

The Welfare State

The Rt. Hon. Arthur Meighen, P.C., K.C.

THERE can be no question but that, in the English-speaking world anyway, the public in general, and the more thoughtful public in particular, have moved away from support of Socialist doctrine. This is mainly because the representations which were so diligently poured into us in earlier years as constituting foundations for the Socialist faith have proved to be unfounded and wrong. Research and events have marched against the creed.

We were assured—to give a few outstanding examples—that we had reached a stage in the evolution of industry and society where the big business man had become too powerful and dominated the political sphere; where Labour was being denied its just reward; where the fruits of industry were being garnered too selfishly by other classes of society and particularly by possessors of capital. We were told as well that the development of industry has resulted in a creation of gigantic business units which crowded to the wall smaller competing units, and resulted

in big monopoly bestriding the national economy. Even the land, it was stated, was being alienated to corporations, and the farmer's freedom was being challenged. These claims will now be answered in turn.

Many of my readers have been or are in public life, in various Legislatures and in Parliament, and not one who has been will hesitate for a moment to confirm what I am about to say. So far from the business giant dominating politics, there is no one in any sphere whose voice is, and has been for many decades, more impotent than his in determining the course the State pursues. Indeed, such is the result of universal suffrage that championship by a big business man is usually considered more a liability than an asset.

It is numbers that count in a democracy, and, so far from the past operation of our free economy demonstrating that too large a portion of its rewards are funneled to non-workers—to what is called the capitalist class—and too small a portion to

other sections of society—to those who by their intelligence, their toil, their wholesome activity in any useful field contribute to the general good—it is rather the contrary which has been established by the stern authority of facts. It is not a myth, but demonstrable truth, to say that a fair proportion has flown to Labour all through these years. In the period 1930-39 inclusive, dependable statistics show that Labour collected in our country 63.6% of our national income, or almost two-thirds of the whole— and Labour is much less, numerically, than two-thirds of our population.

Passing next to a more typical group of years, including prosperous as well as depressing times, 1926-40 inclusive, labouring and farming population together collected 74.2% of the national income of Canada, and workers and farmers together represented just 75% of the whole population. Thus it is definitely established that distribution, numerically at least, has been, as between Labour and farmer on the one hand and all remaining classes on the other, remarkably exact and fair. True, there have been disparity of income and variations of success as between individuals in all groups, but this is not only inevitable in a free society, but essential and imperative if the dynamics of incentive are to be preserved and the sanctions or penalties of inefficiency and failure to be applied. Without such incentives and sanctions there can only be one of two results—a dead economy or a slave economy. Of all the delusions which have led men astray, the most dangerous of all is this:—that man is naturally efficient just as he is naturally virtuous, and that neither incentive nor sanctions are necessary to make or to keep him so. It may be that we are engaged in a long process of changing that delusion into a truth, but in this we have made little perceptible progress even since the dawn of the Christian era.

Neither is it the truth that business and industry have tended to concentrate in few hands and in gigantic structures: the very opposite has been the case. are more business units in the United States—and I use the United States generally by way of illustration, first, because their data is more ample than ours, and, second, that my remarks may not be tinged with any political purpose—there are more business units in the United States now per thousand of population than there were fifty years ago. are eighteen per thousand in 1950 as against fifteen per thousand in 1900, and there is no sign of turning. On the contrary, in the last few years for which statistics are complete—1944-48 inclusive—there has been an increase of $33\frac{1}{3}\%$ in the separate, independent business units of that country. Further, an official examination of two thousand of those units shows that increases in the rates of profit of present worth and of net assets were more rapid among the small and medium

Public Affairs is honoured to present in this issue the views of one of Canada's foremost elder statesmen and former Prime Minister on that much debated and controversial issue, "The Welfare State".

Mr. Meighen's career in public life forms part of the fabric of Canadian history. Elected to the House of Commons for the constituency of Portage la Prairie in 1908, he rapidly won for himself a position of eminence on Parliament Hill and throughout the country. Appointed to the portfolio of Solicitor General in 1913, he moved forward through successive cabinet posts until, in 1920, he became Prime Minister and Secretary of State for External Affairs.

Since his retirement from the House of Commons in 1932, and from the Senate in 1942, Mr. Meighen has devoted himself to professional, business and financial pursuits. He is President and General Counsel for Canadian General Securities Limited, Toronto, and is associated with a number of other leading corporations. Despite his many business interests, his voice continues to be heard on issues of the day. His article on "The Welfare State" embodies the views which he expressed in an address delivered a few months ago before the annual meeting of the Canadian Bar Association (B. C. Section) and the Law Society of British Columbia, in Vancouver. It is for this reason that Mr. Meighen's incisive analysis of the problems of "The Welfare State", which is presented with his permission, appears in the editorial feature "Points of View."

businesses than among the very large. These years have disclosed that there is a limit beyond which a gigantic corporation cannot improve its efficiency, and there would appear to be a tendency now rather to multiplication of businesses than to concentration.

As to the contention that farm lands have been gravitating to corporations, I take my answer from Canada and from a single Canadian Province—Saskatchewan. This Province is probably the least favourable of all to my argument, not by any means because of inferiority of its citizenship or of its agricultural resources, but because of unfortunate climatic conditions lasting in different areas for a number of years. In Saskatchewan, however, 901/2% of land alienated from the Crown is privately owned. The other 9½% is held partly by investment companies and land companies, and to a small extent by loan companies, including a Government loan company. Of the 90½% thus privately owned not less than 57% is free of mortgage. In an overwhelming proportion the farms are operated by their owners, and of the small number available for rental the greater portion are rented and operated by owners of other lands. It would be difficult to think of conditions which, in the respect now dealt with, could be more healthy and satisfactory.

Then, again, how many thousands accepted this Socialistic teaching as something peculiarly modern? We often heard a confident proclamation that the future belonged to it. This grand scheme was put out as a product of new and progressive thinking, something our obtuse forefathers had never dreamed of. What hum-Socialism has been bug such talk was! tried, and tried again and again, over a period of six thousand years, in greater or smaller extent, and in every single instance the experiment is now hanging in the halls of failure. In our own time we have witnessed thirteen years of it in New Zealand, eight years in Australia and five years in Britain. True, in these three countries there has been only a relatively small portion of State ownership and operation of business or industry, but even at that, the results are now visible—indeed, illuminating—for a world to see.

THERE is a clear conclusion now and it should have been clear long ago—that there are only two systems by which production of the needs of mankind, and distribution of that production, can be carried on-that is, two systems by which a nation can decide what goods it shall produce and where the goods shall go. One is a system of decree from above: this is the Socialist way. The other is by operation, on a free market, of the law of supply and demand through the pricing process. If we have decree from above in respect of production—that is, in respect of supply—we must inevitably have decree from above in respect of demand. This means control of the whole personal life of a nation; it means the police State. Between these two principles there can only be one sane, enlightened decision, and, truth to tell, this is almost universally recognized today. A thousand times better have a free market plan under fair and equitable laws democratically passed and enforced, because, first, in that way we avoid the terrific burden entailed in maintaining a vast bureaucracy; and secondly, because it operates with a maximum of freedom and a minimum of force. Super added on both, it rewards efficiency and economy; it punishes laziness and waste, and thus provides incentive, the very mainspring of human progress.

On that subject I shall say no more, but come at once to the Welfare State, the perils of the Welfare State as now conceived and practised, perils which are chiefly a bleak Socialism which yawns in front. So swiftly, indeed, have we been carried by the glamour and political temptations of the Welfare State down a back alley to Socialism, that though in point of conviction we are now farther removed from that creed than we have been for decades, in point of fact and reality we are vastly nearer the dismal destiny itself than ever before in our history.

I am not opposed to welfare: I am not opposed to security—social security or any other kind—and no one assumed to

be sane can be considered as so opposed. On the contrary, I believe that the paramount obligation and function of Government, next to defence of the Nation, is to foster conditions and ensure a moral atmosphere under which opportunities are created and maintained so that the people of a Nation, by their industry, their thrift, their skill, their faith, and their courage may build for themselves both security and welfare.

Whatever I may say about self-reliance and self-responsibility, it is not to be understood as implying that the sources of charity are to be stopped; it is not to be understood as implying that we are not all bound in duty to help in the measure of our capacity the unfortunate, the impaired and the needy, nor indeed that it isn't a duty of Government, in appropriate cases and on sound principles, to perform certain tasks of charity. That is, however, altogether different. It is wholly different from supporting the State in a programme of underwriting the lives of its citizens, of undertaking protection of its people from the cradle to the grave, or from any other arbitrary stage to the grave. It is different, vehemently different, from justifying the State in any course of action which lifts from the shoulders of the individual in any degree whatever the consciousness of his responsibility, so long as breath, strength and opportunity are his, to take care of himself and of all dependent on him.

HAVING said those things, I propose to use as the basis of my argument. to use as the basis of my argument a speech made by a former United States President, Herbert Hoover, at Leland Stanford University, in August 1949. This course is taken, first, because Mr. Hoover presented a tremendous and arresting truth—something I have been trying to expound, without much success, for a long time-but mainly because, due to his unexampled experience as well as his unchallengeable character and capacity, Herbert Hoover should be, and in my opinion is, the best qualified to express a judgment on this issue of any man today alive. He speaks from an elevation of authority

vastly higher than I can command. Long before he was President he was commissioned by his country to create and manage an organization spread over the length and breadth of Europe, designed to look after the unfortunate, the handicapped and the needy in those war-stricken coun-This obligation he discharged with conspicuous ability and success. He held the high office of President for four years, more than half of which were dark and testing years. His spirit must have been tried to the breaking point but he never swerved from duty, and what is more he never swerved from principle; he never surrendered to expediency. In recent times, appointed by his political opponents, he made examination into and report upon the organization of Government in that Republic, with a view to its simplification, and especially with a view to greater economy and efficiency. It was while engaged in this latter task that his reflections drove him to certain convictions and instilled in his soul certain apprehensions which impelled him to make his speech at Palo Alto.

"My bounden task," he said, "is not to talk of things light and entertaining, but in these sombre days to treat of very serious matters which weigh upon my heart." The American Republic, he said, cannot be a static country—a static country dies; it must be dynamic, but a dynamic country is not made by dynamite, and "the dynamite of this time is public expenditure." "Twenty years ago, Governments in the United States, Federal, State and Municipal, (omitting Federal debt service) cost the average family less Now they cost an than \$200 annually. average family (also omitting debt service) \$1,300 annually." Add to this additional charges definitely proposed, and in his judgment imminent, and the average cost per family, including debt service, is \$1,900 per year. Twenty years ago, Mr. Hoover added, there was one Government emplovee to every forty of the population; now there is one Government employee to every twenty-two of the population. Worse than that, there is one to every eight of the working population.

there are others, as well as employees, in receipt of regular monies from the State. There are pensioners, annuitants, subsidized persons. Including all these, there is one to every seven of the population in receipt of Government monies, and, assuming those of age to be married, the number of persons in receipt regularly of Government monies amounts to approximately one-half of those who voted in the last Presidential election. Keep in mind, as I pass along, the tremendous power all this is adding to Government.

Then Mr. Hoover gave full details as to the number of days' work per year which the average man had to devote to nothing else but paying taxes. Because, as he emphasized, it is the average man, whose numbers compared with others are legion, who has to pay for all these tremendous expenditures. Mr. Hoover's figures showed that, including immediately projected expenditures, the average worker in the U.S. has to labour eighty-one days per year to satisfy the tax gatherer alone. Taking out holidays, Sundays, and average vacations, there are only 235 working days in the year. It follows that more than one day's work out of every three has to be applied in paying taxes. Think again of the power this gives to Government!

Another astonishing situation was disclosed by Mr. Hoover. Taking the entire national income of the United States and deducting from it the normal cost of living of the American people, on a standard officially established as fair by the American Government, the balance, he found—and properly found—would be the potential savings of the people of that country. Setting against these available savings of the American people the taxes levied against them, he showed that taxes absorbed between 75% and 85% of all possible savings. This, indeed, is an astounding revelation. It is out of savings that houses are built, that farms are purchased. that life insurance is provided, that investments are commenced, on which investments the whole productive system is built. Approximately 80% of these savings is now taken in taxes.

Not as yet, anyway, you think, but you must keep this in mind:—The cost for defence, in 1948, the last year for which I could get complete figures, was \$18.00 per capita; the cost for defence in hard-pressed England in the same year was \$42.00 per capita; the cost for defence in the United States in the same year was \$74.00 per capita. Obviously we have not been paying our share, but the resistless march of events is going to compel us to do so, and right away.

When it comes to Administration and Government services, though, the figures are entirely different. Our cost was \$70.00 per capita; in Britain it was \$40.00 and in the United States, \$59.00. In health and family allowances alone we paid out \$34.00 per head of our population, while Britain paid only \$21.00. Make no mistake, we are travelling down the same road as the United States, and at just as swift a pace.

Is it any wonder we have a housing problem here? The last reservoir of capital is now mainly the Government Treas-The same is true in England, where I read in the records of the House of Commons that houses cost five times what they did before the war and that there is no possibility of shortages being overtaken in the life of the youngest member. Is it any wonder we have Government loaning institutions, loaning on farms, loaning on houses, on nearly everything, even on business propositions. Do not let out of your minds the tremendous influence and power all this bestows on Governments. They get bigger and ever bigger, powerful and ever more powerful. The individual withers and the State is more and more.

It is senseless, Mr. Hoover said, to talk about the money being provided by borrowing. This is only piling on our children, and their children, the penalties of our own extravagance and waste. Useless also it is to talk about its coming out of corporations and the rich. What comes from corporations, he said, must only be added to the cost of goods, and if we take everything from everybody who has \$8,000 income or more, the total will not pay 10% of annual expenditures. Along this

road of spending, declared Mr. Hoover, the Government takes over—either takes over directly, which is Socialism, or dictates institutional and economic life, which is Fascism. Anyway, the two are essentially the same.

The American mind, he said, is troubled by the growth of collectivism throughout the world; it is troubled by the presence Communists. These few hundred thousand, though, could never destroy the Republic; they are a nuisance and require attention. Neither could any great harm come from the doctrinaire Socialists who peacefully dream of their Utopia. But—and here I want to focus attention in earnest on his words—those who are really our danger are the very considerable group of fuzzy-minded people—and their number is legion—who think they can engineer some compromise with these European infections. These people, he added, have the foolish notion that a collectivist economy can at the same time preserve personal liberty and Constitutional Government. The great body of Americans, Mr. Hoover affirmed, do not believe in these compromises with collectivism, in this swift descent to the totalitarian State: but they do not realize that through Governmental spending and taxes their Nation is blissfully driving down the back road to this dreary doom at top speed. In the end, these solutions of national problems by spending are always the same; they mean power, more power, more centralization in the hands of the State. Although, Mr. Hoover added, there had not been a great socialization of property in the United States-inded, very little- they were already far on the journey to the very condition which they loathe and fear the most, and in truth, were on the last mile of the descent.

E must not fail to get the significance of these momentous facts and of their definite and undeniable application to Canada. One of the devices of these advocates of gigantic spending is, Mr. Hoover said, the manipulation of words, phrases and slogans—manipulations which are nothing but malign distortions that

drug the processes of thought. They drown those processes in emotion. Government borrowing and taxing is gently transferred into the soft phrase "deficit spending." The slogan of a "welfare state" has emerged as a disguise for the totalitarian State, by the route of spending.

Thomas Jefferson would never recognize this distortion of the word "welfare" which he used so much. Here is Jefferson's conception: "To preserve our independence we must make a choice between economy and liberty on the one hand or profusion and servitude on the other." "If," said Jefferson—and remember Jefferson was the architect of the American Constitution—"if we can prevent Government from wresting the labours of the people under pretense of caring for them, we shall be happy."

Out of these slogans and phrases, Mr. Hoover said, come vague promises and misty mirages such as "security from the cradle to the grave," a vague and vicious promise that frustrates those basic human impulses to production which make

a dynamic nation.

This speech of ex-President Hoover was historic. I have sought diligently but have found no attempt to answer him. We dare not, he concluded, see the birthright of posterity to individual independence, initiative and freedom of choice bartered away for a mess of ellectivism. The Founding Fathers, he said, dedicated the structure of American Government "to secure the blessings of liberty to ourselves and our posterity." "We inherit this precious blessing, but as spendthrifts we are fast on our way to rob posterity of its inheritance."

So far from Jefferson standing alone, Mr. Hoover could have quoted along with him scores of great men honoured in history, indeed all such, until this last lush school of Welfare Staters and Socialists.

John Stuart Mill in his great work, "On Liberty" said of his own country:

"Every function super added to those already exercised by the Government causes its influence over hopes and fears to be more widely diffused, and converts, more and more, the active and ambitious part of the public into hangers-on of the government . . . If the railways, the banks, the insurance offices, the great joint stock companies, the universities and the public charities were all of them branches of the government . . . if the employees of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name."

Mr. Hoover could have quoted also from the great thinker, Herbert Spencer, in a score of places; from James Mill, from the solid wisdom of Edmund Burke and the brilliant declamation of Macaulay, and from the never-lessening authority of Adam Smith. Are we in our day going to close our minds to thinking which has been not only held in universal honour but has been fruitful of great progress and vindicated by time? Are we ready, in crass conceit, to cast into the ditch and the pit principles which have stood every test, which have been tried in the furnace of experience and have proven good, and which have served and fortified our fathers for generations? Who are these men who come to us now with a prescription which has no record of successful achievement anywhere at any time? Who are these men who, themselves, certainly have not demonstrated capacity for careful thought. but who sneer at great figures of the past. and who in dire dearth of the least symptom of originality are trying to scribble the monotonous epithet "reactionary" over every solid argument which they do not like, and across every door-post of history?

A VERY prominent American just a few months ago proclaimed over there that anyone who opposed this concept of the Welfare State was unrealistic, out of tune with the times, and was trying to repeal the twentieth century. He gave as his reason for this bewildering pronouncement that he had never yet met a man who did not want welfare and want security. Well, neither have I; neither has any of you. A person who did not



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want these things would not be of this world. But what the Welfare State is trying to tell us is that the source of all welfare and security is the State, and that men can have it from the State and not without the State. The Welfare State is trying to persuade us that we will have more welfare in the degree in which higher taxes are levied against us—higher taxes on our labour and our thrift. The Welfare State tries to convince us that it will give us more security by spending more than its income and by driving down remorselessly the value of our dollar. It seriously and loudly asserts that we are going to have greater liberty through more laws and regulations being piled upon us, strangling our every exertion and frustrating our every hope. The Welfare State looks us in the face and promises to lead us to a higher moral stature by teaching us to trust in the State instead of trusting in ourselves; by teaching us to yield to events and circumstances as the State unfolds them, instead of rising above events and adversities by our own God-given courage and resource. These, let me emphasize, are the dogmas of the Welfare State and these dogmas will deaden into pernicious inertia every fibre and faculty of the human mind and body, and aspiration of the human soul.

have mentioned the steady and inexorable driving down of the value of our money. That is the dominating economic phenomenon of this age. Inflation is born of spending and borrowing—spending and borrowing not matched by any increased production of wealth. In time of war it is impossible, for me at least, to conceive how inflation can be avoided. Money spent on war is not spent for production but for liberty. Of pitiless necessity it can create no wealth, but here is what I say:—Money created and spent in time of peace just for distribution—whatever the political purpose—spent just for distribution and not resulting in commensurate production—is unnecessary inflation therefore, unfair and dishonest. Money loaned to Government at a certain time has a certain buying power. When, ten years or more later, this loan is repaid,



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the money has half or less than half that buying power. Inflation brought on us for the purposes I have described is malign, discouraging and cruelly unjust. Lenin said—at least he is reported by the highly placed Lord Keynes as having said—that the best way to destroy the capitalistic system is to debase the currency. Keynes declared that Lenin was absolutely right, and added himself that there was no more subtle or surer way to overturn the existing basis of society than to debase the currency. This method, he said, engages all the hidden forces of economic law on the side of destruction—and please mark and remember these words—"it does so in a way that not one person in a million can diagnose or understand." It is a secretive, sinister and unending subtraction from possessions gained by industry and thrift.

Spending brings inflation which adds to the cost of living; spending brings taxes which reduce the means of living. twin, devastating forces together are at this very time driving tens of thousands every year from the ranks of the self-reliant into the ranks of dependents on the State. Under the sombre consequences of spending and borrowing, a new and large section of population is being lifted every vear from the area of self-reliance to the area where hope of self-reliance or of anything like lifelong self-reliance has to be abndoned. The inescapable fact, indeed, is this:—that the State cannot fulfil its undertaking to look directly after the economic requirements of large sections of its people unless it first makes it impossible for correspondingly large sections to look after themselves.

Man rose from vile conditions to the stage of life he has for so long enjoyed, not by running around looking for security or huddling under the coat tails of the State, but by industry, resourcefulness, by thrift, by measuring his mind and his energies against the mind and energies of others, by learning from adversity and being inspired by success, and by being able at all times to give expression to the discontent that is in him.

THIS is a world of danger and adventure. It always has been from the first day of recorded time and there is no one so penetrating as to be able to assure us that it will ever be anything else. The best we can hope to do is to reduce, if we can, the danger; to make more wholesome, if we can, the adventure; but even along this route we cannot assert that we have made an inch of progress in the last two hundred years.

Looking, then, straight in the face of the world in which we live, can it be seriously imagined that we can afford to cultivate a safety-seeking, a safety-first mentality, or a some-thing-for-nothing mentality, the darling child of the Welfare State? Security seeking, indeed, erected into a primary objective, can have no result except to confirm an eternal truth enshrined in the New Testament that "He who saveth his life shall lose it." As long as the whole accent is on eagerness to save our lives we shall surely keep on losing them. That is why the emphasis must be shifted from hopes for a secure world to determination to achieve a free world. A soldier who seeks security never helped his army to win a battle, and a people dedicated to security will never take the risks essential to peace.

In this day and generation our most essential pre-occupation surely should be

to keep right in the front of our minds, every hour of every day, the lesson which history has plainly taught, that of all tyrannies of man over man the tyranny of Government is the easiest to create and the hardest to destroy; that while we must guard ourselves, and can guard ourselves, against enemies from without whom we can identify and meet, we must also guard with equal zeal against the well-meaning, misguided persons living right among us who would lead us into dependence on the paternalistic State—the paternalistic State which is always ready to gather us in everincreasing debility and stagnancy under its lordly wings.

Mr. Justice Brandeis, who adorned until recently the Supreme Court of the United States, in a celebrated Judgment declared that the final end, the all-embracing end of the State was to make its people free to develop and expand their faculties; and, to ensure the survival and the sovereignty of that principle, he irged that they must never for a moment forget the transcendent truth that liberty is the secret of happiness and that courage is the secret of The ringing, imperious call of this time is that we recapture the spirit of Brandeis, of Jefferson, of Spencer, of Burke and many more luminous figures who have enlightened and inspired our past.

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