments, not directly sponsored by the government itself.

This fact was brought out in the discussion period following Mr. Pigott's address at the recent Ottawa conference of Mayors, and subsequently three important resolutions were introduced which, in the opinion of the conference, would

facilitate the providing of housing needs in those communities where Wartime Housing Limited would not normally operate. One of the resolutions called for the 10% equity to be raised from \$2,500 to \$3,000 on loans for low-cost housing under Part I of the National Housing Act. Another resolution called upon the government to reintroduce the Home Improvement Loan Act; and a third resolution petitioned the government to restore to its statutes Part II of the National Housing Act, which provides for the erection of low-rental housing projects, with the suggested amendment that the 10 mills fixed assessment, mandatory in the original Act, be made optional.

If these facilities were made available, then it is reasonable to suppose that private contractors, municipalities and home owners could continue during the emergency period, to erect permanent low-cost and low-rent houses in those areas where the accumulated housing shortage is such that it cannot be deferred until the close of the war.

As a further aid to our wartime housing needs, it is imperative that every community throughout the Dominion be alert to its own local situation. In this connection there are four main steps that a community, faced with a threatening or critical wartime housing shortage can take in making the most of its existing resources.

First, the establishment of a rooms registry and vacancy service. This service might be established at the city hall, or by some specially-constituted or existing agency. People requiring accommodation, either temporary or permanent, would then know where houses, rooms, or apartments could be found, what the rents are, and the nature of the accommodation. Along with this, should the shortage be very acute, it might be desirable to carry on an active campaign to induce householders to offer rooms and apartments as a patriotic as well as a profitable service.

Second, a campaign to repair, modernize and remodel existing housing. In this connection there are many older resi-

dences, some of them fairly commodious, in every city and town throughout the Dominion, that could be brought up to a reasonable standard of livability, and at comparatively low cost. Hitherto, we have never fully explored or utilized this potential source of additional housing accommodation. Many a Canadian home that today appears obsolescent could be renovated and restored to economic usefulness, by remodelling it to provide two or more family dwelling units, and thus bring more residential space into the market.

Third, a constant observation of rent levels. Sharp increases in rent and outright profiteering, even in normal times, should be checked before they get out of hand. In these times, they deserve forthright public opprobrium. Rent control, however, should be tried only as a last resort. An organized community effort to keep rents within reason, and, where necessary, public exposure of specific cases of rent racketeering, may be salutary and have the desired effect.

Fourth, the organization of local trans-

portation facilities between factory and home. Often housing problems can be solved, at least for a temporary period, by improving transportation facilities between factory and areas where housing is available. If workers can be moved quickly, comfortably, and at reasonable cost to and from their work, they are willing to go much further distances in seeking shelter accommodation than where time schedules are uncertain, transportation facilities are unsatisfactory, and costs are high.

These suggested local steps, if followed through, will at least ameliorate the defence housing problem in most communities. Recently the Twentieth Century Fund in the United States made a study of World War experiences, and found that vastly more workers were housed by such measures in American communities during that period than were actually provided with newly-built living quarters.

Canadian experience during World War II may well prove similar.

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## Industrial Mobilization in Great Britain

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EDITOR'S NOTE: Since the outbreak of the war PUBLIC AFFAIRS has devoted a large part of its space to a discussion of the economic war efforts of the Dominion and the social and economic problems resulting from them. The following article on Industrial Mobilization in Great Britain which is written by a distinguished British economist and was obtained through the courtesy of the British Ministry of Information, will help us to see our Canadian problems in the right perspective.

THE business of beating ploughshares into swords is immensely complex but its objective is simple. Men and materials must be released for the armed forces and for the war industries. The greater the emergency the less goods and services of one kind and another that can be left for civilian use. Finance in this process is an instrument, a vitally important one, but

only an instrument. The exception to this rule is the necessity to secure and conserve foreign exchange and this means taking over foreign securities belonging to private individuals in foreign countries, giving priority to the export industries over civilian consumption and selling gold. It also means sacrificing imports from those countries where the British exchange position is unfavourable.

To bring about this mobilisation every individual in Britain has been affected, from the typist, whose supply of silk stockings has ceased, to the industrialist whose steel is rationed and the small shopkeeper who cannot get imported fruit. All have cooperated willingly. Business men, trade unionists and professional men have played a major part

in this reorganisation, encouraged by a public which has clamoured for more and more restrictions and has only grown restive when the Government has not appeared to take drastic enough measures.

The most impressive way of looking at this mobilisation is to look at the instruments employed by the various government departments to carry out their work.

#### IMPORT CONTROL

Since the outbreak of war a rigid control over imports has gradually been worked out. The setting up of the recently created Import Executive only marks one of the final stages in this. Import control includes a licencing system whereby only licenced imports can reach this country, the allocation of shipping space by the Ministry of Shipping, the world-wide purchasing policy of such government departments as the Ministries of Food and Supply, exchange control and the work of the British Purchasing Commission in New York.

It means, in effect, that nothing enters Great Britain which is not deemed absolutely necessary for the war effort or necessary to maintain the civilian population. For example, bananas and all fruits except oranges and a few lemons are no longer to be imported. Meat imports have been cut down. Cotton imports are being restricted as far as possible to those from the sterling area and long ago American-made cars disappeared from the British market to give place to American aeroplanes in the skies of England. For the shipping and foreign exchange position prevents Britain bringing both cars and aeroplanes from America.

#### RATIONING THE MANUFACTURERS

Measures have been taken by the raw material controls to limit the supply of such essential materials as iron and steel, cotton, wool, leather, etc., to the manufacturers. The control is naturally strictest where the supply position is tightest. The changing war situation has, of course, led to changes in this position. For

example, the German occupation of Narvik cut off certain of Britain's supplies of iron ore when the demand was clearly rapidly increasing. To get it further afield, from North America for example, means using up precious shipping space and foreign exchange and this can only be done after the most careful consideration, since it may deprive the population of food or the Royal Air Force of aeroplanes.

The French position has forced Britain to conserve her supplies of aluminium on which the manufacture of aircraft depends. The paper position naturally was made more difficult after the invasion of Norway and the manufacture of certain goods, like handkerchiefs, serviettes, tablecloths, cups, saucers, plates and festoons and confetti from paper was prohibited, while the issue of new periodicals and posters of various types, including newspaper bills, was also forbidden. Timber, a bulky commodity which uses a large amount of shipping space, has been carefully conserved since the beginning of the war. Thus no person was allowed, even immediately after the outbreak of war, to use timber without a licence from the Ministry of Supply. The loss of Scandinavian sources of supply only made it more important to preserve stocks and limit unnecessary consumption.

In the case of the non-ferrous metals, since the beginning of the war the control has virtually prohibited their use for civilian needs while releasing them only for the war industries and the export trades.

In some industries this system of rationing and of price control is more elaborate than in others. For example, the operation of the cotton and wool controls is particularly complicated. But the aim of all these controls is simple. It is to see that after decisions have been made at the highest level of the amount of shipping space and foreign exchange which can be allowed for the import of each material, manufacturers who carry out Government orders such as making uniforms get their supplies and

that firms working for the export trade are not starved. Only then can supplies be released to satisfy orders for the British home market.

#### RATIONING THE RETAILER

Closely allied to the system of rationing manufacturers is that of rationing the retailers. This rationing enables supplies to be maintained, prevents the waste of materials, secures priority to the Services of the goods they require and releases some of the men and women employed in manufacturing and distributing goods for more important work.

A series of Orders-in-Council has restricted the sale of many goods to a fraction of the quantities—or of the value of the goods—sold before the war.<sup>1</sup> The goods include such diverse articles as corsets, gloves, carpets, pottery, trunks, bags, cigarette holders, and such garments as two and three-piece suits, jumpers, cardigans, pullovers, neckties, scarves, shawls, underwear, etc. The quota for such things as mattresses containing metal springs or coils, office furniture of metal, lighting fittings, cutlery, domestic hollow-ware made of metal, cameras and unexposed sensitised photographic paper, toys, many toilet goods, goldsmith and silversmith ware are all restricted to 25 per cent. In other cases the restriction is to 33 $\frac{1}{3}$  and in a few cases to 50 per cent.

As restriction in many cases is on the basis of value and not volume it seems likely that one effect of these measures will be to increase the output of cheaper standard lines of the classes of goods affected. This, of course, will save an immense amount of labour and materials.

The object of these restrictions is to get men and women into the arms factories, to release looms for making battle dress and A.R.P. uniforms, lathes and metal for making aircraft parts, and machinery used in manufacturing plastics or electrical goods for civilian use, for

making their contribution to the war effort. In the same way the public are prohibited from buying new cars, so that plants can be used for more vital purposes.

#### CONTROL OF INDIVIDUAL FIRMS

Under the Emergency Powers (Defence) Act, 1940, which provides that the Government has power to make provision "for requiring persons to place themselves, their services and their property at the disposal of His Majesty," the Government has taken power to control all firms who are or who should be primarily engaged in war production and is exercising this power to a considerable extent. All ships on the British and Colonial registers have been requisitioned and the railways are operating under Government control. Further a census of *machine tools* has been made and where necessary idle plant has been requisitioned.

On the 21st of January, 1941, Mr. Bevin announced further measures for controlling firms, including the replacing of inefficient managements and the appointment by the Government of personnel controllers where they were deemed to be necessary. Details are being worked out providing for a register of those engaged in essential work. All such undertakings will be required to observe a fair wages clause and satisfy minimum welfare conditions and also train work-people as required. The right of dismissal is also being curtailed.

Much on the same lines is the work of the Ministry of Agriculture and Fisheries, and the Department of Agriculture for Scotland, which, operating through the Agricultural Executive Committees, order farmers to plough up grassland if this is deemed necessary. This form of compulsion is sweetened by a subsidy of £2 an acre to the farmer who has to do the ploughing up.

#### CONTROL OF LABOUR

Labour is also, of course, controlled. Under the National Services (Armed Forces) Act every man between 18 and 41 is liable for military service. From time to time men in each age group are called

<sup>1</sup> EDITOR'S NOTE: Since these lines were written a series of new drastic rationing laws have been introduced.

up to register. If they are in one of the schedules of reserved occupations and above the reserved age limit, they are left where they are, if not they are called up when the Forces require them. The schedule is at present being revised to release more men for the Armed Forces. Account is now to be taken not only of a man's occupation or classification but also whether or not he is being employed in what is described as "protective" work, that is essential work connected with the war effort.

Further, by the Emergency Powers (Defence) Act, 1940, the Government has extensive powers over all persons if it finds it necessary to use them. This reinforces the powers taken under the Emergency Powers (Defence) Act, 1939.

With these and other powers the Government has been in a position to direct labour where it requires, but it was not until Bro. Bevin, former Secretary of the Transport and General Workers' Union, took office that drastic measures were taken and then only in certain special cases. It is impossible to outline them in detail here. There is, for example, a Labour Supply Board at the Ministry of Labour and National Service and Labour Supply Committees in the Provinces and Labour Supply Officers. The normal machinery of the Employment Exchanges scattered up and down the country is being extensively used. Power has been given to Port Labour Inspectors to move dock labour where it is required. The training of unskilled persons is being rapidly pressed forward and women are being introduced into industry on a very large scale.

On 21st January, Mr. Bevin announced in the House of Commons that "Although much had been and would be achieved by voluntary means, we had now reached the stage when it would be necessary to have *industrial registration by age-groups*, and by this means to make a list of those who should be called upon to serve the State in national industry."

He added that there will be no exceptions on account of rank. We shall have to call into service men and women who

in normal circumstances would not take employment. "Business firms," said Mr. Bevin, "would have to make careful examination to determine how many men could, in consequence of re-arrangements of duty, be placed in productive work instead of in office work." He emphasized throughout his speech the fact that Britain's "reservoir of unemployed men is now exhausted and the problem of having to obtain a greater recruitment of labour from non-essential occupations of whatever rank and from the unoccupied has now to be faced."

The details of these schemes are being worked out in collaboration with the Joint Consultative Committee consisting of representatives of the British Employers' Confederation and the Trades Union Congress General Council. The T.U.C., requested all affiliated unions to immediately cooperate with the respective Employers' Associations with a view to securing the utmost results from voluntary cooperation in the redistribution of man and woman-power. One such scheme was worked out by an Advisory Committee of manufacturers and union leaders in the Leicestershire hosiery industry. Volunteers in each hosiery factory are asked to register with their employers and remain at work until they are called upon to move to more vital jobs. Each factory is expected to provide a quota.

#### INDUSTRIAL CONTRACTION

Plans have recently been announced by the President of the Board of Trade which involve the concentration of production in the trades on which the Limitation of Supplies Orders bear heavily—hosiery, pottery, the major textile industries, boots and shoes and some others in a reduced number of factories working to full-time. This is to avoid the waste of man and woman-power on part-time working and the waste of factory space, besides the effect that diminished turnover might have on the cost of production. The Board of Trade in association with the Ministry of Labour are to engage in negotiations with the representatives of employers in the industries concerned,

to bring about a concentration and to secure the movement of labour into munitions factories where this is necessary. The President of the Board of Trade stated that the Government was looking to the industries themselves to bring about this concentration but was prepared in the last resort to impose the re-organisation which they considered was required.

The Board of Trade will keep a record of factories closed down and the Ministry of Labour a record of transferred workers, so that they may be able to resume their old employment after the war.

#### CONTROL OF INVESTMENT

The Treasury control over the capital market is such that, broadly speaking, capital issues cannot be made without its consent. This prevents capital works being undertaken which would use up men and materials required for more urgent purposes.

Another method of controlling investment is that applied by the provision that, in general, consent must be obtained before building work can be started unless the estimated cost of the work is less than £500 or the work is in one way or another connected with the defence of the country. This prevents the waste of highly skilled men and valuable materials on unnecessary work, when the demand from the Civil Defence services, the military and those engaged in building Government factories is very great.

#### RATIONING THE PUBLIC

The consumption of particular commodities by each individual is rationed in quite a number of cases. Many foods are, of course, rationed by weight or value. Thus the meat ration ranges between 1s. and 1s. 6d. per week per adult person. Fats are rationed, including butter and margarine, and bacon is rationed. Maximum retail prices are fixed for a very large range of foodstuffs.

Petrol is another commodity of which the individual consumption is rationed, so that the ordinary consumer can only get enough for 150 miles per month per

car. Nor is anyone allowed to purchase a new car without a licence and in October, 1940, it was stated that the manufacture of cars for civilian use in Britain had ceased.

Farmers and their beasts too are rationed. Pig and poultry farmers are only to get in future about one-third of their pre-war supplies. Each farmer will receive a ration of foodstuffs based on the number of cattle, sheep and horses on his holding. No cow, any more than a human being, can eat more than the authorities think good for it.

#### TAXATION

By means of heavy taxation and by the promotion of savings the Government is securing the release of men and materials for the war effort besides ensuring a healthy financial situation.

Income Tax and Surtax have been increased twice since the war and the standard rate of income tax is now 8s. 6d. in the pound. The effective rate on the unearned incomes of a married couple with two children is 17s. 4d. in the pound if their income is almost £86,675.2s.6d. It does not become less than 10s. until their income is almost £3,000 per annum. That is to say that practically everybody with £3,000 or over is paying half or more than half their income in direct taxation.

The Excess Profits Tax is at the rate of 100 per cent. Indirect taxes on alcohol, tobacco and matches are very high. In addition there is the Purchase Tax. This, like the Limitation of Supplies Orders, is partly designed to cut down the consumption of unessentials. It is at the rate of 33 $\frac{1}{3}$ % on the wholesale value of goods like furs, articles made of real lace, china and porcelain articles, glassware, fancy goods, toilet preparations including cosmetics, haberdashery, muslins, textile piece goods and furniture, etc. It falls at the rate of 16 $\frac{2}{3}$ % on the wholesale value of a large number of other articles which are practically essential such as domestic hollow-ware including pots, pans, kettles, cups, saucers, plates, domestic brooms and brushes, etc.

At the same time the savings movement has made vast strides. In the first year of the war savings campaign £475,532,981 was lent to the country through the media of savings certificates, defence bonds and balances in the Post Office Savings Bank and Trustee Savings Banks. Simultaneously subscriptions to War Bonds and interest-free loans poured into the Treasury.

#### CONCLUSION

These measures of control have one aim and one aim only, to increase the output of war materials. Sacrifices have had to be made by all kinds of persons. Manufacturers have often had to give up a long cherished independence, although the development of trade associations

and other schemes for cooperation have made this more palatable. Skilled men have had to surrender privileges and allow dilution of their crafts and trades by unskilled men and women. Small businesses have had to be liquidated or turned over to war production—for example garages with equipment for repairing vehicles have been pressed into service. Men and women have had to leave home to go to the new factories springing up in Coventry and other centres. The ordinary consuming public has had to tighten its belt in many different ways and give up a great range of commodities. But it knows that now an ever increasing stream of men and women are pouring into the new factories which are also not being deprived of precious iron, steel or timber.

## Dominion War Contracts in the Maritime Economy

By B. S. KEIRSTEAD

IN the course of a study being conducted by the Institute of Public Affairs at Dalhousie University of the effect of the war on the Maritime economy, an inquiry has been made into the nature and distribution of Dominion government contracts placed in the Maritime provinces. War contracts are placed on Canadian government account by the Ministry of Munitions and Supply, Department of National Defence, Department of Transport for Civil Aviation and by way of capital assistance to industry. The Ministry of Munitions and Supply contracts are published monthly in a record issued by the Ministry. In this record are also published the contracts for civil aviation and the Ministry is likewise the source of the data for Department of National Defence contracts. The record of capital assistance to industry was published in *Hansard* as an appendix to

the House of Commons debates, unrevised edition, No. 28, Vol. 79.<sup>1</sup>

The statistical data which were prepared from these sources show the dispersal of contracts by months, industries and districts within the Maritime provinces, and also make possible certain comparisons between war spending in the Maritimes and other parts of Canada. They show that the Maritime contracts have been highly concentrated within the provinces, both by industries and by districts so that the direct stimulus of the contracts on the regional economy except in the case of the construction industry and in the districts of Halifax, Saint John and New Glasgow, has been negligible. What the indirect stimulus has been cannot exactly be shown but probably it has been very much less important than the stimulus of increased

1. The Ministry of Munitions and Supply Contracts (M.M.S. contracts) cover purchases by the Dominion Government of aeroplanes, tanks, ordnance, weapons, equipment, food and all other supplies of the armed forces. Capital assistance to industry covers grants made by the Dominion to private firms in war production for expansion of plant facilities. National Defence contracts cover construction of three Reserve Army Training Camps not included in the M.M.S. totals. A few small contracts for supply or maintenance of air fields have been let in the Maritimes by the Department of Transport.

EDITOR'S NOTE: B. S. Keirstead is at present conducting economic research with the Institute of Public Affairs. He is on leave of absence from the University of New Brunswick where he is head of the Department of Economics and Political Science. The article has been seen and approved by the proper authorities.



purchases by British and central Canadian industries, because the Dominion war contracts do not by any means represent an important proportion of the total increased spending for the products of Maritime industry on account of the war. The comparisons between the contracts placed in the Maritimes and government spending elsewhere in Canada show that the Maritimes have received a very small share of the total federal spending both absolutely and in relation to their population and industrial resources, but this does not mean that the federal government has been unjust or inefficient in its regional distribution of war contracts. The administration in a war economy must have as its primary criterion the most efficient utilisation of all resources and it cannot give consideration to the principle of equity in regional distribution. Capital equipment, power resources and labour skills suitable for adaptation to war industries are not indicated by the total numbers of industrial employees or by the total of capital invested in industry, which are the only measures in terms of which the war contracts have been compared for the Maritimes and other economic regions in Canada. Consequently no conclusion as to the equity or efficiency of the distribution of the federal government's war orders can justifiably be drawn from the data presented in this article.

From September 1939 to January 1, 1941 the Dominion government spent about \$31 millions in war orders in the three Maritime provinces. Of this, \$30,300,000 was made up of MMS contracts and capital assistance to industry. Tables I, II and III show how this spending was distributed.

TABLE I

MMS Contracts by Towns	
Halifax .....	\$ 7,859,768.84
Saint John .....	5,859,284.69
Moncton .....	1,563,563.42
Truro .....	1,023,164.71
Sydney .....	451,368.49
Amherst .....	484,691.13
Fredericton .....	425,532.61
New Glasgow .....	167,732.29
Others P. E. I. ....	986,588.69
Others N. B. ....	569,873.79
Others N. S. ....	1,602,654.00
	\$20,994,222.66

TABLE II

Capital assistance to Industry by towns	
Halifax .....	\$ 393,710.00
Amherst .....	217,126.00
New Glasgow .....	8,512,210.00
Others N. B. ....	182,526.00
	\$9,305,572.00

TABLE III

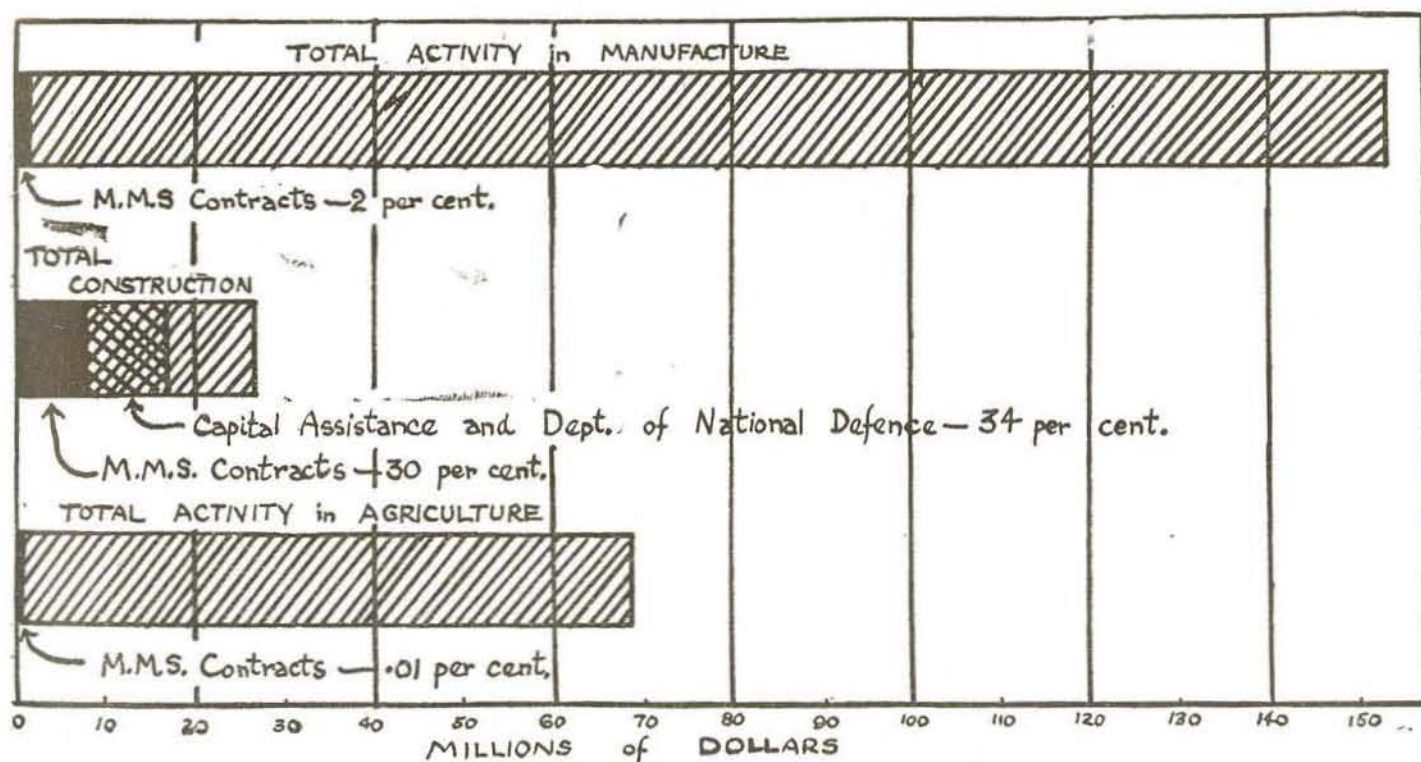
Totals including MMS contracts, capital assistance to industry, civil aviation and Department of National Defence	
Halifax .....	\$ 8,352,686
Saint John .....	6,410,943
Moncton .....	1,565,027
Truro .....	1,023,164
Sydney .....	452,115
Amherst .....	701,817
Fredericton .....	671,374
New Glasgow .....	8,837,400
Others P. E. I. ....	1,059,788
Others N. B. ....	1,002,285
Others N. S. ....	1,605,079
	\$31,662,978

Of the total of \$31 millions, Halifax, New Glasgow and Saint John received between \$23 and \$24 millions or about 74.3 per cent, and the remaining \$6 or \$7 millions was not spread evenly over the provinces. About \$1 million was for construction in Prince Edward Island and it is even doubtful how much of that work was done with local materials and labour and all but \$2½ millions of the rest was concentrated in Moncton, Truro, Sydney, Amherst and Fredericton, an insignificant figure in relation to the economy of the provinces. The general significance of the figures is important to determine. During the sixteen months which the figures for war contracts cover, the regional income of the Maritime provinces was about \$500 millions so that the total war spending ran to about 6 per cent of the regional income. In the Dominion as a whole for the same period spending under the same categories amounted to more than \$1,000 millions or about 17 per cent of the national income for sixteen months. The general improvement in the volume of production in the Maritime provinces in 1940 over 1939 was about 25 per cent of which only 6 per cent is accounted for by direct war spending. The MMS contracts considered by industries show that only \$3,400,000 was spent on the products of Maritime manu-

facturing industries which have a total gross production of about \$160 millions annually, so that the MMS contracts in the manufacturing category over a sixteen months period, ending with December, 1940, represented only 2.17 per cent of the annual production value of Maritime manufacturing or about 1.5 per cent of the value of Maritime manufacturing over a sixteen months period. Similarly in agriculture the MMS contracts for the produce of Maritime agriculture ran to about .01 per cent of the gross value production of Maritime agriculture. (See Chart I).

all the towns except Truro and Moncton. This sum represented about  $3\frac{1}{2}$  per cent of the regional income for the period and, because of the strategic position of construction in the economy, is by itself sufficient to suggest that defence construction would provide a major stimulus to the economy. But a further analysis of the construction figures imposes qualifications on this conclusion. In New Brunswick the cessation of peace time construction on roads was greater than the wartime construction under the various heads that are included in our data. That is to say in New Brunswick

CHART I  
WAR CONTRACTS AS PROPORTION OF MARITIME ACTIVITY



On the other hand the spending on construction, including under this head all MMS contracts for military works and buildings, the construction under Department of National Defence appropriations, of Reserve Army training camps, civil aviation projects and capital assistance to industry which is used in constructing and equipping new plant, was an important sum. It amounted to something over \$16 millions or about 55 per cent of the total war spending, far and away the largest single category not only for the Maritimes as a whole but in

public construction was less in the first year of war than in the last year of peace, and of the construction in New Brunswick the bulk, 70 per cent was concentrated in Saint John. In Prince Edward Island construction contracts worth \$750,000 were concentrated in Summerside, and marked a definite increase in public construction over the last year of peace time. Again in Nova Scotia wartime construction was up over peace time public construction. Yet the indices of employment and business activity suggest that New Brunswick shared about equally with the

other provinces in the wartime boom during 1940, so that it is hard to conclude that wartime construction within the Maritime region was, by itself, a stimulus of equal importance with, say, the stimulus of increased demand from central Canada for the produce of Maritime industry. The concentration of the construction contracts, however, suggests sharp, perhaps dangerous, upward impulsion in certain local economies, notably in New Glasgow where the capital equipment of the town has been more than doubled, and in Halifax and Saint John. The pressure on the construction industries in Saint John and Halifax is reflected by the shortage of carpenters and other workers in the building trades, by high building costs and by other indices of economic activity, particularly cost of living indices. Something like two hundred additional carpenters have come into Halifax since the outbreak of war, or so it is estimated by the Carpenters' Union, and in spite of this influx, there is still a great shortage of workers in the building trades. The cost of living in Halifax and Saint John has risen by 8.2 per cent as compared with an increase of 7.7 per cent in the 69 cities reporting to the Dominion Bureau of Statistics for the cost of living index. There are, of course, many other stimuli operative in these two ports. The concentration of troops for garrison purposes, the great movement of traffic, the purchase by ships of supplies and fuel and the indirect stimulus from the general heightening of economic activity in the Dominion as a whole have all played a part in creating local booms of great magnitude in the two chief ports. But to these general stimuli may well be added the direct stimulus of the Dominion's wartime spending which, particularly in the construction industry, has been of major importance in these two towns.

The quality of the construction, apart from the quantity is important in the long run. Whereas peace time construction increases the capital equipment and the productive capacity of a community wartime spending on construction

has infrequently such an effect; more usually it generates an intense local boom, creates uncomfortable stringencies in housing, labour supply and traffic equipment, and leaves behind it a mass of unproductive and unusable defence works, barracks, temporary accommodation and so forth. This appears to be the case in the present war as in the past. Little of the construction spending up to the end of 1940 has been for the permanent improvement of the ports, harbour or traffic facilities of Saint John and Halifax, 95 per cent of it has been for temporary works, harbour protection devices, barracks and so forth. The capital assistance to industry may have more permanent effects, but some doubt must remain. In New Glasgow a great new plant is being constructed and equipped for munitions of war manufacture. This will increase by more than 100 per cent the capital value of manufacturing plant in that town, adding to the capital equipment of an industry which before the war was overcapitalised and was experiencing difficulty in competing in the Canadian market. It is doubtful if the new plant will have any productive value after the war and also doubtful if it can profitably be adapted to peace time uses.

Thus the type of construction which has been evident in the Maritimes since the war, necessary for defence purposes, has nevertheless, been highly concentrated, has created local booms, stringencies and shortages, but has not been a major stimulus to the regional economy as a whole and holds little promise of creating any permanent assets in the three provinces.

During the sixteen month period for which data are available the contracts of the Ministry of Munitions and Supply have amounted for the whole Dominion to \$712 millions, a per capita expenditure of \$63, whereas for the Maritimes the total of \$21 millions amounts to a per capita expenditure of only \$19, rather less than one-third the per capita expenditure for the Dominion as a whole. The contrast is less great when the spending is related to capital invested in manu-

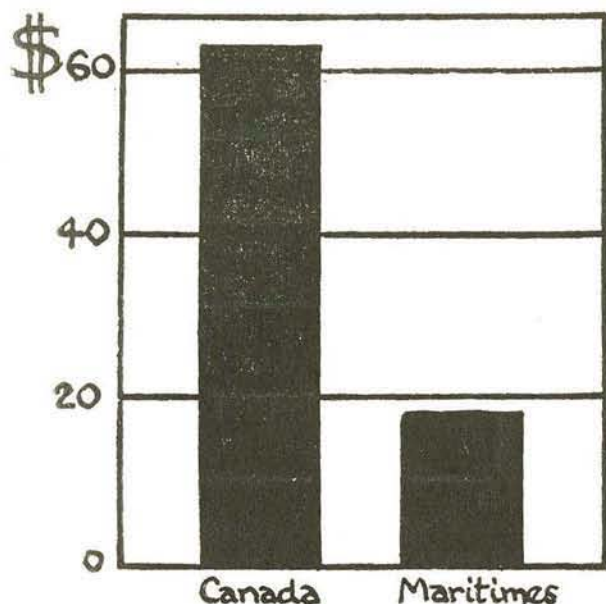
facturing industry. Here the figure for the Dominion is \$205 per \$1000 invested in manufacturing and for the Maritimes \$112, but even on this basis the stimulus to Maritime industry has been only half that of the average for the Dominion as a

is that there is bound to be an expansion of manufacturing and other industry in the manufacturing centres of the Dominion far in excess of anything which will take place in the Maritime provinces. This conclusion is strengthened by the

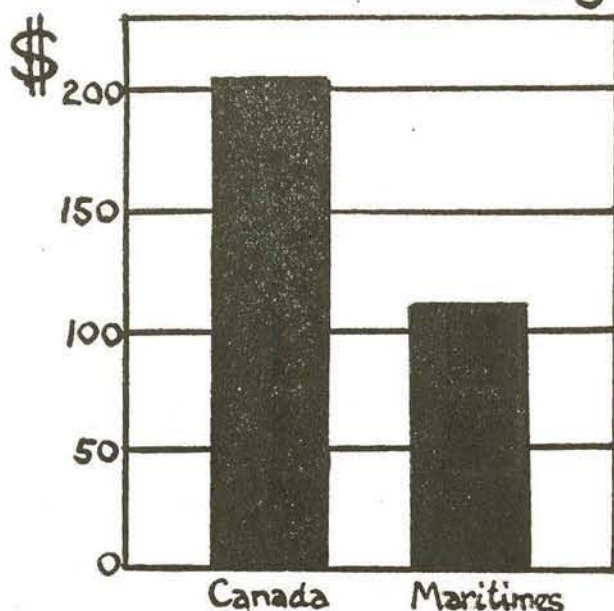
CHART II

CONTRACTS OF MINISTRY OF MUNITIONS AND SUPPLY

A. Per capita



B. Per \$1000 capital invested in industry



whole. (See Chart II). These figures do not mean that the Dominion government is slighting the Maritimes and failing to take advantage of Maritime resources. To get the fullest development of its war strength the Dominion must place its orders with the industries best equipped to fill them promptly. The amount of capital invested in all manufacturing industries is no reliable guide to the efficiency and number of firms able to fill war orders. The only proper conclusion

far more significant figures for capital assistance to industry.

(See also Chart III).

Of this total 42 per cent goes to Ontario, and 41 per cent to Quebec, so that these two provinces between them receive 83 per cent of the total; the Prairies receive an additional 10 per cent and British Columbia 4 per cent. Of the remaining 3 per cent coming to the Maritimes, Nova Scotia gets about 2.75, so that New Brunswick and Prince Edward Island are

TABLE IV  
Capital Assistance to Industry by Regions

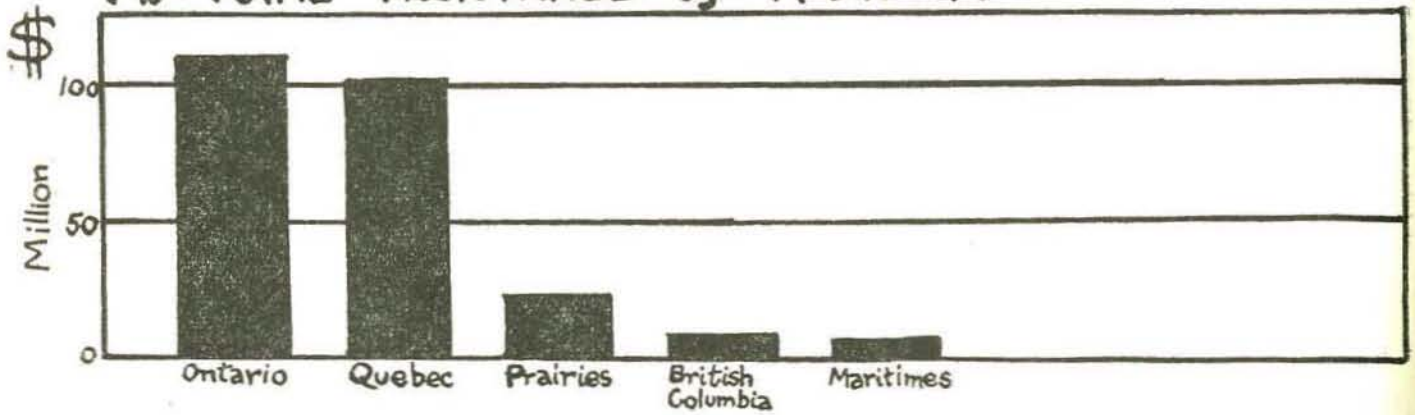
	Total	Per Capita	Per \$1000 Invested	Per Employee in Manufacturing Industry
Maritimes.....	\$ 9,305,572	\$ 8.46	\$ 49.79	\$267.06
Quebec.....	110,685,359	34.53	98.85	505.90
Ontario.....	112,518,979	30.03	67.39	349.87
Prairies.....	24,397,461	9.88	106.63	575.84
B. C.....	10,420,968	13.55	40.74	244.87

PUBLIC AFFAIRS

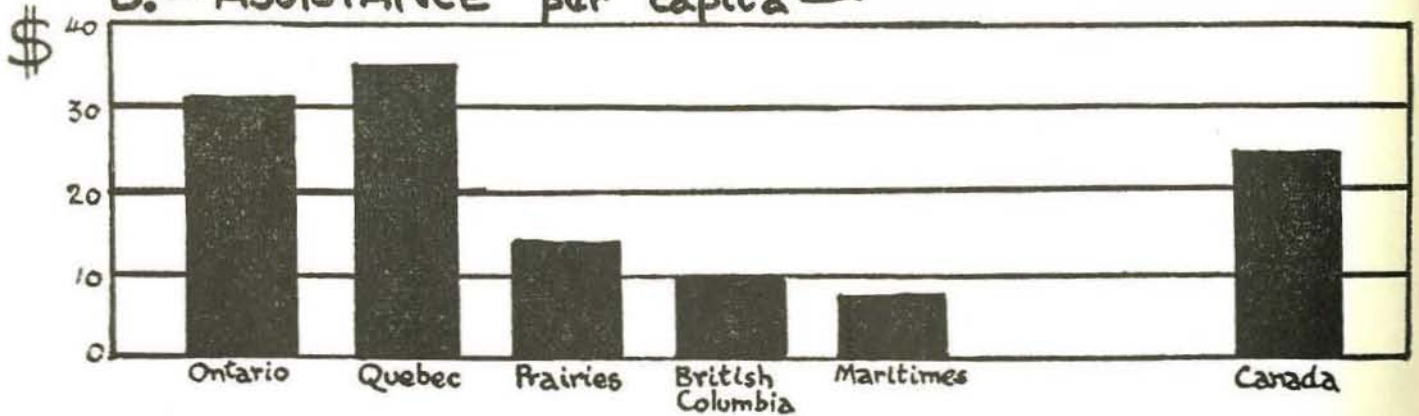
CHART III

CAPITAL ASSISTANCE TO INDUSTRY BY PROVINCES

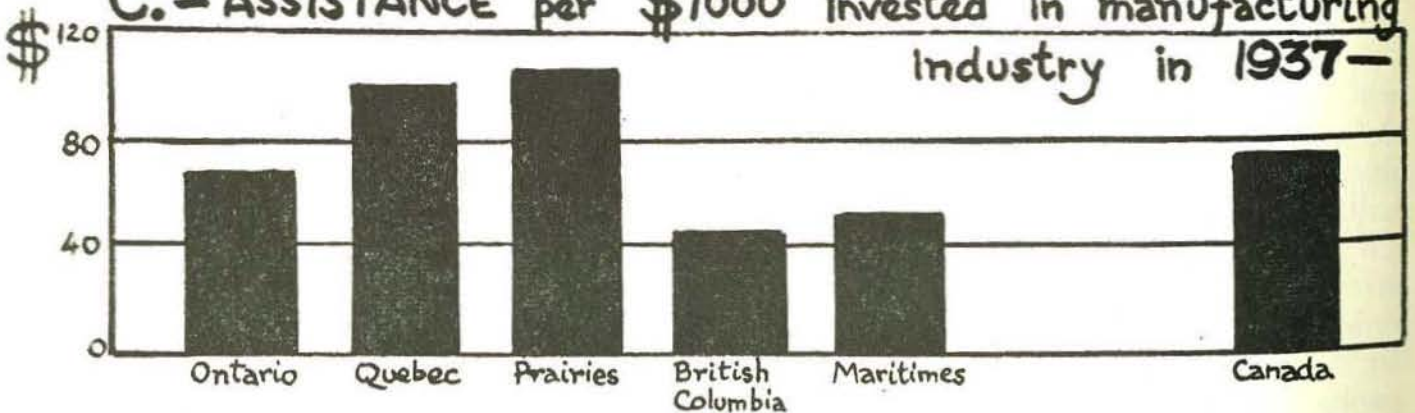
A.—TOTAL ASSISTANCE by PROVINCES —



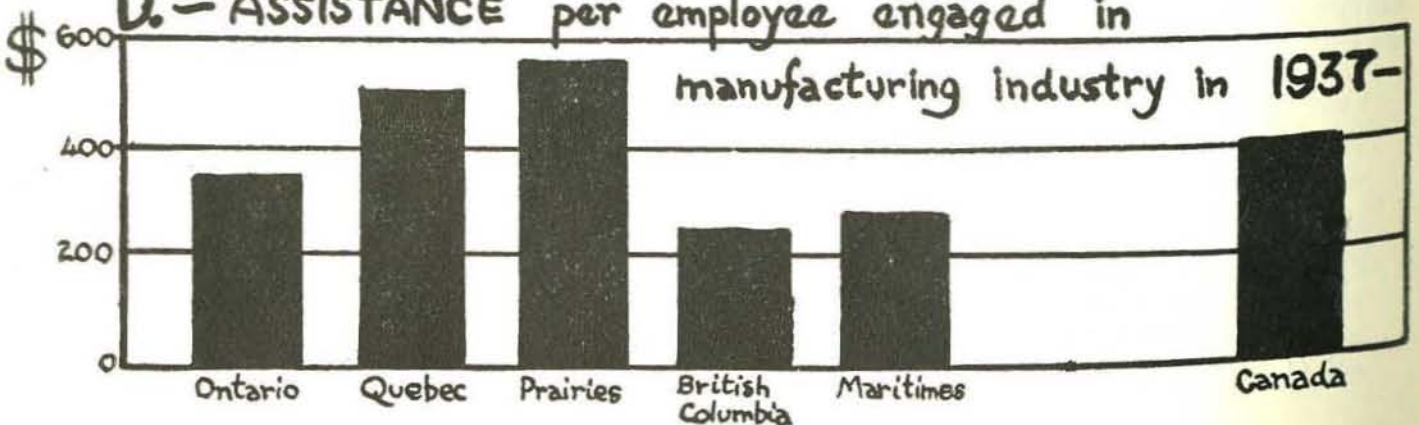
B.—ASSISTANCE per capita —



C.—ASSISTANCE per \$1000 invested in manufacturing industry in 1937—



D.—ASSISTANCE per employee engaged in manufacturing industry in 1937—



practically neglected. Once again in terms of war economy this distribution may be, indeed probably is, justified. But the policy means that this war is seeing a great industrialisation of Canada and that this industrialisation is being concentrated in the provinces of Quebec and Ontario, with the consequence of greatly increasing their economic power and consequently their political influence within Confederation. It also means that Canada's external trade policy will be effected. The central provinces will not only wish to have protection against manufactured imports, they will be looking for markets for their exportable surpluses of manufactured goods and if, as one may expect, Canada becomes a creditor rather than a debtor nation the problems of marketing agricultural produce abroad and the problem of selecting the type of import in which we will permit our debtors to make payment will become exceedingly difficult and will breed conflict between the different economic regions. To some small extent these problems have been foreseen and provided against by the Dominion government. Whereas the total spending by way of capital assistance to industry has been highly concentrated in Quebec and Ontario, the spending per capita has been rather more equitable, though here the industrial provinces of Ontario and Quebec and to a lesser extent British Columbia have done better than

the Prairies and Maritime provinces, and the spending per \$1000 invested in manufacturing industry and per employee engaged in manufacturing industry, i.e. the increase in the degree of industrialisation, has been highest in the Prairies with Quebec running second, Ontario third, the Maritimes fourth and British Columbia fifth. Thus an effort has been made to spread the industrialisation and, particularly, to increase the degree of industrialisation in the Prairie provinces. This has been done, the figures suggest, at the expense of the already industrialised province of British Columbia rather than of Ontario and Quebec. But it does offer to the Prairies a slight improvement in the balance of their economy and some little safeguard against the possibility of restricted agricultural markets after the war. The degree of industrialisation in the Maritimes remains very small. Already less industrialised than British Columbia their industrialisation has been increased but little, and in actual fact what capital assistance to industry there has been, has been concentrated in a single community and in a single industry with little post war possibilities. This does rather suggest a further decline after the war in the relative economic position of the Maritimes, with respect to the rest of Canada, and consequently in their influence in the councils of the nation.

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## Economic Relations Between Canada and the United States

By J. DOUGLAS GIBSON

FEW developments in our economic relations with the United States can match in importance the so-called Hyde Park Agreement reached between President Roosevelt and Prime Minister King on April 20th last. It establishes the

principle of co-ordination between the production efforts of the two countries: "Each country should provide the other with the defence articles which it is best able to produce, and above all, produce quickly, and production programs should be co-ordinated to this end." It also is designed to combat Canada's number one bottleneck—the foreign exchange pro-

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EDITOR'S NOTE: J. D. Gibson is Editor of the *Monthly Review* of the Bank of Nova Scotia published at Toronto. The map on the cover of this issue was obtained through the courtesy of the American Association for Adult Education and was previously published in the Association's *Defence Papers* No. 3.

blem—and in this respect it makes a very substantial contribution indeed.

This economic agreement may be regarded as a logical development of the earlier defence pact (the Ogdensburg Agreement) and of the emergence of the United States' aid-to-Britain policy. Obviously, it will facilitate North American defence. Even more important, it will facilitate aid to Britain which, on both sides of the border, is now regarded as the first line of defence. While it may be doubted that it will weld the production programs of the two countries into a single gigantic whole, as some commentators have suggested, it will increase the effectiveness of the effort on both sides of the international border, and especially on the Canadian side. From a Canadian standpoint, it should add very substantially to our ability to increase our war effort, both because it will assist us to enlarge our purchases of essential materials and equipment and because it envisages a greater degree of specialization in our war production.

The Hyde Park Declaration has also longer-range implications. It is a further phase in that mixing-up of the affairs of the British Commonwealth and the United States which we may not want to unravel, or be able to unravel, when the war is over. It may be remembered that Premier King said of the Ogdensburg Agreement, "it is part of the enduring foundation of a new world order, based on friendship and good will," and the present agreement is after all but an extension of the same basic principle. In the space of this article, however, it is not feasible to discuss such longer-range prospects, important as they are. Rather, it will be attempted to give a brief sketch of the development of economic relations between Canada and the United States which the war has brought about, presented from the Canadian angle, and with emphasis on the balance of payments and the exchange problem.

#### PRE-WAR TRADING RELATIONSHIPS

Before turning to wartime developments, it may be well to outline the posi-

tion which prevailed before the outbreak of hostilities. It is scarcely necessary to say that close economic ties existed between Canada and the United States. Indeed, the two countries did more business with each other than any other two countries, and well over 50% of Canada's international transactions were with her southern neighbour. This huge volume of business was about half in commodities and the remainder was in gold, tourist trade, interest and dividends, freight and minor items.

In commodity trade, Canada's principal exports to the United States were forest products (particularly pulp and paper), base metals and asbestos, certain farm products, fish and furs. The volume of these exports is closely related to the state of business conditions in the United States—and more specifically to such things as newspaper advertising and circulation, building activity and operations in heavy industry. Canada's commodity imports from the United States comprised a much wider variety of products. Some are basic raw materials and fuels, such as iron ore, raw cotton, petroleum and coal. Others are machinery, metal products, and parts for manufactured articles. And yet others are consumers' goods, some of which are of a luxury and semi-luxury character. The volume of these imports, of course, varies with the condition of Canadian business, but because of our great dependence on the United States for capital goods and equipment the volume becomes extraordinarily large in periods of capital expansion and, conversely, is much lower at other times. The commodity trade balance between the two countries is almost invariably against Canada. In 1938, the last full year before the war, the deficit on commodity account, including the related freight payments, was about \$150 millions.

In addition to this net payment, Canada has also very large payments to make on the huge American investments within her borders. The U.S. investment in Canada is placed at not far from \$4,000 millions, and though an appreciable part

of this represents holdings of government securities, what is particularly notable is the large interest in manufacturing, mining and public utilities. This American investment required a remittance of interest and dividends of about \$225 millions in 1938, of which only about \$25 millions was offset by receipts from Canadian investments in the United States.

On the other hand, Canada made up for a good part of these payments with her receipts from gold production and from the tourist trade. The steady increase in gold output, which by 1938 was around \$165 millions, has been a very important factor in meeting external payments and in enhancing our ability to purchase necessary imports. The tourist trade was also an important source of foreign exchange, though in the light of recent investigations it did not bulk so large as we used to think. On the basis of the new estimates it would appear that the net credit, i.e., the differences between receipts and payments for tourist services, was somewhere in the neighbourhood of \$80 millions in the year prior to the war.

Taking all these transactions together and adding in the few smaller items, the current business between Canada and the United States resulted in a net debit for Canada of around \$115 millions during 1938. But this was not an unhealthy state of affairs: it did not mean that Canada was going further into debt. Indeed, quite the reverse was true. So substantial was the credit balance with the British Empire and foreign countries that we were able to meet our deficit with the United States and in addition to redeem and buy back sizeable amounts of our previously-incurred debts in that country.

#### THE EFFECT OF THE WAR

The war caused two fundamental changes which radically altered this picture. It greatly increased Canada's requirements of American goods and thus rapidly enlarged the deficiency in her accounts with the United States. And

at the same time, it meant that her large and growing credit balance with the British Empire could no longer be freely converted into foreign exchange. These were the main factors which resulted in the "hard currency" problem.

Let us look first at the wartime development of Canada's trade with the United States. From 1938 to 1940, imports from the United States rose from \$425 millions to \$744 millions. About two-thirds of this increase was in imports of metals, metal products, machinery and aircraft and parts. A good deal of the remainder was in raw cotton, coal and petroleum. The reasons are not far to seek. Canada was in process of building up a large war industry and required machinery, equipment and steel in quantities and of a kind which were far beyond her capacity to produce. Furthermore, many of the new wartime products required parts and components which could not readily or effectively be made in Canada, and the rising volume of production necessitated a larger import of basic raw materials and fuels. At the same time there was a growing demand for consumers' goods, though this was checked as time went on by taxation and import barriers. And then, it should also be remembered that some sources of imports had been cut off by the blockade or made less accessible owing to the shipping problem.

In some respects, an analogy could be drawn between the present situation and that which prevailed in the late 'twenties. Now, as then, Canada is in a period of rapid capital expansion requiring extremely heavy imports from the United States, though the purpose and direction of the expansion is, of course, not the same. Canada, whose methods of manufacturing and production are North American, necessarily turns to the United States not only for capital equipment but also for technique and methods of industrial organization. But the analogy ends here. In the late 'twenties, much of the expansion was being financed by an inflow of capital from across the border. To-day, in contrast, the expansion is



being financed at home, and largely by government rather than private capital. American investment has played little part: indeed, at the outbreak of war the risk of a withdrawal of previously-invested capital seemed a quite sufficient reason for the imposition of exchange control.

Of course, the expansion of trade has not been entirely in one direction. Canadian exports to the United States have risen appreciably, though to a much smaller degree than imports from that country. Rising business activity in the United States and the closing-off of certain European sources of supply (particularly for wood products) created a larger market for Canadian goods, especially for pulp and paper and base metals and to a lesser extent for lumber, asbestos, certain farm products, fish and furs.

The war also affected other types of business with the United States. It had an unfortunate influence on the tourist trade: expenditures of American tourists in Canada were about 20% lower in 1940 than in 1939. Through its effects on industrial activity, it also added somewhat to dividend payments on American investments in Canada, though higher taxation limited such increases. But the market for gold was not affected, and this source of U.S. dollars increased with the gradual growth of production.

To sum up, the effects of war have been to enlarge greatly our U.S. dollar deficit. Even after certain government measures were taken to check unnecessary demands for U.S. dollars, it would appear that our net deficiency in 1940 was somewhere around \$300 millions as compared with somewhat over \$100 millions in 1938.

As already indicated, we were no longer free to draw upon our credit balance with the British Empire. Although this balance has been growing rapidly, Britain had urgent need of her resources of gold and foreign exchange and the policy has been to help to finance her Canadian dollar requirements by repatriating Canadian securities formerly held in Britain, and by accumulating sterling balances. From the beginning of the war, until

March 31st, last, i.e., in a period of about 18 months, our credit balance with Britain is officially estimated at \$795 millions, and of this Canada financed \$545 millions by these two methods. The remainder was received in gold, but it is clear that all such gold, and more, was required to meet Canada's deficit with the United States. In fact, we have drawn on our capital resources of monetary gold and foreign exchange to a material degree.

#### EXCHANGE CONTROL AND RESTRICTIONS

Even at the outbreak of war, it was clear that there would be a dollar-payment problem, and exchange control was established almost immediately. Exchange control, however, was not set up to curtail imports or other forms of current trade. Its purpose was to guard against the risk of an outflow of capital which might have greatly accentuated our exchange problem, and also to provide a stable rate of exchange both in relation to the U.S. dollar and to the controlled rate of sterling. Partly because of our very close financial ties with the United States there were a number of ways in which such a capital outflow could have occurred. For one thing, there was a very large trade in securities between the two countries. Many Canadian securities have a well-developed market on both sides of the border and should the New York market for such securities have weakened, American holders would have had the alternative of selling in Canadian markets and withdrawing their funds. Furthermore, Canadians were substantial investors and traders in the New York market and, until exchange control was imposed, were at liberty to move funds into the United States without let or hindrance. In addition, Canadian corporations and governments had been buying back their securities held in the United States during the several years preceding the war. Also important in possible losses of capital were numerous and indirect methods by which American parent companies could reduce their investment in their Canadian subsidiaries. While a large outflow of capital might not

have occurred, it was a risk which could not reasonably be taken in view of the great need for U.S. dollars to make current purchases.

As Canada's war effort expanded and as imports from the United States increased rapidly, certain other measures were taken to conserve foreign exchange. In the second war budget of June, 1940, the 10% tax on non-Empire imports was imposed both with a view to revenue and to discouraging unnecessary imports requiring "hard currency" exchange. In addition, the heavily graduated tax on the sale of new automobiles had an exchange motive in that it bore most heavily on the more expensive imported vehicles. Later on, came the Exchange Conservation Act and the ban on pleasure travel outside the sterling area. The Exchange Conservation Act prohibited the import from "hard currency" countries of a variety of non-essential products, including most household appliances (refrigerators, stoves, washing machines, light fixtures, radios, etc.), many textiles and a variety of consumers' goods. It also subjected the imports of certain other goods to increasing restriction. At the same time, however, excise taxes of 25% were placed on the sale in Canada of most household appliances with the specific intention of discouraging any increase in their domestic production. Though the present budget features no major provisions for exchange conservation, there is an element of this in the federal gasoline tax, and the increase in the tax on the income of non-residents from 5% to 15% may result in an appreciable exchange saving.

#### THE PRESENT POSITION AND THE HYDE PARK AGREEMENT

That measures to conserve exchange were necessary is conclusively shown by the persistence of a very large U.S. dollar deficit. In the recent budget speech, the Minister of Finance stated that despite the measures which were adopted, Canada experienced a net deficit in all her transactions with the United States from September 15th, 1939, to March 31st, 1941,

of \$477 millions. Of this deficit, \$250 millions was met by gold received from Great Britain, but the remainder of around \$225 millions was met out of Canada's holdings of monetary gold and exchange, and by the liquidation of certain other U.S. assets. Moreover, the deficiency was growing: according to the Minister, in the present fiscal year (which began on April 1st) it would be around \$478 millions—as much as in the preceding eighteen months.

This was the problem at the time of the Hyde Park Agreement. Towards its solution, that agreement made a very substantial contribution. In the first place, the United States agreed to relieve Canada's exchange problem insofar as her purchases from the United States are components for munitions and equipment which are being manufactured in Canada for Britain. In future, such purchases are to be included under Lease-Lend to Britain. This will mean a very substantial saving in exchange: no official estimates have appeared, but unofficial "guesses" go as high as \$200 millions per annum. In the second place, the United States undertakes to purchase defence articles from Canada to an amount which it is hoped can be between \$200 millions and \$300 millions in the next twelve months.

While these steps go a long way to meet Canada's exchange problem, it would be unwise to assume that they offer a complete solution. The principles are agreed upon but the difficult technical details have still to be worked out. The export of \$200 millions to \$300 millions of defence articles from Canada to the United States is a "hope," not a contract, and even when this volume is reached there will not necessarily be a fully equivalent improvement in the exchange position. Indeed, the very fact that the Agreement relieves the exchange problem means that Canada may be able to increase her war effort and import even more from the United States. In the words of the Minister of Finance, the Agreement "does not remove all need for the conservation of foreign exchange. It is a

magnificent contribution to the success of our common struggle, not to the ease and convenience of the Canadian people. It would be foolish, for instance, to assume that it will mean the restoration to par of the Canadian dollar in New York . . . or to assume that it will enable us to remove the present restriction upon the use of U.S. dollars for pleasure travel purposes in the United States."

#### SOME BROADER IMPLICATIONS OF THE AGREEMENT

Because it will ease the vital exchange bottleneck and because it is designed to induce a greater degree of specialization in the output of defence articles, the Agreement should notably facilitate Canada's war production. "It means," said Premier King recently, "that in the case of corvettes and other weapons of war, Canadian plants will be able to go full-out and make to their capacity. One advantage in the case of planes is that makers of the chassis can go ahead as fast as they can knowing the engines will always be available from the United States."

But what about these proposed exports of defence articles to the United States? What are they to be, and shall we have enough of them to ship to the United States after meeting our own and British requirements? While the answers to these questions are not yet known, some rather vague indications have been given. In the text of the statement following the meeting between President Roosevelt and Premier King, it was suggested that the defence articles concerned might be "certain kinds of munitions, strategic materials, aluminum, and ships." In regard to all these items, the requirements of Great Britain are heavy and undoubtedly have first call. The situation probably boils down to something like this. In the first place, we can ship to the United States such defence articles as we can produce in sufficient volume after meeting our own and Britain's needs. It would appear that the immediate possibilities in this direction are fairly limited. Secondly, and of

greater importance, we can ship products that Britain needs to the United States, provided that the United States can proportionately or more than proportionately increase her aid to Britain. For example, it is conceivable that shipments of aluminum to the United States might be made at the expense of British and Canadian requirements if it were clear that such aluminum could be used more effectively by that part of the American aircraft industry which is working for Britain. Similarly, we could ship corvettes to the United States Navy for patrol work on the North Atlantic shipping lanes; and if, by receiving corvettes, the United States felt able to turn over some more destroyers to Britain the advantages would be obvious. In other words, it is a three-cornered proposition and the criterion is the largest possible joint effort, with emphasis on the first line of defence.

The principle of co-ordination between the productive efforts of the two countries was strongly stressed at the Hyde Park meeting, though no specific indications were given of the form which co-ordination was to take. Judging from recent developments, it appears that Canada is to concentrate her effort even more on ship-building, both of merchant vessels and of smaller naval craft, on munitions and explosives, on certain kinds of armaments and on such vital materials as aluminum. It would also appear that we have dropped the idea of making high-powered aircraft engines. But this is about all that can be said at the moment.

The announcement at the time of the Agreement concludes: "the technical and financial details will be worked out as soon as possible in accordance with the general principles . . ." It is quite clear that these details are very important. In addition to the financial aspects, they include all the practical problems of co-ordination—the degree of concentration on certain kinds of output, the assurance of an adequate supply of machinery and materials, questions arising out of the difference in type between British and United States military equip-

ment, and out of the difference in specifications between North American and British industry, and so on.

Such problems require almost continuous consultation and study. Some machinery for this purpose is already in existence. There is the Joint Defence Board which is concerned with the military aspects of Canadian-American defence. There is also the recently-established Material Co-ordinating Committee which includes representatives from the Canadian Department of Munitions and Supply and from the U.S. Office

of Production Management and whose purpose it is to collect and exchange information on raw material supplies in the two countries. Now, it is unofficially reported from Washington that Canada and the United States may set up closely collaborating economic defence boards in the near future. Such cooperation and consultation must play a major part in translating the broad principles of the Agreement into effective co-ordination of defence production between the two countries.

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## Regional Aspects of Government in the United States

By JOHN M. GAUS

THE Report of the Royal Commission on Dominion-Provincial Relations is evidence to its readers in the United States of the important similarities in our problems. Such a measure as the Prairie Farm Rehabilitation Act reminds us also that there are parallels between us not only in our physical regions but the resultant problems of adjustment of man to his environment and the institutional devices which may be employed in that adjustment. We on the south of the border may usefully study Canadian policies and proposals. They will not only have much that bears directly on our own problems, but in looking at these problems through the eyes of others we can reappraise them freshly and more objectively. By pooling our practices and ideas we may find mutual advantages. A brief summary, therefore, of developments in the governmental reflection of regional factors in the United States and a reference to some

of the centers of work in this field may have some interest for Canadian students.

What do we mean by a "regional" aspect of government in the United States? The problem of adjusting areal boundaries to the nature and scope of the functions and powers of government has been present throughout our history. Our system of government is federal, our area is continent wide, our economy is affected by international and national factors within the sensitive interdependent price system. Through our constitution, the powers with which the people of the United States may attack public problems are allocated to the national government and to the states, and in that same instrument prohibitions are placed on both—prohibitions that are substantive and procedural. The original arrangements have been amended by formal change in the document and modified by judicial interpretation and legislative and executive practice as changes in technology, in institutions, in the distribution of population and in attitudes of mind have dictated or permitted. Nevertheless there cannot, apparently, ever be achieved a perfect fitting of gov-

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EDITOR'S NOTE: John M. Gaus is Professor of Political Science, University of Wisconsin, and one of the champions of the youthful science of Public Administration. The latest of his many publications *Public Administration and the United States Department of Agriculture* will be reviewed shortly in this journal.

ernment units to every kind of optimum region for every purpose of public house-keeping. Thus, the boundaries of a watershed, which requires unique treatment for certain problems that inhere in that precise area, will not, of necessity, be satisfactory boundaries for the best regional unit in that section of the country for credit policy, labor-law enforcement, market regulation, or personnel administration. If we were to redraw the boundaries of our states, we should, despite every effort, continue to find that state lines, even when better adjusted to certain physical factors, nevertheless would cut across some functional regions. With the expansion of public services during the depression this problem became more acute; as a result the National Resources Committee, now entitled the National Resources Planning Board and assigned to the Executive Office of the President, issued in 1935 the report of its Technical Committee on Regional Planning, "Regional Factors in National Planning and Development."<sup>1</sup> In this document the problem is analyzed, some of the efforts to meet it described, and suggestions for further action are made. The present article is based on this study and on subsequent developments.

A brief survey of some of the major currents which are contributing to regional aspects of public policy in the United States will enable us to understand better the range and variety of the programs and organizations to which the term regional is frequently applied. There is dispute concerning the term region; it is sometimes used, for example, as the optimum areal unit of a single substantive commodity or occupation, and it is also used as a unit of general description, embracing geographic, historical and cultural factors generally. In the latter sense, it is used by many as synonymous with the term section, which has been much employed in recounting the history of the United States. One of our historians, the late Frederick Jackson Turner, emphasized strongly the

importance of sectionalism in our history.<sup>1</sup> The very controversy over the term which has arisen is evidence of a healthy re-examination of basic forces and elements in the life of the nation. In general, we find a very practical use of the term regional in planning and administration—a use which reflects a problem. The problem is that of planning and administering the public policies that seem to be needed for an area that does not coincide nicely with any of the existing political units; and more particularly, an area which embraces parts of more than one state, or parts of more than one county or municipality. Thus, we now have several planning regions, such as those of the Pacific Northwest, New England, the Tennessee Valley, all composed of several states, or Metropolitan Boston, St. Louis, Philadelphia, and the San Francisco Bay area, composed of several municipalities. So, too, we have the many regions of bureaus of departments of the national governments, each embracing several states or parts of states, and with a regional level in the bureau organization. A sampling of some of the movements from which these public programs have developed, will indicate the necessarily varied solutions to problems that differ somewhat in origin and nature.

In the nature of things, regionalism appears strongly in policies relating to natural physical resources of soil, land cover, and waters. The emergence of regional patterns has been at once stimulated and retarded by the "land grant institutions." These are the colleges of agriculture and the mechanic arts, the agricultural experiment stations and the county extension services which have developed over the past seventy-five years on the financial basis in part of grants from the national to the state governments—grants first of land, and now of annual money payments. These institutions have stimulated regionalism by bringing scientific inquiry and college and adult education to focus intensively

1. Superintendent of Documents, Washington. Pp. xciii, 223. 50c.

1. See, for example, his *The Significance of Sections in American History*, New York, 1932.

upon particular states and thus by relating them to factors inhering in those states have encouraged varied adjustment of programs to them. They have retarded regionalism somewhat, since the stress upon the problems and resources of a state may delay recognition of the identity of conditions extending beyond the boundary of a state and cooperation of the states concerned in dealing with them. There has been an increase, however, in the recognition of regional interests and the development of regional programs. From these colleges great numbers of men and women have been recruited into the public services in agricultural sciences and home economics, and from them and their affiliated experiment stations pour a great stream of research reports. The tie with the county agriculture, home demonstration and youth club agents brings much of this work down to specific application to the immensely varied conditions that exist in non-urban areas. The most recently published Yearbook of the United States Department of Agriculture, that for 1940 (entitled *Farmers in a Changing World*), gives ample evidence in its numerous articles of this relating of national policy to local and regional problems, and of the invention of procedure and organization whereby this integration of the different levels of government may be facilitated. The local committees and state and regional organizations of bureaus of the national Department have been challenged, by agreements negotiated in recent years, to coordinate their programs more effectively with the work of state agencies in each county, and the creation of County Agricultural Planning Committees, representative of farmers and official agencies, is one result.

The development of the conservation movement, from the time of President John Quincy Adams to the Roosevelts, Pinchot and Van Hise, and ranging in its scope from minerals and soils and waters to the preservation of scenic beauty and civic shrines, has inevitably emphasized a regional approach to public policy, since a natural balance between

various factors of the natural environment, whether birds and fish or trees and soils, must be sought in any adequate program in any given spot. While great specialized services have been developed in the past half century, such as the Forest, Park, Reclamation and Soil Conservation Services in the national government, with some counterpart on the state level of government, the logic of nature points to the evolving in collaboration of regional policies where natural regions demand. The Reclamation Service, indeed, has its legal boundaries suggested by the rainfall line, and the Forest Service has created a "Shelter Belt" area of operations and reflects regional problems in its own administrative regional organization. A significant recent creation is the Tennessee Valley Authority, charged with a multiple use policy for a watershed of a great river and the facilitation of regional planning by all the agencies of all levels of government in the area. A shift from specialized subject-matter treatment of problems to an ecological approach comes slowly (opposed, as it is, by the long period of specialization in our studies throughout the educational system), but here and there it is discernable, not least among a stimulating younger group of students and writers in the field of natural history, social organization, and planning.

The natural environment is studied, however, primarily because it is important to people; and we conserve, presumably, for their benefit. The important movements in urban, rural, and metropolitan and "rurban" planning, developing in the past half century although with earlier origins, are also forced, by the nature of our population changes and our technology, to relate the local community to its hinterland and to the various types of regions—varied with subject matters such as water supply, sources of power, harbor development or parks—with which each is interdependent. The pioneer work of the landscape architect Charles Eliot in metropolitan Boston or of Burnham in

Chicago has been supplemented by the emergence of social researches and programs flowing from the social work and public welfare organizations and their personnel, from universities engaging in local community and regional research (as notably at the Universities of Chicago and North Carolina), and from departments of agricultural economics and rural sociology and affiliated experiment stations at the land grant institutions. Ideas of planning have been enriched by interpreters and appraisers and by administrators, scholars and workers in many fields. "America's Coming of Age", as one of our foremost writers (Van Wyck Brooks) calls it, has been marked by the exploration too of regional expressions in literature and the arts—recently stimulated greatly by the public building programs with their inclusion of murals reflecting regional interests and history. An extensive literature concerning regionalism has been produced within the past twenty-five years. Lewis Mumford, disciple of Sir Patrick Geddes, may be taken as the initiator of this most recent discussion of the place of the region in social development, and among others who have been making important contributions are Howard Odum and Rupert Vance, Paul Sears, J. Russell Smith, Benton Mackaye, Donald Davidson, Frederick Gutheim, and Walter Webb; the special and detailed studies of a particular region, however, should be studied in order to balance the general appraisals by the tang of life in a particular spot. Most of the writers mentioned above have contributed something of both types of work. Some of the most interesting of the special studies comes, significantly, from the Southwest; notably, "Sky Determines", by Ross Calvin, and "Forgotten People", by George Sanchez. On more technical matters, the development of zoning ordinances for urban districts is now being paralleled—chiefly in one state only—by rural zoning through the counties, and the problems peculiar to the "rural-urban fringe" are receiving some attention. The American City Planning

Institute, the American Society of Planning Officials, the American Civic and Planning Association, the National Planning Association and the National Municipal League are among the organizations through whose publications these developments may conveniently be followed. A significant effort to widen popular understanding of the work of officials and groups in regional planning in the Pacific North-west is the program and work of the Northwest Regional Council.<sup>1</sup>

The tendencies thus reflected were greatly affected by the extension of public programs throughout the United States on all levels of government in the fight against the depression in the past twelve years. The public works program undertaken to "prime the pump" included the establishment of the agency now entitled the National Resources Planning Board which fathered a series of studies, and stimulated establishment not only of many state planning boards but of two regional planning commissions, representing state planning agencies in New England and the Northwest. The first annual report of the new Federal Works Agency, that for 1940, summarizes pertinently the evolution of public works policy in the United States. A great impetus was given to public programs in the sector of natural resources conservation by the Civilian Conservation Corps, the Soil Conservation Service, the Forest Service and other agencies, and by the production control programs in agriculture accompanied by local participation through farmer committees. The relief agencies have undertaken important researches in regional aspects of population and employment policies and problems. The Tennessee Valley Authority was specifically charged, in the statute which created it, with the function of formulating regional plans for its area, and the problems of policy arising from the extensive power programs in other regions, such

1. 606 Bedell Building, Portland, Oregon. See their *Men and Resources*, based on studies made by the Pacific Northwest Regional Planning Commission.

as the lower Colorado and the Columbia river valleys have led inescapably to the need for official exploration of a coordination of many programs in their respective regions.

A member of the Board of Directors of the Tennessee Valley Authority, in fact, (Mr. David Lilienthal), emphasizes the use of the regional authority established by the national government under its constitutional powers as a solution of the problem of relating adequate legal power to attack major problems with the preservation and enhancement of local initiative and participation in administration.<sup>1</sup>

The problems and possibilities of governmental organization and procedure reflecting a regional approach to our problems have received some attention in the past two decades. They are reflected in the documents already cited. The experience with grants in aid has been surveyed and appraised in the excellent study by V. O. Key, and a companion volume by Louella Gettys presented the Canadian experience with this device. States have employed the use of compacts for dealing with a few

questions of mutual concern signatories, but in general this device has proven of local and limited effectiveness. There are suggestive experiments in state co-operation, often of a most informal sort, and encouraged and facilitated by the Council of States and its numerous constituent groups and committees. There are the official and unofficial metropolitan planning agencies, and the state and regional planning boards and commissions, integrated with the National Resources Planning Board through the latter's regional offices and consultants and aid to the state boards. There are the efforts of some national bureaus to reflect regional needs through regional offices, on which we have the studies of Professor James Fesler of the University of North Carolina. These developments constitute what Professor Jane Clark of Barnard College has called, in her recent study of them under that title, "The New Federalism"!

One may best conclude, then, on the opening theme—the advantages which citizens on both sides of the border, living as they do in federal states that span a continent, and sharing regions whose problems and possibilities invite cooperation, may derive from better acquaintance with one another.

1. An address on this topic, entitled "The TVA: An Experiment in the 'Grass Roots' Administration of Federal Functions," contains his suggestive argument on this point.

## Educational Trends in New Brunswick

By AIDA B. McANN

THE educational system of the Province of New Brunswick was organized under the Free Schools' Act of 1871.

This system served the needs of pioneer communities when, as one educator put it, "the school district was measured by the legs of the children." In these days of improved transportation and changed conditions, however, it is tragically inadequate both in regard to school administration and curriculum content.

In the urban and in the better-off rural communities the system has, of course, been sufficiently modified to provide efficient education; but as a result there are glaring inequalities of educational opportunity in New Brunswick.

When Dominion statistics revealed that this Province had the highest rate of illiteracy in Canada and that 7.14 per cent of the population could neither read or write, thinking people became alarmed. General uneasiness led to the establishment in 1936 of a Department

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of Education, headed by a Minister of the Crown, and the appointment of a Director of Educational Services to initiate a program of long-overdue reform.

As the most important factor in any system of education is the teacher, one of the first steps taken was to offer increased educational opportunities to teachers. A professional Summer School was organized in Saint John in 1937, and again in 1938; an open-shelf professional library established in the Education Office, Fredericton; more and better supervision provided; a provincial policy adopted whereby both inspectors and teachers receive assistance to study education elsewhere; and a more extensive program of in-service training for student-teachers provided at the Provincial Normal School.

Second only to better training for teachers was the need for a more dynamic and flexible curriculum. Accordingly, a Curriculum and Text-Book Committee was set up to make an extensive survey and recommend a suitable program of studies. A new course prepared for the first six grades has now been in operation two school years and has proved highly successful. A tentative program for grades 7, 8 and 9 is now being tried out in certain schools which will, no doubt, be generally adopted next year. Though no attempt has yet been made to remodel the High School Curriculum as a whole, much attention has been given to the improvement of English and Science teaching with a revision of teaching methods and the provision of modern texts.

For children living in areas so remote that it is impossible for them to attend either the Parish Superior or the County Grammar Schools, Correspondence Courses in High School subjects have been organized. That these courses fill a need is shown by the large number of students enrolled. More than 550 rural young people are now studying by correspondence, and the number of applications is constantly increasing.

School Festivals have been organized and encouraged. Visual Aids education

has been sponsored: a library of educational films, available rent-free to schools, has been established at the Provincial Normal School where a modern projector is installed; and a grant up to \$200 per school made available to assist schools in buying projectors. A Regional Library plan is being promoted and, in the meantime, the volunteer organization, The Friends of the Rural Library Association, initiated by Miss Muriel Lutes, of Lutes Mountain, is working with the teachers of Westmorland, Kent and Albert counties to provide circulating libraries for rural schools and communities in these three counties.

At the present time a committee is at work preparing suitable texts for education in Citizenship and Democracy. The Minister of Education, Dr. C. H. Blakeny, is an enthusiastic advocate of education for Democracy; and it was at his call, and arranged by him, that an informal Conference of Educational Authorities was held in Ottawa on November 20, 1940, when the Canadian Council of Education for Citizenship was formed. One very interesting outcome of this first Council meeting was the decision later reached by the CBC to offer a series of twelve plays, entitled "The Theatre of Freedom," which have since been enjoyed by millions of radio listeners. It was the intention of the CBC to make gramophone recordings of each of these plays and to sell them at a cost of approximately \$16 each to schools wishing to use them as teaching material.

Through the efforts of the Minister of Education and the Department of Education, a law was passed by the New Brunswick Legislature, in April, 1941, making education compulsory throughout the Province. Prior to this time, compulsory attendance was a matter of local option.

Vocational Education and Adult Education have also been on the march in New Brunswick, with excellent progress made in both fields. Almost immediately after the Vocational Educational Act was passed in 1918 the Carleton County

Vocational School was opened in Woodstock to serve rural needs. Seven years later, the Saint John Vocational School was organized to give technical training suited to urban requirements. Ever since their establishment, these two schools have increased their enrolment regularly and are the only two purely Vocational Schools operating in the Province to-day.

The Carleton County Vocational School opened in 1919 with a registration of 51 students. In 1940, at the twenty-first graduation, there were 458 young men and women who received diplomas. The Agricultural Department of the Carleton County Vocational has a long and notable history of achievement. The boys enter the agricultural courses on November 15 and stay in school until April 15. During the remainder of the year their work on the home farm is supplemented by practical instruction under the expert supervision of Mr. R. W. Maxwell, Principal and Director of the School. That the Carleton County Vocational School has done much to build up rural New Brunswick is proved by the fact that 92 per cent of the boys who have been graduated are now on farms. Recently, in co-operation with the School, a Co-operative Marketing Club was organized. In one year this Club produced and sold \$100,000 worth of bacon—or more than enough to pay for the entire school and its operation!

The Carleton County Vocational also provides adequate and suitable training for young women. This was exemplified in a unique way at the school closing in 1938 when fifty young ladies were graduated wearing white homespun which they themselves had spun and woven from native New Brunswick wool, at a total cost of \$1.75 for each costume. This was the first occasion in one hundred and sixty-three years in the British Empire when a class dressed entirely in homespun was graduated. Unique in another way are the graduation exercises of this splendid school which always take the form of an Outdoor Pageant. At the 1938 Closing the Pageant, written

and directed by Miss Grace Caughlin, an inspired teacher, traced the progress of free education in New Brunswick. In 1940, the Closing Pageant, also written and directed by Miss Caughlin, was a moving spectacle depicting Democracy in action and showing what can be accomplished by "the common man of a free country as he rises in his glory out of mill, office, factory, mine, farm and shop".

The Saint John Vocational School also renders outstanding service but to an urban centre. This excellent school, once considered too large for the City of Saint John, has for the past two years been filled to overflowing with long waiting lists in many departments. Enrolment during the school year of 1939 reached the new high of 1572, an increase of 184 over the preceding year. Of this number, 791 were enrolled in day classes and 781 in night school courses covering twenty-five different subjects. Cultural subjects are as popular as practical and technical education. The school is famous for the quality of its dramatic productions; its orchestra is widely recognized and makes a splendid contribution to community as well as student life; classes in Music, including Glee Clubs, Choral Groups and Violin Groups are offered; while the quality of the Art Work produced under the direction of Miss Violet A. Gillett has won Canada-wide acclaim.

In addition to these two purely Vocational Schools at Saint John and Woodstock, New Brunswick has eight progressive High Schools which offer Commercial, Home Economics and Industrial Courses as well as Academic studies. These Composite High Schools, as they are called, are situated at Fredericton, Milltown, Campbellton, Dalhousie, Bathurst, McAdam, Edmundston and Newcastle.

Since 1938 the Newcastle Composite High School has offered to students from all parts of Northumberland County a free training in the theory and practice of agriculture. The Newcastle School is the first public school in New Brunswick

under the control of a Local School Board to offer agriculture as a part of the school curriculum. Already the Agricultural Department is operating at full capacity and there is a demand for increased staff and accommodations.

Northumberland County has pioneered in another splendid rural educational movement, and boasts the first Rural High School in the Province. Opened officially in October, 1940, this School stands as a monument to the vision of public-spirited citizens who realized the need for its services; found out what the Department of Education was prepared to do to assist; and then persuaded the ratepayers of five school districts to co-operate to build it. The land on which the school stands was a gift; much of the labor was also donated; and the boys in the school built most of the furniture. The Miramichi Rural High School is a splendid structure of which any city might well be proud, with the most modern type of equipment, including movable tables instead of old-fashioned desks, green-tinted blackboards, air-conditioned classrooms and a large school garden. The educational aim of this Rural High School is to prepare young people to lead better, happier, richer lives right where they are on their own New Brunswick farm homes.

The people of Deer Island, Charlotte County, followed Northumberland's lead, and, in January, 1941, as a result of the co-operative effort of six of the Island's seven school districts, a fine, modern Consolidated School was opened. In this instance, vocational education provides courses useful to the fisherman, as the majority of Island folk gain a livelihood from the sea. Home Economics courses are available for young women.

Many other rural communities in New Brunswick are now considering the consolidation of school districts and the establishment of modern Rural High Schools, long a crying need in the Province.

Under Vocational Education comes the Night School Program. Recently,

attendance at evening classes totalled 2062. Many of the small rural schools are now used regularly two nights a week for groups of adults who gather to learn to read and write, or to increase their store of knowledge. It is a thrilling experience to visit one of these rural night schools where bald-headed oldsters bend eagerly over their ABC's; and it is especially interesting if one is privileged to make such a visit along with Mr. W. K. Tibert, Director of Vocational Education for New Brunswick, who has a remarkable gift for inspiring young and old with an enthusiasm for learning.

In New Brunswick, as in other Provinces, the Department of Education is assisting the War Effort. The school, which was not thought of as a training agency in the last war, is now giving valuable assistance. For months, instruction has been available for men desiring to enter the ground trades of the R.C.A.F.; on July 1, 1940, instruction began in the schools to prepare young men for entering war industries; and the latest development in this service has been the provision of special training for enlisted men in various trades. It is a serious reflection on the old-fashioned system of education that of 3000 young men applying for enrolment in the industrial courses, forty per cent had to be refused because they lacked an elementary education! It is strongly felt that occupational courses leading to direct placement should now be strengthened by Vocational Guidance, which might well begin in High School so as to avoid any period of idleness between leaving school and finding employment.

But Vocational Training is not the only type of education demanded by adults. Rapidly changing conditions demand constant study of social and economic questions if we are to succeed in the difficult task of making our Democracy work. The most sustained phase of Adult Education in New Brunswick has been the Youth Training Program for necessitous and unemployed young women between the ages of 16 and 30. Begun in the fall of 1937, Youth Training

for Girls falls into two main groups, one urban, the other rural. The program chosen for urban young women has been a training in home management. Home Service Training Schools offering a three months' course were opened in Saint John and Moncton, and hundreds of graduates from these schools have been placed in gainful employment. To-day, the Moncton Home Service Training School is the only such school functioning and it is open to young women from all sections of the Province. More than two hundred applicants are now awaiting admission, and there is also a long list of prospective employers.

The program adopted for rural young women has been a training in handicraft education, including weaving, clothing and related arts with special emphasis on the art principles of design and color. Weaving is an economically sound craft for New Brunswick, where the climate is ideal for sheep raising and where a pound of wool which recently netted the sheep raiser 15c in its raw state has a market value of from \$1.80 to \$2.50 when converted into a yard of New Brunswick tweed.

To-day more than one thousand young women have been taught to weave in Youth Training Classes. The next step will be to secure suitable commercial outlets for handwoven materials, and a beginning has been made by the "Loomcrofters," three former Youth Training leaders, who have opened a studio in the Provincial Normal School, Fredericton, where the work of young weavers from all sections of the Province is on display and for sale.

Before many rural Youth Training courses had been given, Miss Hazel E. Hayes, the enthusiastic and competent Supervisor of Home Economics and Adult Education for Women, saw that more training would have to be given in food production, food conservation, dietetics and nutrition. She discovered that in some groups of twenty-five girls enrolled in a rural course, not more than one would have a garden in connection with her farm home. Just as plans were being

made to extend and intensify the study of foods, Canada's entry into the war made such studies a necessary part of national defense. The present challenge to education is not only to our force of arms, but to our ability to make our Democracy and Economy produce, conserve, and distribute plenty for all. Living standards, already dangerously low, must not be allowed to sink lower. In the long run, physical fitness, courage and morale are as necessary to the winning of wars as machines.

Immediately, New Brunswick's Youth Training Program swung into action to meet the challenge. Young women are now being trained for the all-out defense of Canadian homes. Instead of short courses, group learning has become a continuous process and the young women have been asked to enlist in local Guilds for service fifty-two weeks in the year!

The entire Province has been zoned with the County as the unit of administration and the basis for work. To-day there are some 1200 young women enlisted in seventy-three Guilds in all parts of the Province. Last spring emphasis was placed on the planting of home gardens. This was followed in the summer and early fall by an intensive drive on canning and food conservation. Each Guild has a canning outfit and many Guilds have purchased equipment on a co-operative basis. More than 5000 tins of fruits, vegetables, meat and fish were canned through the Guilds last season.

Preparations are now under way for the intensification and extension of these Groups during the coming summer. Courses for local leaders have been held for Northumberland County at Newcastle; and for Madawaska County at Edmundston. Other Counties are clamoring for their turn. These Courses, though operating on a meagre budget, have been most successful. They provide education for Democracy in *Action*. They are an essential part of Canada's war effort. They carry education and scientific method into rural communities where more and better training is an urgent need.

The Youth Training Courses for Young Women are a nationally co-ordinated effort which can only succeed if national co-ordinated support is forthcoming. The Dominion and Provincial Governments are doing their part. But can they be expected to continue to do so unless local people understand, appreciate, and are willing, if necessary, to sacrifice in order to continue and extend this dynamic type of practical education for Youth?

What other investment could possibly yield such high dividends at so small a cost? What is the use of talking about Democracy unless each one of us is willing to give up some of our leisure in an effort to make Democracy work? "The time has come," as an eminent educator points out, "when we must not only be willing to fight for Democracy, but to be bothered by it every day."

## Twenty-Five Years of the City Manager Plan

By LEE S. GREENE

A QUARTER-CENTURY has passed since the history of the city manager plan in the United States was inaugurated. An appraisal of the successes and failures of the plan has disclosed the extent of its spread and the characteristic features of its operation.<sup>1</sup> The city manager plan is a product partly of growth and partly of invention. Its forerunner was the commission plan which abandoned the traditional separation of powers principle of city government as well as the partisan ballot. The city manager plan was evolved in Staunton, Virginia, in 1908 as a projected solution of local problems. The scheme there developed, involving the employment of a municipal business manager under the orders of the municipal legislative body, was seized upon by Richard S. Childs as a means of furthering his objective of establishing

the principle of the short ballot, that is, the principle of limiting to a small number the group of municipal officers to be chosen by popular vote. In 1912 the outlines of the plan envisaged by Childs were adopted in Sumter, South Carolina. At about the same time something of the same type of scheme developed in Fredericksburg, Virginia. When Dayton, Ohio, began operation under this form of administration in 1914, the plan was definitely launched upon the course since followed.

On January 1, 1940, 472 cities in the United States operated under the city manager plan. Of this number 48 have been made the subject of special study for the Social Science Research Council reports and constitute the principal basis for comments made in this article. Although the circumstances under which the plan was adopted differed widely from place to place, adopting cities may be divided into three general types prior to adoption; namely, those which were machine-ridden<sup>2</sup>, those which were faction-ridden<sup>3</sup>, and those which were community-governed.<sup>4</sup> At the time of

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(1) This article is based very largely on three books published in 1940 by Public Administration Service, Chicago, summarizing studies made under auspices of the Social Science Research Council. These books are: Harold A. Stone, Don K. Price, and Kathryn H. Stone, *City Manager Government in the United States*; same authors, *City Manager Government in Nine Cities*; and *City Manager Government in Seven Cities* by Mosher, Harris, White, Vieg, Bolling, Miller, Monroe, and Wilson. The cost of the whole set is \$8.50.

(2) Including among others Dayton, Ohio; Flint, Michigan; Kansas City, Missouri; Rochester, New York; and Toledo, Ohio.

(3) As, for example, Austin, Texas; Hamilton, Ohio; and San Diego, California.

(4) Small cities, for the most part. Ames, Iowa, is an important example.

its adoption in machine-ridden cities the city manager scheme was supported by commercial interests and reform organizations who saw in the scheme a means of ridding the city of corrupt politicians and establishing in their places a business administrator under the general guidance of the municipal legislature. In faction-ridden cities, contrary to those which were machine-ridden, no one political group was able to maintain power or to exercise even the degree of coordination which characterized machine administration. The friction and inefficiency thus resulting from consistent lack of leadership was the occasion for the city manager movement in these cities, rather than commercial and reformist distaste for boss politics. In the community-governed cities the political game was not of primary importance. Social, racial, and religious differences and the attendant political strife so characteristic of other municipalities were largely non-existent. In these communities the city manager scheme was adopted in order to improve the quality of public management.

The interest which business groups usually felt in the campaigns which established the city manager plan was as a rule expressed through the organization of political pressure groups to put across the plan. In some communities the business group was also identified with reform movements unrelated to the question of governmental forms.<sup>1</sup> On occasion the campaign for the adoption of the manager plan was associated with an aggressive spirit of growth and expansion on the part of business leaders in the community.<sup>2</sup> The advocacy of the city manager plan by business interests led typically to opposition from organized labor in those communities where unions existed. Labor identified the city manager plan with the dictatorship of business leaders, but there is some indication that this attitude has changed.

Repeatedly the business leaders and their associates after having secured the

adoption of the plan aided in launching it by presenting or backing slates of candidates for the first city manager council. In some communities this group was able to hold together for a considerable period of time, but as a rule the initial influence of the business leaders was not maintained. In some cases the decline of the authority of these interests was caused by the refusal of the leaders to continue giving time to municipal affairs. Sometimes opposing groups were able to convince the voters that they did not wish business domination. In some instances the business leaders themselves refused to accept the impartial city management or the resulting strict law enforcement which they had called into being.<sup>3</sup> The withdrawal of leadership by business men did not as a rule spell the end of the manager plan. Other groups came to adopt the scheme even though changes were often made in the relationships of the manager to the council. In some cities managers became identified with political factions, but the plan itself endured.<sup>4</sup>

The record of the city manager plan in the field of management is a good one. Outstanding accomplishments have been recorded in the field of financial administration, even though in many instances managers were not given full control over the city's financial machinery. City managers uniformly secured the adoption of a city budget scheme and often followed this by programs of budgetary control which involved the improvement of allotment plans, the formalization of work programs, the control of purchases in accordance with available funds, and the installation of modern, understandable, and usable systems of accounts. As a general rule, an increase in centralized purchasing followed the appointment of the first city manager. In a few cities salvaging has been developed.

Improvement in personnel practices also resulted from the activities of the

(3) The story of Dallas business men and the Texas Centennial is especially interesting on this score: cf. Stone, Price, and Stone, *Nine Cities*, op. cit., pp. 310-325.

(4) Kansas City was the outstanding example until the recent overthrow of the Pendergast machine.

(1) As in Jackson, Michigan, where the wet-dry issue was a feature of the campaign.

(2) Dallas furnishes a good example;

manager, but often without any considerable degree of formalization of procedure. In over one-fourth of the cities surveyed, civil service commissions had been set up by law independent of the manager. No generalizations can be developed from the resulting experience with these commissions. Some of them aided and supported the managers<sup>1</sup>; in other cities the independent commissions were obstacles to coordinated administration.

The elimination of the spoils system from city management is an accomplishment in some communities of the city manager form and its operation, although in some instances the use of the spoils system had not existed prior to the advent of the manager plan. In any case, the spoils technique was not a characteristic feature of city manager cities. True, in a few cases the spoils system continued to flourish in the city manager operation, in at least some segments of the city service.<sup>2</sup> For the most part, managers acted wisely in retaining employees hired before the advent of the city manager plan wherever such employees could be used.

City manager cities have a good record in the encouragement given to training. Many managers have actively aided and encouraged training, using local educational institutions as well as the facilities furnished by the International City Managers' Association. A number of managers experimented successfully with the employment of apprentices in city management. Managers themselves reacted in different ways towards the career aspects of their own positions. Some managers believed in moving from one location to another as improved opportunities presented themselves, whereas others emphasized the importance of a continuous career in a single community. The membership of the International City Managers' Association is testimony to the professional view of the job taken by the average city manager.

The establishment of the manager plan, resulting as it generally did in increased stability for employees, enhanced morale and a feeling for the idea of a career in public employment. In some cases cities began to experiment with formal promotion methods, but for the most part promotion was by the personal judgment of the administrator, tempered by seniority considerations. This practice, although not completely satisfactory, does not differ greatly from practice in many important personnel jurisdictions.<sup>3</sup>

The general lack of adequate retirement plans constituted a grave problem for the city manager cities. This question, equally serious for municipalities over the whole country, cannot be adequately solved until the states themselves furnish leadership in the establishment of state-wide systems.<sup>4</sup>

Most city managers accepted city employees unions tolerantly, even if somewhat reluctantly in individual instances. In some cases employees were forbidden to join unions.<sup>5</sup> There is some evidence that understanding between administrators and affiliated unions increased as they engaged in mutual attacks on the cities' problems. Although it is not implied in the studies, there is reason to believe that the future expansion of municipal functions will require the development of acceptable relations with employee unions. Some revision of old stereotypes is apparently required.

The managers studied have, in general, been able to bring about significant improvement in organization structure and in the coordination of municipal activities, even though they were not always given a free hand. The result generally included smoother functioning of city departments, the centering of significant information in the manager's office without unduly burdening him

(1) As in San Diego, Long Beach, and Dallas.

(2) Kansas City, until recently, was an example of a thorough-going spoils system, but fortunately not a typical example.

(3) See, for example, Lee S. Greene, "Personnel Administration in the Tennessee Valley Authority," *The Journal of Politics*, May, 1939, pp. 177-179.

(4) For advances in this direction, cf. the *Municipal Year Book*, 1940 (Chicago, 1940), p. 99.

(5) Winnetka, Illinois, furnishes an example of this policy.

with details, and the careful planning of city work. In many cases the inception of the city-manager plan was associated with the beginning or expansion of a local public works program. A common pattern involved the close association of the manager scheme with a beginning of city planning, both physical and economic. In no instance, however, did the results of physical planning leave room for complacency.<sup>1</sup>

The permanence of the city manager plan seems to rest upon the development of a relationship between the city council and the city manager which will permit the central coordination of the city's business without diminishing the political ties which necessarily exist between the council member and the citizen. Attempts have been made to establish an appropriate relationship by legal prescription, but the evidence indicates that the problem must be worked out in each individual instance by the manager and his council. This should not be taken to indicate that no guiding standards exist. The relationships between first managers and their councils were often influenced by the desire of business men on the council to be freed from consideration of the details of administration. In addition, many such councils relied upon their managers to furnish public leadership for the support of the manager plan and the manager's specific policies. Thus the manager was thrown into the political arena or into active civic leadership contrary to the notions of some supporters of the manager form. Although this relationship of the manager to the public often continued in many cities, the councilmen came in time to reassert political leadership, whereas the manager began to consider himself the servant of the council. The managers have often protected their positions with the councils by the avoidance of sponsorship of any program not previously approved by councilmen. Frequently the establishment and maintenance of this accord between the manager and his

council involved the use of executive sessions of the council, with the result that public meetings of the council developed into dull sessions with a poor record of public attendance.

Experience of managers with respect to political leadership varied in relation to the type of city involved. In machine-ridden cities the manager plan was actively identified with political issues; the reaction to it was strong and persistent. Thus the manager became for a time a political leader, but later managers adopted a more retiring attitude. In the faction-ridden cities the political reaction to the manager plan was less violent. Although managers became and remained civic leaders to a considerable degree,<sup>2</sup> they did not become political symbols as they did in machine-ridden municipalities. Because these managers were civic leaders rather than political symbols, later councils did not develop complete domination over them. In the community-governed cities the manager did not become a political symbol nor was he a civic leader as a rule. The relationships which eventually came to exist between the council and the manager in these localities were conditioned by the view the councils came to adopt that administrative details should rest largely in the managers' hands.

The city manager plan has had a history of successful operation in the main. The period of its most rapid adoption was between 1918 and 1923, since which time the spread of the plan has been at a progressively lower rate. Whether or not events will provide another spurt in the rate of adoption cannot be foretold. For those manager cities which exist or which may be established certain unsolved problems still remain.

The ideal of complete integration of municipal functions under the manager has not been fully realized. The threat to this integration in the form of special boards for newly acquired functions of a proprietary character is of some signif-

(1) The city manager system cannot be expected to solve problems beyond the city's control. Physical planning is increasingly in this category.

(2) To a high degree in some instances, notably in Janesville, Wisconsin.



icance. An expansion of municipal ownership of public utilities, for example, is apt to bring a demand for separate administration of such utilities.<sup>1</sup> The situation may be further complicated by the probability that some municipal proprietary agencies will further extend their services beyond city boundaries, thus giving rise to increased pressure for the formation of special districts. Increased public appreciation for the importance of administrative integration is demanded.

Additional clarification and improvement of the administrative structure of city financial agencies is needed in many quarters. Managers are often handicapped in this respect because of badly drawn charters based on faulty understanding of the check-and-balance scheme. Accounting functions are confused with those of auditing.

Certainly some opportunity remains for improvement of municipal personnel administration in city manager cities. In some fields, a lead from state agencies is definitely required. In addition, the record of personnel management in the cities studied appears to indicate that improvement might come through greater cooperation between cities and by a wider exchange of trained personnel between cities. Formalized personnel methods in the smaller cities would scarcely be useful unless a plan of interchange of personnel between cities were worked out. In larger communities increased formalization of personnel methods might be advisable, especially as informal methods, however good, are vulnerable to public attack. Increased formalization of personnel techniques will, of course, meet considerable opposition from administrators themselves.

In many instances there is evidence that councils concern themselves too frequently with minute administrative

details. Experience indicates, however, that legal restrictions applied to this relationship are apt to be mischievous rather than useful. Councilmen have sought to short-circuit managers in some instances, but in general managers appear to have succeeded in getting themselves recognized as the appropriate channel of communication between the city servant and the council.

Although improved coordination of municipal activities has taken place, the survey indicates that much room remains for improvement. Old habits of duplicating activities and old attitudes of departmental independence still remain. Tendencies of this character are so persistent in administrative organizations that constant attention is required not only to eliminate them but to prevent their recurrence.

Improvement in the technique of public reporting appears to be called for in some areas. City manager cities appear to be weaker in this regard than might be supposed from the advances made in other areas of work. Relationship between managers and the press seem to be good, on the whole, but on the other hand, a considerable proportion of the cities appear to lack a well-rounded total program of interesting the citizen in the services of his local governmental agencies and informing him of their activities.

In spite of some recorded failures and the recurrence of troublesome problems, the manager plan appears to have justified, in the main, the hopes of its proponents. Those who hoped that it might eliminate politics from city life were guilty of proceeding from false premises, but to those who anticipated that the manager plan might bring about genuine betterment in the administration of that vital business which comprises so much of our civic life the record of twenty-five years must have given intense satisfaction.

(1) See for example, Greene and Abbott, "Tennessee Cities a Proving Ground for Nation," *National Municipal Review*, October, 1940, pp. 670, 671.

# Industrial Relations and Social Security

## Some Remarks on Sickness Insurance

By WALTER PRYLL

THE standard of health of the population in all civilized countries is higher to-day than it was two decades ago. General improvement in sanitation, a higher standard of living, increased education and other manifestations of progressing civilization have created healthier living conditions for the mass of people and have made them more health conscious. The death rate in New York City, which in the five years preceding 1866 averaged 38 in one thousand population is to-day less than 11 per thousand. But the death rate is not a sufficient measure of health. Public health reports and morbidity statistics reveal that much sickness and many physical defects of a preventable nature still exist in the United States. In addition, physicians and social workers report that many unrecorded cases of subnormal health and minor defects continue to diminish the capacity for living, particularly among members of the low income groups. A vast literature proves the predisposition of these groups to ill health, their increased morbidity and relatively long duration of illnesses. The enormous losses of working time and efficiency which result constitute a burden on the community which could, for the most part, be avoided.

Ill health in these population groups is largely an economic problem. The wage and salary earner's income is uncertain and small and every hour of unfitness or relaxation of energy may further diminish an already meager subsistence. The National Resources Committee reported that in 1935-36 one third of the wage-earning population of the United States received less than \$780 a year and that the middle third received from \$780 to

\$1,450. Such low incomes result in poor housing, insufficient and improper diet, inadequate clothing and lack of medical care. They also prevent the accumulation of even small private reserves to carry over periods of unemployment, sickness, disability or old age. There are in normal times fewer jobs than candidates for jobs and increased concentration of the population in cities will further intensify competition among the workers, hold wages down and force workers to accept unfavourable conditions in order to maintain their families. Increased concentration of control in business and industry tends to limit the worker's bargaining power and hope of advancement and may also restrict employment and production in new fields. Under such circumstances the health of the workers becomes a social problem, the individual is unable to cope with it.

The workers in the low income groups are indispensable to industry, commerce, agriculture and national defence. They constitute two-thirds of the population of the United States and their buying power is, therefore, the main support of the domestic market. The population is no longer expanding so rapidly as formerly and its age composition is being changed by the increasing proportion of older people. These facts have a direct bearing on the population policy of the community and questions dealing with health and the saving of lives, particularly young lives, assume added importance. The low income groups are not only the largest sector of the population but also the most prolific and their interests can not safely be overlooked in formulating social policy.

Members of the low income groups possess nothing but their earning capacity which depends entirely on their health. They ask the state, which claims to protect the property rights of its citizens, to protect their health—their only possession. Medicine has important social implications and the doctors are the

EDITOR'S NOTE: Walter Pryll, M.D., for many years on the staff of the International Labour Office in Geneva and co-author of the International Labour Office publication, *Economical Administration of Health Insurance Benefits*, is at present lecturing on Social Insurance at the University of Pennsylvania.

natural attorneys of the low income groups. They are the advisers of the state in matters of health and are expected to lead the way in providing more and better health services for the community.

Private insurance against sickness and disability has great advantages, but they are often frustrated by the high costs of administration, complicated machinery required for collecting premiums, and the losses caused by lapses of policies. Medical charity and a system of fees graded according to income would have to be administered on the basis of need and would require some sort of "means test" which inevitably brands the recipient as a pauper. Many doctors themselves belong to the low income groups and can not be expected to grant medical charity. State relief involves the double danger of discouraging personal precautions against future emergencies because the individual comes to rely entirely on state aid, and of developing a mechanical system of relief which will prove very costly.

Another possibility is social insurance organized and supervised by the state. Social insurance is meant to extend protection to those who are in greatest need, to spread the risk over the whole working population instead of limiting insurance to a selected group of well-to-do, to distribute the cost among the insured and their employers and to collect the contributions through the employer. By the principles of solidary cooperation the working class community is enabled to bear their own risks and provide for their own needs while the state organizes, guarantees and controls the provisions governing their cooperation. When insurance is compulsory it is possible to extend protection to the entire population and eliminate unsound schemes by state control. Compulsory social insurance schemes provide the cheapest protection against sickness because they avoid losses through lapses and surrender of policies, seek no private gains, are free from competition and have no cost for advertising.

The medical profession, expected to give leadership in a better distribution of health services, will also benefit from

compulsory sickness and disability insurance. Under such a scheme the doctors are guaranteed economic security and a satisfying activity, especially in disease prevention. The right of insured persons to choose their doctors and the right of doctors to refuse patients with whom they cannot agree are essential features of all well organized and administered schemes.

Competent physicians and past experience inform us that it is easier and cheaper to prevent disease than to cure it. Therefore, health preservation and prevention of disease play an important role in the administration of social insurance. Preventive measures, as they apply to the individual, are directed mainly against chronic diseases and those aggravated by economic and social conditions. Preventive measures of a general nature include investments in public health services and welfare institutions, in developing dispensaries, hospitals, convalescent homes, home nursing stations, better dwellings for the low income groups, etc.

The idea of compulsory social insurance and its curative and preventive benefits in cash and kind has conquered the world. Each country must determine the objectives and methods of its own system of social security against sickness and disability. The necessity of evolving a system consistent with special national developments does not exclude the study of experience abroad. Such knowledge should be obtained from reliable sources and will be very useful even if it does nothing more than prevent errors. The Federal Social Security Board in Washington, D. C., has recently published *An Outline of Foreign Social Insurance and Assistance Laws*, (62 pages) containing four charts which give comparable data on the principal provisions of foreign laws establishing compulsory sickness, invalidity, survivors and old age insurance, non-contributory pensions for old age, invalidity and blindness. Each chart summarizes all laws of nation-wide application. The summaries indicate the risks against which protection is offered; the classes of persons protected,

the allocation of costs, the benefits furnished in cash or in kind, and the conditions which the insured person or his survivors or dependents must meet in order to be eligible for benefits. The charts show the status of the laws as of July, 1939, and January, 1939.

Another reliable source of information is *The British Medical Association's Proposals for a General Medical Service for the Nation*, a report which is the culmination of work done by the British Medical Association over the past 30 years. It is a record of the proposals made by the Association as to the way in which the medical services of the nation should develop. Concerning "contributory and non-contributory systems" these proposals say: "Considerable attention has been paid to the fundamental principles underlying any system of insurance for medical attendance, because it is evident that apart from that section of the population which is able to secure a doctor by private arrangement, and the 15 million insured persons (about one-third of the whole population) who now have their family doctor supplied through the National Health Insurance system, there remains a considerable section whose only chance of securing the basic requirements of a medical service must be either by a complete non-contributory state provision or by a system of insurance". Their findings point to the necessity of "basing a national medical service on a contributory insurance system".

### More About 7440

In the last issue of Public Affairs Canada's wartime wages policy, as embodied in Order in Council P. C. 7440, was briefly described. The Order aimed at stabilizing wages at their 1926-29 level, or any higher level established thereafter but before Dec. 16, 1940, and provided that such wages might be supplemented by a cost of living bonus as the cost of living rises. Interpretation of the Order and its application to wage disputes have occasioned some difficulties and the

Minister of Labour, the Hon. Norman A. McLarty, recently released some suggestions designed to serve as a guide to Boards of Conciliation and Investigation.

The Minister's first suggestion deals with the adjustment of wage rates and clearly states that the Order applies only to wage rates; earnings, which would be affected by longer hours or more continuous employment as well as by changes in the wage structure, are not mentioned. The principles on which decisions of Boards of Conciliation and Investigation should be based are stated as follows:

(a) If the highest wage rates established during 1926-29 or thereafter are regarded as normal, present rates which are as high as or higher than that level may not be changed, but wage rates which are lower than the rates during that period may be increased up to that level.

(b) "Regardless of whether present wage rates are less than, equal to or higher than the highest wage rates established during the period 1926-29 or thereafter, if it is shown that such highest rates were depressed or subnormal, a Board may recommend an increase to any level which it considers fair and reasonable.

(c) If present wage rates are equal to or higher than the highest wage rates established during the period 1926-29 or thereafter, but it is shown that such highest rates were unduly enhanced or abnormal, a Board may recommend that the present rates may be reduced to any level, not less than that prevailing on December 16, 1940, which it considers fair and reasonable.

(d) If present wage rates are less than the highest wage rates established during the period of 1926-29 or thereafter, but it is shown that such highest rates were unduly enhanced or abnormal, such highest rates need not be restored but a Board may recommend that the present rates be increased at a rate of not more than 5 per cent per year".

The original Order does not prescribe the amount of the cost of living bonus. It provides only that it is to be a flat sum, the same for all workers, and not

computed as a percentage of wages or salary. It also states that the purpose of the bonus is to protect the worker against increased costs of the basic necessities of life, not against price rises in general. The Minister's suggestion that full time workers might receive a maximum bonus of \$1.25 per week for each increase of 5 per cent in the cost of living index is based on the assumption that an income of \$25.00 per week provides only the basic necessities of life. Bonuses are not, of course, payable only when the cost of living index rises 5 per cent or a multiple of 5, nor are part-time workers ineligible for a cost of living bonus. The suggestion, however, that when the index shows a rise of 5 per cent full-time workers should receive a maximum bonus of \$1.25 per week, provides the Boards of Conciliation with a rough measuring rod which can be applied to all disputes.

The new Cost of Living Index for the Dominion, prepared by the Dominion Bureau of Statistics, will in most cases be used to measure the changes in cost of living but in some cases a regional index may be prepared. The changes are to be measured from August, 1939, unless there has been a wage increase since that date, in which case the change in cost of living will be measured from the date of the most recent increase in wage rates.

### Recent Developments in Wartime Industrial Relations in U. S. A.

In the United States the desire for non-interrupted production and transportation of defence materials has prompted the establishment of a National Defence Mediation Board. This Board is composed of eleven members, four

representing employers, four representing employees, and three representing the public. Dr. Clarence A. Dykstra, Director of Selective Service, was named chairman of the Board.

Any employer-employee dispute which threatens to interfere with the defence program may be handled by the National Defence Mediation Board, on the request of the Secretary of Labour. The Board is authorized to "make every reasonable effort to adjust and settle any such controversy or dispute". It may provide means for voluntary arbitration, assist in establishing methods of dealing with future disputes, make fact-finding investigations, conduct hearings and make public any findings and recommendations. Questions relating to the appropriate representation of workers for purposes of collective bargaining must be referred to the National Labor Relations Board.

The Chairman is empowered to designate what members shall take action in a particular dispute referred to the National Defence Mediation Board. No reference may be dealt with by less than three members and all three groups must be represented in every case.

The executive order which created the Mediation Board on March 19, also suggests that in the interests of national defence, parties to an industrial dispute should provide the Department of Labor with full information concerning change in labor contracts or working conditions; developments in disputes; and any threatened stoppage of production. It is also declared to be the duty of employers and employees to "exert every possible effort to settle all their disputes without any interruption in production or transportation".

# Current Public Affairs

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## Canada's National Income

The Dominion Bureau of Statistics has recently completed and will soon release a study on the National Income of Canada, 1919-1938. An advance report on this bulletin summarizes some of the findings and indicates that the study will be a very interesting one.

During the inter-war period the real income of Canada, obtained by eliminating the effect of price changes from the money income, showed an upward trend. In spite of the depression and adverse weather conditions in Western Canada the real income averaged \$4,240 million in the decade 1929-1938, as compared with \$4,138 million in the first post-war decade. This net gain of about 2.5 per cent was not evenly distributed among the provinces and some provinces suffered more severe fluctuations than others.

The study contains estimates of the aggregate income payments in each province, and of the composition of that income by types of payment, by industrial and service groups. In the advance report it is stated that the combined receipts of the Maritime Provinces amounted to 7.2 per cent of the total Canadian income. This figure is more significant when it is borne in mind that, according to the 1931 census, the population of the Maritimes was 9.72 per cent of the Dominion total.

Data for more recent years (i.e. after 1938) are not presented by provinces, but for the Dominion as a whole the income for the first 11 months of 1940 amounted to \$4,365 million. During the same period of the preceding year the income was \$4,041 million, according to the monthly estimates of the Dominion Bureau of Statistics.

Vast accumulations of data, from both published and unpublished sources, were used in the preparation of this report and the estimates may be fairly confidently accepted. The national income, for purposes of this study, was defined

briefly as "(a) the value of goods and services produced, and (b) as the algebraic sum of payments to individuals resident in Canada and the positive or negative savings of enterprises".

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## Co-op Education

Radio listeners who have had their dials turned to C. H. N. S. on Thursday evenings have heard some very lively discussions on co-operation in the past few months. The Co-operative Education Council of Halifax has presented a series of weekly broadcasts discussing the methods and possible scope of co-operatives in present day society. Housing, credit unions, consumers' co-ops, marketing co-ops, hospitalization and medicine, and all phases of co-operative endeavor have been examined in an entertaining question-and-answer fashion. The key-note of entire series was struck in the broadcast entitled "Leadership Must Come from the People". Unemployment insurance will be under discussion in the near future.

A large number of listening groups have been organized, using the broadcast material as the basis for a group-study plan. Before the present series ends, the last of June, the leaders of these listening groups will participate in a forum broadcast. The series will be discontinued during July and August and a new programme will begin in September.

The plans outlined for next autumn are even more ambitious and it is expected that supplementary printed bulletins will be available to the listening groups. These groups will be organized into a more closely knit federation and will constitute the framework of a broad adult education movement.

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## Wartime Housing for Workers in Defence Industries

The shortage of housing facilities in the Halifax area has become increasingly acute since the outbreak of war. Rent-

control has, to some extent, alleviated the distress but the only adequate solution is an increased supply of dwelling places. A government-created company, Wartime Housing Limited, has undertaken to erect a considerable number of prefabricated houses to provide accommodations for workers in defence industries. Similar projects are underway in other congested areas.

Several sections of land have been acquired in Halifax, Dartmouth and Eastern Passage and the homes are expected to be ready for occupation in the near future. The plans provide for four types of homes, as well as some "staff-houses" and "mess halls". Of the four types of dwellings one is a single-storey house, 24 by 28 feet, containing a living room, two bedrooms, bath, a kitchen-dinette, and a front hallway. The same type of house will also be built on a smaller scale, 24 by 24 feet. A third type is a two-storey house 24 by 28 feet, built on a similar plan, with two additional bedrooms on the second floor. There will also be some semi-detached houses, similar in lay-out to the others and measuring 24 by 24 feet.

The houses will be built on posts and the lack of basement will be partly compensated for by the insulation of floors, ceilings and walls. The lots are each about 40 feet wide, leaving an average of 16 feet between the houses. To avoid the appearance of uniformity the houses will be placed at varying distances from the street and the four different types will be scattered. Their plywood exteriors will also be painted in various colours.

While the houses are being constructed particularly for workers in defence industries they will, to some extent, relieve the general shortage of housing facilities. They are regarded as temporary accommodations for workers who gravitate to the Halifax area in wartime, and are so constructed that they may be torn down and moved elsewhere with little loss when the need for them ceases to exist. In view of the purpose of the project the rentals charged are likely to be moderate.

## Overtime in British Defence Industries

In Great Britain the Select Committee on National Expenditure, appointed to report on economies which might be effected in war expenditure, has recently reported to the British House of Commons on labor problems. The amount of overtime worked and its effect on production and costs is given particular and detailed attention. The problem is most serious in the engineering trades which form an important sector of most defence industries.

The Select Committee was particularly interested in the effects of overtime on costs. With an excess profits tax of 100 per cent there is no profit-motive to induce producers to keep costs down. In addition to this fact many government contracts are let on a cost plus basis which relieves the contractor of any financial burden resulting from unduly high costs. In such cases, high labor costs may raise prices far above what the government should normally have to pay. The committee regarded overtime as the most important factor increasing total wage costs without a corresponding expansion of production.

In addition to high costs resulting from overtime, consideration was given to the physical effects on workers. These were summarized as follows:

(1) Increased hours of work above an optimum which varies slightly with different industries do not increase output proportionately and may even result in a decrease.

(2) When heavy overtime is worked for prolonged periods the general health of workers is undermined.

(3) If overtime has been prolonged a reduction in hours will increase output though there will be a time lag corresponding to recuperation of energy.

(4) If general health is undermined a reduction to optimum hours will fail to effect the required increase of output.

# The Bookshelf

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EDUCATION FOR PUBLIC ADMINISTRATION. Graduate Preparation in the Social Sciences at American Universities. Public Administration Service, Chicago. (1941) \$3.50.

We have not yet definitely made up our minds in Canada whether a special university training for the public service is necessary or even desirable. Politicians still tell us that they prefer candidates who have gained their experience "on the job" to "impractical" university graduates, though our progressive Civil Service Commission in Ottawa has for a number of years held special entrance examinations for university graduates wishing to start on a government career and claims to be very much satisfied with the results. Three Canadian universities, Dalhousie 1936, McGill 1940 and Toronto 1941, have set up special courses in Public Administration. For men and women employed by government departments extension classes, or as it is called in U. S. A. "in-service training", have been provided by the Public Administration Seminar in Ottawa conducted by Professor Alexander Brady of Toronto and in Halifax by the Dalhousie Institute of Public Affairs.

A very brief chapter would, therefore, have been sufficient if Professor Graham of Princeton had chosen to include Canada in his survey of "Education for Public Administration". He has, however, restricted it to graduate preparation in the social sciences at American Universities and has further of the seventy-three universities and colleges which in 1940 offered courses in Public Administration, selected about a dozen which he deemed to be typical representatives of certain schools of thought. He has described their aims and methods and has tried to evaluate their achievement. This part of the book is preceded by a broad introduction in which the general problems of university education for public administration are discussed.

The result is an admirable book not only on the findings of the survey but on the relation between government and university and on the youthful science of public administration. Members of university staffs will derive great benefits from it as well as government officers and above all politicians. Who would not agree with Graham when at the end of the second chapter dealing with the objectives of university training in public administration he says, "The univer-

sities should not shape their courses to civil service examinations but they should attempt to turn out men so well prepared for life, including public life, that civil service authorities will be compelled to recognize their competence and to adapt the civil service examinations to their qualities."

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## NEW PAMPHLETS

In the Oxford Pamphlets on World Affairs which are published by the Oxford University Press three new volumes have come out: *The Military Aeroplane* by E. Colston Shepherd, *The Jewish Question* by James Parkes, and *Germany's 'New Order'* by Duncan Wilson. The price is ten cents each.

In the Public Affairs Pamphlet series, published by the Public Affairs Committee in New York and selling for ten cents the copy three new issues have appeared: *What the New Census Means* by Stuart Chase, *Man Meets Job—How Uncle Sam Helps* by Philip S. Broughton, and *America's Factories* by Maxwell S. Stewart. A fourth pamphlet, published by the committee and prepared by the Institute for Consumer Education, is particularly interesting: *Defense and the Consumer*.

A new series, *America in a World at War*, is being published by Farrar and Rhinehart, New York and Toronto. Thirteen short discussions of current international topics written by well-known historians, economists, lawyers and scientists have already appeared and others are in preparation.

The National Economic and Social Planning Association has issued *Germany's Challenge to America's Defense*, selling at 25 cents. In the Contemporary Affairs series, also 25 cents and published by the Ryerson Press, Andrew Stewart discusses *More Farmers for Western Canada*.

New in the series Behind the Headlines, published by the Canadian Association for Adult Education and the Canadian Institute of International Affairs, is *Ogdensburg, Hyde Park—and After*, edited by J. S. B. Pemberton, a discussion of joint economic defence; *How We Get Our World News*, by Carlton McNaught; *If Thine Enemy Hunger*, by Gilbert E. Jackson; and *Dynamic Democracy*, by Philip Child and John W. Holmes. The price of these pamphlets is ten cents.



# What Municipalities Are Doing

Contributions from Municipalities to this Column will be most welcome

## N. B. Municipal Report

Annual Report of the Municipal Corporations of the Province of New Brunswick for the various Fiscal Periods ending with the year, 1940.

This report is issued by the New Brunswick Department of Municipal Affairs and contains the financial data from the annual reports of all the municipal corporations in the province. The introductory points out that "much of the detail contained in former reports of the Department has been eliminated . . . but is still available from the Department". Nevertheless the Report contains enough significant detail so that some idea of the position of any municipality can be gathered. These figures are, however, not particularly useful for comparison since, as the Report points out, "no statement of Operating Revenues and Expenses has been included in the Report owing to the wide variation in accounting practices in effect in the various Municipalities". For example, the different interpretations of the distinction between capital and current account and the complete absence of such items as Reserve for Doubtful Taxes from many of the balance sheets makes efforts at comparison unprofitable.

However, there is considerable evidence that local government in New Brunswick has made considerable progress in adapting itself to modern needs. The creation of the Department of Municipal Affairs itself was an important step and not a few municipalities have modernised their accounting systems in recent years. There is still lack of uniformity in the fiscal year period, as the Report points out but that, too, is not an insoluble difficulty.

One fact emerges strikingly from the figures. The capital assets of the counties in particular are very small. Few, if any, maintain such traditional services as hospitals and poor farms and it is evident that the trend towards satisfying new

wants in local government may alter the classical structure of parishes, towns and counties, at least functionally. The figures for Valuations, Tax Levies and Collections show that the taxing problem is still a pressing one though the work done by the Union of Municipalities, the Department of Municipal Affairs, and many Municipalities suggests that there is an awareness of the weaknesses in the local government structure and a desire to repair it on sound lines. Such reports as this, which frankly point out and illustrate the difficulties will aid in meeting them.

J. R. MALLORY

## Municipal Savings Banks in South Africa

A Bill authorising the municipalities of the Union of South Africa to establish, maintain and promote municipal savings banks has been introduced in the House of Assembly of the Union at its recent session. It is a Private Members' Bill and, according to *Municipal Affairs*, the journal of local government service and administration in South Africa, it seems not certain whether it will be passed. But the mere fact that a Bill of such type has been introduced is characteristic of the progressiveness of local government in South Africa which is operating in many fields of business activity never explored by Canadian municipalities.

In the February issue of another South African journal, the *South African Municipal Magazine*, the making of fertilizer from municipal waste is advocated. In the article it is explained that waste products such as straw, papers, old bags, vegetable and fruit leaves are as a rule destroyed and are an item on the debit side of the municipalities' financial statement. It is pointed out that in a number of South African municipalities, some of them quite small,

the making of compost from these otherwise useless products has been started and has produced very good results. In the opinion of the writer, sufficient waste material is made available by every 1,000 inhabitants of the city or town for the production of at least 25 tons of compost per month at a very low cost. The initial expenditure involves the cost of digging the compost pit and lining its floor and walls. Thereafter only two unskilled labourers are required to convert the waste products of 1,000 inhabitants into compost. The scheme is so simple that in the opinion of the writer, who is an officer of the South African Department of Agriculture, it can be adopted by every municipality.

### Municipalities and Relief

The cutting down of federal relief grants to municipalities was severely

criticised at the fourth Annual Conference of the Canadian Federation of Mayors and Municipalities. A resolution was introduced by Mayor V. Roy Holman of Charlottetown, P. E. I., asking the federal government to reconsider its decision to cut off relief grants to provinces as at March 31st.

The probability of widespread post war unemployment and the measures to be taken in that eventuality was another topic of discussion at the convention. It was proposed that the federal government should continue army pay and allowances to men leaving the fighting forces until they are reestablished and that public works should be financed by loans to provinces and municipalities from the Bank of Canada at cost repayable over two-thirds of the normal life of the asset created, or thirty years at the outside.

## Legal Department

**EDITOR'S NOTE**—The following questions which have arisen in the day to day work of municipal officers have been kindly answered by W. E. Moseley, LL.B., Town Solicitor of Dartmouth.

*Question*—In an incorporated town may articles purchased by a ratepayer under agreement of sale on which there is an outstanding balance and the title to which under the terms of the agreement does not vest in the purchaser until payment has been made in full, be seized and sold under a warrant for taxes owing by such ratepayer?

*Answer*—By Section 99(2) and by Section 100(2) a constable is authorized under a warrant for taxes to levy upon

- (a) the goods and chattels of the ratepayer,
- (b) the goods and chattels in the possession of the ratepayer;
- (c) the goods and chattels in respect of which the assessment was made.

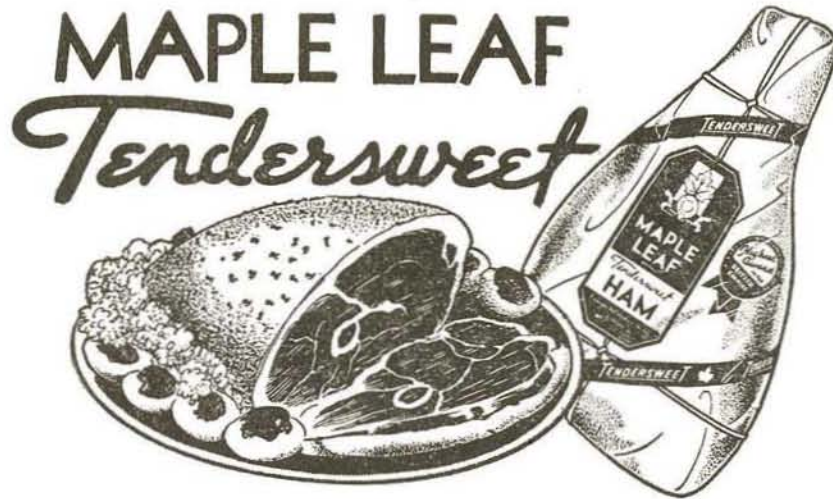
The warrant authorized by the Sections only refers to the goods and chattels of the ratepayer. However the Section would override the warrant and it is submitted therefore that goods pur-

chased under a hire-purchase agreement which are in possession of the ratepayer are liable to be levied upon and sold for rates owing by him. It is to be noted that this is not the condition in municipalities, as the Section in that case is not as extensive as in the case of a town.

*Question*—Section 105 of the Assessment Act provides for collection of rates from a person about to leave the county after the rate has been struck and the rate roll approved; what proceedings, if any, may be taken in the case of a person who has been assessed and is about to leave the county with his goods and chattels before the rate roll has finally been approved?

*Answer*—Towns and counties have only those rights in connection with assessment which are conferred upon them by the Assessment Act or other statute. There is no section covering the case recited in this question and consequently no action can be taken. After the rate roll has been finally approved, the amount rated against any particular ratepayer becomes a debt owing by him to the town and in such case may be collected in the same manner as any other debt. This of course may be difficult in the case of a ratepayer who has left the county.

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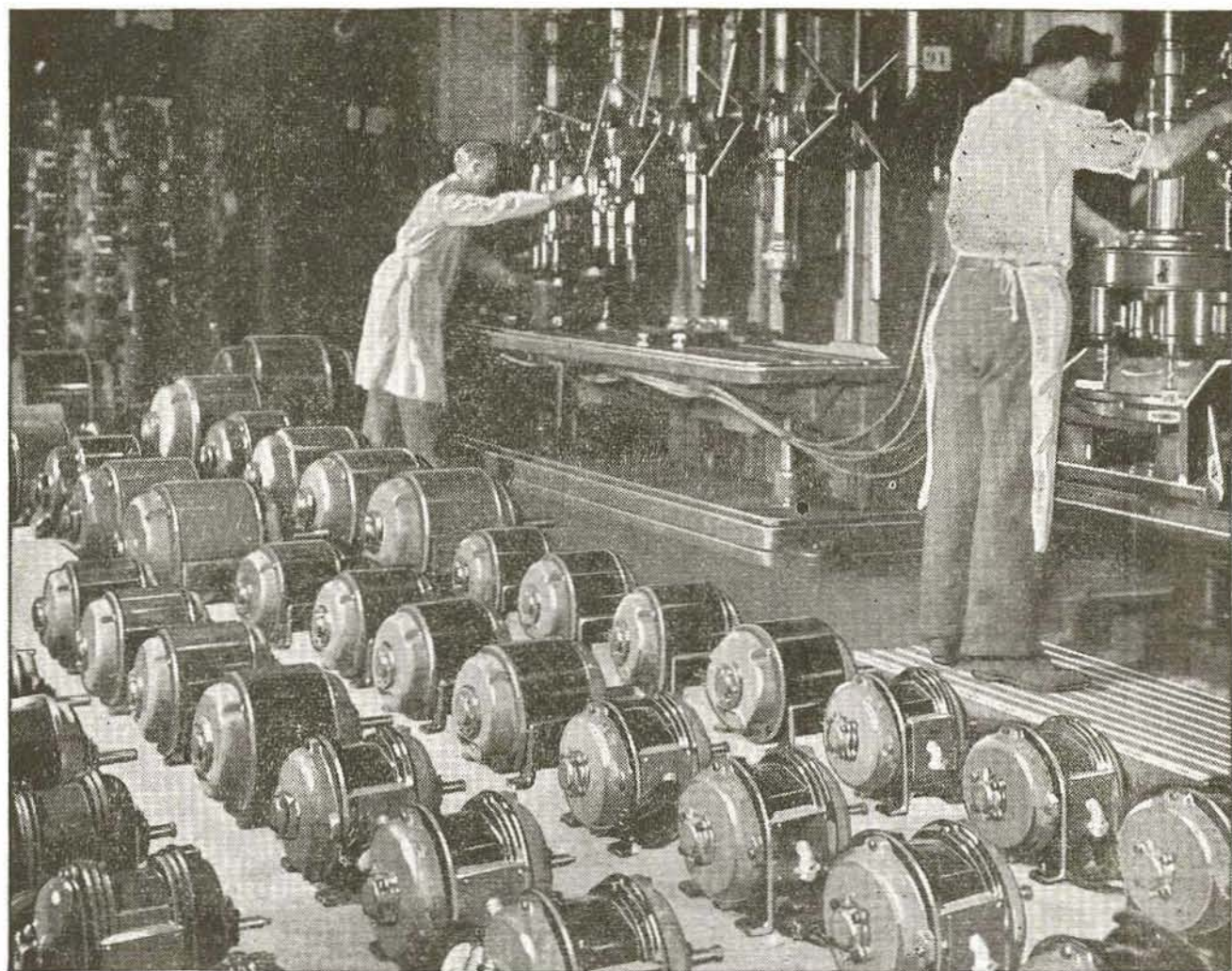
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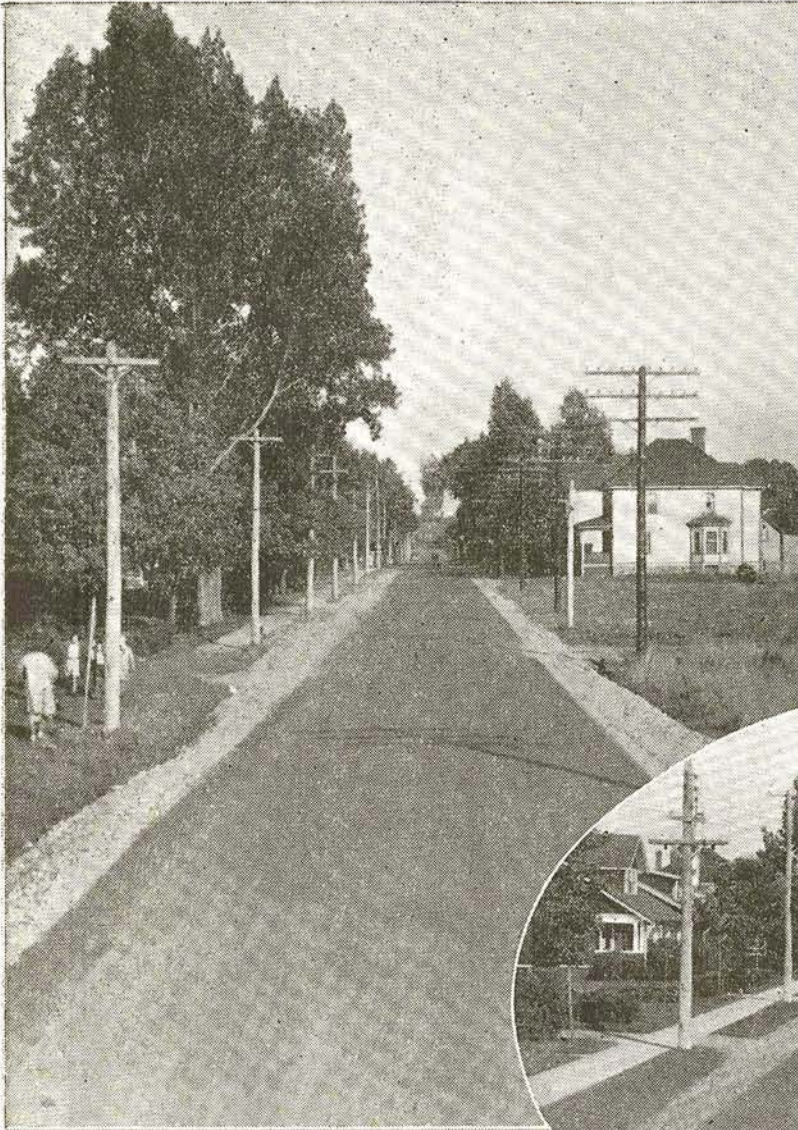
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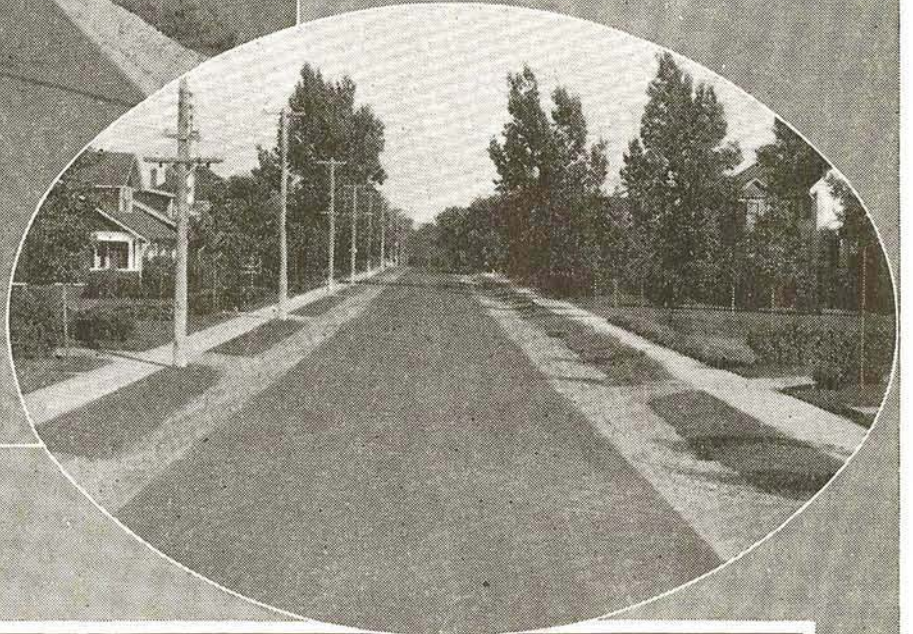




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*Paves*

## TRURO STREETS



**T**HESE photos show streets of Truro, N.S. paved with IMPERIAL SC-5 ASPHALT laid by the hot mix method by Municipal Spraying and Contracting (Maritimes) Ltd., under the direction of Town Engineer M. L. Gordon. On other unpaved streets the dust nuisance was satisfactorily solved by using approximately 13,000 gallons of IMPERIAL ASPHALT MC-1 (Primer).

★ ★ ★  
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ASPHALT**

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ROAD ENGINEERING DEPARTMENTS AT

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