

CANADA

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OFFICIAL REPORT

SPEECH

OF

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ON

THE BUDGET

DELIVERED IN THE HOUSE OF COMMONS ON WEDNESDAY, JUNE 22, 1938

Mr. ORVIS A. KENNEDY (Edmonton East): Mr. Speaker, first on behalf of my party may I express regret upon the sudden illness of the Minister of Finance (Mr. Dunning) which has caused him to leave the chamber at this time. It is our earnest hope that he will soon be able to return to his seat in the chamber.

It is with a feeling of regret and heavy responsibility that I rise on this occasion to deliver my first address in the house. I am reminded at what cost I take my seat in the house, the cost of the loss of a personal friend and gentleman in the constituency of Edmonton East. I refer to the passing last January of Doctor W. S. Hall.

In this address I propose to direct the attention of the house to some of the questions which were of vital importance to the people of Edmonton, as evidenced in the election campaign, and also questions which I believe are of vital importance to people all across Canada.

I do not wish to be critical in bringing these questions before the house, except in so far as my constituency has been critical. I believe it is the duty of every member of parliament frankly to bring to the attention of the government the thoughts, wishes and requests of the members of his constituency. It is sur-

prising to me, however, that one of the most important questions in the by-election was the age-old question of democracy. It is surprising to find that subject in an election campaign in 1938, after we have had seventy-one years of supposedly democratic government in Canada. This is not a question which has arisen in the last few months, but one which has been the subject of debates and speeches for many years past. It is a question of such importance that the Canadian Broadcasting Corporation recently thought it advisable to inaugurate a series of speeches entitled, *Whither Democracy?* Why should these discussions be necessary? Has democracy failed, or are the democratic institutions unable to adequately cope with the needs of our people to-day? Some people claim that democracy has failed. I think the answer is that democracy has not been given a fair trial, and that it is failing simply because governments either refuse or do not dare to modernize an obsolete economic system to meet modern needs.

In this connection let me quote from a radio address delivered a short time ago by one of Canada's leading citizens, the Hon. W. D. Herridge. I quote in part:

Fair-minded people will agree that the economic situation in Canada is grave. And

they will wonder why this should be so, in a country which has everything needed to build a standard of living higher than the world has ever known.

The reason, I believe, is that Canadian democracy has failed. The people have a right to all this country is able to produce. That is the natural law. It is the job of democracy to enforce that law and bring prosperity to our people.

Yet poverty and unemployment dominate our economic life. Old age is searching vainly for security. There seems to be no place for youth in this young country.

Further on in his address he continued:

To have prosperity, we must distribute what we are able to produce. Increased purchasing power is the means required.

Of course, the old economic system never can distribute what we are able to produce. For it was designed to work in conditions far different from those of to-day. It was designed to work in conditions of scarcity; in the days when there was not enough to go around. And it is not able effectively to work in conditions of potential plenty. The measure of its inefficiency is the difference between distribution upon the level of potential and actual production.

Thus the system is manifestly obsolete. Until it is modernized we will have relatively little benefit from our vast natural wealth, though science has now endowed it with infinite capacity to serve us. Until the system is modernized, poverty and unemployment undoubtedly will increase.

Again I repeat I do not agree that democracy has failed, but I do believe that democracy has not been given a fair trial. These thoughts are concurred in by many, many people, and yet we find that this government that has had the greatest opportunity ever given to any government in Canada, is either unwilling or unable, because of some hidden power, to modernize this system. The Liberal party surely believe in democracy and realize that this outworn economic system is defeating the cause of democracy. Many Canadians had high hopes in 1935 when they heard the Prime Minister making statements such as this:

Once a nation parts with the control of its currency and credit it matters not who makes the nation's laws. Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of sovereignty of parliament and of democracy is idle and futile. . . . To regain for the nation what has thus been lost will continue to be the first objective of Liberal effort.

Before going further into the question of democracy let us examine for a moment what democracy means. One of the best definitions is, "the greatest common measure of desire." In other words, it is the desire of the greatest number of people. Let us make it

still plainer. Democracy is the granting of results requested by the greatest number of people. Literally, democracy is governed by the results that people want. Therefore it is the duty of each and every government to endeavour as far as possible to find out the greatest common measure of desire or the results that the people want.

Undoubtedly the greatest thing that the people of Canada want to-day is personal security and the personal freedom to enjoy it. The people of Canada from coast to coast are debt ridden, poverty stricken and taxed to the limit of human endurance. Yet Canada is an extremely rich country and is able to produce all that is needed so that every man, woman and child can live in complete security and have real freedom or, to use other words, to provide the people of Canada with their just right to life, liberty and the pursuit of happiness. I should like to point out also that the opposite of democracy is tyranny. It is tyranny when people have imposed upon them the opposite things to those they want. I believe it is the duty of every hon. member, as well as of the government itself, to sit back every so often and take stock of the results that are being given to the people of Canada.

I believe every citizen who voted in 1935 voted for personal security and personal freedom. They asked that they might be relieved of the overbearing burden of taxation and debt, and yet we find that they are still living in poverty, which means insecurity and restricted freedom from the crushing burden of debt and taxation. We find that Canada, with possibly greater wealth in natural resources than the United States, yet with less than ten per cent of the population, is a country in which people are living in greater poverty and at a lower general standard. The resources are here; the means to turn them into what we want are here; human labour is available; nevertheless we starve in the midst of plenty, keeping unemployed those who could be producing the much wanted goods for the people of Canada. Surely these are not the conditions wanted by the Canadian people. It is the duty of every hon. member to demand insistently that these conditions be changed. If we are to have democracy in Canada we must bring to the people what they want, rather than what we think is good for them to have. That is the first step in the application of true democracy. In other words, we should find out the greatest common measure of desire among the people for a particular result, and then bring it to them.

Let us seek the points upon which we can act together, because what we need to-day is

action and plenty of it. First, I think we shall all agree that the materials which we need to make the goods we want are already here in Canada in abundance, or they can be produced with the aid of machines and industry. There is absolutely no doubt of that. Then, I think we can all agree that the machines are our mechanical slaves. I often think of how the culture and civilization of ancient Greece and Rome were built up. They had slaves also in those days, but they were human slaves. Throughout the long struggle for democracy we have achieved religious, civil and political liberty, but we still have to achieve economic liberty. True democracy cannot exist without economic liberty.

I believe the second point upon which we can agree is that the machines are our slaves of to-day, the possession of which should bring us an ever increasing leisure for a life of vocation. I think we can agree on the third point, that the goods are undoubtedly here, actually or potentially. Since they are here in such abundance, it is manifest that there should be plenty for everybody. If we can agree on these points, there is obviously only one thing to do, that is, see that they are distributed. The Liberal party believe in this as it was one of the planks of their 1935 platform. Let me read:

The Liberal party recognizes that the problem of distribution has become more important than that of production, and believes that personality is more sacred than property. It will devote itself to finding ways and means of effecting a fair and just distribution of wealth with increasing regard to human need, to the furtherance of social justice, and to the promotion of the common good.

Let me quote now from a speech delivered by the hon. Minister of National Defence (Mr. Mackenzie) in Edmonton on March 5 last. He said:

One of the planks of our platform was for the more equitable distribution of wealth. This plank emphasized the belief of Liberalism that personality is more sacred than property—that we must strive to find ways and means of effecting a fair and just distribution of wealth with increasing regard to human need and to the furtherance of social justice.

This is, of course, a long range policy, not to be effected by a single act of parliament. But if we continue to remember the ideal of Liberalism in this regard we can and we will press on and on through various enactments and administrative acts so that equality of sacrifice will be assured.

The only difference that I can see between the speech delivered in 1938 and that delivered in 1935 is that the people of Canada were led to believe in 1935 that this was an immediate objective, whereas the 1938 statement is to the effect that this is a long range policy. What the people of Canada want is

action and they want it now. In a true democratic state, if these are policies, results or points of action upon which we can all agree, then it is the duty of the government to take immediate steps to have them applied. The question of how this can be done will be raised, but I submit that again it is the duty of the government to find people who know, in other words, experts, to show them how. Surely it is not beyond the power of man to devise some means of distributing the vast wealth to the people to whom it rightfully belongs.

The question of money reform took a prominent part in the election of Edmonton East. One hon. gentleman who was supporting the Liberal candidate claimed that the Liberals had kept ninety per cent of their promises. He enumerated them, but failed to mention the one that had elected every Liberal—money reform. Even at this late date, three years later, it is again noticeable that money reform was not referred to in the speech from the throne and the budget. Surely it was not an idle boast; surely the Liberals were sincere when they made this promise to the people of Canada in 1935.

There is one other remarkable feature to which I should like to direct attention. The hon. Minister of National Defence claimed in Edmonton that the government had complete authority over the central bank; yet since that time it has been found necessary to purchase all the stock of this bank. Why is this necessary if they had complete control before? Let me quote again from the speech of the Minister of National Defence in Edmonton. After reading the preamble of the Bank of Canada Act, he said:

That is the finest charter of financial liberty you ever had. The government has complete authority and complete responsibility under the terms of that set-up. I suggest that all we need is a few more reformers from western Canada like Jim MacKinnon and Bob Marshall, and we will get action under that authority.

This is a plain admission, Mr. Speaker, that we were not getting action under the authority we had before. Now that the government has complete ownership of the Bank of Canada, all it needs is to control completely its policy and to institute a measure of monetary reform. This is advocated not only by all progressive parties in Canada but by some of the strongest supporters in the government's own party, and to emphasize this point I wish to quote from an editorial in the Edmonton Bulletin of June 1, 1938. This paper was one of the strongest supporters of the Liberal candidate in the by-election last March. The editorial says in part:

The Prime Minister has stated he will introduce legislation to completely nationalize the bank; a proceeding which would have no merit or purpose unless the bank is to be used as an instrument for the active administration of monetary policy for the purpose of creating and maintaining wholesome business and economic conditions.

The bank purchase decision implies repudiation of the idea that monetary conditions are shaped by the "times," and acceptance of the principle that money and credit can be so managed as to shape the "times." It is to be assumed the purchase legislation will be followed promptly by measures to employ the bank in this way; which measures parliament will have to either approve or upset the government and force an appeal to the country.

Parliament is therefore to be "put on the spot" on the subject of monetary reform. It is to be hoped the members will prove they were misjudged by Mr. Dunning and Mr. McGeer—and by a good many others—in assuming they had fallen into a stand-pat attitude on this issue—the one issue that offers them a chance to start the forces of rejuvenation and get the country out of the slump.

The Edmonton Bulletin has consistently stood for money reform, and I agree with it that money and credit can shape the times. The system must be made for man, not man for the system.

Therefore, Mr. Speaker, it is the urge of many people in all parties that the government take immediate steps to introduce a definite policy of raising the standard of living of every Canadian citizen in keeping with the development of our natural resources. The people have consistently asked for security and freedom. They want taxation reduced; they want debts to be dealt with equitably so that they will be relieved from this crushing burden; they want poverty abolished. These are results that can be accomplished with an aggressive policy of money reform.

May I say just a brief word on unemployment. I do not wish to go into detail, so I shall simply state that since the government claim that it is their right to control the purse-strings of this nation, they are the only ones who can introduce measures to alleviate the unemployment situation. Therefore the federal government should assume full and complete responsibility for the care of the unemployed.

In passing, may I say that as a young man myself I appreciate the efforts of the government in its youth training projects. I want however, to point out that you can train me or any other young man in Canada to be an expert in any line you choose, but if that young man has not a job he will not have the power to keep his home and family together round about him. Therefore the government must go one step further, and that is to occupationally establish our young people. I would also point out, while on the subject of youth training, that we have from

Halifax to Vancouver one of the finest educational systems that could possibly be devised. We have efficient public schools, high schools, technical schools, colleges and universities—the best anywhere. The people of Canada—the fathers and mothers of our young people—by taxation are paying for these institutions, and yet we find that the only thing that is keeping their sons and daughters from attending these institutions, the only thing that is depriving them of the opportunity of an education in these institutions, for which their fathers and mothers are paying, is lack of purchasing power. Once again I suggest that this is an appropriate subject to be dealt with in the budget debate. I believe that we must change our obsolete economic system and modernize it to bring about the results for which the people of Canada are asking.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. KENNEDY: I should like to give, in some detail, figures in regard to the freight rate problem as it affects western Canada and particularly Alberta. It is a serious question with us, and you will find, Mr. Speaker, as I give the figures, that Alberta particularly has had a great handicap because of the freight rate situation.

It is a well-recognized principle in rate making that rates should not rise as rapidly as distance; this is the tapering principle. The average length of haul of commodities is much longer west of Port Arthur than east of Port Arthur. For example, in the case of grain the eastern haul is, on the average, 466 miles, while the western haul is 645 miles. Terminal and many other overhead charges are the same whether a ton moves 10 miles or 1,000 miles. Thus the longer the haul, the lower should the ton-mile rate be. That is, the overhead costs may be spread over a greater distance. Yet frequently we find that the western ton-mile rate is almost as high as or higher than in the east. For example, eastern grain moves an average of 466 miles and pays a rate of 60 cents per ton-mile, while western grain moves an average of 645 miles, or about 40 per cent more, and yet pays almost the same ton-mile rate. If the usual tapering principle were applied, the western rate would be 13.2 per cent lower than it is at present. Similarly, if the normal tapering principle were applied, lumber rates would be 31 per cent lower, and the rate on anthracite coal would be 52 per cent lower, and so on.

Railroad companies, to facilitate rate making, assign every one of the thousands of commodities offered for shipment to one of several classes, or a special commodity rate is assigned to a commodity. The latter is especially true for commodities of a bulky nature which cannot bear the higher class rates. However, in this connection a serious abuse has developed which affects adversely the Alberta consumer and distributor. For example, canned goods, when moving from Montreal to Alberta, are assigned to fifth class, and the rate is \$1.98 per 100 pounds, while if the goods move to Vancouver, a special commodity rate of \$1.50 per 100 pounds is assigned. This makes the Alberta rate 2.09 cents per ton-mile and the Vancouver rate 1.04 cents per ton-mile. Thus the Alberta rate is 100 per cent above the Vancouver rate. In the case of barbed wire, an

important item in farm costs, shipments to Alberta go in fifth class and carry the rate of \$1.98, while shipments to Vancouver carry a commodity rate of .75 cents. This means that the ton-mile rate to Edmonton or Calgary is 240 per cent higher than the Vancouver rate. This higher freight on wire costs the Alberta farmer \$26.40 more to put a three-strand fence around a quarter section of land. Similarly baking powder, confectionery, dry goods, hardware and tools, boots and shoes, and paints and varnishes carry relatively low commodity rates to Vancouver but must be shipped on class rates to Alberta points.

I wish to present a few figures to show to what extent the people of Alberta are handicapped by freight rates. This is a comparison of Montreal to Edmonton rates with Montreal to Vancouver rates:

Commodity	Rate Montreal to Calgary and Edmonton	Rate Montreal to Vancouver	Excess rate Calgary and Edmonton over Vancouver	Excess per- centage
Ammonia in iron drums.....	\$2.33½	\$1.25	\$1.08½	86.8
Calcium phosphate.....	2.34½	.75	1.59½	212.6
Carpets.....	4.53½	3.00	1.53½	51.5
Drugs, medicines and chemicals.....	4.53½	3.50	1.03½	29.5
Dry goods, cotton.....	4.53½	3.27	1.26½	38.7
Insulators.....	1.98	1.35	.63	46.6
Glass and glassware.....	1.98	1.35	.63	46.6
Glass, window.....	1.98	1.00	.98	98.0
Hardware and tools.....	1.98	1.25	.73	58.4
Angles, band, bar.....	1.98	1.00	.98	98.0
Lead, white or red, dry.....	1.98	.75	1.23	164.0
Lye, concentrated.....	1.98	1.00	.98	98.0
Oil, cottonseed.....	1.98	1.25	.73	58.4
Roofing and roofing material.....	1.98	1.00	.98	98.0
Boots and shoes.....	3.03½	2.00	1.03½	51.8
Bolts, clips, nuts, rivets, rods, iron or steel	1.98	1.00	.98	98.0
Pipe cast-iron, pipe wrought iron, 12" and under	1.98	.70	1.28	182.8
Sugar and syrup.....	1.98	1.00	.98	98.0
Twine, cordage under ½".....	2.33½	1.30	1.03½	79.6
Wire fencing.....	1.98	1.25	.73	58.4
Barbed wire.....	1.98	.75	1.23	164.0

Wholesalers and jobbers, as well as the people of Alberta, suffer under this rate structure. Paints and varnishes can be shipped from Montreal to Vancouver and reshipped in less than carload lots, i.e., to Vernon, B.C., a distance of 3,200 miles, for \$2.24 per 100 pounds, while to ship in carloads to Calgary and l.c.l. to Vernon, a distance of only 2,589 miles, costs \$2.97½. This is a difference in favour of Vancouver of \$0.73½ per 100 pounds.

Flannelette blankets move to Vancouver in a cotton goods car at \$1.75 per 100 pounds. The Edmonton rate is \$4.53½ per 100 pounds. This tremendous difference is principally due to the fact that the railways will not include cotton blankets in a cotton goods car to Edmonton. If these blankets could be included in a fourth class cotton goods car, the rate

would be \$2.33½ and the discrimination would not be so great. The railways will accept these blankets in a fourth class car if the edges are not whipped. Unfortunately it is not practical to ship them in this shape, as the edges will fray. They cannot be shipped to Edmonton since no equipment is available. A rate structure that will allow a Vancouver wholesaler to bring blankets to Vancouver and reship local freight to Holden, a town sixty miles east of Edmonton, for 21½ cents per 100 pounds less than is charged for shipment direct to Edmonton does not seem reasonable. The rates are \$1.75 Montreal to Vancouver, plus \$2.57 local freight Vancouver to Holden in Alberta, and the Montreal to Edmonton rate is \$4.53½. The same discrimination in favour of Vancouver applies in the case of other dry goods, hardware, tools, and barbed wire.

At the other end of the prairie region Winnipeg is in a favoured position. In some cases Winnipeg distributors can ship l.c.l. beyond Edmonton at a lower rate than the combination of the carload rate from Montreal to Edmonton plus the local rate. Many commodities can be shipped in car lots to Winnipeg and reshipped local freight into Edmonton territory at a lower total freight charge than would be the case if they were shipped direct in cars to Edmonton and distributed from there.

It is suggested that a substantial reduction in the rates on grain and grain products from Alberta producing points to British Columbia would do much to facilitate the interchange of commodities between the two provinces, giving each an increased purchasing power for the products of the other. These two provinces geographically are ideally situated side by side, each producing entirely different products which are required by the other, but handicapped by a transportation cost between them which is relatively unfair to a federation of provinces.

To summarize briefly: Alberta, along with other western provinces, carries relatively a very large proportion of Canadian transportation cost, and in addition Alberta gets the shock both from the east and from the west. The old reasons of higher cost of construction and operation advanced by the board of railway commissioners for perpetuating this condition have been challenged from time to time. However, if Canada is to succeed as a nation, restraints of trade between the different portions must be removed, so that the products of the various parts may be freely interchanged, and if in the process the situation of the railways is too adversely affected, then the situation should be dealt with so that the burden shall be carried nationally and not disproportionately by various sections.

Another problem of vital interest to my constituency of Edmonton East is the coal situation. In or adjacent to the constituency of Edmonton East there are twenty-three mining companies in active operation, also the headquarters of many of the mines operating in the coal branches are in the city of Edmonton. One can readily realize how important a question this is to the people there.

However, rather than deal with any particular constituency I prefer to deal with the problem as it concerns Alberta as a whole. We all realize that the coal distribution is certainly far from satisfactory, and we would urge the government to look into the matter with a view to finding some means of making

the distribution more equitable. Alberta alone has 14 per cent of the coal reserves of the world, 21 per cent of the coal reserves of the North American continent, 72 per cent of those of the British empire, and 87 per cent of those of the Dominion of Canada. Yet we find the startling fact that, with all this coal in one province alone of Canada, Canada supplies only one per cent of the world's needs. Another startling fact we find is that, with all this coal, in 1936 exports decreased two per cent while imports increased 5.6 per cent. Upon a close examination of coal statistics in an effort to find where the difficulty lies, other startling facts are disclosed. Out of 28,000,000 tons of coal used last year in Canada, Canadian coal mines supplied only, in round figures, approximately 15,000,000 tons. Ontario brings in over 10,000,000 tons of coal from the United States of America. Surely a policy of Canadian goods in Canadian homes, or Canadian coal in Canadian engines and stoves, would be the proper policy for this country.

The question is not one of production. We could produce far more coal in Alberta at very little greater cost than is the case to-day. When we examine the figures as to the unemployed—and I should have liked the Minister of Labour (Mr. Rogers) if he were present, to take particular notice of this fact—we find that last year we used a little over 5,000 miners underground in the mines of Alberta, but we have over 13,000 men holding miners' certificates. This means that approximately 8,000 miners were used in other industries, forcing other tradesmen on to unemployment, or that these miners were themselves being kept on relief. Another startling illustration is this, that the unemployed in Alberta in May totalled 8,771, approximately the same number that were kept out of work because we were not using coal from Alberta in Canadian homes.

Another clear illustration would be this. Ontario is sending about \$100,000,000 into the United States each year to buy United States coal and bring it into this country. If we again compare figures, this is surprisingly close to the amount which the government at this time is trying to divert into a housing scheme in order to create employment. It is one case where money is going out which the government does not need to borrow in order to get; it is here, and it is being sent to the United States. If the government in some way or another could divert this flow of money amounting to about \$100,000,000 from the United States into Canadian industry, this would do a great deal to stimulate employment in Canada. It is not that

our coal is not as good as theirs. Alberta coal is every bit as good coal as one can buy anywhere in the world. The trouble is that we are not able to bring it to eastern Canada. I ask that the government check up on the question of subventions. We appreciate very much that the government are spending \$2,250,000 in subventions in the Dominion of Canada, but we find that Alberta is getting only about \$345,000. If we can get a larger subvention so that we can move Alberta coal to Ontario homes, this will stimulate business, I believe, all along the line.

Another suggestion which might be placed before the government is this. The order in council regarding subventions states that the subventions shall be provided by parliament year by year. If this grant could be stabilized in such a way that it could be applied continuously, so that we could have it for a period of seven or even five years; or, in other words, if the government could introduce a bill which would stabilize subventions to the coal industry for that period of time, we could interest coal miners in bringing the coal to the markets in Ontario. This would make it possible for the coal industry to establish warehouses at strategic points

from which they could supply the Ontario market. This would have two advantages. It would make for greater employment, employment for men in these warehouses. It would also create the possibility of all-the-year-round work in Alberta mines and even in Canadian mines generally, to use a broader term. It would permit miners to mine in the slack season in the summer time and fill the warehouses, so that they would be prepared for the winter rush in the Ontario market, and would not crowd the domestic market in Alberta.

I am submitting these thoughts briefly to the government. I had hoped to take them up on the estimates of the Minister of Mines and Resources (Mr. Crerar), but I am placing them on record in the budget debate so that he may look into them at this time.

Just to summarize what I have been saying in this speech: As a young man, I plead with the government to spare no effort in the interests of building a bigger and greater Canada. They have the means; we have the goods. I plead with them to spare no effort to build a bigger, better and saner Canada for the young people of future generations to live in.