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**RED TORY:
The Political Ideas and
Legislative Legacy of R.B. Bennett**

by

Kurt Peacock, B.A.

**A thesis submitted to the Faculty of Graduate Studies and Research
in partial fulfillment of the requirements for the degree of
Master of Arts**

**Department of History
Carleton University
Ottawa, Ontario
August 1999**

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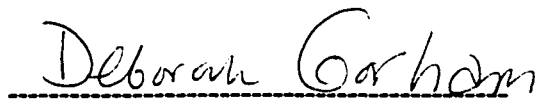
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Abstract

This study explores the intellectual foundations and abiding political ideas of Prime Minister R.B. Bennett prior to his launching of the 1935 'New Deal'. It seeks to associate Bennett's political philosophy with a dynamic strand of Canada's conservative tradition – popularly referred to as 'Red Toryism' – and thus provide a more complete and somewhat revisionist understanding of the motivations behind the Bennett administration. In researching this paper at the National Archives of Canada, extensive use was made of microfilmed copies of the R.B. Bennett papers, as well as the papers of Robert Borden, Arthur Meighen, Max Aitken (Lord Beaverbrook) and the diaries of William Lyon Mackenzie King. A number of Royal Commission transcripts, newspapers, and Hansard debates have also been consulted.

This study begins by examining a number of conservative views of the state prior to Bennett's term in office. It then chronicles Bennett's early political career and his views on the proper role of the federal state prior to his election as prime minister. The study then examines three specific initiatives launched by the Bennett government: the introduction of significant tariff increases, the establishment of the Canadian Radio Broadcasting Commission, and the formation of the Bank of Canada. These initiatives suggest that Prime Minister Bennett was not afraid to use the power of the state in the defense of the national collective, despite the limitations placed on state action by the global recession.

This study concludes that long before the 1935 'New Deal' broadcasts, Bennett was prepared to, and often did, use the power of the state to intervene in matters of national importance, and that his own views on state activity reflected a Red Tory tradition found within the Conservative party, and were as politically legitimate as a response to the Depression as the ideas of a number of his major political contemporaries. While a great number of Bennett's political contemporaries have received more sympathetic treatment from Canadian historians, the evidence presented in this study seeks to present a more balanced case, and paint a far more complex political portrait of R.B. Bennett than earlier historical investigations have suggested.

Acknowledgements

The author of this study would like to thank all the archivists, librarians, and professors who assisted me in the last year. Sincere appreciation is reserved for Professor Duncan McDowall, whose advice and eternal patience in his capacity as a thesis advisor proved remarkable. The kind and helpful assistance of staff from the National Archives, the National Library, and the libraries of Carleton University and the University of New Brunswick made the work of this researcher much more fruitful. In a similar fashion, all those who gave up their free time in order to read earlier portions of this study made the words of this writer much more eloquent. Any and all mistakes that remain in this study are of the author's own creation.

The author would also like to thank his fiancée, Carla Daley, for graciously postponing our wedding plans in the interest of historical scholarship. All future historical studies shall be undertaken as a married man.

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August 1999

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Introduction

At the moment I think that the Dominion of Canada is faced with the greatest crisis of its history. The real difficulty is that we are subject to the play of forces which we did not create and which we cannot either regulate or control. We are between the upper and nether millstone. We are a debtor country, and a debtor country must suffer under the conditions with which we are threatened. Our people are steady but they are depressed and, having listened on the radio to so much 'ballyhoo' they are now demanding Action! Action! Action!!! Any action at this time except to maintain the ship of state on an even keel and trim our sails to benefit by every passing breeze involves possible consequences about which I hesitate even to think.

– R.B. Bennett to Robert Borden, October 1933.¹

R. B. Bennett had reason to be discouraged in 1933. His government, elected in October of 1930, had endured three painful years in office as his nation quite literally collapsed both financially and in spirit. Previous recessions had exacted great sacrifice on both the federal treasury and individual Canadians, yet there had never been an economic downturn quite like this one. The force of the Depression was so great that the very fabric and rationale of Canadian society was eroded.

As the months of 1933 progressed, the economy was showing only the slightest signs of recovery. While farm prices were recovering (showing an improvement of 24 per cent between February and December of that year), the value of general wholesale goods was still anemic, rising only 8 per cent in the same interval. Farm prices, although increasing, were in fact simply behaving like stones that momentarily bounce when they

¹ Canada, Robert Laird Borden Papers [hereafter Borden Papers] (Ottawa: National Archives

reach the bottom of a steep cliff. Wheat, which was Canada's most important export, had declined 71.6 per cent in value between 1926 and December of 1932.² As the recession deepened, Bennett's government shouldered huge deficits in a piecemeal effort to soften the burdens of individual Canadians and to stimulate an economy that was producing ever less revenues for the federal treasury. The substantial shortfalls of the federal government nonetheless paled in comparison to those experienced by a number of provinces and many more municipalities which were in fact facing insolvency.

In response to these unprecedented circumstances, Ottawa prescribed a number of traditional tonics to alleviate the Depression: it had raised the tariff on foreign goods (easily the most used tool of the state for economic development in the first fifty years after Confederation), held an Imperial Economic Conference, and implemented make-work projects. By 1932, frustrated by the total lack of improvement, the Bennett administration resorted to more novel approaches. In the fall of that year, the finance department attempted to re-inflate the economy through the controlled expansion of the monetary supply, and still there was little sign of recovery. Instead, in the words of Depression chronicler James H. Gray, the national condition was one of a "deteriorating social consciousness".³ The prime minister was certainly cognizant of this *malaise*. In 1933, he told Robert Manion, minister of railways in his cabinet, that another year without recovery would break the whole capitalist system.⁴

of Canada) NAC microfilm C-4426 146600. Bennett to Borden, October 5, 1933.

² Report of the Dominion Bureau of Statistics. National Archives of Canada. Archives of the Royal Commission on Price Spreads and Mass Buying [hereafter Stevens Commission Archives] RG 33-18, Volume 153.

³ cited in J.R.H. Wilbur, ed., The Bennett New Deal: Fraud or Portent? (Toronto: Copp Clark, 1968) 14.

⁴ Michael Swift, R.B. Bennett and the Depression, 1930-35 (UNB Fredericton: unpublished MA thesis, 1964) 222.

Fortunately for those who supported capitalism, this never occurred. Capitalism was severely tested during the Depression, and a number of its philosophical principles – such as trust in the invisible hand and faith in rugged individualism – were questioned and then transformed as governments sought to intervene where markets no longer seemed capable. While the Depression did not break capitalism, there is no doubt that it did break the political career of R.B. Bennett. An Albertan journalist, who had followed much of Bennett’s career, noticed that in the years after Bennett formed his government “his old pugnacious and dominating spirit” was no longer as evident. Writing in February of 1933, the scribe easily recognized the culprit: “The chastening hand of the Depression is beginning to tell on him”.⁵ Bennett was not alone in his political suffering; in virtually all of the western democracies, the Depression took its toll on the governments that had the misfortune of guiding affairs during its darkest months. In some of the nations of Europe, the economic crisis broke democracy itself. In Canada, the *only* government to beat the Depression politically was John Bracken’s of Manitoba (Progressive Premier, 1922-1943), and his administration survived only by forming a close working relationship with the opposition parties. The Depression was in no way partisan; governments of all political stripes were tossed out of office. Established political parties lost ground as the recession continued, while other movements – ranging from Communism to Social Credit – gained more converts from Canada’s political mainstream. Historians John Thompson and Allen Seager have noted the transformation of Canadian politics in this era, suggesting that in the worst years of the Depression both political and economic orthodoxy were in fact put on trial. H. Blair Neatby has also

⁵ cited in John Herd Thompson and Allen Seager, Canada 1922-1939: Decades of Discord (Toronto: McClelland and Stewart, 1985) 221.

reflected on the severity of the Depression, and its effect on the national political climate.

As Neatby has noted in The Politics of Chaos, the effects of recession were far-reaching:

The 1930s was... more than a period of economic recession. It was also a time when Canadians seriously, and almost for the first time, began to analyze the structure of their society and the role of social institutions. They questioned the accepted values in political and economic life, and debated radical ideas which only a few years before would have been ridiculed as utopian or heretical.⁶

The greatest political questioning, of course, occurred at the federal level. The government of R.B. Bennett, which had received such an overwhelming mandate in 1930, received little else besides overwhelming rejection five years later. The electoral confidence of 1930 was replaced by Mackenzie King's warnings of parliamentary chaos in 1935, and many voters believed the Liberal leader when he suggested that Bennett was directly responsible for much of the last half-decade's political chaos.

For Bennett's many detractors, such a fate seemed just, for they saw his administration – with its labour camps, labour riots, peerages and the public dole – as a dismal failure deserving the wrath of the electorate. This argument certainly has merit, at least when using the simple logic of voting patterns. The Canadian electorate rewarded Mackenzie King, the man who defeated Bennett, with the beginnings of another twelve years in office in 1935, while the Conservative Party that selected Bennett as its chief did not govern again until 1957. But the logic of the voting booth is inherently misleading, for it attempts to explain the Bennett years by simply highlighting the apparent false hope of the 1930 election, and comparing it with the reality of only 40 Conservative seats in the Fall of 1935. The Bennett years, ridiculed by a number of contemporary political observers and treated unfavourably by a generation of Canadian historians, were in fact

much more complicated than the seismic federal election results and earliest historical judgements have indicated.

Unfortunately, the significance of the Bennett administration and the man at its helm is a subject that has until very recently remained largely unexplored. While the work of Neatby and others has suggested that the Depression was a complex and politically challenging era, a great number of historical examinations concerning Bennett have been surprisingly simplistic and unprobing in their treatment. The Bennett government, as portrayed in a number of Canadian history textbooks, has been described unreflectively as a mechanical and chronological process comprised of one election campaign filled with ridiculous promises, an administration that resorted to well-tested and unimaginative policies such as the tariff and make-work projects in the fulfillment of those promises, a death-bed conversion to new political ideas, and the subsequent rejection by a skeptical electorate. The story of Bennett's government is, however, more complex than such seamless descriptions have suggested, just as the political ideas of the man at its helm are more complex than previously given credit.

Ironically, the individual who should be at the centre of any historical examination of the Canadian government in the Depression has received little attention in his own right. Lacking any serious biographical treatment – the work of historian Peter Waite will hopefully correct this – R.B. Bennett has become the victim of a historical vacuum. Since there has been little probing critical analysis of the prime minister, Bennett detractors and historians sympathetic to their views have had little trouble in ensuring that their descriptions of the Conservative leader remain paramount. Chubby

⁶ H. Blair Neatby, The Politics of Chaos: Canada in the Thirties (Toronto: MacMillan of Canada, 1972) 24.

Power's quip from the opposition benches that Bennett had "the manners of a Chicago policeman, and the temperament of a Hollywood actor" has often been repeated. Frank Scott, the constitutional scholar and 1930s intellectual, used his satirical talents to sum up the apparent ineffectiveness of Bennett's administration: "To make the single meaning doubly clear / He ends the journey – as a British peer". These contemporary observations, and their unchallenged use in a number of different histories of the Depression, have reduced Bennett to little more than a partisan explanation – with the failures of his Conservative administration serving as a legitimizing reminder why the Liberals were to dominate federal politics for the next twenty years.

In recent years, however, scholarly investigations have begun to unearth evidence which challenges the descriptions of Bennett put forward by his detractors and an earlier generation of historians. The verdict of these descriptions implied that Bennett was a heartless, rigid and inept leader ill-prepared for government during the turbulent 1930s. While the more recent scholarship has showed a more complex leader than previously considered, Bennett's personality had in fact always made him somewhat of an enigma, even at a young age. A childhood class-mate described how in New Brunswick "the other boys of his age group could not understand one who never played hooky, never stole apples, and never said damn".⁷ Alma Russell, an early love interest and life long friend of Bennett, later recalled that while he was "abrupt, brusque and quick tempered", he was also "thoughtful, gentle, very kind and sympathetic".⁸ Sir Joseph Flavelle, a long-time stalwart of the Conservative party, once warned an associate of Bennett: "His real trouble will not be with the Opposition or with the Party, but with himself." Nonetheless,

⁷ Donald Smith, The Maritime Years of R.B. Bennett, 1870-1897 (UNB Fredericton: unpublished MA thesis, 1968) 31.

Flavelle also understood that there was much more to ‘Bonfire’ Bennett than high-tariff glory and blistering rhetoric. “At bottom it is not humbug,” Flavelle once observed of Bennett. “After you have made allowances for his egotism and vanity it will be found that the underlying, impelling force is the early religious training in his Mother’s home”.⁹

Flavelle’s observation that beneath the egotism and vanity there was a sincere, pious individual is one of the few contemporary indications of Bennett’s complexity. This complexity has, however, so far only been hinted at, while his more obvious character traits – the egotism, the vanity – have done little to offset the portrayal of Bennett as some sort of capitalist caricature, an easy and possibly uncaring target for ridicule as his nation endured the Depression. This simplistic argument has maintained its currency in large part because of the absence of a historical biography in Bennett (with the dubious exception of Lord Beaverbook’s propagandist Friends). Only recently have historical works done anything constructive to add a sense of balance to the political historiography of the Depression, and challenged the legitimacy of a few earlier attacks on Bennett.

Scholars such as Peter Waite, Michael Bliss and Larry Glassford have produced some of the evidence that suggests Bennett was an immensely more humane, complex, and adaptable prime minister than previously considered. A brief examination of some of the more recent scholarship involving Bennett certainly indicates how this revision has attempted to establish a more balanced portrait of the prime minister. While much has been made of Bennett’s riches, he was in fact born into a family of more modest means than Mackenzie King, and into a late nineteenth century community with little economic

⁸ Smith 99.

⁹ Michael Bliss, A Canadian Millionaire: The Life and Business Times of Sir

opportunity. Peter Waite's essays in The Loner have suggested that his youth, spent under the watchful eye of his mother along the Bay of Fundy, and later as an earnest teacher in the classrooms of the Miramichi, was just as influential in forming Bennett's political ideas as his time as a prosperous and ambitious lawyer in the burgeoning court rooms, corporate offices and legislatures of western Canada. In a similar fashion, The Wretched of Canada, edited by L.M. Grayson and Michael Bliss and first published in 1971 as one of the pioneering attempts at a Bennett re-assessment, clearly transforms the image of Canada's richest prime minister into one of its most charitable. The book's reproductions of correspondence between the nation's impoverished and their prime minister have indicated that Bennett was neither heartless nor miserly with his money, and that his reputation as a cold-hearted capitalist was likely undeserved. Similar anecdotal evidence of private generosity were found in more recent publications, including James Gray's R.B. Bennett: The Calgary Years and Larry Glassford's Reaction and Reform. The works of Gray and Glassford also highlighted other aspects of Bennett previously minimized: his close relationship with his mother and sister, his championing of western interests in his early career as a politician, his ability to re-invigorate a dispirited party in the months surrounding the 1927 Conservative convention, and his deep religious faith.¹⁰

That religious faith was rooted in Methodism, and a few scholars (most notably Peter Waite in The Loner) have suggested that the seeds of Bennett's plans for social reform can be found in his religious beliefs. There is no doubt that he was a keen

Joseph Flavelle, Bart. (Toronto: Macmillan, 1978) 430, 481.

¹⁰ Some of the more notable recent academic works involving Bennett include The Wretched of Canada, edited by L.M. Grayson and Michael Bliss, The Loner by Peter

participant in the Social Gospel that was a powerful intellectual current at the dawn of the century. As a youth, Bennett was a member of the Epworth League (a Methodist youth group), the YMCA, and he was elected recording secretary of the Sons of Temperance of Douglastown, New Brunswick within three months of joining in 1899.¹¹ Historians have also revealed other influences on Bennett as he formed the core of his political beliefs: the imperial culture of the New Brunswick he was raised in, his experience in business, both as legal counsel and an investor, his careful observation of the political stewardships of Conservative leaders John A. Macdonald and Robert Borden, and his participation in the latter's first government. All of these experiences would have a role in shaping the ideas that held currency during the Bennett administration. While earlier historical observations of Bennett have suggested that he was entirely out of step with the intellectual currents ultimately deemed to be best suited to combat the Depression, the more recent scholarship has at least partly revised this assumption. The works of Waite, Glassford and others have, in providing evidence of Bennett's participation in some of the most influential social, religious, intellectual, and business reforms of turn-of-the-century Canada, painted a portrait of a Conservative leader sophisticated and complex, and not one-dimensional and reactionary, in his ideas.

Bennett's abiding political beliefs, as opposed to the political actions undertaken during his administration, are perhaps the least assessed aspect of his long career. Bennett has often been ridiculed because of his apparently contradictory 1930 electoral planks of high tariffs and increased imperial trade, and criticized for his willingness to use the 'iron heel' of the state to crush dissent. There has been little study of the other, less traditional

Waite, R.B. Bennett: The Calgary Years by James Gray, and Reaction and Reform by Larry Glassford. All of these books are published by the University of Toronto Press.

ideas found in the many speeches and legislative actions taken by Canada's Depression-era prime minister. Nowhere is this lack of detailed historical analysis been more evident than in the debate surrounding Bennett's last year of governing. One of his last acts in office was the series of radio addresses and government bills known collectively as the 'Bennett New Deal'. These have often been dismissed as a desperate act by a desperate administration, influenced by either the success of the Roosevelt program or the more esoteric attractiveness of Keynesian economic theories, and prepared by a handful of political advisors wishing to avoid the descent into electoral oblivion. While history has been less critical of the Bennett New Deal than contemporary observers, it nonetheless remains one of the most hotly-debated subjects of the Bennett administration.

The purpose of this study is to examine the political career of R.B. Bennett *prior* to the New Deal, and hopefully add to the historical debate by suggesting that the ideological underpinnings of the political programme put forward in the early months of 1935 were in fact earlier articulated, either in word or in deed, by the member of parliament from Calgary. When Bennett boldly declared "I summon the power of the State" in January of 1935, he alarmed a great number of Conservatives, yet captivated a good deal more Canadians. This study argues that these words were not so radically novel as assumed by many, but were instead a concise re-affirmation of Bennett's political thought. While Bennett's rhetoric may have seemed radical, it underlined what was perhaps one of Bennett's most fundamental political philosophies – that for Canada to succeed, it needed to be guided by strong leadership that was willing to make use of a dynamic federal state. In short, Bennett reflected a deep-rooted tory benevolence in his inclination to invoke the power of the state.

¹¹ Smith 70, 152.

In order to put forward a coherent argument, this study starts by examining the idea of conservatism in this century, and investigates what strands of the conservative tradition and which traditional planks of the Conservative party platform may have had a lasting influence on R.B. Bennett. This study will specifically examine the concept of the 'tory touch', as defined by political thinkers such as S.F. Wise, Gad Horowitz and George Grant, and its various progressive manifestations in the electoral programs of Canadian Conservatives. The second part of this study attempts to chronicle and explain R.B. Bennett's career from the moment he entered the Parliament of Canada in 1911 until the moment he was elected prime minister, thereby emphasizing the maturing political views of the member for Calgary. After he became prime minister, Bennett involved himself on a number of initiatives that reflected a conservative tradition he believed in, as he sought creative ways to use the federal state while the nation endured the worst economic crisis in its history. To trace, and test, the influence of Canadian conservatism on Bennett, this study will investigate three of these initiatives in detail – the government's tariff policy, and its creation of the Canadian Radio Broadcasting Commission and the Bank of Canada – in order to provide an empirical testing of Bennett's long-standing commitment to a dynamic federal state.

Finally, this study will conclude by assessing Bennett's government, not only by looking at the genesis of the New Deal, but also by briefly comparing Bennett with two of his political contemporaries, William Lyon Mackenzie King and Franklin Roosevelt. In much of twentieth century historiography, Roosevelt is lionized for his record in turning the United States around, while Mackenzie King is celebrated for his construction of the Canadian welfare state. Bennett, who has not received nearly as many historical

plaudits, nonetheless put forward or considered a number of significant government programs in advance of the American New Deal, and committed the Canadian state to a degree of activism in the 1934 and 1935 sessions of Parliament that King only belatedly matched in his long career. While critics have suggested that these initiatives were a half-hearted and desperate political conversion, this study will seek to suggest that the activism that Bennett displayed in his administration was instead rooted in a dynamic form of Canadian conservatism.

Prior to Bennett, Conservative governments had been willing to use the various executive and legislative powers of the federal state in the interests of the national collective. Bennett would follow his Conservative predecessors in this direction, as he advanced the responsibility of the federal state throughout his term in office. Another important trait that Canadian conservatism possessed in the years before Bennett was the pragmatic ability of its political leadership to adapt itself to fresh ideas when fresh ideas were needed. This was apparent in the various transformations of Canadian conservatism – from the paternal collectivism of the early Upper Canada Tories, to the interventionist National Policy of John A. Macdonald, to the regulatory Progressivism of Robert Borden, and, ultimately, to the Red Toryism of R.B. Bennett. This study, in adding to the still incomplete historical scholarship surrounding the Depression-era prime minister, will open the possibility that R.B. Bennett was in fact a Red Tory some decades before the term became part of the nation's political lexicon.

Red Tories: R.B. Bennett's intellectual predecessors

The impossibility of conservatism in our era is the impossibility of Canada. As Canadians we attempted a ridiculous task in trying to build a conservative nation in the age of progress, on a continent we share with the most dynamic nation on earth. The current of modern history was against us.

– George Grant, writing in his 1965 work Lament for A Nation¹

The concept of Red Toryism did not enter the Canadian popular imagination until some years after R.B. Bennett's death, with the rise of the Diefenbaker phenomenon.

Like Bennett, Diefenbaker has been seen as somewhat of a 'rogue Tory' (to use Denis Smith's description), whose public sympathies were not found to be with the more established, affluent or powerful interests of the Conservative party. Like Bennett, Diefenbaker's political sympathies were difficult to place neatly, but it was apparent in his speeches that he was very interested in responding to the needs of the national collective, regardless of the sensibilities of the established, affluent or powerful. Added to this populist thinking was Diefenbaker's apparent willingness to use the power of the federal state in defence of the national collective, and a conservative phenomenon was re-established. Diefenbaker, like Bennett, directed his party to a degree of state activism previously unthought of, and transformed Canadian conservatism in the process.

These transformations would, each in their turn, bring out critics – C.H. Cahan, George Drew – and supporters – Harry Stevens, Davie Fulton – from within the Conservative party as both Bennett and Diefenbaker redefined the political limits of

Canadian conservatism. Yet while Diefenbaker (arguably a less significant prime minister than Bennett) is still immortalized through sympathetic biographies and academic conferences, Bennett's accomplishments have been forgotten while his defeats have been magnified. Why the notable difference in the organized memory of the two Conservative leaders? The reason could possibly be found in the writings of George Grant, who vindicated Diefenbaker's unfortunate administration in his 1965 essay Lament for A Nation. While Lord Beaverbrook attempted a similar exercise in Friends, his reflective memoir of Bennett, his work did not have the same affect. The difference between the two works was almost entirely one of emphasis. Whereas Aitken focussed on Bennett in an attempt to popularize a prime minister and minimize his more human faults, Grant showed a healthy disdain for his prime ministerial subject and instead focussed on what Diefenbaker represented – the Canadian conservative tradition. In the process, Grant gave the long-standing political tradition an eloquent defender it so often lacked in federal elections, and placed Diefenbaker's 1963 electoral failure alongside the earlier political victories of Macdonald, Borden and Bennett.

When George Grant lamented the death of Canada in 1965, critics and non-believers alike assumed that the philosopher and nationalist was being pessimistic, and that Canada would continue to prosper on a dynamic continent blessed by the age of post-war progress. In a material sense, they were right – Canada has indeed prospered on the American continent in this, the second of two American centuries – but such critics have in large part ignored Grant's lament for a *conservative* Canada. The maintenance of a sovereign nation was inherently a conservative exercise, and reflected the belief that to be

¹ George Grant, Lament for a Nation (Toronto: McClelland and Stewart, 1965) 68.

a Canadian meant that one “was to be a unique species of North American”.² Once Grant’s lament is indeed understood to be directed towards a conservative Canada, material considerations are no less relevant; what matters is the idea that conservatism is critical to national sovereignty.

The apparent death of conservatism takes on added meaning when one looks at the recent history of Canada’s Conservative party – the vehicle that George Grant maintained was paramount in the development of a Canadian nationality. From the 1963 election (the subject of Grant’s essay) until today, the federal Conservative party has been in office for only ten of the last thirty-six years, and its leadership during this time has in large part refused to follow the conservative tradition that Grant defined and lamented in 1965. Indeed, the most important Conservative of this period, Brian Mulroney, was portrayed by biographer John Sawatsky as a politician in love with the strongest symbol of American liberalism: “Mulroney idolized Kennedy...He saw Kennedy as the ultimate politician and wanted to be just like him”.³ Hugh Segal, recent candidate for the leadership of the Conservative party and a speaker famous for drawing broad historical parallels in defence of his conservatism, admitted in his own memoirs that his political understanding of conservatism did not run deep in history: “Many people join political parties because of family tradition or deeply held convictions. Many are drawn to a party because of an issue that grinds their axe in a compelling way. My Tory credentials can claim no such noble parentage. I am a Tory because of John Diefenbaker”.⁴

² Grant 3.

³ John Sawatsky, Mulroney: The Politics of Ambition (Toronto: Macfarlane Walter & Ross, 1991) 142.

⁴ Hugh Segal, No Surrender (Toronto: Harper Collins, 1996) 1.

Is John Diefenbaker, then, the pivotal champion of the conservative tradition in twentieth century Canada? George Grant did not think so, at least not the champion of an “older Canadian conservatism, which had used public power to achieve national purposes”.⁵ This view is reflected in Denis Smith’s recent biography of Diefenbaker, in which Smith speculates that the Chief’s Tory leanings may have had little to do with any profound appreciation of Canadian history, but were instead the product of his own quirky personality and the transitory opportunities for a young politician in Liberal-dominated Saskatchewan:

From the start, his faith was a peculiarly personal one that did not wholly fit the party to which he now gave his permanent allegiance. He had decided to make his own way – slowly if necessary – without the patronage of the Liberal Party that had sought him, and within a party so lacking in local strength that it seemed open to his own shaping influence. Its very weakness would allow him his freedom and nurture his eccentricity...As a defence counsel, Diefenbaker had already begun to shape himself in the...anti-establishment mould. In Saskatchewan politics, it was clear, to be anti-establishment was to be anti-Liberal.⁶

In this century, then, the most logical champion of Canadian conservatism (at least within the confines of the Conservative Party) is not the anti-establishment Diefenbaker but might instead be his much-maligned Tory predecessor in the prime minister’s office, R.B. Bennett. The two Conservative prime ministers shared a number of similarities. They both drew their initial electoral base from western Canada. They both contributed in some fashion to the expansion of the welfare state, yet both governed during times of recession. They both maintained a sentimental attachment to the British Empire and a deep mistrust of the American republic. Ultimately, both men were repudiated by their party and their country after failing to live up to the expectations of

⁵ Grant 14.

the electorate. It is Bennett's administration, however, that would arguably draw more praise from Grant and other conservative thinkers (this argument is reinforced by Grant's assertion that nothing in Diefenbaker's ministry was as noble as his leaving of it!), if only because upon close inspection it is apparent that R.B. Bennett reflects a deep conservative tradition now seemingly discarded by both Canadians and the Conservative Party.⁷

Before detailing in broad strokes the conservative tradition that R.B. Bennett drew upon, it is important to differentiate between the Conservative Party of Canada and the national conservative tradition. While much has been made of the historical planks of the Conservative party – its close links to business through its policy of protection, its keen defence of imperial ties and fear of American interests, etc. – for the purpose of this study the most vital ingredient in conservative philosophy, both within the national party and without, shall be conservative views on state activity. Long before the Bennett administration, Canadian conservative views on the state were developed over four distinct eras: the arrival and settlement of the Loyalists, the emergence of a national Conservative party under John A. Macdonald, the influence of the Progressive movement on the early leadership of Robert Borden, and the war-time experience of Borden's government. Each era in some way fashioned R.B. Bennett's own conservative philosophy, and played no small role in the motivations behind the increasing state activism of the Bennett administration.

⁶ Denis Smith, Rogue Tory: The Life and Legend of John G. Diefenbaker (Toronto: Macfarlane Walter & Ross, 1995) 43-44.

⁷ Grant 25. The idea that Bennett drew upon a rich conservative tradition is supported by Canadian electoral results. From 1867 to 1935, the torch-bearer of Canadian conservatism, the Conservative Party (including Borden's Union government), was in

Before examining the roots of the Canadian conservative tradition and its links with the arrival of the Loyalists, it is important to further identify the conservative view of the state without associating it with partisan movements from a particular political era. Fortunately, there have been some helpful scholarly examinations in this regard. The difference between the Conservative party of Canada and the national conservative tradition has been explored by Terry Cook in an essay titled “The Canadian Conservative Tradition: an Historical Perspective”, published in The Journal of Canadian Studies. In the essay, Cook paid tribute to the Conservative party for its role in developing the tory tradition, noting that “perhaps the culmination of this conservative tradition, or at least its final glory, was the New Deal of R.B. Bennett”.⁸ He warned, however, of the dangers of associating the tradition with just one party: “the conservative tradition has been interpreted as one animated primarily by a desire to use the state to promote a strong nationalist Canada...The supporters of the tradition implicitly assume and often explicitly state that Canadian liberalism has not shared these ideals”.⁹ Cook then repudiated this theme, noting that King, St. Laurent and later Pearson all embarked on significant state projects during their terms in office. Canadian nationalism, according to Cook, has been used by both government parties to develop a strong tradition of state activity:

If the conservative tradition in Canada continues to be defined through its identification with the interventionist nationalism of the Conservative Party, it will continue to lose its uniqueness...the liberal tradition has at least equal claim to be nationalist and interventionist. The two traditions are, in this aspect, virtually identical....Given Canada’s immense size, her small population, troublesome geography, and limited capital resources, both Liberals and Conservatives have realized that major developments...can only be successfully

office forty out of the nation’s sixty-eight years. In the years since Bennett, the Liberal Party has ruled Canada forty-eight out of a possible sixty-four years.

⁸ Terry Cook, “The Canadian Conservative Tradition: an Historical Perspective”. The Journal of Canadian Studies (November 1973) 32.

⁹ Ibid 32.

implemented by state intervention. Certainly, too, the close proximity of the United States and its threat to Canadian national integrity have forced Conservatives like [John A.] Macdonald and Liberals like [Walter] Gordon to see the powerful use of the state as Canada's only viable defence.¹⁰

While Cook's argument readily demonstrates that both of Canada's traditional government parties have at times built upon Canada's conservative tradition of state intervention (often accompanied with rhetoric about the need to balance American expansionism), history suggests that the respective parties have taken the lead in state activity in significantly different periods. As V.C. Fowke suggested in his 1952 essay titled "The National Policy – Old and New", the federal state has in fact undertaken two broad projects of national importance.¹¹ The first National Policy – with railways, tariffs, and western expansion – was in large part the creation of the Conservatives (with Laurier remaining true to Macdonald's economic planks). As a government policy, it offered a viable remedy to economic ills up until the point that the complexities of an industrialized economy created the need for further measures, as was the case when the world economic Depression forced Bennett to seek less traditional solutions to the financial *malaise*. The second National Policy, argued Fowke, became apparent in the Bennett New Deal – an early indication of the rise of the modern welfare state – and soon became associated with an increasing array of social programs, introduced under post-war Liberal governments, that successfully negotiated the constitutional hurdles which made "possible legislation at least similar to...Bennett's [program]".¹² The idea that the Canadian conservative tradition is in fact nonpartisan (as Cook suggested) is evident not only in the two distinct National Policies mentioned in the Fowke essay, but also in the more recent 1988 crusade

¹⁰ Ibid 36.

¹¹ V.C. Fowke, "The National Policy – Old and New", Approaches to Canadian Economic History (Toronto: McClelland and Stewart, 1967) 237-258.

of John Turner against Free Trade – an economic threat recognized by the Canadian conservative tradition in 1891 and 1911, just as its political equivalent of continentalism was recognized by Grant in 1965. In 1930, however, Mackenzie King's Liberals had yet to embark on the creative state activity of the post-war period, and the Canadian conservative tradition remained in large part the intellectual foundation of R.B. Bennett's Conservative Party.

The roots of Canadian conservatism originated in a period before the advent of organized partisan groups, be they Conservative or Liberal. The beginnings of the Canadian conservative tradition can instead be found in an all too often misrepresented chapter of Canadian history – the arrival and settlement of the United Empire Loyalists. As recently as 1967, L.F.S. Upton complained that “the impact of the Loyalist arrival, the effect they had on what is now Canada, what ideas and attitudes they contributed to the Canadian character, these are topics that no Canadian historian has attempted to pursue by research in depth”.¹³ From the earliest historiography, the Loyalists have been underestimated or ignored by professional historians, and their era of political life has been seen as one in which British North America drifted, only to be rescued by the wave of nineteenth century political reforms. Despite this long period that the Loyalists remained critically untouched by significant scholarship, Upton nonetheless attempted to determine their effect on Canadian history by asking: “What might Canada be today had the Loyalists never come?...Canada as we know it would not exist”.¹⁴ Their importance to Canadian history – and to Canadian conservatism – was also noted by George Grant,

¹² *Ibid* 256.

¹³ L.F.S. Upton, *The United Empire Loyalists: Men and Myths* (Toronto: Copp Clark, 1967) 4.

¹⁴ Upton 5-6.

who argued that the Loyalists “were not, as the liberal Canadian historians have often described them, a mixture of selfish and unfortunate men who chose the wrong side”. Grant then added rhetorically: “If there was nothing valuable in the founders of English-speaking Canada, what makes it valuable for Canadians to continue as a nation today?”¹⁵

Perhaps one of the earliest scholarly works to begin to appreciate the importance of the Loyalists and their ideas during the American Revolution was William H. Nelson’s The American Tory, originally published in 1961. Among the arguments that Nelson put forward was that the conservatism of the American Tory was not simply based on earlier assumptions of class attitudes – with the historical implication being that the Loyalists were of the elite class in American society. Nelson instead suggested that “of all the approaches that might be used in an attempt to separate intelligibly the Loyalists from their Patriot kinsmen, that of occupation or social class seems the least fruitful”.¹⁶ Nelson’s findings were later supported by Wallace Brown, who, after examining the papers of the Loyalist Claims Commission, concluded that “The Loyalists recruited heavily from poor people, particularly in New York and Connecticut and to a lesser extent Pennsylvania”.¹⁷ Nelson also challenged those who simply thought that the Loyalist experience was due to their stubbornly British outlook: “to see the Tories only as people who remained attached politically to Britain is, however, to distort their outlook and to ignore the necessities of their case. For many of them, adherence to Britain was, at the time, only an accident in their battle with other Americans over what kind of institutions America ought to have”.¹⁸

¹⁵ Grant 63.

¹⁶ William H. Nelson, The American Tory (Boston: Beacon Press, 1961) 85.

¹⁷ Wallace Brown, The King’s Friends (Providence: Brown, 1966) 265.

¹⁸ Nelson 1.

Nelson then reflected on the Loyalists' conservatism, foreshadowing some of their beliefs on the importance of the state that would later congeal (to borrow from Gad Horowitz) into Canadian conservative political thought:

While the revolutionists were seeking out and claiming rights for man as an individual, so as to surround him with a sacred circle of defences against corporate authority, the Tories were concerned to point out his duties, and the restraints that ought to be laid upon him to prevent him from doing harm to society...The Tories were not indifferent to liberty, but they defined it differently. They believed that men were in more danger of being enslaved by their own unreason than by Church or State...The Tories...saw little that was noble in man, except his civilized attainments, and these they regarded as social products, maintained by the institutions of society, of which government was one.¹⁹

As a monograph dealing with the Loyalist experience in the American Revolution, The American Tory did not directly address their impact on Canada. In Nelson's conclusion, however, the reader is able to determine how their migration contributed to the intellectual foundations of Canada: "the Tories' organic conservatism represented a current of thought that failed to reappear in America after the revolution...there was a certain impoverishment in the failure of American society to include, to comprehend, the Tories".²⁰ This impoverishment was, ultimately, conservative Canada's gain.

The Loyalists' influence on Canada was more fully explored by Gad Horowitz in his provocative essay, "Conservatism, Liberalism and Socialism in Canada: an Interpretation", initially published in The Canadian Journal of Economics and Political Science in 1966. In his essay, Horowitz discussed the Hartzian thesis and its relation to Canadian history, and concluded that "the relative strength of socialism in Canada is related to the relative strength of toryism, and to the different position and character of

¹⁹ Nelson 187-88.

²⁰ Nelson 190.

liberalism in the two countries”.²¹ According to Louis Hartz, the dominant ideologies of New World societies were in fact fragments of the ideological culture found in the Old World, with the North American intellectual culture based in large part on the ideas imported from the dominant period of immigration. While both Canada and the United States were fundamentally liberal societies, Hartz (and his Canadian disciple, Kenneth McRae) noted that the Northern colonies had a “tory touch”, a condition that was due to the “tory streak coming out of the American revolution”.²² This was the organic conservatism originally described by Nelson, and it has played a large part in the continued existence of two separate nations after the Revolution. Horowitz emphasized that this “tory touch” helped explain the relative strength of socialism in Canada, as compared to its southern neighbour. In the United States, the expulsion of the Loyalists meant that the triumph of American individual liberalism was complete, never to be seriously challenged again; in Canada, however, the collectivist ideas of the American tories found a home, allowing different collectivist ideas to germinate some generations later, under the guise of socialism. While liberalism was predominant in both nations, Horowitz concluded that the Loyalist migration fundamentally altered the respective political philosophies of each nation: “America was a liberal fragment with insignificant traces of toryism...but these traces were expelled into a new setting, and in this setting they were no longer insignificant”.²³

Like a number of other scholars, Horowitz noted that tory views on the state were fundamental to the Canadian conservative tradition, and that there was a “far greater

²¹ Gad Horowitz, “Conservatism, Liberalism, and Socialism in Canada: an Interpretation” The Canadian Journal of Economics and Political Science (Volume 32, Number 2, May 1966) 143.

²² Ibid 148.

willingness of English-Canadian political and business elites to use the power of the state for the purpose of developing and controlling the economy”.²⁴ Horowitz then suggested, however, that there was another element of Canadian conservatism – a “paternalistic concern” for the “condition of the people”:

It is possible to perceive in Canadian conservatism not only the elements of business liberalism and orthodox toryism, but also an element of “tory democracy” – the paternalistic concern for the “condition of the people”, and the emphasis on the tory party as their champion – which, in Britain, was expressed by such figures as Disraeli and Lord Randolph Churchill. John A. Macdonald’s approach to the emergent Canadian working class was in some respects similar to that of Disraeli. Later Conservatives acquired the image of arch reactionaries and arch enemies of the workers, but let us not forget that “Iron Heel” Bennett was also the Bennett of the Canadian New Deal...once this is recognized, it is possible to entertain the suggestion that Bennett’s sudden radicalism, his sudden concern for the people...may have been a manifestation, a sudden activation under pressure, of a latent tory-democratic streak .²⁵

The long period between the Loyalists’ initial arrival and the rise of Macdonald is yet another aspect of Canadian history that is often overlooked, and when it is discussed Canadian conservatism is treated rather disparagingly (with the Reformers appearing a whole lot more noble than the Family Compact Tories in an entire collection of nationalist histories). By casting nineteenth century conservative Canada in a rather recidivist light, however, historians not only neglect the intellectual world that created Macdonald in the 1830s and 1840s, but fail to explain the reasons for the behavior of the ‘High Tory’ party during this period. Fortunately, S.F. Wise has filled in the historiographical gap with a number of compelling essays.

One such essay is “Colonial Attitudes from 1812 to 1837”, published in a book Wise co-authored with Robert Craig Brown, Canada Views the United States. In the

²³ Ibid 150.

²⁴ Ibid 150.

²⁵ Ibid 157.

essay, Wise described how the Loyalists' intellectual legacy was re-enforced by the War of 1812, so that "ideological hostility to the United States was...so persuasive a part of the cultural ambiance of Upper Canada".²⁶ Wise then explained the motivations behind early Tories in the nineteenth century, who felt that "it was essential for Canadians not to believe in the United States and to assume that the country they lived in was a kind of sub-arctic, second-best America, but rather a genuine alternative to this revolution-born democracy, and organized upon principles and for purposes quite different from it".²⁷

In a second article, "Upper Canada and the Conservative Tradition", Wise explained that the conservatism that moulded John A. Macdonald was something far more complex and dynamic than the reactionary ideas of the Family Compact Tories. The early conservatives were in fact as broad-based as the original Loyalists, Wise argued, and "[In] Upper Canada conservatism...was an alliance of various groups, with different interests and outlooks...though the Tories were indisputably the representatives of the [dominant] classes, to the dismay and mystification of reformers they were also able to win the support of many artisans and farmers, a phenomenon by no means confined to this period".²⁸ The reactionary politics of the Family Compact was in fact rooted in a more inclusive organic conservatism, since the fragile nature of the Canadian colonies meant that loyalty was "much more than political allegiance. It signified acceptance of the special character of life in Upper Canada. Any attack upon the beliefs and institutions that guaranteed that life was an attack upon the order of things that made the Canadian

²⁶ S.F. Wise, "Colonial Attitudes from 1812 to 1837", in Canada Views the United States: Nineteenth-Century Political Attitudes by Syd Wise and Robert Craig Brown (Toronto: MacMillan, 1967)19.

²⁷ Ibid 22.

²⁸ Syd Wise, "Upper Canada and the Conservative Tradition", in Profiles of a Province (Toronto: Ontario Historical Society, 1967) 24.

different than the American”.²⁹ Indeed, a good amount of Reform governments from this period – despite the occasional rhetoric to the contrary – adopted many of the beliefs and institutions of the outgoing Tories, eventually allowing the Great Coalition to occur.

Wise then traced the significant tools of nineteenth century state intervention that the Conservative Party would use in the post-Confederation period to the projects undertaken by the early Upper Canadian Tories – the most significant project being the construction of the Welland Canal in the 1820s. “Despite their inefficiencies and miscalculations”, Wise wrote, “there was an undeniable statesmanship in the pragmatic conservative acceptance of the positive role that government must play in order to counteract the vulnerabilities of the Canadian economy and polity. The example they set was to be followed by the next generation of canal builders, and by the Conservative party in the years to come”.³⁰

Another work that explores the cultural conservatism of nineteenth century Upper Canada is David Mills’ 1988 study, The Idea of Loyalty in Upper Canada, 1784-1850. Mills, like Wise, suggested that the Tories were particularly adept at winning elections, noting that they were more successful than the Reformers in building a strong moderate party in Upper Canada during the Union government period.³¹ Mills notes, however, that the initial Tory concept of loyalty changed through these elections, as what was initially described as allegiance to the crown and its institutions was transformed into support for the collective interests of Ontario (and later Canada): “Loyalty did not have to be earned by attachment to the Loyalist tradition or by acceptance into a Tory elite; it was the

²⁹ Ibid 31.

³⁰ Ibid 30.

³¹ David Mills, The Idea of Loyalty in Upper Canada, 1784-1850 (Montreal: McGill-Queen’s University Press, 1988) 121.

common property of respectable inhabitants and could be acquired through proper social values and good citizenship as settlement developed".³² The Tories were in fact expanding their community, by ensuring that more and more citizens of Upper Canada – responding to the call of ‘tory democracy’ – realized the benefits of government in the interest of the collective, as opposed to the republicanism and rugged individualism of radical factions.

The state intervention and ‘tory democracy’ that was pioneered by the early tories of the nineteenth century was perfected during the long political career of John A. Macdonald – so much so that his name has become almost indistinguishable from the Canadian conservative tradition. The critical act of Confederation, the National Policy, and the C.P.R. were all initiatives in which Macdonald not only used the power of the state, but in large part defined its role for his successors. The extent of his legacy has not escaped Wise, who has written that:

John A. Macdonald dominates the history of Canadian conservatism. His long career, his creative association with great acts of nation-building, his extraordinary attractiveness and complexity as an individual, and the very brilliance and persuasiveness of his biographer, have made it difficult for us to see beyond him to the society that produced him, and that shaped his approach to politics.³³

The persuasive biographer that Wise mentioned is, of course, Donald Creighton, whose two volume biography of John A. Macdonald is so majestic in scope that not only can the reader credibly believe that Macdonald was by far the dominant agent in the great act of nation-building, but that Canada’s first prime minister was in some way responsible for virtually every positive initiative of the federal government since his death. A typical example of Macdonald’s forceful personality can be seen in Creighton’s

³² Mills 133.

description of the debates surrounding the 1864 Quebec resolutions: “From the start Macdonald exercised a directing control over affairs...It was true that the plan [for Confederation] was a Canadian one, the submission of the Canadian Cabinet as a whole; but he alone, of all the ministers, seemed to have a truly architectonic view of the entire structure”.³⁴ Not only does Creighton suggest that Confederation was in large part the creation of Macdonald’s mind, but that as prime minister he (and often, he alone) ensured that the federal state was the only vehicle to *conserve* national status. Macdonald saw that a strong federal state was critical for national development and he looked at the chaos of the war-torn United States as justification for his ideas: “What we wish is a central and strong government as distinguished from a number of small states united by a feeble bond”.³⁵

So persuasive is Creighton’s biography that such contrary and discrediting incidents as the Pacific Scandal seem like minor bumps on the grand journey of fulfilling a national dream. On a similar scale, relatively minor pieces of legislation are promoted as models for future state activity – as is the case in Creighton’s treatment of the 1872 Trade Union Act as evidence of tory inclusion. Although it was the first major union legislation passed by the federal government, prior to its enactment Macdonald had seldom exhibited the “tory democracy” mentioned by Horowitz. Indeed, there is ample evidence to suggest that Macdonald’s only motivation in passing the act was to embarrass politically his opponent George Brown, whose journalists at the Globe were at that moment attempting to strike. Nonetheless, Creighton confidently asserts that Macdonald

³³ Wise 20.

³⁴ Donald Creighton, John A. Macdonald: The Young Politician (Toronto: Macmillan, 1952) 372-73.

³⁵ Creighton 389.

was on the side of the “people”, citing the prime minister’s words to a labour group to re-enforce his argument. In front of a Toronto Trades Assembly, Macdonald argued with humour that: “I am a working man myself. I know that I work more than nine hours every day myself [the unions were demanding a nine hour work-day]; and...I think that I am a practical mechanic. If you look at the Confederation Act, in the framing of which I had some hand, you will admit that I am a pretty good joiner”.³⁶ Thus, even if Creighton used the anecdote to inform the reader of Macdonald’s rapport with the working class, his accounting nonetheless reflects the ‘tory touch’ theoretically proposed by Horowitz.

In Creighton’s biography of Macdonald, the reader is given not only a plausible understanding of the motivations behind the Old Chieftan’s conservatism, but also a clear picture of the biographer’s own political views. As Carl Berger has noted, Creighton’s conservative outlook was based almost entirely on the re-occurring desire to *conserve* a nationality, and that Creighton’s “conception of Canadian history [was] as a struggle for survival in North America, an idea that was rooted in his early work and pervaded his books on MacDonald”.³⁷ As a result, noted Berger, “His works were associated with a party point of view. His books gave the Conservative party an ancestry and reinstated it in the mainstream of Canadian history”.³⁸ In Towards the Discovery of Canada, a collection of essays published in 1972, Creighton himself suggested that reclaiming some of Canada’s conservative tradition for the Conservative Party was a beneficial outcome of his Macdonald scholarship, if only to challenge liberal-minded historians who had previously ignored his subject: “A...reason [why Macdonald had not been previously

³⁶ Donald Creighton, John A. Macdonald: The Old Chieftan (Toronto: Macmillan, 1955) 134-35.

³⁷ Carl Berger, The Writing of Canadian History (Toronto: University of Toronto Press, 1986) 229.

looked at] is to be found surely in the strong partisan tone of a good deal of Canadian historical writing. Macdonald was a Conservative; and throughout Canadian historiography there is easily discernible a stiff strain of Liberalism with a capital L".³⁹

Creighton was successful over two volumes in arguing not only that Macdonald was in large part the architect of a conservative Canada, but that he was also a prime ministerial template that his successors could only hope to mimic. Creighton's former colleague Frank Underhill provided a less fervently patriotic view of the motives behind Macdonald Conservatism. Frank Underhill's investigation of Macdonald was found in his 1960 compendium In Search of Canadian Liberalism, a series of essays dating back over three decades that discussed the changing nature of Canadian politics. The often blunt Underhill started his examination by challenging the Conservative party's Britishness:

The Macdonald-Cartier Liberal-Conservative party was American Whiggism with a British title...The Liberal-Conservatives had made the necessary demagogic adjustments to the democratic spirit of the times; they had a policy of economic expansion to be carried out under the leadership of business with the assistance of government which was an almost exact parallel to...[the] Whig "American System".⁴⁰

Underhill then argued that Macdonald's success in balancing regional or class interests was not necessarily the result of some noble belief in mediating for the good of the country, but was instead predicated on the good of the Canadian economy. This was apparent in his stand on the linguistic question: "the Liberal-Conservative party stood for a policy of appeasement between French and English; but the dynamic purpose for which appeasement was sought was the establishment of Montreal's 'commercial state'".⁴¹ It

³⁸ Ibid 232.

³⁹ Donald Creighton, Towards the Discovery of Canada (Toronto: Macmillan, 1972) 200.

⁴⁰ Frank Underhill, In Search of Canadian Liberalism (Toronto: Macmillan, 1960) 14.

⁴¹ Underhill 29.

was also apparent in questions of class, as was evident in Macdonald's defence of the appointed Senate: "The rights of the minority must be protected...and the rich are always fewer in number than the poor".⁴² Underhill finished his analysis by suggesting that there were economic motives behind both the Macdonald administration's state activity and its nationalism:

Most important of all, the development of these interlocking groups of railwaymen, manufacturers, and financiers serves to bring about not merely a closer national unity within the northern half of the continent, but a unity which is set off against the United States...which is constructed for the purpose of consolidating this area against American penetration, of making it a closed preserve to be triumphantly exploited by Canadian business enterprise.⁴³

While Underhill may have emphasized the self-interested financial interests involved in Macdonald conservatism instead of the more altruistic nation-building program eloquently described by Creighton, both investigations essentially re-enforce the same theme – that state intervention, theoretically assumed to be proper under the Loyalists and attempted under the Upper Canadian Tories, was perfected under Macdonald, and became a political norm in the young nation. The scope of Macdonald's state activism was indeed large. The system of protection created a Canadian economy under the watchful supervision of Parliament. The system of railways was promised under Confederation and financed at least in part by cabinet. The primary goal of government legislation was, in short, to help facilitate the growth of the Canadian nation. Macdonald was so successful in implementing his brand of conservatism that the federal Liberals did not enjoy electoral success until Laurier mimicked (or at least left untouched) the economic policies of his Conservative opponents. Indeed, the only Liberal to successfully defeat Macdonald, Alexander Mackenzie, failed miserably when his

⁴² Ibid 33.

government – loyal to its non-interventionist ‘clear grit’ origins – proved reluctant to use the power of the state with the same efficiency of the Conservatives. So strong was the personal link between Macdonald and the conservatism he articulated that the Conservative party – for all of Macdonald’s career the dominant organ of Canadian conservatism – began a swift and turbulent decline after his death in 1892. This was not surprising, at least not to Peter Waite, who later wrote that Macdonald “had been, so to speak, the only political principle the Conservatives had”.⁴⁴

The long period in opposition from 1896 to 1911 marked a historic low for the party of Macdonald, yet ironically it allowed the Conservative party to partially re-invent the Canadian conservative tradition in order to prepare itself for the demands of a new century, and reclaim its intellectual appeal to voters. Much of the ideological debate about the future of conservatism in Canada during this period hinged on the leadership of Robert Borden, and, as John English later described it, “between 1901 and 1911 the Conservatives under Borden became the focus of an uncertain but often creative experiment in transformation”.⁴⁵ The impetus behind this transformation was the intellectual current of Progressivism, and its effect on the Conservative party became increasingly more apparent in election after election – the promise of a government-owned railway in 1904, the release of the Halifax platform in 1907, and the different attempts at changing the Canadian state once Borden’s Conservatives gained power in 1911. The transformation of the Conservatives under Borden is the subject of a book by John English, titled The Decline of Politics: The Conservatives and the Party System,

⁴³ Ibid 34.

⁴⁴ cited in Michael Bliss, Right Honourable Men (Toronto: HarperCollins, 1994) 28.

⁴⁵ John English, The Decline of Politics: The Conservatives and the Party System, 1901-20 (Toronto: University of Toronto Press, 1993) 31.

1901-20. The book is generally unsympathetic to Borden and his Union government, largely because of its racially exclusive appeal to the English-speaking majority in 1917, yet also because once in office “like so many Canadian politicians, Borden discovered that what might seem rational in opposition was impracticable in power”.⁴⁶

Borden’s earlier period in opposition, however, is eloquently described by English, and the reader is certainly drawn to sympathy upon learning of the struggles the earnest Halifax lawyer faced as he attempted to change the party of Macdonald away from its once successful past politics. The task was enormous, yet Borden seemed uniquely fitted for the job – in 1910 he argued that “democracy was impossible unless the individual citizen ‘accepts his duty to the state’”.⁴⁷ While formulating policy in opposition, English described what the Progressive movement meant to Borden:

What Borden understood by “progressive” is indicated in several of his public statements. To be sure, he meant that the state should assume a more active role than it had in the past and that Laurier was willing to allow it in the future... Borden sought a larger vision, one which would go beyond mere consensus and would spurn the “parish pump” politics of Canadian parliamentary democracy: “Looking to every man as a citizen to stand for that which makes for the interest of the whole country, and overlooking mere transient, temporary, local considerations, we cannot doubt that the interest of the East is the interest of the West, the interest of Nova Scotia is and always must be the interest of British Columbia”.⁴⁸

At first glance, Borden’s progressive thoughts seemed to be merely an enhanced Tory view on state intervention, mixed with some of Macdonald’s rhetoric on nation-building. It was, however, more complex than that, as evident in the 1907 Halifax platform, which detailed Borden’s plans for changing the way the Canadian state was operated. In The Decline of Politics, English discussed some of the platform’s themes:

⁴⁶ English 74.

⁴⁷ Ibid 5.

⁴⁸ Ibid 50.

The state's role should be expanded in the economic life of the nation not through direct governmental assistance, as had been done so unsuccessfully in the past, but through an expansion of the complementary role of the state. Civil service reform would create a new "efficient" bureaucracy; technical education would raise the quality of the work-force; control of public utilities would prevent monopolistic pricing policies which might hinder economic growth; and commissions, such as a tariff commission, a public utilities commission, and a railway commission would free these contentious areas from partisan influence and control. The greater role for the state must be accompanied by a neutralization of the state, ending its association in the public mind with the fight of the political parties.⁴⁹

Robert Craig Brown, in his sympathetic biography of Robert Borden, also highlighted the depth with which Progressive ideas infiltrated the Conservative Party under the leadership of the Halifax lawyer. According to Brown, "the Conservatives had always emphasized national development, but in the new century the administration and the disposal of the public domain had become a central issue of public policy. Natural resources, national franchises, and public utilities all had to be approached upon the assumption that they were 'the property of the State, and they must be administered and exploited for the public benefit'". In Borden's mind, this could be best achieved through "government ownership or operation".⁵⁰ In revealing the Halifax platform, Borden went further, emphasizing how the progressive administration of the state would ensure that the benefits of a growing economy would be shared by all its participants: "while the capitalist will receive not only a fair but a generous reward for his enterprise, the people will also participate in the profit which arises through national development and progress".⁵¹

⁴⁹ Ibid 70.

⁵⁰ Robert Craig Brown, Robert Laird Borden: A Biography, Volume 1 1854-1914 (Toronto: MacMillan, 1975) 131.

⁵¹ Brown 133.

Under Borden's leadership, the notion of the 'public good' became an active ingredient in the Conservatives' state policies.

The works of both Brown and English, while not sharing the same perspective on the success of Borden's ideas, nonetheless agreed that the party that the Conservative leader presented to the nation in 1911 was significantly different from the party that quite literally deflated after 1896. Borden's Progressive views were critical to that transformation, and represented a maturing conservative view on the role of the state in the Canadian economy: one in which transparency replaced symbiotic, and occasionally corrupt, dealings between business and government, neutrality replaced partisanship, civil service reform replaced the spoils system, and the economic well-being of the nation asserted some regulatory claim over private investors' dividends. While previous Conservative administrations had experienced graft and scandal by mixing economic gain too closely with political profit, Borden and his contemporaries (most notably in Ontario, where the provincial Conservatives embarked on state control of hydro-electricity) saw to it that state activity in the national economy would not succumb to the demands of local politics.

Once the manpower pressures of war overwhelmed the Borden government, and ultimately transformed it into a Union ministry, another side of Canadian conservatism was revealed. The conservative belief in the collective and, ultimately, national interest had earlier been displayed in rather benign economic projects – be they Ontario Hydro or the Board of Grain Commissioners. With the threat of war, however, Canadian conservatism was considered by many to have been replaced by a reactionary toryism – evident in the handling of conscription and the Winnipeg general strike – and the political

leader most associated with this transformation was Arthur Meighen. “In exceptional circumstances”, wrote Meighen biographer Roger Graham, the state was considered able “to impose more than the ordinary restrictions on freedom of speech or action”. “The corporate good took precedence over individual liberty,” Graham continued in his description of Meighen’s logic, “which, untrammelled, was destructive of order and therefore of freedom itself”.⁵² Meighen personified this attitude when addressing the conscription issue in the House of Commons: “We have committed ourselves as a nation, we have signed the bond, it is for us to discharge the obligation... We must rise to the level of our responsibilities”.⁵³ According to Meighen, the exceptional circumstances placed in front of the state as a result of the war and the subsequent period of reconstruction required similarly exceptional responses from the state, even if individual liberty was temporarily dislodged.

Bennett, although absent from a good deal of the decision-making of the Union government (he did not run for office in 1917), nonetheless would have agreed with Meighen’s logic. As Director of the National Service, he moved the Borden government towards conscription. Speaking before the war began on legislation incorporating the Boy Scouts, Bennett revealed that he too shared in the sense of duty to the collective, and hoped that others would follow, so that they would “understand that they have a sense of duty towards with they are associated and towards those amongst whom they live”.⁵⁴ While Bennett would later receive plenty of criticism for his use of section 98 of the Criminal Code (which could be used freely against communists or other suggested

⁵² Roger Graham, “Some Political Ideas of Arthur Meighen”, cited in Marcel Hamelin, ed., The Political Ideas of the Prime Ministers of Canada (Ottawa: University of Ottawa Press, 1969) 113.

⁵³ Arthur Meighen, Unrevised and Unrepented (Toronto: Clarke, Irwin, 1949) 84.

subversives), and in his harsh actions during the On-To-Ottawa Trek, some reflection on the experience of the Union government might provide historical context. Arguably, Bennett saw the Depression as another “exceptional circumstance”, as described by Graham, and hence required exceptional action on behalf of the state. By the same token, while certain liberties of movement were overwhelmed by the use of section 98, certain liberties to sell agricultural goods were also hampered by Bennett’s marketing acts – another policy brought forward during the “exceptional circumstances” of the 1930s, yet one that did not receive the same level of scrutiny.

Despite these historical precedents, it is interesting to note that in the various published accounts related to the Bennett administration – a great number of them critical – there has been very little discussion about his conservative credentials. When Bennett’s conservatism is addressed, it is often in the context of his imperialism, or his ties to Tory-leaning financial interests. His experience with Canadian corporations and his support of the Macdonald National Policy have been highlighted, if only to re-enforce the image of Bennett being entirely out of step with the political philosophies that were being developed in the 1930s. The Bennett New Deal and other acts of state intervention are seen by a number of historians as a desperate, death-bed conversion to the ideas of John Maynard Keynes, a conversion that was undertaken because of either electoral necessity or a handful of intelligent advisors open to new ideas. Such an explanation is misleading for two reasons – the first being that although Keynesian ideas were becoming vaguely understood in Canada’s Department of Finance as the Depression progressed, John Maynard Keynes’ most influential work, The General Theory of Employment, Interest and Money, was not initially circulated until 1935, the final year of the Bennett

⁵⁴ Hansard (Ottawa: 12th Parliament, May 22, 1914) 4132.

administration. Keynesianism, like a great number of probing political and economic ideas developed to fight the recession, took a great deal of time before it became accepted currency – and the Bennett administration had little time to waste, therefore predisposing its leadership to state activism prior to its acceptance of novel approaches. The second reason why such an explanation is lacking is that it woefully underplays the tradition of Canadian conservatism – a tradition that accepted state intervention long before Canadian mandarins accepted Keynes, and a tradition that proved willing to adapt long before the Depression made adaptability necessary.

Just how often the adherents of the conservative tradition proved capable of adapting to new challenges could be seen in the earlier success of the most notable Conservative leader, John A. Macdonald. As Peter Waite has noted, “no Canadian politician, except perhaps Mackenzie King, ever had such a grasp on the art of the possible”. “For Macdonald the supreme test of any policy was in the results,” stated Waite in an essay titled “The Political Ideas of John A. Macdonald”. Macdonald, who had appeared open to reciprocity earlier in his political career, embraced protection with remarkable political success in the 1870s. Waite suggested that this transformation highlighted Macdonald’s pragmatism: “He would adjust his views and policies to the temper of the time, abandoning cheerfully, though cautiously, any policy that seemed outdated or impossible to work”.⁵⁵ For the majority of Canada’s most notable Conservative leaders, the policy that achieved the most consistent results was one that involved a degree of state activity. Although the political and economic climate of different eras produced unique Conservative platforms, a ‘tory touch’ can be found in

almost all of them. This does not mean, however, that the organic conservatism that *congealed* on British North America (as hypothesized by Horowitz) was not a fluid political force. Far from being rigid, it has been a dynamic political philosophy – changing in the face of new national challenges and under the direction of new political leaders. Macdonald and Borden were particularly graceful in transforming the Canadian conservative tradition when a transformation was needed, and Bennett (and those who came after him) no doubt recognized his predecessors’ talents in harnessing the most dynamic aspects of the party’s underlining philosophy.

A well known example of this transformation was found in the Diefenbaker phenomenon mentioned at the start of this study. When the politics of John Diefenbaker did not mesh with the interests of the financial communities in Bay Street or St. James – financial communities that were more comfortable with the more orthodox business toryism of Arthur Meighen or George Drew – a number of pundits dubbed the Chief a ‘Red Tory’, a politician who was willing to use the state for the benefit of the entire Canadian community, and not let it be dormant as individual economic liberalism marched forward. While such a characterization was no doubt accurate, the seemingly new phrase may have been misleading; Diefenbaker’s politics were hardly a new form of Canadian conservatism, and he was certainly not Canada’s first Red Tory. Indeed, the collectivist instincts of the Loyalists, the cautious state activity of the Upper Canadian Tories, the nation-building of John A. Macdonald, the Progressive planks of Sir Robert Borden and the extraordinary measures in state control taken by the Union government all suggest that various forms of Red Toryism have long been an integral part of

⁵⁵ Peter Waite, “The Political Ideas of John A. Macdonald”, cited in Marcel Hamelin, ed., The Political Ideas of the Prime Ministers of Canada (Ottawa: University of Ottawa

Canadian conservatism. In the case of R.B. Bennett, Red Toryism had a personal resonance – both of his parents claimed Loyalist lineage, his first experience in a federal campaign was in support of the “the Old Man, the Old Flag, and the Old Policy” in 1891, and he first entered Parliament under the progressive leadership of Sir Robert Borden, only to leave over the establishment of the Union government. When R.B. Bennett governed Canada during the first half of the depression, Red Toryism was perhaps more influential than any other school of thought – from imperialism to early Keynesianism – in developing his solutions to the problems confronting Canada. Like a number of his predecessors, R.B. Bennett felt that no more solid basis for governing a dynamic and ever-changing nation could be found than in this dynamic strand of Canadian conservatism.

“A Tory of the Left”: R.B. Bennett, 1911-1930

In my judgement, in this complex civilization of ours, the great struggle of the future will be between human rights and property interests; and it is the duty and the function of government to provide that there shall be no undue regard for the latter that limits or lessens the other.

– R.B. Bennett, in his maiden speech to the House of Commons¹

Prior to becoming prime minister, Bennett had the benefit of almost three decades of active political experience. His political career actually started in a previous century, when he briefly served as a councillor in the New Brunswick town of Newcastle in the late 1890s prior to his migration westward. Once in Calgary, Bennett quickly immersed himself in local Conservative politics, and spent most of the first decade of the new century as a member of the territorial and later Albertan legislature. Bennett championed few causes as a provincial Conservative, although he did earn a reputation as a staunch defender of western interests through his calls for provincial control of natural resources. Throughout most of the decade he served in the west's frontier legislatures, Bennett's principal political motivation was to embarrass his Liberal opponents – an activity the young Calgary lawyer seemed to delight in. By 1911, however, Bennett's political talents were directed towards Ottawa, and it was in the national capital that the future prime minister's conservative instincts were honed.

Outside of Calgary, little was known about R.B. Bennett when he entered the House of Commons in 1911, despite the fact that he had been a principal Conservative

speaker in the west for roughly ten years, and the only member elected in the Liberal-dominated province of Alberta that year who supported the government. Some observers expected that the new member of Parliament for Calgary would become a regional voice in Borden's first cabinet, but that honour was bestowed upon Alberta's senior Tory – and Bennett's Calgary law partner – Senator Lougheed. Instead of a cabinet post, Bennett would be relegated to the back benches, but his relative importance as a western Conservative was to be recognized by Prime Minister Borden's decision to allow him to be the first member of the new Commons to reply to the government's Speech from the Throne. As a new government and a new Parliament meant a clean slate and a unique opportunity to speak before partisan bickering and the ethos of parliamentary government in large part silenced the back bench, Bennett's reply to the Throne Speech was prefaced with a little curiosity. What did the new member for Calgary stand for? What were the political ideas of R.B. Bennett?

Up until 1911, there were in fact few occasions on which R.B. Bennett's political ideas were transparent, for, despite the fact that he had spent almost a decade as a critic of Liberal largesse in both the territorial and later provincial legislatures, the Calgary lawyer spent a good deal of his time pursuing private interests. This, he did very well, for his business activities (often entered into with his good friend, Max Aitken, later to become Lord Beaverbrook) were transacted during the so-called Laurier boom, an era when Canada's real GNP grew at an annual rate of 6 per cent, in comparison to only 3.8 per cent for the United States between 1900-10.² Just how important the transaction of

¹ Canada, Official Report of the Debates of the House of Commons [hereafter Hansard] (Ottawa: 12th Parliament, November 20, 1911) 24.

² Kenneth Norrie and Douglas Owram, A History of the Canadian Economy (Toronto: Harcourt Brace, 1996) 221.

business was to R.B. Bennett is revealed in the volume of correspondence between Bennett and Aitken during the first decade of the new century. While their later letters (much of their sixty years of friendship was conducted through correspondence) dealt with political subjects, their correspondence in the first decade of the new century reflected an ambitious optimism that was directed towards business and not politics. The sheer size and frequency of correspondence relating to the details of business in the period before they both plunged into national and imperial affairs suggest that the pursuit of financial gain in the western frontier was an attractive way for the two transplanted New Brunswickers to get ahead in the world.

Typical among the correspondence between Bennett and Aitken were the following letters and telegrams, in which politics was obviously a secondary interest. On January 3, 1908, Aitken wrote to Bennett, asking: “What about the Calgary situation? I should like to make a purchase of two plants and subsequently a consolidation. Why don’t you take this situation up?”³ These plants manufactured cement, and they would ultimately be a part of the Aitken-created Canada Cement Company, an enormously successful – and controversial – industrial combine that Bennett helped to launch. In February of 1910, a few short months after Canada Cement was launched, Bennett told Aitken: “I will communicate with Mr. Bravender, and trust that we may be able to do everything in our power to see that the erection of additional cement plants in this country could but mean disaster to all concerned”.⁴ Some months later, Aitken reminded Bennett of the need to maintain an efficient trust, stating “I fully realize that you and I

³ Canada, Lord Beaverbrook Papers [hereafter Beaverbrook Papers] (Great Britain: House of Lords Office) NAC microfilm A-1759. Aitken to Bennett, January 3, 1908.

⁴ Bennett to Aitken (February 21, 1910) Beaverbrook Papers. NAC microfilm A-1759.

must control the cement situation in the West”.⁵ Not satisfied with current acquisitions in cement and in other fields, in September 1, 1910, Aitken again wrote Bennett: “I enclose herewith a clipping which may be of interest to you. If there is anything in this for us I think you had better get busy”.⁶ Some years later, in My Early Life, Aitken wrote that Bennett’s Calgary law practice was immense, but “much of his time was taken up with my western interests”.⁷

As with much of Aitken’s writings, his assertion that much of Bennett’s time was largely taken up with his friend’s business interests was not entirely true, but instead based on the eventual press lord’s occasionally self-aggrandizing memory. Bennett was indeed very busy with Aitken’s projects (be they Canada Cement or Calgary Power), but the Calgary lawyer was also very preoccupied as a western solicitor for the CPR, and still found time for political and social pursuits. What their correspondence does indicate, however, is that both Bennett and Aitken sought to profit handsomely from the economic climate, and in pursuit of that profit undertook some business transactions that would not have been legally possible in the years to come, as federal and provincial governments began to play a greater regulatory role in the national economy. Considering his own financially rewarding experience in an era when the state played only a limited role, it would have seemed probable to most political observers who watched Bennett in 1911 to assume that the friend of Max Aitken would likely favour the unbridled enterprise that signified the Laurier boom over an economic climate that saw greater state intervention. Such an assumption, despite Bennett’s handsome business profits, would prove to be

⁵ Aitken to Bennett (August 31, 1910) Beaverbrook Papers. NAC microfilm A-1759.

⁶ Aitken to Bennett (September 1, 1910) Beaverbrook Papers. NAC microfilm A-1759.

⁷ Max Aitken [Lord Beaverbrook], My Early Life (Fredericton: Brunswick Press, 1965) 133.

misleading soon after he entered the House of Commons as the MP for Calgary.

By the end of the decade, both Bennett and Aitken enjoyed comfortable, if not magnificent, wealth. Unburdened by financial limitations, the two became increasingly more interested in the pursuit of high political office. Aitken was the first to take a Commons seat, although his imperial sympathies translated into a candidacy in Great Britain, and not Canada. The future lord knew that Bennett shared his interest in imperial politics, and assumed that the Calgary lawyer would also end up in Mother England. Aitken's letter of October 22, 1910 reveals this, but it also hints at other elements of Bennett's developing political style, besides the obvious admiration for the British Empire:

I am relying upon your coming to the constituency to speak for me at the election and I have boasted of your merits. In fact, I quite expect to succeed and subsequently to find that you will follow me over here. I really believe you would make a wonderful success in English politics, particularly because I think that your manner of deliverance would be well suited to the *radical* section of the Unionist party at the present time[.]⁸

While Bennett did not fulfill Aitken's prediction that he would enter politics in Great Britain, the Calgary lawyer's own description of Canadian politics certainly suggested that he was willing to become a "wonderful success" at home. On November 13, 1910, Bennett mournfully described the Canadian political situation to Aitken:

In Canada the situation is really acute. We have gone on and made commercial treaties with the nations of the world and are now thinking of reciprocity with the United States. That means political union in 25 years because the West must be the dominating partner in the life of this Dominion within that time and unless we can maintain a close commercial union between the East and West as confederation fails. Today we are united to the East by three ties (1) Sentiment. (2) Railways. (3) Tariff. The tie of sentiment...is daily becoming weaker. St. Paul, Chicago, New York mean more to most of our people than Montreal, Toronto, St. John, Halifax, etc. But it is not necessary for me to elaborate the idea. As for railways you know how we have struggled to maintain the East and West

⁸ Aitken to Bennett (October 22, 1910) Beaverbrook Papers. NAC microfilm A-1759.

traffic idea rather than Southern connections. But the vast waste area (from a traffic standpoint unproductive) that lies between the Lakes and Winnipeg is against us. The American lines are now reaching out for our traffic: the U.S. will be importing our wheat in a few years and then the tie of the West to the East of Canada as far as railways is concerned because of traffic necessities. The tariff really ties us now to the East of Canada. Despite our preference and our tariff we are tremendous purchasers from the U.S. Carloads of manufactured goods come in every day but remove the tariff and within a few short years half the factories of Eastern Canada will be closed: The West is the market of the East. It will not be with close commercial union with the U.S.

The Calgary lawyer, now prepared to plunge into national politics, was obviously a National Policy Conservative, and saw the state's economic levers as critical to the protection of national prosperity. Yet Bennett went beyond the traditional National Policy. His solution to the west's political and economic woes was found in the benefits of a program of protective tariffs and increased imperial ties that he would champion for years to come, and Bennett finished his letter by hinting that he was the torch-bearer for such a scheme:

...I believe that Canada awaits the coming of a man with a vision, a statesman with a revelation, one who sees our destiny and who will arouse the latent patriotism and pride of our race and by appealing to all that is best within us lead us to an Imperial Federation where among the nations that comprise the Union Canada would take a foremost place and in time direct the larger destinies of our world wide Empire. Our hope lies with the younger men [Bennett was at the time only forty]; with men who are not slaves of an economic fetish but whose fiscal policies are the outcome of business experience and who demand fair trade and self protection rather than a Cobden medal.⁹

The commercial union that Bennett referred to was, of course, the reciprocity agreement being negotiated by the Laurier government, and it was of no surprise to local observers when the Calgary lawyer accepted the Conservative nomination for the city's federal seat within a year of his letter to Aitken and pledged to support party leader Robert Borden in his campaign to cancel the agreement. Bennett was very well known in

⁹ Bennett to Aitken (November 13, 1910) Beaverbrook Papers. NAC microfilm A-1759.

the city, and while his popularity was certainly not universal, his still-developing political style earned the respect of more reluctant supporters. Principal among these was the muckraking journal, the Calgary Eye Opener, a newspaper that once placed Bennett's picture over a caption that roughly stated "another wreck of the CPR". On August 12, 1911, as Calgary citizens prepared to vote on the issue of reciprocity, the Eye Opener noted:

...the eye of the Conservative electorate becomes naturally focussed on Bennett. Here is a man who has come through the mill and knows all about the absence of space between the upper and nether stones...For many years past no election has been quite complete without the redoubtable R.B. The storms of political conflict have gentled him and he is not the uproarious, dictatorial, flamboyant individual of the old days. It may be putting it crudely, but nevertheless truthfully, to say that Bennett is psychologically ripe for the job.

The Eye Opener then appeared to give its endorsement – albeit reluctantly – to the Conservative candidate, and highlighted Bennett's most important talents:

...In days gone by The Eye Opener has ever and anon experienced hard feelings towards R.B. but time has healed all that. In any event, our respect never wavered, which all by itself is pleasant for both to look back upon. Were we to be asked what is Bennett's chief qualification to represent a western constituency in the Dominion parliament, we should say that it was his clear discernment of popular rights and his gift of fighting eloquence. This is a powerful combination.¹⁰

It was indeed a powerful combination, and the fact that Bennett stood alone as sole Conservative member from Alberta in the new 1911 session can be attributed in least in part to his political reputation in Calgary, since the campaign against Laurier's reciprocity agreement largely fell on deaf ears in the free-trading West (the Tories captured only one seat in both Alberta and Saskatchewan). Bennett's victory, then, was in many ways a personal one. While his conservatism appeared to be largely based on the

¹⁰ Eye Opener (Calgary: August 12, 1911)

National Policy, the Eye Opener's editorial had suggested that there was something more to his political appeal. In Alberta, Borden's Progressive platform was more attractive to the average voter than the party's continued defence of the Macdonald National Policy, and Bennett's "clear discernment of popular rights" may have been a local representation of Borden's more populist electoral appeal. In the 1911 election, Bennett proudly maintained his defence of the National Policy, but obviously ensured that his Progressive connections (he had been involved in the Social Gospel as a youth) would not go unnoticed by the Calgary voter.

While Bennett's political philosophy seemed more deeply rooted in the ideas of Macdonald than Borden, both strands of conservative thought were found in Bennett's maiden speech in the House of Commons, when he responded to the Speech from the Throne on November 20, 1911. The speech touched on a number of different subjects, including perceived western issues such as freight rates and a tariff commission, and Progressive programs, be they concerning the use of trained experts, human resources, or the potential need for a federal Department of Health. Characteristically, Bennett reserved the bulk of his address for two issues that were very dear to him – the proper conduct of business, and the proper conduct of national trade. As it would be some twenty years later in the early months of his own administration, the tariff was one of the first tools of the federal state that Bennett was willing to embrace. His message was blunt:

In these days of peace treaties, in these days when we are talking of the arbitration of differences that arise amongst the nations of the world, when we say that fleets and armies no longer have work to do, what is the great weapon with which nations must fight the battles of commerce? – and these battles are just as fierce, and even though there is no bloodshed, just as deadly in some respects, as the

battles of the past. The only weapon we have is the weapon of the tariff.¹¹

Bennett then expanded his defence of the tariff, arguing that a consistent policy of protection would not only ensure economic security, but prosperity, since “the greatest thing you can have in a country is stability in business; and the thing that we call business has the right to know what treatment it has to expect from governments and from people”.¹² Bennett then switched his emphasis slightly, suggesting that while providing stability to business was important, the federal state could not lose track of the needs of its citizens. Bennett, perhaps one of the most successful businessmen in Borden’s government, reminded the House of the need for the state to ensure that the rights of individual citizens were recognized over the demands of business, reflecting a traditional tory concern for the masses:

In my judgement, in this complex civilization of ours, the great struggle of the future will be between human rights and property interests; and it is the duty and the function of government to provide that there shall be no undue regard for the latter that limits or lessens the other.¹³

The member for Calgary, having profited immensely from the lax regulatory structure of western Canada and the unhindered capitalism of the Laurier boom, next turned to the subject of proper business practices. While Aitken had reaped an enormous profit from the merger and consolidation boom that had occurred as the 1910s came to a close, Bennett appeared to be less supportive of market liberalism. Sounding remarkably similar to Borden, who called for government regulations in his 1907 defence of the Halifax platform, Bennett suggested to the House of Commons that it was time for a reform of corporate laws:

¹¹ Hansard (Ottawa: 12th Parliament, November 20, 1911) 22.

¹² Ibid 23.

¹³ Ibid 24.

I submit that in this country we should at the earliest possible moment give our best attention to the consideration of some measure that will provide a tribunal that will limit the issue of securities by corporations, and will protect the public by enacting some measure by which they can know the real value of these securities.¹⁴

Bennett then finished his address with a call for some plan of imperial economic integration, perhaps his most consistent – if romantic – political plank in a career that spanned some twenty years in the federal Parliament:

During the recent campaign I advocated that we should first endeavour to promote trade within the British Empire before we turned to promote trade with other lands...It is important if we are to bring about the commercial and organic union of the British Empire, at which I think we all have a strong and abiding hope, it must be done through commercial means...It is essential that we in Canada, as the greatest [Imperial] partner, should extend our trade so far as possible among the British dominions and with the motherland.¹⁵

After such a promising beginning, Bennett quickly became disillusioned with Parliament. Perhaps his hopes were too high: being the first member to respond to a government's inaugural Speech from the Throne has traditionally suggested that the member holds much future promise, although Borden may have simply allowed Bennett to speak first as an olive branch to the west. On December 9, 1911 – less than a month after his maiden speech – Bennett's feelings were expressed in a letter to Aitken:

I am sick of it here. There is little or nothing to do and what there is to do is that of a party hack or departmental clerk or messenger. I will probably leave here. There must be more doing that counts than is at present apparent. I really cannot tell you what I think of the government. I will do that later when I have more adequately sized up the situation.¹⁶

Much of Bennett's complaining was no doubt due to frustrated ambition, an emotion that the member for Calgary occasionally let get the better of him throughout the Borden administration. While Bennett, who was both young and able, had to defer a cabinet post

¹⁴ Ibid 25.

¹⁵ Ibid 26-27.

to his law partner, Senator Lougheed, other ambitious members – most notably Arthur Meighen – were able to advance into the privy council in part because their regions were more friendly to the Conservative government. In 1918, after he refused to participate in the Union election, Bennett wrote his former chief a long, rambling letter that resurrected some of the Calgary lawyer's perceived injustices:

[in 1911] I returned to Calgary, accepted nomination as a supporter of your policies, resigned my very lucrative position as Counsel to the Canadian Pacific Railway Company, expended a large sum of money and was elected, being the only Conservative returned from Alberta...I placed my services unreservedly at your disposal and since that time I have always been very ready and willing to engage in any work you might direct me to undertake. At no time...have I sought place or position. Admittedly the administration of public affairs in Western Canada by the Federal Government during the period 1912-15 was less satisfactory than at any time since 1896. I have no hesitation whatever in stating that with the necessary power I could have done a very great deal to improve the situation. That fact was recognized by even our political opponents, so much so, that I happen to know Sir Wilfrid Laurier remarked upon it but at the same time expressed the opinion that there was no possibility of my being given an opportunity to perform useful service under your administration: I did not complain.¹⁷

While Bennett's complaints (which were apparently unanswered by Borden, fitting the former prime minister's reputation as a man of great patience) obviously reveal a great degree of frustration, they also highlight Bennett's thoughts on the style of politics best suited to his sensibilities. He was a man of action in business, and he wanted to be a man of action in government. Had Bennett been given some real responsibility over western affairs (he was eventually put in charge of national manpower during the Great War), he no doubt would have been very activist in the role, and done a very great deal to *improve the situation*. A ministry that was *laissez-faire* was not one that R.B. Bennett was interested in.

¹⁶ Bennett to Aitken (December 9, 1911) Beaverbrook Papers. NAC microfilm A-1759.

¹⁷ Canada, Robert Laird Borden Papers [hereafter Borden Papers] (Ottawa: National

Denied any significant role in the early years of the Borden administration, Bennett nonetheless took his duties both as a western member and one who supported the government very seriously. At the same time he challenged other members of the House to explore new ideas. On June 5, 1913, he questioned the legitimacy of Parliament's second chamber, stating that "it is time that the Senate was reformed". In the same speech he supported highway construction to accommodate the growing number of automobiles being purchased, but emphasized that his support was "not from a narrow provincial standpoint, but upon the principle of encouraging good highways as a national asset in Canada".¹⁸ A few days before Bennett championed Senate reform, the reason for his call-to-arms was apparent, as a few Senators close to the banking community blocked Bank Act Amendments put forward by the House of Commons. The 1913 Bank Act revisions were more reformist than earlier amendments, and included changes that allowed farmers easier access to credit.¹⁹ Bennett, as the sole government member from Alberta, was certainly cognizant of any issues that were of concern to farmers, and supported the Bank Act's revision. Consequently, the member for Calgary was indignant at the stalling tactics of the Liberal-dominated Senate, and lashed out at both the Senate and the current Bank Act in his speech supporting significant changes in the banking industry:

The vital question is whether or not a few capitalists shall control the action of this Parliament. I think that when we made imperative certain things that we felt should be made imperative, it was not open to the Senate of Canada to make those things permissive. Because in making them imperative, we did that which we believed to be in the best interests of the people of Canada...the Bank Act of 1913 is the Bank Act of twenty years ago without any change, without any single step

Archives of Canada) NAC microfilm C-4464 192831. Bennett to Borden, April 17, 1918.

¹⁸ Hansard (Ottawa: 12th Parliament, June 5, 1913).

¹⁹ R. Craig McIvor, Canadian Monetary, Banking and Fiscal Development (Toronto: MacMillan, 1958) 84.

forward or one motion towards progress and reform...and I say that [this] is not in accordance with the spirit of our institutions[.]²⁰

On a number of separate occasions throughout the twelfth Parliament, Bennett challenged the established authority of Canada's chartered banks and other members of the nation's eastern financial establishment, often using his credentials as a representative of western interests to bolster his argument. Bennett used the concerns of the western farmer and small-business owner – both small capitalists – to challenge the banks on May 20, 1913. He used the speech to announce his desire to give government officials a greater degree of influence in monetary policy, by boldly suggesting that Parliament should influence interest rates:

It is a very simple question that is before the committee: Shall or shall not Parliament impose a restriction on the rate of interest the banks may charge?...I think there should be a restriction...I have no hesitation in saying, so far as I am personally concerned, that I do not think this is a question as between the East and the West. It is simply a question whether or not this Parliament shall impose a limitation or restriction upon the rate of interest the banks may charge their customers. My own personal view is that we should fix the rate at eight per cent...If we cannot impose a restriction by limiting the rate to eight per cent, let us by some method of publicity prevent those evils which are real and not imaginary.²¹

Bennett slightly softened his rhetoric a year later, arguing in March of 1915 that his earlier criticisms were based on the belief that “the banks had to some extent failed in the discharge of the duties devolved upon them by Parliament”, and admitting that “while I started out last fall with idea that the banks had not treated the West fairly...I felt that my strictures upon the banks had been somewhat unfair”.²² As his experience in the House grew, it was becoming increasingly clear to Bennett that the view from Ottawa was different from the view from the rest of Canada. In 1915, however, it was apparent

²⁰ Hansard (Ottawa: 12th Parliament, June 2, 1913) 11585.

²¹ Ibid 10368.

that Bennett could still be regularly described as the champion of popular rights that the Calgary Eye Opener had earlier endorsed. Bennett's populist leanings were revealed in his questioning of the banks' special privileges:

By the acts of this Dominion...when three or four men band themselves together as a corporation and call themselves a bank, they have a right to issue paper money to the extent of the paid-up capital of the institution. That is an extraordinary franchise, an extraordinary privilege, an extraordinary power given to individuals who, by an accident, are able to call themselves a bank instead of some other kind of corporation. For that franchise this Parliament has a right to hold a bank to the strictest account, and in the exercise of those powers this Parliament must stipulate that they shall be exercised for the *public interest* and not for the benefit purely of private individuals. That is the paramount duty of Parliament, and that duty Parliament has always endeavoured to discharge...by the passing of what are called Bank Acts.²³

Through his remarks on the issue of banking, it was becoming apparent to observers that despite Bennett's ties to business interests and his keen support for the National Policy, he was not a Conservative of the establishment mould. His championing of popular rights – first noted in the Calgary Eye Opener – was now evident in the House of Commons, as he sought to defend the interests of the small producer against those of the eastern financial establishment. Bennett, one of the richest members of the House, was sounding very much like a reform-minded capitalist. His speeches were peppered with both Progressive and western nationalist interests, and became increasingly more probing in spirit.

This became evident whenever Bennett would address the subject of railroads, and his speeches were surprisingly independent-minded, considering that a good part of his personal fortune was the result of his efforts as western solicitor for the Canadian Pacific Railway. On one occasion, frustrated that the approval for an Albertan branch-

²² Ibid 1356-57.

line was not proceeding through Parliament as quickly as he wished, the C.P.R. lawyer attacked financial interests – arguing that the railroad was being stalled in committee and “that the distress signal was flown to the friends of the corporations to be gathered together on the second day”. Bennett was particularly vindictive towards one member who opposed him, stating that “there has never been a corporation in need of a friend which lacked the support of the honourable member for Pictou”.²⁴ The House then indulged in such bickering that both Borden and Laurier had to enter the fray.

While Bennett’s lectures on eastern railway politics were becoming legendary in the House of Commons, no debate he entered into was as explosive as that over the Canadian Northern Railway, the C.P.R.’s principal competitor, and a project mired in debt. The debate pitted Bennett against Arthur Meighen, his erstwhile rival within the caucus and the Solicitor General who spent a good deal of his time attempting to extricate the Borden administration from the nation’s railroad mess. The C.P.R. lawyer was blunt in criticizing Meighen’s plan to solve Canada’s railroad difficulties. As the debate progressed and it appeared that the Borden government was going to continue to bail out Canadian Northern, Bennett called the Solicitor General “the gramophone of Mackenzie and Mann”. Mackenzie and Mann were, of course, Canadian Northern’s principal promoters and architects, and in criticizing their apparent influence within the cabinet, Bennett was able to once again appear as the champion of popular rights – despite the fact that his former client, the C.P.R., would obtain near-monopoly status if Canadian Northern failed, and his western constituents would lose their most treasured hope of transportation competition on the Prairies.

²³ Ibid 1356-57.

²⁴ Ibid 798.

In the early evening of May 14, 1914, Bennett began his attack on the government's railroad policy – the only time in the session that he would openly criticize his Conservative colleagues. Recognizing the political danger in taking his stand, the member for Calgary began cautiously, stating “I venture to say that in this new democracy in this Canada of ours there must be room, in the party in which I belong, for independent spirit and independent thought”. Bennett then moved quickly to hit the government where it was weakest – the fact that their railway policy, in 1914, gave more money to Canadian Northern's already wealthy promoters, Mackenzie and Mann:

I appeal to every man in this House and say that if he will take the time to read the history of Mackenzie and Mann...he will find nothing but a long trail of parliamentary corruption, of lobbying, of degradation of parliamentary institutions, of the lowering of the morale of public life, and the degrading of those standards by which public life should be truly measured...we must decide whether we will continue to add to the predatory wealth of promoters or whether we shall strike a blow for the people of this country.

After hearing Bennett's tirade, Meighen attempted to defend the government's action. Without missing a step, Bennett faced-off against one of Canada's best parliamentary debaters, remarking: “I am glad to see that the Solicitor General has become the advocate of these two men [Mackenzie and Mann]. Before I finish he will regret that he has become their apologist”. After battling to an inconclusive draw with Meighen, the member for Calgary returned to the heart of his argument – that Parliament should not support the continued fleecing of the national treasury without a much greater degree of accountability. Just before the evening recess, after speaking for close to two hours, Bennett provided his solution to the railroad problem:

Eliminate Mackenzie and Mann from this road. That is very drastic you say. I say that if a contractor had charge of an enterprise and he ran it into difficulties and into an insolvent condition, you would not keep him on the job and pay him the money...I ask that these men be eliminated from the enterprise and that it be put

in the hands of men who operate railroads and understand their operation...until the Government can determine whether or not it is wise, on behalf of the people of Canada, to take this road over. I do not think that is an unreasonable thing to ask.

After recess, Bennett continued to speak for another hour, the whole time calling upon Parliament to stop the bail-out of Canadian Northern. He would find few converts that night, for the opposition Liberals were just as responsible for the present railroad situation as the Borden government, and the majority in both parties felt that continued funding was inescapable. Bennett could take solace in the fact that while his stand was unappreciated in Parliament, it echoed the sentiment of the principal western organs of the day, most notably the Grain Grower's Guide and The Winnipeg Free Press. The farmer's journal was particularly bitter in its complaints that the government was giving out money without assuming any real control. The Free Press joined the chorus, arguing that "before another dollar of public aid is granted to the Canadian Northern there should be an uncovering of Canadian Northern's finances".²⁵

Towards the end of his address, the C.P.R. lawyer appeared to be open to the idea of outright government ownership, since virtually any arrangement was better, in his mind, than the current burden on the treasury. Yet Bennett advocated that any such endeavour should be taken cautiously: "Shall we, then, take this road and operate it as a Government enterprise? I cannot say until we have had a report and physical valuation [of the road]". Two years after Bennett's address, in 1916, the government moved towards the acceptance of the renegade Tory's proposal, appointing a royal commission to investigate the railroad situation. After the commission presented its final report, the near-bankrupt lines were nationalized into Canadian National, making the new company

one of the most significant cases of state intervention in the nation's history. The government moved slowly on the railroad issue, spending millions in subsidies and infuriating Bennett in the process, but its caution was ultimately recognized as acceptable by the member for Calgary, who would later use similar caution when his administration was asked to significantly expand the role and responsibility of the Canadian state. In the conclusion of the address in which he had criticized Meighen so vehemently, Bennett, who drew great criticism for his own slow movement in the field of social legislation some twenty years later, pointed out that on issues of great importance, a reflective decision was better than quick action:

...Let us begin right. We are putting upon the people of Western Canada especially a burden. Let us pause before we go forward lest it be said of us that we have made progress too swift and have not considered the end from the beginning. They are the statesmen, who in public affairs forecast every phase of a proposed policy and understand what it means. It is for us to look at this enterprise in that way, and not to be deterred from our duty because the action which that duty lays upon us seems temporarily unpopular.²⁶

Bennett's attacks on the Canadian Northern Railway showed a large degree of independence, not only from party discipline, but from some of the major financial interests of Canada. While cynics could suggest that Bennett's tirades against CNR were because the member for Calgary was in fact a mouthpiece of the CPR, the solution to the railway dilemma that Bennett proposed certainly would not have been one that CPR executives would endorse. Bennett was suggesting greater government control over the bankrupt Canadian Northern, and seemed cautiously open to the idea of direct government ownership, if it meant no more open-ended commitments to a failing

²⁵ cited in Donald Mackay, The People's Railway: A History of Canadian National (Vancouver: Douglas and MacIntyre, 1992) 16.

²⁶ Hansard (Ottawa: 12th Parliament, February 16, 1914) 3735-3772. Bennett's 1914 address on the railroad question was roughly three hours in length.

capitalist enterprise. In his debate over the railroads, Bennett displayed a latent sense of 'tory democracy' that he had also exhibited in his discussions surrounding banks. On railroads, Bennett appeared to be alone in the House in his battle to stop the fleecing of the Canadian people, and he seemed willing to rail against the financial interests whose influence in Parliament was so much greater than the influence of his constituents.

During all of his years as a backbencher in the Borden administration, Bennett's greatest contribution as an individual member of Parliament was perhaps through his tireless lobbying in the interests of western farmers. The correspondence that Bennett sent to the prime minister on the issue reveals that in the summer of 1914 the Calgary MP felt that the Canadian state had a responsibility to meet the needs of its most important producers, the farmers. Bennett started his writing campaign with a letter to Borden, just as western Canada began to experience one of its periodic droughts. The member for Calgary wrote:

East of Lethbridge in the Province of Alberta there is no crop owing due to the lack of rain. The settlers have no feed for cattle and live stock and implements and are trying to get out of the country. It is the opinion of those who have examined the situation closely that some steps should be taken by the Federal Government to assist the settlers... There is a great deal of unrest and dissatisfaction in the minds of the bulk of our population and while the Government is not to blame, nevertheless it is being blamed for the reason that so far as can be observed no personal interest is being taken by the members of the administration in the welfare of our people.

Bennett finished his letter with a grim forecast:

I should perhaps not venture to offer suggestions. It is merely my duty as a Member of Parliament to direct your attention to the fact that under the conditions at present existing in this Province the next winter will be in every respect perhaps the most difficult that has ever been faced by the present population of the Province of Alberta.²⁷

Faced with pressure from Bennett and other farmer advocates, the Borden administration

announced that it would provide some degree of support. Having met early success, Bennett continued his lobbying in a letter to Borden on February 10, 1915, urging the prime minister to meet the federal government's obligations to farmers :

In the Fall of 1914 your Government promised the settlers in Western Canada that you would supply the necessary grain for seed, to meet their requirements with respect to such land as might be made available for crop this year...Relying on that promise very large areas of land were made ready for crop. The Commissioner of Immigration in now advised that he is to inform settlers that their applications cannot receive favourable consideration, and that it will be necessary for them to look to their local Municipality, or the Provincial Government, for assistance in the matter of seed grain.

Bennett finished his second letter on the issue by suggesting that a real responsibility of government was in finding solutions to the problems of the people. Once again, a 'tory touch' could be detected deep beneath Bennett's rhetoric:

The fact that it may be necessary to expend a very much larger sum than originally contemplated, for the purpose of implementing its promise, should not deter the Government from fulfilling its obligation...I realize that a very difficult situation has been created, but difficult situations originate for the purpose of lending themselves to a satisfactory solution.²⁸

The very next day, Bennett continued his campaign in the House of Commons, reminding fellow members of the urgency of western Canada's problems:

The condition is really a very serious one. Sometimes I think the members of this House who represent eastern constituencies little realize the conditions brought about in some parts of western Canada. In some districts the land has been swept as clean as a floor, and where once there was vegetation there is nothing but the driest dust. It is even true that the children of the farmers in some instances have been suffering from the pangs of hunger, almost starvation, and under these circumstances the Government relief is absolutely needed...Even if the Government should expend several millions more than was anticipated at first, it seems to me that this duty devolves upon them fairly.²⁹

The member for Calgary appeared to be pleased with whatever effect his lobbying

²⁷ Bennett to Borden (23 July 1914) Borden Papers NAC microfilm C-4386 10835.

²⁸ Bennett to Borden (10 February 1915) Borden Papers NAC microfilm C-4379 95672.

had on the government's attitude towards aid to farmers, for some weeks after his address to the House he rose again to state that the minister of finance had "shown a more intelligent desire to meet the demands of the farmers of the West than any official that I have known for many years".³⁰ The Canadian farmers proved more difficult to satisfy, for they were quick to abandon both traditional parties as soon as the war-time allegiances to the Union government were no longer required. Bennett, who did not offer in the 1917 Union election, maintained an affinity to the western farmer that he did not have with the more radical post-war grouping of alienated voters – labour. At the end of the war, as Farmers' governments and Progressive candidates were springing up across the country, Bennett betrayed his sympathies in a letter he wrote to his friend Max Aitken: "The farmers are in control in Canada just now. A good thing for the country too. As between Labour – extreme – and the Farmer I am for the latter because in the end the men who own the soil can be trusted to save us from anarchy".³¹

As was the case with virtually every other Canadian of his generation, the experience of the First World War deeply affected Bennett. As Borden's first government progressed towards five years in office and sought to re-establish its leadership through the formation of a Union ministry, the member for Calgary grew increasingly despondent, as evident in a letter he wrote to Aitken in June of 1917: "The political situation is very tense...and the country will be faced with an election. I should think...we will not survive, although possibly if the country became aroused against Quebec, we would win on racial lines, which would create of course a very serious

²⁹ Hansard (Ottawa: 12th Parliament, February 11, 1915) 74.

³⁰ Hansard (Ottawa: 12th Parliament, March 23, 1915) 1357-58.

³¹ Bennett to Aitken (November, 1919, written from the Ranchmen's Club in Calgary) Beaverbrook Papers. NAC microfilm A-1759.

situation”.³² Bennett’s despair would also show itself in the House of Commons, as he increasingly came to believe that the policies dictated by war were turning out badly. In a debate on the nation’s finances, the member for Calgary spontaneously lamented the cloudy future of both his young nation and his beloved Empire:

We idly discuss fiscal questions, while the real problem is whether it will be in our power when the war is over to determine what our fiscal policy shall be...I have no fear of the outcome of this great war, but I am concerned as I have never been concerned about anything in my life as to what may happen before that great end is achieved...And when I think of the multiplication of the loss to the State of the men that are dying, of the blood that is being spilled, of the economic waste that is going on; when I see the best men of the Empire being drained from it; when I see the population of the province in which I live being lessened day after day by the men who are so willingly, so gladly, so nobly, so patriotically giving their services for the cause of freedom, I ask myself: where will it end? Sir, we may win a great war, and we may lose an Empire.³³

Bennett showed an even greater concern about conditions during the post-war period and their effect on national politics, as evident in his March 1916 address on technical education:

We are all agreed that the social and economic condition of this country must change after the war...That can never be done by talk. After the war, the people of this country will not demand talk in Parliament. The men who come back from the front to this country will be sick of Parliamentary talk. What they will demand is strong leadership, and if they do not get it from one party, they will get it from another; and if they do not get it from the other they will get it from some middle party...The men on both sides of politics who are supremely concerned with the welfare of the state should see to it that all the time that we can give, and all the ability at our disposal, are devoted to an endeavour to shape a policy that will conform to the altered conditions brought about by the war. We must see that those who return from the battlefields, some strong, some wounded, some maimed – those hundreds of thousands of men who have gone from our shores – will be admitted to a system of education which must be worked out harmoniously, not by appealing to the prejudices of this locality or that, but by strong harmonious action on the part of the Federal Government and the Provincial Governments, to the end that the Canadian people may as successfully pursue the paths of peace as they have distinguished themselves in the times of

³² Bennett to Aitken (June 8, 1917) Beaverbrook Papers. NAC microfilm A-1759.

³³ Hansard (Ottawa: 12th Parliament, March 9, 1916) 1567.

war.³⁴

It is evident that as the war reached its turbulent and difficult final years, Bennett, in contrast to a number of his colleagues, became “sick of Parliamentary talk” – specifically if that talk turned to the formation of a Union government, an idea that the partisan member for Calgary abhorred. As a backbencher, Bennett appeared rather aloof from party discipline, yet he remained more committed to the maintaining of a distinctive Liberal-Conservative Party than those on the front bench, who felt that a National ministry would better conduct the war effort. Two letters from the period surrounding the formation of the Union government indicate how Bennett felt about contemporary politics, and suggest what sort of contribution he felt he could make in the years to come. The first letter was written on National Service letterhead on June 8, 1917, and sent to his friend Max Aitken. Its contents are revealing, in that they mark one of the earliest times that Bennett put forward his views in such a comprehensive and rather non-partisan fashion (indeed, his favorite political plank, closer imperial ties, received scant mention). Bennett started his correspondence by comparing Canada to other British nations, and his outlook was pessimistic:

The political situation in Australia, New Zealand and South Africa is not to be compared with that in Canada. The influences that have been at work for twenty-five or thirty years in the political life of Canada have not been such to appeal to the thoughtful consideration of men and women actuated by purely patriotic motives. My own opinion is that new conditions must arise after the war and that we will have a better and less corrupt democracy as a result of the sacrifices and sufferings of our fellow-citizens.

Bennett then told Aitken where his political future lay:

My present intention is to retire from the House of Commons at the next election and to be appointed to the Senate...I do not desire to be entirely disassociated with the public life of my country. I am very anxious to arrive at sound and sane

³⁴ Ibid 2207.

conclusions about many matters affecting our National and Imperial well-being, and perhaps the Canadian Senate may afford me a medium through which to express independent opinions that would be denied me as a Party man in the House of Commons[.]

The member for Calgary then addressed Canada's move towards greater autonomy, suggesting that the drive for more responsibility had so far produced meagre results. His rhetoric revealed the depth of his organic conservatism, and his belief that Canadians owed a "sense of responsibility" to the national collective:

Independence is increasing in Canada, but it will require very great care to direct that independent thought along constructive lines. At the present moment it is destructive. Class is being arrayed against class and socialistic tendencies are manifesting themselves everywhere. We must prevent this. The viewpoint of our people must be changed, their vision enlarged and their sense of responsibility increased. I think we may appeal to our returned citizen soldiers to help accomplish these results.

Bennett next turned to the upcoming period of reconstruction, a period he had earlier forecast as one of great turbulence. Predictably, the question of finance was the issue that first pre-occupied him:

I need hardly point out to you that the national debt of this country, after the war, will be upwards of a billion and a quarter dollars. The fixed charges for interest, pensions and pure administration will exceed one hundred millions per annum. The revenue of this country was less than that of only a few years ago. It is idle to deny that before the declaration of Peace much of our industrial activities will have ceased. I dread the period of readjustment even more than that of reconstruction. We will have at least 500,000 men and women thrown out of employment when the war ends, and we will have returning to these shores three to four hundred thousand men demanding, and properly demanding, that they should be speedily absorbed into the civil life of the State. In a country with a population of less than eight millions, with an area as great as that of the United States of America, the readjustment of our industrial, economical and social life, under the conditions indicated, must present problems of the greatest difficulty and the solution of which will require the services of our best men, regardless of political considerations.

Bennett concluded his letter by clearly stating his preference for a dynamic federal state in the post-war period, and again suggested to Aitken (just as he had in his letter on

reciprocity) that strong and bold leadership was required. Bennett's description of the type of political leadership needed in the coming years certainly left the impression that the retiring member for Calgary was not finished with his political career:

It therefore follows that the production of new wealth is absolutely essential if we are to successfully meet the demands that are to be made upon us during the reconstruction period...The State must assume large responsibilities in the way of competent direction and in preventing waste, which in times past has characterized much of our work...I have not time to elaborate, but I am satisfied that I have made myself reasonably clear to your very acute understanding. The problem is well worthy of the consideration of every man who has at heart the welfare of our Dominion...What value is the accumulation of a personal fortune at this moment when men are losing fortunes and life itself in the defence of the State? There must be a broader basis of comradeship, a finer sense of brotherhood as a result of this War, and men who have been endowed by Providence with great talents...must be prepared to consecrate those great talents to the State for the advancement and welfare of the people.³⁵

If Bennett was privately considering what role the federal state would have in the post-war era, why did he then fall off the political landscape so quickly in 1917? The answer to this question is found in a second letter from the era; one that reveals Bennett's feelings towards the Union government and politics in general. Written in 1918 as Bennett cooled his political heels in Calgary, the rambling complaint was addressed to his former chief, Robert Borden. The letter seethes with frustration, as its author recounts real or perceived slights concerning the implementation of National Service, promises of a Senate appointment, and the formation of the Union government. While Bennett's letter to Aitken suggested that the author was a politician ready and eager to tackle the challenges of the post-war nation, the author of the second letter was an individual completely disillusioned with both his former colleagues and the idea of public service.

A good part of the Borden letter dealt with Bennett's largest single responsibility during the Conservative government, and his disappointment in that role. After being

appointed the Director of National Service in September 1916, Bennett immediately pushed for a compulsory registration card. When Borden (who possibly foresaw the regional divisions that were to later come over conscription) balked, the member for Calgary recalled that he “faced the supreme moment of my own destiny. Measured by every consideration which should govern a man in considering his own future and welfare I should have resigned that day”. Bennett’s letter then described his thoughts on the Senate appointment that never transpired, as he lamented the fact that “measured by the standard of the hour my public life has been a failure”. According to Bennett, the prime minister had in fact promised him a Senate seat, but disagreements over plans for a Union government derailed Bennett’s hope for a place in the red chamber. At the last Conservative caucus prior to the formation of the new ministry, Bennett attacked Borden over the idea of joining Liberals with the Conservative government, arguing that “it was a grave responsibility for any man who had been placed in the position of Prime Minister by the united efforts of the members of a great party to destroy that party”. Such talk, even if held within the frank sessions of a partisan caucus, naturally caused Borden to reconsider the merit of appointing Bennett to the Senate, where the ambitious and independent-minded Conservative would presumably continue to question the legitimacy of any Union government. Bennett’s stand on the issue was inflexible. In his letter he told Borden that “too great a price may well be paid for so-called Union government”. For a prime minister who faced daily political and military challenges as his country faced the most horrifying war in its history, losing the confidence and support of an increasingly insubordinate backbencher was an incident of relatively minor consequence. Hence, Bennett and Borden parted ways in 1917. In his bitter letter of a year later the

³⁵ Bennett to Aitken (June 8, 1917) Beaverbrook Papers. NAC microfilm A-1759.

future Tory leader was obviously still smarting from his falling-out with his chief, as he finished his correspondence in a rather blunt fashion: "As this letter marks the formal termination of such friendship as has heretofore existed between us...I trust you will permit me to thank you for your not infrequent acts of personal kindness...Your fellow Canadian, R.B. Bennett".³⁶

The split between Bennett and Borden was primarily one based on frustrated ambition, for although they differed over Union government, the difference did not seem to bother Bennett until it cost him a promised Senate seat. Throughout his career, Bennett seemed to have an admiration for his former leader, and the chasm that developed between Borden and himself was largely a result of a lack of communication, and not any major philosophical difference. While Bennett may have felt sore over his stalled political career, it actually provided him with a political future that looked more promising than that of most of his former caucus colleagues. The timing of his departure ensured that he would be free of the class, regional and linguistic struggles that plagued the Union administration almost as soon as it was formed. Quebec, of course, was the new government's first political casualty, and Bennett's withdrawal in 1917 helped ensure that his earlier promotion of compulsory registration did not come back to haunt him as the issue of conscription would haunt Arthur Meighen. Once post-war disillusionment set in, Bennett, who had championed farmers as a backbencher and called for a reform of corporate laws in his maiden speech in the house, was also able to escape the harsh criticism thrown upon his former colleagues as farmers abandoned the

³⁶ Bennett to Borden (April 17, 1918) Borden Papers. NAC microfilm C-4379 192829-39. Although Bennett was rather upset about the neglected Senate appointment, he was just as furious that Arthur Sifton, an Albertan Liberal and vicious enemy, was given a place in the Union cabinet.

traditional parties and labour grew more and more militant. While his self-imposed exile turned out to be politically fortunate, it had a more immediate effect on Bennett's business affairs. The increased free time allowed him to help out a child-hood friend, Jenny Sheriff, in the re-organization of her deceased husband's company, the E.B. Eddy pulp and paper empire. When Sheriff died in 1921, Bennett assumed effective control and eventual ownership of the Eddy company, making him a millionaire several times over.³⁷

Eventually, the lure of high office, combined with the collapse of the artificial alliance that was the Union government, brought Bennett back into federal politics. Arthur Meighen, having been chosen as prime minister upon Robert Borden's retirement, re-organized the cabinet as the traditional parties turned back to their pre-war positions. Meighen offered Bennett (who did not have a seat in the Commons) the ministry of the interior, but Bennett asked for justice instead. Meighen granted Bennett his wish, and the former rivals prepared for the coming election together. In his letter informing Meighen of his decision to join the cabinet, it is obvious that Bennett was thrilled with the idea of finding solutions to the many public challenges he had privately contemplated:

Canadians at this time are called upon to solve problems of the first magnitude. The enormous fixed charges upon our revenues, our limited population, scattered over so great an area, and the corresponding slow development of our resources have created conditions not duplicated in my opinion, in any part of the world...I should not like to think that I had shrunk from discharging my duty merely because the problems that confront us are difficult, the conditions of life onerous, or the outlook of the future dark and gloomy...I have therefore concluded...to place my services loyally and unreservedly, under your Premiership, at the disposal of the country.³⁸

Like the majority of Conservative candidates in 1921, Bennett lost his chosen

³⁷ Max Aitken (Lord Beaverbrook) Friends: Sixty Years of Intimate Personal Relations with Richard Bedford Bennett (London: Heinemann, 1959) 46-47.

³⁸ Canada, Arthur Meighen Papers [hereafter Meighen Papers] (Ottawa: National Archives of Canada) NAC microfilm C-3220 8881. Bennett to Meighen, May 23, 1921.

constituency of Calgary (by only 16 votes, the closest a Tory from Alberta, Saskatchewan and Manitoba came to winning their seat in that campaign) as Meighen himself went down to defeat and the Progressives won more seats than the outgoing government.³⁹ Shut out of politics, Bennett became more heavily involved in his business ventures, and when Meighen called for his services in 1925, his reply was reluctant: "I have enormous responsibilities in connection with the Eddy business, as you know, and I am beginning to think that I should not be a candidate at the approaching election...At the same time, I want to do whatever I can for you personally, even though it may involve my making a very considerable sacrifice".⁴⁰ The prospect of playing a key role in a revitalized Tory party seems to have convinced Bennett to put aside his doubts, as the Conservatives swept him and three other Albertan candidates into office on a tide that put the party standing at 116 seats (just seven short of a majority) under Meighen's continued leadership.

Back in the House of Commons for the first time in eight years, and sitting for the first time ever as an opposition member, Bennett was now in the front bench of the Tory caucus. His promotion was due to a number of factors: his aggressive rhetorical flourish, his grasp of a number of national issues, his improved relationship with Arthur Meighen, and, perhaps of most importance, his status as the most-electable Conservative in Western Canada (a trait that was even more obvious after the 1926 election). As was the case in the opening of his first Parliament, Bennett was one of the first Conservatives to speak – only this time his address was not in reply to the Speech from the Throne but

³⁹ J.M. Beck, Pendulum of Power (Toronto: Prentice-Hall, 1968) 160. The Conservatives were only able to elect MPs in British Columbia, the Yukon, Ontario and New Brunswick in 1921.

⁴⁰ Bennett to Meighen (June 8, 1925) Meighen Papers. NAC microfilm C-3463 66923.

instead a challenge to the precariously-balanced King government's right to continue holding office. While King was able to survive Bennett's initial challenge, in the short session that comprised the fifteenth Parliament the prime minister saw first-hand how the former backbencher from Calgary had now become one of the most effective and politically dangerous Tories in the House of Commons.

The rhetoric that Bennett put forward in the session was loosely based on the same ideas that he articulated during the Borden government. He still argued for an activist state that would assist the small producer, but the sea-change in the national economy that had occurred after the war forced Bennett to expand the area in which the state could intervene. Whereas Bennett (and many of his contemporaries) had previously focussed their attention on such straight-forward questions as the railroad or the tariff, the economy of the 1920s forced legislators to deal with new and more complex issues, such as the impact of the radio on national society, regional disparity or social unrest. Bennett adapted to the new complexity rather quickly. In one of his very first questions as an opposition member, he queried the King government over unemployment relief. The exchange was as follows:

Hon. R.B. Bennett: I desire to ask the Minister of the Interior a question respecting unemployment. I had mentioned the matter to him, and I must ask the question in order to clear up what is apparently a misapprehension...as to the assistance to be extended and the amount to be contributed by the provincial and federal authorities [for unemployment relief], and if the minister would make a statement I think it would do much to clear up any doubt that may exist on the matter.

Hon. Charles Stewart (Minister of the Interior): ...I may say...that the allocation of the amount payable...is one-third of the excess of the cost of the relief work having to be done in the particular season in which such work may be necessary. With reference to the relief itself, it is then a clear third. The procedure is this: A request as well as a statement of cost will be furnished by the provincial government and the statement will be checked by officers of the federal

government.

Mr. Bennett: The federal government is not to take the initiative in any of the work?

Mr. Stewart: No, the provincial government will take the initiative.⁴¹

The minister gave Bennett the response that he wanted politically – that no federal government under the leadership of Mackenzie King would take the initiative in providing relief for the unemployed. Whereas Bennett, in his earlier calls for farmers' assistance and his demands for a credible solution to the railway mess, had displayed an obvious willingness to use the power of the federal state to achieve solutions to national problems, the King government displayed only reluctance. Bennett would use that knowledge to his advantage throughout his period in opposition.

Old and familiar themes also returned to Bennett as he sat in opposition, including the perennial railroad question and his continued lobbying for the western farmer. Bennett could now offer frank commentary and independent solutions more often than he had as a backbencher whose vote was regularly expected to be in support of the cabinet. On the railroad question, Bennett's new-found political freedom allowed him more flexibility in offering advice concerning the management of Canadian National. Ironically, one of the most prominent of his proposed solutions – his call for the non-partisan management of government railways – was drawn from Robert Borden's Halifax platform. On March 2, 1926, Bennett reflected Borden's earlier progressive thinking:

Mr. Speaker, I am a share-holder today in the Canadian National railway system; I in common with every member of this House am a shareholder in that road. We people of Canada are the shareholders, and how may we express our criticism of the conduct of that road unless we are afforded the opportunity to do so?...The real weakness of the Canadian National railway system today is that there is no

⁴¹ Hansard (Ottawa: 15th Parliament, February 25, 1926) 1308.

provision for a meeting of its shareholders. With every other corporation there is an opportunity afforded for men to meet together and criticize and discuss the corporate actions of the executive. But no such power is here, and we have no body of directors except those appointed by governor-in-council, and that body of directors happens to be a perfectly useless body, composed of men selected for political services...My proposal is that we should have nine directors of the Canadian National system, one from each province in this confederation, little and big...they would be elected free from political direction and control [through a vote held by the legislatures and Parliament]...[and] the people of Canada might be able to make their voice felt in its management, and criticize without being held to be enemies of the system.⁴²

Bennett's continued lobbying for farmers came in the form of a request to assist new settlers in western Canada, and his rhetoric in the House of Commons showed some of the contradictions inherent in his political philosophy, considering that the farmer's champion also had close ties to eastern Canada's financial establishment:

I should be glad at any time to sit down and discuss...the per-capita contributions made to the new wealth of Canada by various parts of the country. After all, the mere swapping of pieces of paper, to use the vulgar language of the street, does not add anything to the new wealth of the country. I may be able to exchange my share certificate on the stock exchange for a sum of money, but that does not add one single dollar to the wealth of Canada. On the other hand, if, by any suggestion that I may make, legislation before parliament can be improved and I can thereby do my part to make it easier for one who is coming over to this country for the first time, to till the soil and acquire new wealth, then, indeed, I have assisted him in making a contribution to Canada much greater than anything that might be involved in the mere exchange of pieces of paper for money. He has done something that creates additional wealth, something that did not exist before, and he has thus been able to add something of a very permanent nature to the welfare of the country. I have dwelt on this point because I felt, as one must feel who has lived as long as I have in the west and who came originally from the east, that I could not have it said that the people in that part of the country were merely sponging on the rest of Canada.⁴³

The unresolved riddle of social justice – to borrow a phrase from Stephen Leacock, who would later write the foreword to the written version of Bennett's first New Deal broadcast – was another issue that Bennett confronted while in opposition, as

⁴² Hansard (Ottawa: 15th Parliament, March 2, 1926) 1479-80.

⁴³ Hansard (Ottawa: 15th Parliament, March 25, 1926) 1927.

he responded to demands for an Old Age Pensions put forward by a ‘ginger group’ of MPs. As Bennett did when confronted with significant demands on the Treasury over the railroad question, he advocated caution, noting “that once you enact a law and place it on the statute book, and once you incur financial responsibility, you cannot lightly shake it off, as you would an overcoat”. For Bennett, the preferred pension plan found in a system of self-financing annuities (a sort of RRSP) with the federal government topping up contributions by as much as twenty-five percent of the total contribution. For those too old to contribute, “the state will have to provide for their pensions practically *in toto*”. Bennett was careful to suggest that he was very much in favour of some sort of national plan – even stating that “there are few matters which interest me more” – but he made it clear that such a plan should be financed through contributions:

I do contend...that in this new country, with our great undeveloped natural resources, with our necessarily very large number of young people, it is of the utmost importance that we should have some contributory system of pensions rather than a non-contributory system. I say that for two reasons: First, because there is nothing more serious in a new country than that men should grow up with the idea or thought that they are to rely upon what is now called in England the dole; and secondly; that habits of thrift and economy should be encouraged and developed among the people if we are to take our place among the nations of the world.

The logic that Bennett put forward in defence of his call for individual contributions as part of the pension legislation was the same logic that he would later use in proposing a scheme of unemployment insurance. Specifically, the citizens of the state had to directly contribute at least in part to the program in order for it to maintain fiscal stability. This logic was well-rooted in Bennett’s still-developing view of the state, that it should be dynamic and intervene whenever and wherever it was needed, but that the state’s administrators should be cognizant of the fact that all interventions curtail an economic cost. For Bennett, pension legislation – or any social legislation – that did not

call for some system of contributions had the potential for economic disaster, since citizens would presumably assume that the state's ability to provide for all was without limits. That is why, in 1926, Bennett was open to new social legislation, but warned that all governments had to be cautious, just as his own government would be when it was faced with the issue:

I want to see in this country a system for providing for...[an] old age pension. But in this new country, with its resources untouched and undeveloped, where we are endeavouring to develop a hardy spirit of enterprise on the part of our citizens, where we want them to look upon the government as an instrument for their well-being and not something on which they are to depend upon for sustenance, I do plead with the government to give the opportunity...[for] the calling together of representatives of all the provinces in order that a conclusion may be arrived at that will be fitting for so great and important a subject.⁴⁴

In 1927, Bennett again addressed social legislation, only this time it was over a Labour resolution on unemployment insurance. The Calgary MP once again seemed comfortable with the idea of state intervention, arguing that the transformation of industrial life in fact helped create this tendency. Yet Bennett remained as cautious as he was on the question of Old Age Pensions:

This resolution merely asks that this matter be investigated. I am certain that sooner or later this problem must be carefully studied. Nothing could be worse for this Dominion than to create a dole system. Nothing could be worse for Canada than to induce men to believe that they could look upon the state as something from which they could obtain benefits without making corresponding payments. Compensations and payments are the corollaries of one another; one is the compliment of the other, and the payments made with respect to premiums for an insurance policy issued by the State against unemployment, sickness or invalidity, represent the savings made by the individual for the purpose of having the benefits to which I have referred. I think the modern thought and modern tendency, having regard to the great development that is taking place in industrial life and the relation the State bears to industry, has completely changed from what it was half a century ago, and there is an ever-increasing tendency on the part of those responsible for industry to provide means whereby with contributions made by industry itself or by the State, the premiums are not entirely born by the insured. Hence it is that this matter now engaged the attention of this parliament.

⁴⁴ Hansard (Ottawa: 15th Parliament, March 26, 1926) 1970-1976.

Bennett then pointed out to the Labour members present in the House that his party was historically responsive to the needs of the working class. Bennett's rhetoric served as an indication to political observers that the member for Calgary was well-versed in the important legislative legacy established by previous adherents of conservative political thought:

I was rather surprised at an observation made by an hon. member in that corner of the House that he did not look to this party for assistance. Anyone who reads his history and who knows the development of social legislation in England will have learned that the first man who ever obtained the rank of privy councillor in the labour ranks of England was one who, having investigated the matter said: We have received more in five years from the Conservative party than in fifty years from the Liberals. He would know that the hearts and minds of the Conservative party are in unison in demanding, so far as lies within their power, that everything possible be done to encourage the practice of thrift, the saving of money, the development of initiative and industry, and the taking care of men in their old age, so that they may be happy and proud and able to look their fellows in the face without realizing that they are recipients of charity or bounty.⁴⁵

Bennett, who had represented the interests of his traditional constituency through his defence of the western farmer and business-owner in most of his earlier speeches, was now arguing that the Conservative Party was responsive to the needs of labour. While the range of his advocacy may have been expanded, this reflected his greater prominence in the party in 1927. Bennett was the only Conservative member elected in the Prairie provinces in the national vote held after the King-Byng affair, and one of the few prominent Tories whose political career was not tarnished by that election. Bennett, who was named finance minister in the Meighen government's short-lived 1926 cabinet, did not want the Conservatives to form a government in the fifteenth parliament. Bennett feared that King would set a parliamentary trap around Meighen's cabinet, and when the crafty Liberal leader in fact did cause the downfall of the short-lived Conservative

government, the 1926 vote that followed simply confirmed the logic behind Bennett's caution.

Soon after the debacle of the 1926 election, Arthur Meighen announced his intention to resign as leader of the Liberal-Conservative Party. As the only member of the party elected between the Rockies and the Ontario border, Bennett was seen as a natural candidate for the leadership. In the previous session, he had expanded his interests, and was able to articulate a plausible Conservative philosophy that was adaptable to the changing Canada of the 1920s. To a number of observers, Bennett was the only candidate. While a cult of loyalty remained around Meighen, he had proven himself unelectable, and was unlikely to consider changing his mind about retirement. Another potential leader, Ontario Premier Howard Ferguson, was from a region that was already rich in Conservative MPs, but if the federal party was to ever again form a government it would need to expand its appeal in areas outside of the nation's largest province. Thus, in light of the party's electoral misfortune in the 1920s, and Bennett's increased competence in addressing a number of new issues like unemployment insurance, individuals from both the caucus and the national Conservative organization saw real leadership potential in the veteran member from Calgary. As the new Parliament progressed, it became apparent that virtually no other member of the dispirited party could enthusiastically challenge the King government.

In the first-ever leadership convention of the Liberal-Conservative Party, held at Winnipeg in October of 1927, Bennett cruised to victory on the second ballot. His closest competitor, former Liberal Hugh Guthrie, drew a little more than half as many votes on the first ballot, as the rest of the field languished further back. In hindsight, the

⁴⁵ Hansard (Ottawa: 16th Parliament, March 16, 1927) 1277-78.

outcome was never much in doubt. Bennett held 37% of delegates' support on the first ballot, and 50% of their votes on the second, drawing new support from each of the other five candidates.⁴⁶ Bennett, of course, did not have the benefit of hindsight at the time of voting, and it seems apparent that his margin of victory was in large part due to support that was found in both the heavily-organized Ontario wing of the party and in the brightest, most dynamic members of the caucus. From the party establishment, Bennett had Leonard Tilley, son of New Brunswick's Father of Confederation, nominate him – in his address, Tilley predicted that Bennett would be a vigorous leader, but once in office he would “then calm down, mellow a bit, and be more of the Sir John A. Macdonald type”.⁴⁷ Another party icon, Ontario Premier Howard Ferguson, publicly sat with Bennett on a number of occasions during the convention, signalling to his well-oiled political machine where to throw its support.

From the caucus, Bennett had the support of the principal convention organizer, Major General A.D. McRae, who would later successfully direct the 1930 election campaign. Bennett also received enthusiastic support from Harry Stevens, a British Columbian MP who would later divorce himself from the leader in a very public way. In 1927, the former small business-owner and corporate lawyer were apparently much closer in their political outlook, as Stevens and Bennett were united in the months surrounding the convention. Stevens later recalled that Bennett was his choice from the start: “When...Meighen retired after the defeat...of 1926, I at once proposed Mr. Bennett

⁴⁶ On the first ballot, the vote was as follows: R.B. Bennett, 594; Hugh Guthrie, 345; C.H. Cahan, 310; Robert Manion, 170; Robert Rogers, 114; Henry Drayton, 31; On the second ballot, the vote was: Bennett, 780; Guthrie, 320; Cahan, 266; Manion, 148; Rogers, 37; Drayton, 3. Cited in John R. MacNicol, The National Liberal-Conservative Convention (Toronto: Southam, 1930) 55.

as leader. There were some objections and it was decided to wait for a year and call a convention. During the intervening year, I canvassed across Canada for Bennett...He thanked me profusely, saying 'Harry you elected me'".⁴⁸

Bennett's appeal was by no means universal. An indication of where the leadership candidate was lacking support was found in a Toronto Globe article written before the convention. "It is claimed that the powerful Montreal interests centered in St. James Street are not keen for Mr. Bennett," the article stated, revealing a sense of uneasiness among the party's traditional financial backers. The reason, it was suggested, was because Bennett, "they fear, would not be susceptible to their dictation".⁴⁹ Bennett did little to calm such fears, as he suggested in his candidate's speech that he was not one who associated with the narrow definition of 'tory' – a political moniker with a rich history on St. James Street. The leader-to-be preferred a political description that reflected his own more pragmatic philosophy:

The word 'Tory' is entirely out of date in this country, as you all know...But the name 'Liberal-Conservative' has a meaning all of its own...and so, in Canada, we have the genius of Macdonald and Cartier united to that of Brown, making possible the name 'Liberal-Conservative' in this country. And that word has a distinctive meaning, for it means that we cling, like Peel, to all that is good and worth while and we have that liberality of mind that spells progress in all things.⁵⁰

For those who assumed that he would in fact become captive to the Montreal interests, Bennett addressed the issue head-on in his acceptance speech as leader, foreshadowing the stand that he would take as prime minister: "I realize that I must renounce the claims

⁴⁷ Address of L.P.D. Tilley (October 11, 1927) Bennett Papers. NAC microfilm M-4 4523.

⁴⁸ cited in Alfred Eugene Morrison, R.B. Bennett and the Imperial Preferential Trade Agreements, 1932 (UNB Fredericton: unpublished MA thesis, 1966) 30.

⁴⁹ Toronto Globe, September 8, 1927. Cited in Michael Swift, R.B. Bennett and the Depression, 1930-35 (UNB Fredericton: unpublished MA thesis, 1964) 59.

⁵⁰ Candidate's Speech (October 11, 1927) Bennett Papers. NAC microfilm M-4 4789.

upon me of my profession and business. These I must put behind me, for I realize that a man may not serve two masters...I must dedicate my talents and my time...to the interests of my country".⁵¹

Such rhetoric, combined with resolutions calling for a national scheme for Old Age Pensions and social legislation – “so far as practicable” – that would relieve distress during periods of unemployment, sickness and old age, went a long way towards rehabilitating a party whose image in Winnipeg was still hindered by its involvement in the suppression of labour some eight years before. Both the convention and the new leader seemed to be a resounding success. Positive publicity, largely the result of a national radio hook-up, and a number of progressive planks in the platform (the only black eye, in the minds of many, was a call to end Asian immigration) all suggested that the Liberal-Conservative Party had signed a new lease on life. Much of the enthusiasm, of course, surrounded the new leader, the first Conservative chief picked by the party at large. Grattan O’Leary, writing for Saturday Night, introduced Bennett to the nation, and informed the magazine’s readers of the new leader’s political leanings:

In his political philosophy Bennett is a Tory of the Left. He belongs, like his friend, Winston Churchill, to the Tory Democracy. His whole record shows that he reverences [sic] tradition, but that he is not afraid to break new ground when met with new conditions. On the tariff, on immigration, on transportation, on all the vital issues before the country, he has taken an advanced stand.⁵²

Once he assumed the office of leader of the opposition, Bennett did not let the success of the Winnipeg convention distract him from the task at hand. “I have no illusions,” he wrote to former leader Robert Borden (presumably, Bennett’s 1918 falling

⁵¹ John R. MacNicol The National Liberal-Conservative Convention (Toronto: Southam, 1930) 57.

⁵² Saturday Night, October 22, 1927.

out with Borden was long forgotten), as he reflected on the challenges ahead: “I realize that tomorrow or the day after, those who have cheered me so enthusiastically will vote against me with still greater alacrity; but nothing can deprive me of the memories of the wonderful messages of sympathy and good will that I have received from every part of Canada, and when the dark days of depression come – as come they will – I shall be cheered and comforted by the thought of them”.⁵³ Instead of reflection, the new leader quickly determined to make himself known – and liked – by Canadians. Bennett personally pumped an amount that was close to half-a-million dollars into the Conservative party in the time between his leadership convention and the 1930 election. The money was in turn spent on party publications suitable for mass mailings like The Canadian and wonderful new campaign tools such as a direct mail-out device known as the Addressograph.⁵⁴ The Conservatives spared little expense in introducing their leader to the voter – a gramophone record made by Mildred Bennett, the leader’s sister, would, for instance, be sent to all 1930 candidates with instructions for use at ‘afternoon tea parties’ and other ‘ladies’ functions’.⁵⁵

Not having the actual burdens of government thrust upon him no doubt allowed the best side of Bennett’s personality to shine from 1927 to 1930, and made the task of selling the candidate that much easier. Even foes seemed to be caught up in his confident appeal, even if they were unsure about his exact political philosophy. Mackenzie King, writing in his diary in early 1928, noted that Bennett was “in many ways a big boy, rather

⁵³ Bennett to Borden. (November 10, 1927) Borden Papers. NAC microfilm C-4426 146536.

⁵⁴ Larry A. Glassford, Reaction & Reform: The Politics of the Conservative Party under R.B. Bennett (Toronto: University of Toronto Press, 1992) 60-61.

⁵⁵ cited in W.W. Thorpe, Richard Burpee Hanson: a Study of his Relations with the Constituency of York-Sunbury (UNB Fredericton: unpublished MA thesis, 1972) 221.

speaks his thoughts. I am beginning to have a real liking for him. His bumptious manner is much against him, but at heart he seems kind and well-intentioned".⁵⁶ The next day, King revealed to his diary that he saw evidence of Bennett's reputation as one who was flirtatious with the opposite sex. "Bennett had several talks with Joan [Godfrey, King's neighbour and friend] to whom he had not been introduced," noted King after an evening social. The Liberal leader then added the gossip: "[Bennett] Was inclined to be rather coquettish with her".⁵⁷

Throughout his period as leader of the opposition, Bennett peppered the government with ideas and suggestions, as he did when he was a backbencher seeking to "improve the situation", but the logic of parliamentary government meant that his initiatives faced little chance of being turned into government policy. Unfortunately, Bennett's grand designs for an activist federal state also found few supporters outside of Parliament during his time leading the opposition. In the House of Commons, Bennett offered a number of suggestions where the King ministry could use the powers of the federal government to act – ranging from the development of scientific research facilities to the holding of an imperial economic conference in Ottawa – but concentrated much of his efforts on the argument that the Liberal government was blindly leading the country towards economic ruin. In the months immediately following the Winnipeg convention, however, the nation underwent the strongest period of expansion since the end of the war – the result being that few cared to listen to Bennett. As H. Blair Neatby, King's biographer, has noted, knocking the government's economic record "was not a

⁵⁶ National Archives of Canada, Transcript of the William Lyon Mackenzie King Diaries [hereafter WLMK Diaries] microfiche 61. February 7, 1928.

⁵⁷ WLMK Diaries. microfiche 61. February 8, 1928.

convincing theme in 1928”.⁵⁸ Economic fortunes would ultimately take a turn downward, however, and when they did, the Conservatives’ political fortunes began to rise.

When the 1930 session of Parliament began, Bennett could finally claim with confidence that the government of Mackenzie King was no longer responsive to the needs of the Canadian people. In Bennett’s mind, the government’s inaction and dependence on royal commissions (Aird, Duncan, etc.) had proven its unresponsiveness all along, but it was only when the troubles of the Maritime economy and the Prairie farmer slowed the robust national growth to a crawl that the Canadian electorate noticed the government’s apparent inability to act. “What about conditions in this Dominion at this moment? What about conditions from East to West?” asked the leader of the opposition in his reply to the 1930 Speech from the Throne, before adding, with a zeal that Bennett would display throughout the coming months: “What was the Prime Minister doing?...Do you mean to say that steps could not be taken?”.⁵⁹ When he was a Conservative backbencher, Bennett peppered his colleagues with ideas on how government could make the nation work better. Now, as leader of the opposition, he skillfully painted the Liberals of Mackenzie King as a government that, for a myriad of reasons, would not work at all.

Faced with such criticisms, and unsure about economic trends, Mackenzie King and the Liberals used the 1930 budget as a sort of trap with which they hoped to largely neutralize Bennett’s aggressive tactics. In the budget, introduced by rookie Finance Minister Charles Dunning, the government proposed a number of imperial preferences on

⁵⁸ H. Blair Neatby, William Lyon Mackenzie King: The Lonely Heights, 1924-32 (London: Meuthen & Co., 1963) 270.

Canadian-made goods, while putting into place measures that would counter-balance any trend towards protection in the American market. The budget in fact addressed two political problems: it would supposedly satisfy much of Bennett's calls for increased imperial trade (Mackenzie King had already decided to follow the Conservative leader's suggestion for the holding of an imperial economic conference), and end any complaints that the Liberal government was more interested in the United States than the United Kingdom. The government's intention, according to Charles Stewart, King's Minister of the Interior, was to ensure that "no longer can the cry be raised that our Prime Minister gives more to the United States than he is willing to give to the mother country".⁶⁰

Unfortunately for the Mackenzie King Liberals, Bennett refused to take the bait. The leader of the opposition challenged the government's method of increasing imperial ties, and suggested that the benefits of the imperial preference would not be felt by the nation that introduced them. Bennett first lampooned the Dunning budget, arguing that "the changes embodied in it are founded upon no consistent economic principle and are a crazy quilt of higher protectionism and freer trade".⁶¹ He then proceeded to the heart of his argument: introducing a preference without first bargaining for similar trade concessions from the other party was seen by Bennett as an act of blind faith based largely on sentiment. As a result, the Conservative response to the Dunning budget, as reported in the Globe of Toronto, was "Two Way Preference, or Else None at All".⁶²

With Bennett willing to reject the Liberal plan for increased imperial ties, thereby seemingly contradicting perhaps the most consistent of his own political planks,

⁵⁹ Hansard (Ottawa: 16th Parliament, February 24, 1930) 20-21.

⁶⁰ Hansard (Ottawa: 16th Parliament, 1930) 1973.

⁶¹ Maclean's Magazine, July 15, 1930.

⁶² The Globe (Toronto), May 9, 1930.

Mackenzie King thought he had a winning election issue. During the tough campaign that was held in the summer heat of 1930, however, King was to learn that Bennett was unwilling to yield ground on any issue to his opponents. Under the banner of “Canada First!”, the Conservative leader mounted an aggressive, nationalist campaign that quickly overwhelmed the Liberal party on the issues of trade policy and rallied an anxious electorate. While the central plank of the Conservatives was economic nationalism, one of the central themes of Bennett’s speeches was unemployment, as Bennett craftily updated the traditional conservative appeal of a protective and dynamic federal government for the national electorate. As he had mentioned in the House, Bennett did not want Canadians to depend upon government for sustenance, but for opportunity. Instead, Bennett ensured Canadians that his government would undertake a degree of responsibility for their welfare, if they in turn understood that each individual citizen also held a degree of responsibility to the nation at large. While Bennett felt that the state “must assume large responsibilities in the way of competent direction” he also felt that individual Canadians “must be prepared to consecrate...[their] great talents to the State for the advancement and welfare of the people”. In 1930, Bennett re-introduced the notion of the traditional tory collective, and promised that a Bennett ministry, in contrast to a King ministry prone to inaction, was one that would work in the interests of the entire nation.

Recognizing that gains in the western provinces were vital, Bennett launched his campaign in Winnipeg on the evening of June 9, 1930. The Ottawa Evening Journal , a Conservative-leaning newspaper, estimated that 1,290,000 Canadians listened by radio as the Conservative leader opened his national campaign. Based on the now-familiar

rhetoric Bennett put forward at the start of the speech, one could assume that future Tory leader John Diefenbaker was among the intended listeners:

It is fitting that I should first speak to you in the approaching election campaign, that is, speak to you, my fellow-Canadians, from one end of the country to the other in this historic city of Winnipeg, from this platform where a few short months ago, almost three years in fact, I was privileged to receive from the hands of my fellow-Canadians a position that has involved much toil, much effort, but has given me great compensations.

Bennett then addressed the relative prosperity that Canada enjoyed during the final years of the King ministry, and suggested that the government in fact had little to do with any new-found national wealth or happiness:

So that when you wish accurately to estimate the words of a government to determine the wealth it has brought to our country, the money it has put into the pockets of our citizens, its help in the equalization of our burdens, its legislation for the social and economic relief of the working people – we are all working people – its aid to the mothers in the homes, its inspirations to our boys and girls, it is not enough to look at ourselves as we are, and to judge the government in terms of our welfare and happiness, for these things can and do come without the Government. They are not the gift of a government. They are the blessings of a kindly Providence.

Bennett then focussed on the issue that he would repeat throughout the campaign – that the government of Mackenzie King did not work for Canada, or for Canadians. While such rhetoric was rich with economic nationalism, it nonetheless reminded even the most fervent free-trade farmer that a government with R.B. Bennett at the helm would, without hesitation, use whatever tools of the state it possessed to make the lives of its citizens in some way better:

I ask you these questions. If you think that I am in error, show me the helping hand of government in the problems which confront us. When we were seeking new world markets for our natural products, where did the Government provide for them? When we endeavoured to establish in our land factories to supply our need, what has the government done to help them? When through lack of world markets for our products and our workers here without work, what has the Government done? ...When we fought for...social and economic self-sufficiency,

without which Canada cannot endure, we found that the Government practiced timidity and vacillation.

To re-enforce the impression that a Conservative government would actively use the power of the state in the interest of Canadians, Bennett concluded his speech with his Winnipeg Platform, a set of eight pledges that ensured that his government would practice neither timidity or vacillation:

1. We pledge ourselves to a policy of protection for Canadians in the development of our national resources, our agricultural and industrial life, and our consumers from exploitation.
2. We pledge ourselves to foster and develop agriculture and the livestock and dairy industries now so sadly neglected.
3. We pledge ourselves to the stabilization of economic conditions, and to the continuity of trade and freedom from the manipulation of home and foreign tariffs.
4. We pledge ourselves to the development of interprovincial trade, and of a Canadian fuel policy, and development of a foreign market.
5. We pledge ourselves to the improvement of the whole scheme of Canadian transportation...and to the establishment of a national highway system.
6. We pledge ourselves to foster and support a plan for greater Empire trade based on mutual advantage.
7. We pledge ourselves to a national Old Age Pensions scheme.
8. We pledge ourselves to such compensation adjustment as will ensure the benefit of the above policies to every part of Canada.⁶³

A close inspection of the Winnipeg platform reveals how, just as the party had been transformed under the leadership of Robert Borden and his Halifax platform in 1907, it had once again been moulded to fit the philosophy of a new leader and new times. Of the eight pledges, three dealt in some fashion to the question of tariffs and international trade, reflecting the continued interest of both Bennett and rank-and-file Conservatives in paying tribute to the National Policy. It was now, however, a more nuanced plank. Where the tariff had been used previously as protection for infant and developing home industries, Bennett was willing to use the tariff as a bargaining chip in a

⁶³ The Ottawa Evening Journal, June 10, 1930.

darkening economic climate – and just as willing to discard the tariff completely in exchange for a significant advantage in international trade. The second pledge was directed solely towards farmers, reflecting the Conservatives' hope of re-kindling their association with an important segment of the electorate, and Bennett's own kinship with those who farmed. The Winnipeg platform also addressed the sea-change that had occurred in the Canadian economy over the last decade – with the accompanying trends of modernization, regional alienation and calls for social legislation – with respective pledges of a national highway system and fuel policy, 'compensation adjustment' presumably directed towards the outlying regions (Bennett, a native Maritimer, had, for instance, sympathized with the findings of the Duncan Commission), and a re-vamped legislation dealing with Old Age Pensions. Perhaps the most intriguing pledge found in the Winnipeg platform was also its most vague; Bennett's promise to ensure "the stabilization of economic conditions" would ultimately take his government in directions that no previous government had taken the federal state.

Armed with the Winnipeg platform, an effective national organization, and backed by a number of sympathetic provincial governments, Bennett aggressively toured the nation, increasing his confidence as the campaign progressed. The preponderance of his assertions, over the tariff, Old Age Pensions, or unemployment, were rooted in Bennett's continued belief in a dynamic federal state. Caught up in the enthusiasm of a winning campaign, however, Bennett abandoned the caution that he had earlier exhibited on issues ranging from the railway question to unemployment insurance. Indeed, Bennett's stand on a number of issues was often summed up in pithy little phrases. On railroads, Bennett vowed "Competition Ever, Amalgamation Never!" On unemployment,

he guaranteed to use the state to eliminate such a burden on the nation, or his government would “perish in the attempt!”. On old age pensions, Bennett had abandoned earlier ideas about individual contributions, instead advocating that the current scheme should be replaced by one that could be shared by citizens in even the most cash-strapped of provinces. Campaigning in the Maritimes, Bennett boldly claimed: “I will see to it that old age pensions are paid to every province...it is a national obligation...If the Dominion can pay fifty per cent of the Old Age Pensions why cannot it pay 99 per cent?”.⁶⁴ Such rhetoric was soothing to an anxious electorate; repeated in city after city, day after day, the slogans were almost hypnotic. On practically every election issue, as H. Blair Neatby has noted, “Where King promised caution, Bennett promised action”.⁶⁵

When the vote was held on July 28, 1930, the successful handling of the campaign translated into an overwhelming majority of 137 Conservatives. Telegrams poured in from all corners of the country, and congratulations were offered irrespective of party loyalties. Louis St. Laurent, a Quebec City lawyer, wrote “we can all rejoice in the extent of your victory and of this splendid tribute to you personally and to [the] vigor and dignity of your campaign”.⁶⁶ John Baxter, Conservative Premier of New Brunswick, told Bennett: “you have saved Canada from a policy of drift”.⁶⁷ One voter hoped that the Conservative leader would “live long to carry the banner CANADA FIRST”.⁶⁸

Like his first successful federal campaign in Calgary, the 1930 election was in many ways a personal victory for R.B. Bennett, although he was in many ways a different

⁶⁴ Ernest Forbes, “Cutting the Pie into Smaller Pieces: Matching Grants and Relief in the Maritime Provinces during the 1930s”, in Challenging the Regional Stereotype: Essays on the 20th Century Maritimes (Fredericton: Acadiensis Press, 1989) 154.

⁶⁵ Neatby 327.

⁶⁶ Louis St. Laurent to Bennett (July 29, 1930) Bennett Papers. 129743.

⁶⁷ John Baxter to Bennett (July 29, 1930) Bennett Papers. 129550.

person. From 1911 to 1930, Bennett developed an increasingly more complex, and potent, political philosophy. Old themes – most notably the tariff and the call for increased imperial ties – were still as cherished as they were in 1911, yet they were complemented by a host of ideas designed to re-invent the meaning of Canadian conservatism. As he developed his political style, Bennett developed some very real contradictions, yet somehow maintained an intriguing balance. As an ambitious backbencher, he called for Senate reform, only to ask for a Senate appointment some years later. As a corporate lawyer, he served both the Royal Bank and the CPR, yet as a member of Parliament he was anxious to serve his constituents in advancing legislation that occasionally hampered the profit-making ability of his corporate employers. Bennett was a firm believer in the National Policy, yet actually seemed closer to the farmer than to the National Policy labourer. As a Conservative well-versed in the legacy of the British Tory party, he had an organic view of society, but was considered a champion of popular rights by a Calgary muckraking journal. Some of his most prominent supporters were from the party establishment, yet he was described as a Tory of the Left. These inconsistencies would cause political trouble once Bennett was in office, but while he was in opposition Bennett could stay on an abiding principal message: that the Conservative Party, with its long history of achievements and armed with the Winnipeg platform, was uniquely positioned to adapt the ability of the Canadian state to the changing needs of the Canadian people.

And in 1930 that one message underlined the campaign. A Bennett ministry would involve a dynamic federal state, and would seek to “improve the situation” in ways that the one time backbencher could only dream of. From the moment he entered

⁶⁸ Unnamed voter to Bennett (July 29, 1930) Bennett Papers. 129450.

Parliament, Bennett had suggested a number of different government programs that depended on a dynamic federal state for their political success. In his mind, a dynamic federal state was needed to help the Canadian farmer, to re-build a war-torn nation, to protect the rights of the Canadian citizen from the interests of corporations, and, ultimately, to maintain the nation's sovereignty in a darkening international climate.

While Bennett's long apprenticeship in Parliament certainly re-enforced his belief in the importance of a dynamic federal state, and reflected a conservative understanding of the role of government developed by Bennett's predecessors, this understanding of history would not by itself be a solid basis for governing. In the months and years ahead, the new prime minister would have to tap into the ability of the Canadian conservative tradition to adapt when faced with new conditions and unique challenges. The impetus to adapt would certainly be present – as the 1930 election ushered in a new decade and a new government, R.B. Bennett's plans for a dynamic federal state would be tested and eventually transformed in ways considered unimaginable by previous prime ministers, as the Canadian state faced the worst economic crisis in its history.

“Canada First!”: State Protection and International Trade

“...next to a battle lost there is nothing quite as sad as a battle won. To my mind the saddest thing is a battle won. There are disappointments of hopes, there are changed conditions, there are other outlooks...”

– R.B. Bennett, speaking during the 1930 Special Session of Parliament, where his government substantially increased the tariff on foreign goods¹

For R.B. Bennett, the saddest thing about his government’s tariff policy was the battle won. In 1930, the victory was decisive, as Mackenzie King and his free trade principles were cast aside in favour of a policy of “Canada First!”. In 1931, as the casualties of the Depression continued to mount and the government’s tariff policy proved to be of little value to the Canadian farmer, the political victory of 1930 seemed to be of diminished relevance. By 1932, when, after two years of effort culminating with the Ottawa Conference, Bennett had successfully convinced the British government to adopt a policy of protection with preference given to Canadian products, any statements of victory in the battle to sell Canadian goods became cast as doubtful at best, and deceitful in the minds of his harshest critics. From 1930 to 1932, Bennett followed the policy of imperial integration and tariff protection that he had promised in his maiden Commons speech of 1911, and he remained faithful to the idea that if the new Commonwealth were to further bind itself together “it must be done through commercial means”. He maintained the policy of “Canada First!” that was pledged during the 1930 election, yet at the same time succeeded in accomplishing the steps towards increased imperial trade that

he had promised in a Guelph pre-election rally: “protection based upon preferences that are mutually beneficial to both”. He issued the imperial challenge in London in 1930 – “the time for action has come” were his words – only to witness, in Ottawa two summers later, his call to action turn into Commonwealth policy. Despite these consistent successes, Bennett’s continued policy of tariff protection and imperial trade had the feel, as the Depression reached its lowest ebb in the first quarter of 1933, of a battle lost and not a battle won.

This feeling of failure has also become the accepted wisdom. Of all the policies put forward by the Bennett administration, perhaps the most ridiculed has been its tariff policy. Arch Dale, the celebrated editorial cartoonist from the Winnipeg Free Press who was to lampoon Bennett for five years, reserved especially critical drawings for the prime minister’s policy of protection. In a commemorative book that was issued by the Free Press during the 1935 election. 23 of Arch Dale’s 80 cartoons showed the prime minister overwhelmed by his high-tariff rhetoric. In comparison, the Bennett New Deal, another of Dale’s favorite cartoon subjects, was in only 7 of the book’s sketches.² Ultimately, the most notable critics were the Canadian electorate, which had given Bennett a national mandate in 1930. Five years later, the regions which received little or no benefit from protection – most notably the Prairie west and the Maritimes – virtually abandoned the Conservative party, while a great majority of the 40 Tory seats elected were either in the industrialized heartland of Ontario or in the financial capital of English Montreal.

But did Bennett’s policy of invoking the state’s commercial power fail? And was Bennett in fact a committed protectionist? And why did Canadians reject Bennett’s

¹ Hansard (17th Parliament, Special Session) 602.

² Arch Dale, Five Years of R.B. Bennett (Winnipeg: Winnipeg Free Press, 1935)

national policy when Macdonald's reaped political benefits for decades? In examining these questions, it is important to understand Bennett's view of the tariff, and how Bennett came to understand that in the economy of the 1930s tariffs, no more than trade agreements, could shelter Canada from the storm.

As evident in previous chapters, the tariff was seen as the dominant tool of state development of the economy in the minds of both the Conservative party and R.B. Bennett. Yet the tariff also contained an economic cost, and by the 1930s (if not earlier) it had possibly greater utility as a political symbol than as a catalyst for economic development. The political benefits of a Canadian tariff were certainly not lost on Canada's first conservative leader. As Robert Craig Brown has noted in Canada's National Policy, "the Governments of Sir John Macdonald had shown more and more interest in self-assertion, in an economic nationalism with political ends called the National Policy".³ Bennett's enthusiasm for the tariff, exhibited in letters to Aitken and in his earliest addresses in the House of Commons, could arguably be traced back to his initial association with the Conservative party, since his first involvement in a national campaign was during the 1891 federal election and its defence of the National Policy. Bennett's political sympathy towards the policy may have been at least partly inherited; his grandfather named one of his ships the John Macdonald.⁴ Yet, as party leader, Bennett privately seemed to question the continued viability of the traditional National Policy, at least in its use as the tariff as an instrument of economic development. In a

³ Robert Craig Brown, Canada's National Policy: A Study in Canadian-American Relations (Princeton: Princeton University, 1964) 212-213.

⁴ Donald Smith, The Maritime Years of R.B. Bennett, 1870-1897 (UNB Fredericton: unpublished MA thesis, 1968) 35.

1929 letter Bennett wrote to Borden while still in opposition, he revealed that the tariff might in fact be promoting industrial inefficiency:

Sometimes I feel that our Canadian industries are not keeping pace with modern progress. There certainly should not be the wide spread there is between Canadian and American prices for the same commodity. A protective tariff was never intended to place a premium on inefficiency and certainly in some branches of our industrial life there is room for very great improvement.⁵

While Bennett may have had concerns over the tariff, he kept them private. In the 1930 election, his “Canada First!” appeal was enormously successful, and his government consequently turned to the tariff as a preliminary step in turning the recession around, just as Macdonald used the tariff in an effort to end the remaining effects of the 1870s recession. During the September 1930 sitting of the House of Commons, the new prime minister placed, as he had promised, much of the responsibility of the nation’s economic direction in the hands of his government. In the special session, Bennett, with all of the confidence he had earned through years of personal financial success and little more than a month of national political campaigning, committed his government to curing the nation of the combined ills of unemployment and unfair international trade – by using the state revenue to help relieve the increasing number of unemployed through a program of public works projects, and by ensuring that the state’s tariff was solid enough to maintain the employment of the legions of industrial workers within its protective walls. Besides the emergency relief measures, only two bills received royal assent during the government’s special session – *An Act to amend the*

⁵ Canada, Robert Laird Borden Papers [hereafter Borden Papers] (Ottawa: National Archives of Canada) NAC microfilm C-4426 146555. Bennett to Borden, April 15, 1929.

Customs Act and *An Act to amend the Customs Tariff* – and both were designed, in the words of Bennett, to “increase the number of men and women in...mills and factories”.⁶

As he had promised during the election, Bennett dramatically altered the direction of government policy. The tariff revision was so drastic that one historian has suggested that “never since the inauguration of the National Policy had there been such a sweeping change in the Canadian tariff system”.⁷ Through his tariff revisions during the special session of Parliament, and later changes in the 1931 budget, Bennett “gave the government wide powers to prosecute a tariff war with any country; conferred on it authority to impose a surtax of 33 1/3 per cent against imports from any foreign nation; conferred authority also to fix values for duty purposes, and to withdraw preferential rates”.⁸ By the middle of 1931 Maclean’s noted that “more than half of our total annual imports have already been brought under the Prime Minister’s fiscal policies,” and these policies, added the magazine, were sure to stay: “Mr. Bennett, the country can be sure, will go on...For good or ill, he is committing the country to the National Policy, with the tariff features of it underlined, and those who know him feel sure that he will go through to the end with his experiment”.⁹

For Bennett, the tariff revisions were a natural reaction for the state to take in a time of economic distress. With the advent of the Smoot-Hawley Act in the United States, a comprehensive tariff wall hindered the sale of Canadian manufactures and goods to the nation’s southern neighbour and most important trading partner, while very little prevented the American producer from dumping surplus goods on to the Canadian

⁶ Hansard (17th Parliament, Special Session) 239.

⁷ Edgar McInnis, Canada: A Political and Social History (New York: Holt, Rinehart & Winston, 1966) 442.

⁸ Maclean’s Magazine (August 1, 1931)

market. Furthermore, the introduction of a new five-year plan in the Soviet Union (in which foreign currency generation was to be met through foreign trade regardless of domestic needs) spilled ever-increasing amounts of Russian wheat on to world markets, severely distorting the global price. With these world conditions on his mind, Bennett defended his tariff proposals by stating that they were not, as his critics suggested, an attempt to build a protective wall just for the sake of the Canadian manufacturing interests. The prime minister repeatedly argued instead that the tariff was for the well-being of the Canadian worker, as Macdonald had once successfully argued, and Bennett highlighted this sense of 'tory democracy' in introducing his first round of tariff revisions:

It is not for the purpose of protection that the tariff is being re-vised today...but if that term is being used to designate what we, during the election, indicated that it did mean, namely, the giving of Canadians an *equality of opportunity* with others who are building up their country to enable us to build up our Dominion, and to give fair competition to the worker in Canada, be it man or woman, then it is protection that we propose.⁹

While the rhetoric put forward in 1930 and again in 1931 was remarkably similar to that which the Conservatives had enunciated in 1879 and in 1891, the Canadian economy had undergone a significant transformation in the period since then. A great number of Canada's manufacturing industries were still in their infancy in 1891, but a majority had in fact grown mature by the late 1920s, a process accelerated by a series of consolidations that favoured the high-density population of central Canada over other centres seeking industrialization, most notably Atlantic Canada. In his tariff increases, Bennett hoped to help redress this imbalance. Hence his promise of a National Fuel Policy, which would have favoured Atlantic coal over its American competitor. Bennett

⁹ Ibid.

was also willing to use the tariff to help those regions which received no direct benefit from protection, including the Prairie provinces, a region whose ambivalence towards the tariff had upset Canada's two party system almost a decade earlier.

In a nutshell, Bennett desired to use the tariff as a bargaining chip – to 'blast his way into the markets of the world' – but also, in the process, to help those who had previously received little benefit under the National Policy. The first, and most obvious, market to target after the United States had adopted a strict policy of protection on both manufactured and natural goods was the British Empire. In pursuing such a market, Bennett was not only fulfilling a dream of increased economic ties within the Empire that he had first stated as a backbencher, but maintaining a pledge to hold an Imperial Economic Conference if he were elected prime minister. The goal of increased imperial trade did not, as some critics suggested, run contrary to the National Policy. Many Conservatives had advocated this policy under Macdonald to counter the Liberals' plank of unrestricted reciprocity with the Americans. As Brown has noted, Conservatives in the 1890s (the decade Bennett first participated in party activities) saw the imperial preference as a supplement, and not a substitute for, the National Policy. This supplement had plenty of appeal to Bennett, who had made such formidable gains for the Conservatives in the Prairies. The chief benefit of imperial preference, as Brown described in Canada's National Policy, "would be to the farmers as the National Policy's chief benefit was to be industrialists".¹¹

It was while he was in London at the 1930 Imperial Conference that Bennett further explained his expectations for the Ottawa Economic Conference. He did this while delivering a radio address for the BBC, in which he outlined a vision of imperial

economic integration that relied more on a rational belief in the benefits of mutual reciprocity than any emphasis on imperial sentiment. The speech was blunt – very much his style – and echoed some of his earlier opinions made during the Canadian summer election, in which he called for binding and effective benefits as part of any economic relationship within the Empire. It was, he would frankly admit, a departure from the positions of earlier imperial statesmen. But the Dominions, particularly Canada, had moved away from an earlier Empire.

For Bennett, mutual generosity – via some sort of imperial economic integration – was the most desirable glue for the British Empire. There is evidence that Bennett hoped for such an outcome at the end of the First World War, for in the middle of 1916 he wrote Beaverbrook: “unless as the result of this war we can consolidate this Empire it will indeed have been in vain...we might win a war and lose an Empire”.¹² The Imperial War cabinet and the initial post-war imperial conferences had successfully promoted that ideal of binding Commonwealth links – at least on the political level – but adventures like the Chanak affair had caused such dreams to falter. Fourteen years after his letter to Beaverbrook, and eight years after his colleague, Arthur Meighen, saw his political fortunes fall apart with the same alacrity as imperial solidarity in light of Chanak, Bennett was prepared to pick up the torch again. Common imperial foreign policy, an idea that Bennett once entertained, through the concept of a loyal and federated empire concerned with “common interests, common traditions, and above all common responsibilities and obligations”, was no longer the desired principal link.¹³ Bennett was instead interested in the very economic ties he hoped to guarantee at Ottawa, as he felt that an ever-increasing

¹¹ Brown 155.

¹² Max Aitken [Lord Beaverbrook], *Friends* (London: Heinemann, 1959) 136.

and mutually beneficial flow of trade would do more service to the Empire than a common foreign policy towards a nation like the Soviet Union (which was, of course, virtually impossible, since Russian wheat and beef was damaging the trade balance of both Australia and Canada). These economic ties would, according to the Canadian prime minister, result from the formula he advanced at the 1930 Conference; a formula designed to increase the “reciprocal trade preferences [which] were absolutely essential for the preservation and maintenance of the economic life of our empire”.¹⁴

Bennett used a BBC radio address in November of 1930 to defend a controversial preferential formula (creating an imperial preference through the raising of the tariff on non-Empire nations by 10 per cent) that he had advanced in the 1930 Conference. The formula was one in which, despite the later labelling of it as “humbug” from a British cabinet minister, Bennett had hoped to find some sympathy from the British audience. His defence was based on his reasoning that for any imperial economic arrangement to work, it would have to have benefits for both the senior nation of the Commonwealth and all of the Dominions. Bennett began his BBC address by stating what any agreement should *not* have as its principal foundation:

I may, however, state my view, that any agreement based on sentiment alone, cannot be a permanent one. If I ask this country to buy our Canadian wheat, which we must and will sell, in the highest and most stable market, and give you nothing but thanks in exchange for this practical service, you would soon tire of it. Similarly, if Canada gave you a preference for your goods in her market and got nothing but your acknowledgement of this preference in return, I fear it could not long continue. But if there is an agreement, inspired by sentiment, and buttressed by definite, and lasting and mutual advantages, then it will not fail, for it will be our common wish, and for the benefit of each and all, to support and sustain it.¹⁵

¹³ Aitken 30.

¹⁴ Hansard (17th Parliament, Second Session) 62.

¹⁵ Canada, Richard Bedford Bennett Papers [hereafter Bennett Papers] (Ottawa: National Archives of Canada) 100082. Text of BBC address delivered by Bennett (November

He then defended the highly protectionist formula of his imperial preference, by presumably appealing to the rising number of unemployed workers among British industries:

We would, as an initial step, safeguard our home markets and thus reduce to a minimum unemployment. We would then soil foreign ones, [with] the excess of our products over home consumption...The empire market would give us the necessary degree of production to meet world competition and recapture foreign markets.¹⁶

Predictably, the British cabinet, largely made up of free traders, rejected Bennett's demand, but the Canadian prime minister was patient. He had secured an agreement to hold the Imperial Economic Conference in Ottawa as soon as possible before he left London, and was now prepared to wait for the British government to come to him. To add some pressure, Bennett suggested that Canada would gladly take its goods elsewhere, stating: "if her [Canada's] proposal is to be thus contemptuously rejected...Canadians can only accept the rejection and act accordingly by embracing other means at hand of furthering their economic position in the world."¹⁷

When a new government was formed in Britain in the months surrounding the devaluation of the pound and the financial crisis that followed this, Bennett again called upon the nations of the British Empire to meet in Ottawa. The subsequent conference, which was held in Ottawa in the hot summer months of 1932, represents Bennett's largest contribution to the easing of global tariffs, and remains one of the most scrutinized events in his administration. Historiographically, the conference has generally not been seen as his finest hour. The verdict of some very prominent historians who have examined the

1930).

¹⁶ Ibid.

¹⁷ H. Blair Neatby, William Lyon Mackenzie King: The Lonely Heights, 1924-32

Ottawa conference have been less than favourable. Donald Creighton, who shared some of Bennett's ideas of a viable and independent Canada playing an important role within the British Commonwealth, wrote that once the summit ended "the results of four weeks of hard and somewhat acrimonious bargaining were meagre".¹⁸ W.L. Morton suggested that the proposals brought forward by the Canadian delegation, in particular its calls for imperial preference, were based on "a concept as heroic in scope as in its disregard of economic realities and political possibilities"; the end result was that the Conference "was a formal success and a moral failure".¹⁹ In Right Honourable Men Michael Bliss argued that, as a result of the 1932 Imperial Conference, any later attempt at a significant Commonwealth economic partnership "gurgled down the drain of history".²⁰

The conference participants were even less kind. The head of the British delegation, Stanley Baldwin, complained that during the negotiations "Bennett had a brainstorm every day which wiped out what he had agreed to the day before".²¹ Malcolm Macdonald, another member of the British delegation, told Lester Pearson, a young member of the Canadian foreign service and a press officer at the conference, "that another imperial conference like this would end the Commonwealth".²² Neville Chamberlain, then the British Chancellor of the Exchequer, wrote on August 20th, 1932, in his diary:

...most of our difficulties centred around the personality of Bennett. Full of high Imperial sentiments, he has done little to put them into practice. Instead of guiding the conference in his capacity as chairman, he has acted merely as the

(London: Meuthen & Co., 1963) 353.

¹⁸ Donald Creighton, Canada's First Century (Toronto: Macmillan, 1970) 204.

¹⁹ W.L. Morton, The Kingdom of Canada (Toronto: McClelland & Stewart, 1963) 460.

²⁰ Micheal Bliss, Right Honourable Men (Toronto: Harper Collins, 1994) 114.

²¹ Gordon Donaldson, Sixteen Men (Toronto: Doubleday, 1980) 139.

²² Lester B. Pearson, Mike: The Memoirs of the Rt. Hon. Lester B. Pearson, Volume 1 (Toronto: University of Toronto Press, 1972) 78.

leader of the Canadian delegation. In that capacity he has strained our patience to the limit.²³

In economic terms, judgements have to be backed up by statistical data, and the proceedings of the conference and its resulting Ottawa accords have undergone a fair deal of financial analysis that puts the bruised political egos in perspective. While the Ottawa accords could not possibly have hoped to match up with the rhetoric that the ever-confident Bennett put forward from 1930 to 1932, they did seem to at least partially achieve the prime minister's stated objective of increasing imperial trade. In relative terms, trade between Britain and Canada has been diminishing throughout most of this century, and as economists William Marr and Donald Paterson have noted, "...by the 1920s, the British share of the Canadian market for imported goods fell again. Only between 1929 and 1933 was this trend again reversed and then as a result of wider preferential margins for British goods as Canada retaliated against U.S. tariff increases and negotiated with Britain and the dominions for more intra-Empire trade".²⁴ For the six years after the conference "the proportion of Canada's exports that went to Britain rose from 28 to 38 percent, and for the Empire as a whole the increase was from 36 to 48 percent".²⁵ While "the United Kingdom had bought 29 per cent of her imports from the Empire in 1930, she derived 40 per cent from this source in 1938".²⁶ If these numbers carry any weight as evidence, they suggest that while the bargaining may have been too tough for some imperial delegates to handle, the economic results seem to justify the late night haggling. A similar conclusion has been made by two historians who have looked at

²³ Keith Feiling, The Life of Neville Chamberlain (London: Macmillan, 1946) 215.

²⁴ William L. Marr and Donald G. Paterson, Canada: An Economic History (Toronto: MacMillan, 1980) 388.

²⁵ McInnis 445.

²⁶ Walter M. Stern, Britain: Yesterday and Today (London: Longmans, 1962) 176.

the Ottawa agreements, if only from an economic perspective. Ian Drummond and Norman Hillmer, in their research on the 1932 Conference, concluded that “the Ottawa Agreements of 1932, which had enormously extended and strengthened the system of imperial preferential tariffs, were of considerable importance for Canada’s trade”.²⁷

The reality was that Bennett was a very tough negotiator. In the Ottawa accords, Bennett kept Canadian industry protected, while earning British preferences for Canadian foodstuffs. The British government was rather disillusioned with the whole affair, as not only Canada but other Commonwealth nations (most notably Australia) were keen hagglers. While Britain may have been offended by Bennett’s tactics, he did not seem bothered. He had to sell Canadian wheat and other goods, yet he was determined to protect Canadian manufactures. This policy is evident upon examination of the various trade agreements that the Bennett government signed during its five years in office. The great majority of nations Bennett dealt with sold goods that would complement those found in the Canadian economy, and not compete with them. Nations with similar output, most notably Russia, were faced with steep tariffs, if not outright prohibition. Very few heavily industrialized countries were approached. Brazil, Australia, and New Zealand all signed treaties with Canada early on in the administration. The majority of the Ottawa Accords were signed in 1932, forming or expanding existing trade relationships with the United Kingdom, the Irish Free State, South Africa, India and Southern Rhodesia. In 1933, as Canada endured its worst months of Depression, the Bennett government became less selective in finding trade partners, signing treaties with industrialized countries like France, Germany and exploring a new arrangement with the United States.

²⁷ Ian Drummond and Norman Hillmer, Negotiating Freer Trade (Waterloo: Wilfrid Laurier University Press, 1989) 15.

Other nations that Bennett signed agreements with included Guatemala, Bolivia, Costa Rica, Haiti, Panama, Poland, Hong Kong and Austria.²⁸

The above agreements at least partially negate the argument that Bennett was a blind believer in protection, unwilling to let imports come in to Canada. His 1930 and 1931 tariff increases were established because Canada's largest trading partner, the United States, had put up a series of protective measures. This was in many ways the same strategy taken by previous prime ministers. That their governments, most notably Macdonald's, had greater success does not diminish Bennett's efforts, but instead underlines the fact that in the 1930s, with falling currencies and a similar decrease in the value of international staples, the tariff was becoming a less effective tool of the federal state. Like his predecessors, most notably Laurier, Bennett was willing to adapt his trade policy as conditions warranted. Once a new administration in the United States signalled a change in policy, the Bennett government proved responsive. Although it was King, and not Bennett, who signed the 1935 trade agreement between Canada and the United States, a good deal of earlier effort towards trade liberalization had in fact been undertaken by the Conservatives. The speed with which the 1935 trade agreement was concluded, a feat applauded by many contemporary observers, simply suggests that King may not have been as persistent or tough a negotiator in trade matters as Bennett.

Was Bennett's policy of protection a failure? The answer is obvious when comparing the reality of the tariff with the rhetoric of the 1930 election, and it is not surprising that a great number of Canadians seemed to sympathize with Arch Dale's unflattering caricatures by 1935. A closer examination of 1930s employment and income levels, however, suggests that the Bennett tariff produced more complex results than

²⁸ Parliament of Canada, Acts. (1930-35)

indicated in Dale's cartoons. While Bennett's tariff policies did not create their desired effect of creating employment for all, they do appear to have at least partially protected Canada's industrial regions from the worst effects of the Depression. While every province faced a steep decline in per-capita incomes during the period from 1929 to 1933, those who could readily benefit from protective tariffs, often did better. Although the percentage decline in incomes in Ontario and Quebec were painful at 44 per cent, they pale in comparison with the 72 per cent decline in Saskatchewan, a province that had little to benefit from tariffs.²⁹ The dramatic decrease in the nation's economic performance simply overwhelmed any effect that the tariff might have had, but there is anecdotal evidence that suggests it helped bring about some business activity. In August of 1931, the Financial Post reported that "it is quite clear that nearly 90 manufacturing establishments have been launched, all of them – the government contends – as a result of the Bennett tariff policies".³⁰ While such headlines would have brought little comfort for the Prairie farmer, they nonetheless would have been keenly appreciated by those urban workers whose continued livelihood depended on the tariff.

Considering that the headlines spoke of less than a hundred new manufacturing facilities, and not the thousands of factories wildly imagined by the anxious electorate in 1930, the question becomes apparent: why did Bennett's policy of protection fail to deliver on the hope of the 1930 campaign? There are in fact a number of reasons. Principal among them is the fact that Canada had already made major investments in manufacturing capacity during the 1920s. A state policy of protection, which would have encouraged the establishment of branch plants, was of little effectiveness when

²⁹ John Herd Thompson and Allen Seager, Canada 1922-1939: Decades of Discord (Toronto: McClelland and Stewart, 1985) 351.

investment was destined to contract. New technologies in expanding industries like pulp and paper allowed substantial investment to have already taken place in the 1920s, without the added stimulus of a federal tariff. By the 1930s, this industry, like a number of others, had little room for further growth and plenty of unused capacity, and tariff adjustments proved to be of little value in reversing this trend. Just how severe the contraction in investment was is evident in E.A. Safarian's study of the Canadian economy during the Depression. Safarian has noted that "Between 1929 and the low point in 1933 GNE [gross national expenditure] fell by 42 per cent in current dollars. The sharpest percentage change was in domestic investment, which fell to 11 per cent of the 1929 level".³¹ Furthermore, the tariffs could not escape the overall depreciation of the global currency markets. This effectively rendered fixed tariff duties useless, and caused Bennett to increase customs regulations and use other methods to prevent the dumping of international goods.

Lastly, it is important to recognize that the Canadian economy was extremely vulnerable to world economic conditions at the start of the decade. The nation's wheat exports had supported much of the financial surplus of the late 1920s, but now that a number of international markets (principally the United States) were closed, something else had to cover the deficits of the 1930s. Bennett had wagered that strong industrial production and the exploitation of domestic resources would help close the financial shortfall, but the staggering weight of recession during his first three years in office dampened such hopes. Throughout the Depression, the traditional state policy of the tariff – Bennett's election pledges notwithstanding – could not really do anything for the

³⁰ The Financial Post (November 14, 1931)

³¹ A.E. Safarian, The Canadian Economy in the Great Depression (Ottawa: Carleton

Canadian farmer, and it was barely helping minimize the effects of the economic slump in industrialized areas. Trade agreements that were undertaken to sell Canadian wheat and other natural goods met with a degree of success after the Ottawa accords, yet any increased volume in trade was more than offset by the collapsing prices of virtually every farm product from 1929 to 1933. During the first three years of Bennett's time in office, the protection of the market for manufactured goods through the tariff proved to be as ineffective in solving the economic woes of the Depression as the expansion of the market of natural products through trade agreements. During the next two years, both policies showed some signs of working, as employment slowly increased and farm incomes, bolstered by guaranteed markets, started to rebound. Yet both policies, as Larry Glassford has noted in Reaction and Reform, would be of secondary interest to Bennett during his final two years in office, as he sought other ways for the state to assist both the farmer and the urban worker.

For the nationalist Bennett, the failure of the tariffs to create employment seriously undermined his government, just as the failure of the trade agreements to live up to the rhetoric so grandly displayed at Ottawa did little to fulfill Bennett's pledges to the Canadian farmer. It would be unfair, however, to suggest that once these policies did not have immediate fruition, the prime minister simply gave up and started handing out British titles (as more than one Arch Dale cartoon had suggested). As Peter Waite has noted, one of the greatest traits of Macdonald was his ability to abandon any policy that seemed outdated, and Bennett appeared to take this course over the tariff. While Bennett maintained his tariff policy and continued to pursue trade agreements favourable to Canadian farmers, he recognized soon after the Ottawa accords that more dynamic

policies were needed. The economic decline that occurred during Bennett's first three years in office did not discourage him from further state intervention (although it did cause him a good deal of anxiety about state finances). As the 1930s unfolded, the growing complexity of international trade and the maturation of Canadian industry had challenged the potential effectiveness of any re-application of Macdonald's National Policy, and made one of the federal state's most dynamic tools for intervention less powerful. While the tariff proved ineffective as an instrument of state activity, the depth of the economic crisis meant that the federal state could not afford to be inactive. Bennett had promised Canadian farmers and urban workers that his government would undertake a degree of responsibility for their welfare, and when the traditional tools of the state could not provide an equality of opportunity, other ideas were needed. As the Depression continued, it seemed obvious to Bennett that new tools were required if the federal state were to ever again be dynamic.

**“The air...for the use of the people”:
The Canadian Radio Broadcasting Commission**

I do not know how the committee feels about the matter, but the more I see of it and know of it, the more determined I would be, if I were here, that I should not yield this facility to any private enterprise. That is my firm conclusion with respect to the matter. I say that very strongly, and the more I see of the matter, the more convinced I am.

– R.B. Bennett, defending his Radio Commission in the House of Commons during the last year of his Government.¹

Of all the legislative initiatives undertaken by the Bennett government, the establishment of national radio broadcasting – through the passing of the 1932 Radio Broadcasting Act and the subsequent creation of the Canadian Radio Broadcasting Commission – is perhaps one of the most richly documented. A number of books and biographical sketches have outlined the story of the institution’s birth as a result of the campaigns of the Canadian Radio League, and subsequent transformation as a result of a complete remodeling undertaken by the re-elected government of Mackenzie King. A few of the most notable players in the history of early Canadian radio have written very useful retrospectives. Among them are E. Austin Weir, one of the pioneers of Canadian radio through his involvement with the Canadian National Railway radio network, and Hector Charlesworth, the first and only person placed in charge of the short-lived CRBC. Added to these reflections are two solid biographies of the principal architects of the Canadian Radio League – Graham Spry and Alan Plaunt. All of these books provide the

¹ Canada, Official Report of the Debates of the House of Commons [hereafter Hansard] (Ottawa: 17th Parliament, June 6, 1935) 3347.

historian with a comprehensive understanding of the motivations behind the creation of national radio in the middle of the Depression, and of the political and financial pressures that have plagued the government-owned enterprise (evolving into the CBC after 1936) throughout its history. Curiously, the central figure in the political decisions and legislative actions that gave birth to national radio has, in the past, received relatively little credit for the accomplishment and is a secondary character in most of the books. This is unfortunate, for, as Prime Minister, R.B. Bennett arguably faced more criticisms, overcame more challenges, and built a more lasting foundation for future policies on public broadcasting in his support for national radio than had any government leader either before or since.

Such a statement may seem extraordinary, considering the short and turbulent life of the Canadian Radio Broadcasting Commission and the much greater success of its successor, the Canadian Broadcasting Corporation. It nonetheless echoes the sentiments of many of the architects of national radio from that era. After the third reading of the 1932 Radio Act, Alan Plaunt, secretary of the Canadian Radio League, wrote: “This implies the creation of a Canadian National Broadcasting System and may well prove one of the [most] important incidents in our national life since Confederation”.² E. Austin Weir, who was in fact treated rather poorly by the Commission after the government body purchased the pioneering CNR network, still recognized the importance of the government body some decades after its creation. “The Canadian Broadcasting Act became law on May 26, 1932,” Wier wrote in 1965. “It was easily the most significant and far-reaching accomplishment of Bennett’s five years in office, though he may not

² Michael Nolan, Foundations: Alan Plaunt and the Early Days of CBC Radio (Toronto: CBC Enterprises, 1986) 93.

have thought so at the time”.³ Hector Charlesworth, who was editor of Saturday Night before serving as Chairman of the CRBC, wrote of Bennett’s critical role in the institution’s birth some years after his dismissal: “The facts of the situation were there...nationalized radio had been brought into being largely by the Prime Minister’s personal initiative, against a cabinet, partly hostile and partly indifferent, and a caucus somewhat of the same frame of mind”.⁴

Given such tributes from those whose authority on the subject of radio was certainly unquestioned (not all of their praise was lasting, as both Spry and Plaunt of the Canadian Radio League would later criticize Bennett and the CRBC), why then has Bennett’s role been minimized in so many histories? There are in fact a number of answers to this question, principal among them was that the Canadian Radio League successfully dominated the public discussion over nationalized radio to such an extent that other characters – even prime ministers – can at first glance seem secondary as formative influences. Although the League was in reality a brain-trust of only a handful of people, its public membership included groups as divergent in interests as the Canadian Legion, the Trades and Labour Congress, the Royal Society of Canada, and the International Order of Daughters of the Empire. The influence of the League was therefore not lost on the government. In fact, Bennett seemed to encourage their activities and their public agitation, as well as their excellent legal arguments on the subject of radio broadcasting in front of the Judicial Committee of the Privy Council. The League’s initiatives certainly merit recognition as an instrumental force in the campaign for radio

³ E. Austin Weir, The Struggle for National Broadcasting in Canada (Toronto: McClelland and Stewart, 1965) 135.

⁴ Hector Charlesworth, I’m Telling You: Being the Further Candid Chronicles of Hector Charlesworth (Toronto: MacMillan, 1937) 54.

nationalization. Bennett himself recognized this, and after the 1932 parliamentary committee investigating radio in large part endorsed the plan of the Canadian Radio League, the prime minister through lavish praise on Graham Spry, the chair of the League, by telling him that “it may well be, Graham, that you have saved Canada for the British Commonwealth”.⁵

Another reason why Bennett’s role seems diminished in most histories of national radio is because his creation, the Canadian Radio Broadcasting Commission, was in many ways an imperfect creature. It was given legislative birth in the early summer of 1932, just as Bennett was spending a good deal of his time preparing for one of the most important moments of his administration – the Ottawa Imperial Economic Conference. As a result of Bennett’s distractions, the Radio Broadcasting Act that came through Parliament did not benefit as readily from the prime minister’s celebrated legal mind as might have otherwise been the case, and the Commission was almost immediately plagued with difficulties inherent in its own legislation. After the conference was finished, Bennett returned his attention to the CRBC, but more pressing problems – specifically, the fact that his administration was at the time enduring the grimmest months of economic activity in the Depression – forced the prime minister, who was often reluctant to delegate, to deal with the radio question only sporadically until the end of his term. While criticisms that the CRBC did not turn out to be the public institution that many had hoped are certainly justifiable, any such criticisms could arguably be countered with the defence that had it not been for Bennett, no national radio would have existed in the early 1930s at all. The 1929 Aird Commission obviously tipped the

⁵ Rose Potvin, ed., Passion and Conviction: The Letters of Graham Spry (Regina: University of Regina Press, 1992) 84.

government's hand through its endorsement of state intervention, but a great number of reasonable recommendations made by Canadian royal commissions have languished as a result of government inaction. The fact that the Aird recommendations did not languish, but were turned into government legislation, can in large part be attributed to R.B. Bennett's personal commitment to public radio.

This argument, if it had been put forward in 1930, would have received little support among those who favoured state intervention in radio. As leader of the opposition R.B. Bennett did not speak often about radio, and it was assumed that his many business interests would predispose him towards a radio policy that would maintain the libertarian status quo – one that saw the majority of Canadian radio stations, with the notable exception of the pioneering Canadian National Railway radio network, either link up directly with American networks, or be overwhelmed by the more powerful American signals. For those who looked for an indication as to where Bennett's interests may have been, there was a troubling sign in February of 1930. The CPR, under the direction of President E.W. Beatty, a friend and former associate of Bennett's, announced that it was going to enter radio broadcasting. This announcement further undermined the chances of the 1929 Aird Report on Radio Broadcasting, and its recommendations for significant state intervention in the airwaves, of ever being translated into government policy.

Beatty was quite direct in explaining his reasons for entering radio. "I am assuming that if the government can be assured that a sufficient number of...corporations maintains a high standard of entertainment," said Beatty, as reported in the Toronto Telegram, "the government will not be so anxious to control all broadcastings".⁶ Donald

⁶ cited in Frank Peers, The Politics of Canadian Broadcasting (Toronto: University of Toronto Press, 1969) 60.

Manson, secretary to the Aird Commission, was concerned about opposition to its recommendations even before the CPR announced its interest in radio, and the effect of such opposition on the federal government's resolve. Writing to Sir John Aird in December of 1929, Manson gloomily noted: "Nothing further has been done with regard to the Report of the Radio Commission up to this date. There is, however, a fair amount of propaganda by various persons and firms against the Commission's recommendations".⁷

While a number of significant business interests (most notably the CPR, followed by some vocal private radio stations in Toronto) opposed government intervention, it was perhaps the campaigns of the Montreal La Presse and Mackenzie King's constant fear of offending Quebec's political sensitivities over jurisdiction that inhibited any government legislation on radio in 1930. King, who was already in conflict with the provincial Liberal government in Quebec over the development of the St. Lawrence River, was characteristically hesitant to launch the federal government into radio, although a draft bill was written before the 1930 election. Bennett addressed this hesitation in his reply to the 1930 Speech from the Throne, but instead of giving any clear indication where he stood (something many radio supporters were hoping for), the leader of the opposition turned the radio issue into yet another example of how the Mackenzie King government was not working for Canadians:

There are references in the Speech from the Throne to several commissions. Two years ago we were told we were to have a radio commission. Last year we were to told the commission was unable to report before the House rose. We then received a report, which I think was tabled today. Will the members be good enough to look at the language from the Speech from the Throne? It does not state that a bill

⁷ Donald Manson to Sir John Aird.(December 30, 1929) National Archives of Canada. Archives of the Royal Commission on Radio Broadcasting. [hereafter Aird Commission Archives] RG 33-14, Volume 2.

giving effect to the recommendations of the commission will be prepared and presented to this House. It merely says a report will be presented for consideration, without to any statement as to whether legislation will be framed upon it. What is the opinion of the government? It is their responsibility, not ours...In the Speech from the Throne, when they dealt with matters in days gone by, governments have said that appropriate legislation based upon the findings of such commissions would be introduced. We have no such thing here.⁸

It seemed apparent, then, that if R.B. Bennett were to form the next government, he would enact legislation in response to the recommendations of the Aird Commission. But would a Bennett government in fact agree with these recommendations? Supporters of nationalized radio were hedging their bets. To increase the odds, two men who would ultimately be the most trusted advisors to Bennett throughout his administration, were contacted by the radio enthusiasts who formed the core of the Canadian Radio League. The two advisors were R.K. Finlayson, a Winnipeg lawyer who would become a principal secretary to Bennett in 1932, and Bill Herridge, who was in 1930 simply a trusted confidant, but later became a brother-in-law and minister to Washington. Their interest in radio was never in doubt, and their influence was seen to be critical in the campaign for nationalized radio. Herridge, who had at one time been considered as a possible member of the Aird Commission, was perhaps the most influential. Aird Commissioner Charles Bowman later recalled that “He contributed much toward Prime Minister Bennett’s decision to bring down the necessary legislation to establish national broadcasting.” Finlayson, who sat on the executive of the Canadian Radio League upon its formation, also made sure to apply pressure to the prime minister; he later recalled that “[I] worked Bennett up to such a pitch of fear about American domination [I thought] the old man would call out the troops”.⁹

⁸ Hansard (Ottawa: 16th Parliament, February 24, 1930) 24.

⁹ Knowlton Nash, The Microphone Wars: A History of Triumph and Betrayal at the CBC

While support from within the corridors of power no doubt assisted the Canadian Radio League in its efforts to influence the prime minister, it also seems obvious that Bennett, given his past political history and his earlier squabbling with Meighen over the CNR, was not prepared to endorse a particular policy unless he was already comfortable with it. While supporters of national radio may have felt that Bennett needed a push before he endorsed their goals, the logic and emotion of their argument was in fact a natural extension of certain aspects of his own political philosophy. As his early years in Parliament indicated, Bennett was not afraid to use the power of the state in the interests of its citizens, and his recent electoral triumph featured an economic nationalism that was not very different from the Canadian Radio League's own cultural nationalism. Indeed, the Aird Report's proposition that "Canadian radio listeners want Canadian broadcasting" was remarkably similar to Bennett's belief that Canadian consumers want – and should get – Canadian-made goods whenever and wherever possible.¹⁰ Tariffs could not prevent radio-signals from transmitting northwards, but with nationalized radio, Bennett could implement his policy of "Canada First!" in yet another industry challenged by American competition.

The sympathies of Bennett became apparent almost immediately after he assumed office, in his response to an urgent request from Graham Spry. While Bennett was in London to attend the 1930 Imperial Conference, Spry, who would, along with Alan Plaunt, form the Canadian Radio League in October of that year, cabled Herridge, who was accompanying Bennett during the session. The purpose of the telegram, as Spry

(Toronto: McClelland and Stewart, 1994) 54-82. For a history rich in anecdotes, read Chapters One to Four.

¹⁰ Peers 44.

explained to Herridge, was to encourage the prime minister to investigate the radio question:

Whether the examination of the situation be thorough or cursory, the inevitable and palpable conclusion is that Canada is falling increasingly under American radio influences. To stop that increase is a sufficient objective, but to create a radio broadcasting system which can draw the different parts of Canada together, which can use the air not only for indirect advertising but more essentially for educational and public purposes, is one, I am sure, in which the Prime Minister will be instantly interested. If he is not already interested, would you not, considering the importance to Canadian development of preserving the Canadian air for Canadians, assist to the extent of interesting Mr. Bennett in this subject?¹¹

Bennett's response to Spry came in the form of a cable sent to the cabinet back in Ottawa, ordering that "under no circumstances were any [radio] licences to be granted at the present time".¹² This order effectively halted the development of commercial radio in the country, and also gave the government time to prepare a proper radio policy for 1931. That Bennett wanted to be intimately involved with the development of any policy was clear in a terse letter he wrote to Alfred Duranleau, his minister responsible for radio, in the late winter of 1931: "I would like to discuss the whole radio situation with you before any change whatever is made".¹³

In February of 1931, the Quebec government challenged the federal government's right to legislate in the field of radio, re-asserting old jurisdictional grievances. Bennett, whose lack of political understanding of Quebec in comparison to Mackenzie King was compensated by a sharper legal mind, was willing to allow the courts decide. This process took the question of radio to the Supreme Court, and later to the Judicial Committee of the Privy Council in London. While the decision of the Privy Council

¹¹ Potvin 70-71.

¹² Peers 65.

¹³ Bennett to Duranleau. (Mach 14, 1931) National Archives of Canada. Richard Bedford Bennett Papers. [hereafter Bennett papers] microfilm, reel M-1289 360641.

would ultimately be favourable to the Bennett government, thereby providing a legal grounding for further state intervention, the process delayed any action on radio for another year. Undaunted, the Canadian Radio League kept up its publicity campaign, and Bennett, in fulfilling his election promises, provided an indication that his government remained close to the nationalist impulses of Canadian radio enthusiasts.

It was in his discussion of the tariff that Bennett revealed that a state policy of protection could derive more than just economic benefits, particularly in the field of cultural policy. This was evident in magazines, and in July of 1931 Bennett proposed a complicated system of increasing duties on foreign periodicals, based on the advertising content in each issue. The measure, like most other tariff measures put forward that session, was obviously directed at the United States, which sold a weekly average of 1,400,000 magazines and periodicals in Canada. Unlike most other tariff measures, however, the protection of magazines was based on as much of a cultural argument as an economic one. A number of 'high-brow' magazines would be exempt (these included a number of scientific journals, farmer, church and labour periodicals, and monthly reviews, all deriving little revenue from advertising) while major commercial ventures, produced in the United States, but sold in Canada and including a number of advertisements from companies with a base in Canada, would face tariffs. The proposal, Bennett assured the House, would not isolate the nation from the latest in international thought. Instead, Bennett stated, the tariff would have the complimentary "effect of stimulating the demand for the product of the mind and thought of Canadians".¹⁴ While his argument was predicated on magazines, the logic behind it could easily be transferred to the question of radio.

In the courts, Bennett's government presented a solid legal defence of its claim that the federal Parliament had a right to legislate in the field of radio, but its case was bolstered immeasurably by the arguments of Brooke Claxton, a bright young lawyer who presented briefs on behalf of the Canadian Radio League. In front of the Supreme Court, Claxton argued that "Broadcasting is not only inter-provincial but is international and requires international agreement. Such a matter is not a civil right in a province".¹⁵ The Supreme Court agreed, and when the Quebec government, supported by Ontario, appealed to the Judicial Committee in London, Spry cashed in some of his personal investments in order to pay for Claxton's trip to Canada's final court of appeal. The expense proved worthwhile, as Claxton used his time in front of the Committee to argue that the federal Parliament was mandated to legislate on the radio issue through its constitutional power to sign international treaties, as Canada had already done in 1927 when it joined seventy-nine other countries in signing the International Radio Telegraph Convention. When the Judicial Committee of the Privy Council delivered its verdict on the appeal on February 9, 1932, its decision was greatly influenced by Claxton's argument. The logic the Lords put forward in reaching their decision was that Canada, at the time of Confederation, would not have been able to legislate in the field of radio, even in the fulfillment of international treaty. Constitutional evolution, however, and the recent Statue of Westminster, had enhanced the ability of the federal Parliament. The ruling allowed the federal government to legislate in the field of radio, and presumably left the door open for future legislation ancillary to international agreements. As Viscount Dunedin explained:

¹⁴ Hansard (Ottawa: 17th Parliament, July 7, 1931) 3883.

¹⁵ Nolan 84.

Canada as a Dominion is one of the signatories to the [1927 Radio Telegraph] convention. In a question with foreign powers the persons who might infringe some of the stipulations in the convention would not be the Dominion of Canada as a whole but would be individual persons residing in Canada. These persons must so to speak be kept in order by legislation and the only legislation that can deal with them all at once is Dominion legislation. This idea of Canada as a Dominion being bound by a convention equivalent to a treaty with foreign powers was quite unthought of in 1867. It is the outcome of the gradual development of the position of Canada vis-à-vis to the mother country, Great Britain, which is found in these days expressed in the Statute of Westminster.

The responsibility outlined in the 1927 convention was that of the federal government's, Viscount Dunedin continued, even if such a responsibility was not specifically granted under the original constitution:

The Canadian body attended and took part in the deliberations. The deliberations ended in the convention with general regulations appended being signed at Washington on November 27, 1927, by the representatives of all the powers who had taken part in the conference, and this convention was ratified by the Canadian government on July 12, 1928. The result is in their Lordship's opinion clear. It is Canada as a whole which is amenable to other powers for the proper carrying out of the convention; and to prevent individuals in Canada infringing the stipulations of the convention it is necessary that the Dominion should pass legislation which should apply to all the dwellers in Canada...¹⁶

Having won the contest over jurisdiction, the federal government now had the right to legislate radio. But what form of legislation would the cabinet introduce, and when would it come about? Bennett wasted no time in answering these questions, as he rose in the House on February 16 (less than a week after the London decision), and announced the formation of a special parliamentary committee to study radio. In his address, he gave strong indications as to what the committee would call for in its report, for as Bennett explained:

It must be agreed that the present system of radio broadcasting is unsatisfactory. Canadians have the right to a system of broadcasting from Canadian sources equal in all respects to that of any other country. Such a scheme can be established only

¹⁶ cited in J.R.H. Wilbur, ed., The Bennett New Deal: Fraud or Portent? (Toronto: Copp Clark, 1968) 57.

after the most thorough inquiry and upon a program which will take several years to carry into effect. The enormous benefits of an adequate scheme of radio broadcasting controlled and operated by Canadians is abundantly plain. Properly employed, the radio can be made a most effective instrument in nation building, with an education value difficult to estimate.¹⁷

Fitting to his reputation as a man of action, Bennett then proposed that the committee be set up almost immediately. The prime minister told the House that the committee would “afford representatives of private interests and advocates of public ownership the fullest opportunity to place before it their several views” before it would “decide, in the light of the evidence introduced, the proper agency to be employed for broadcasting, and whether it shall be publicly or privately owned”.¹⁸

The Canadian Radio League, as Frank Peers noted in The Politics of Radio Broadcasting, “dominated the proceedings of the 1932 committee – whether judged by the weight of support from large organizations, the testimony of expert witnesses, the statements made by persons of national reputation, or the comprehensiveness and precision of the briefs presented”.¹⁹ While the League’s show of strength reflected popular support from the nation at large, it is equally apparent that the League’s activities were privately being encouraged by the prime minister. On March 17, as the committee hearings were in full swing, Bennett sensed opposition to publicly-owned radio in the cabinet, and an apparent lack of support in the Prairie provinces. He phoned Spry, and asked him to do something about it. Within a week the Canadian Radio League had earned endorsements for public radio from all the Prairie governments.²⁰ Presumably, Bennett then used these endorsements to help silence the critics within his own cabinet.

¹⁷ Hansard (Ottawa: 17th Parliament, February 16, 1932) 236.

¹⁸ Ibid 237.

¹⁹ Peers 84-85.

²⁰ Potvin 81.

Bennett was not the only politician supporting the League's activities – endorsements from former Conservative leaders Ministers Arthur Meighen and Robert Borden were used in League publicity, and Mackenzie King intimate and Liberal Federation President Vincent Massey was a financial contributor. Yet, as prime minister, Bennett's support was easily the most crucial. A number of business interests, who had been challenging the idea of government intervention in the field of radio since the Aird Commission, focussed much of their lobbying on the prime minister. A few used subtle bribery to convince Bennett of the merits of their own interests. R.W. Ashcroft, a representative of the commercial radio industry lobby group, the Canadian Association of Broadcasters, offered to Bennett for free a national radio hook-up that would be carried on a great number of private stations to convey the Prime Minister's 1932 New Year's Day greetings.²¹ Others, like CPR President Edward Beatty, put forward private-sector plans for a national radio network that were claimed to be more financially sound than those of the Canadian Radio League. Indeed, the CPR helped produce a pamphlet that suggested that government sponsored radio could cost the federal treasury \$15 million annually!²² For Bennett to resist the lobbying of the private-sector interests and overcome the antipathy towards public radio within his own government, a strong show of evidence in favour of public ownership put forward in front of the committee was not only needed, but encouraged.

Perhaps the strongest antipathy towards public radio came from within Bennett's own caucus, where individual members were encouraged to give the prime minister their views in writing. As the committee raced towards the preparation of a report,

²¹ R.W. Ashcroft to Bennett (December 21, 1931) Bennett Papers. NAC microfilm M-1289 360952.

Conservative MPs attempted to counter the successful campaign of the Canadian Radio League with a campaign of their own. F.W. Turnbull, a Saskatchewan member who was later to cause Bennett great grief over his opposition to French-language programming over the CRBC network, was a leader of the caucus dissenters. "I may add that I gather, around the corridors, a considerable volume of opinion against State ownership of radio," wrote Turnbull in April, "and a fear that the present Committee may bring in a report of that regard".²³ W.D. Cowan, another backbencher, suggested that "it might be well in our own interests politically to delay national broadcasting for the present".²⁴ Frank Boyes, another member, continued the campaign after the committee had presented its report, and used the recession as an excuse to stall: "Personally, I feel that this report should not be made effective until better times return".²⁵ There was also the voice of John. R. MacNicol, who was President of the Liberal-Conservative Association when Bennett was elected as party leader in Winnipeg. MacNicol warned Bennett: "There evidently is a very strong movement on foot in opposition to the proposed Bill of the Government in connection with Radio".²⁶

While Bennett was dealing with a government caucus that was skeptical about public radio, the committee he launched finished its report on the subject. On Monday, May 9, after holding twenty-seven meetings and having read fifty-three submissions, the committee's report was tabled in the House of Commons. The report contained rhetoric

²² Peers 94-95; Weir 123.

²³ F.W. Turnbull to Bennett (April 20, 1932) Bennett Papers. NAC microfilm M-1290 361499.

²⁴ W.D. Cowan to Bennett (April 20, 1932) Bennett Papers. NAC microfilm M-1290 361451.

²⁵ Frank Boyes to Bennett (May 13, 1932) Bennett Papers. NAC microfilm M-1290 361576.

remarkably similar to that put forward by Bennett almost two months earlier, as evident in the introduction:

Your committee was seized, from the inception, of the national importance and international character of radio broadcasting, and the evidence submitted has served to further consolidate our opinion of the far-reaching scope and benefits of proper, well-regulated broadcasting services throughout Canada, as a medium of education, thought-provoking development, and fostering of Canadian ideals and culture, entertainment, news service and publicity of this country and its products, and as auxiliary to religious and educational teaching, also as one of the most efficient mediums for developing a greater national and Empire consciousness within the Dominion and the British Commonwealth of nations.²⁷

The principal recommendation of the report was the creation of a national Radio Broadcasting Commission, to be managed by three commissioners. The Commission's powers would be broad, and while the committee recommended that smaller private stations be allowed to continue operations, it was obvious that the government body would rule the airwaves. According to the report, the Commission's powers were to be extended to the following matters:

- A. To regulate and control all broadcasting in Canada, including programs and advertising.
- B. To own, build and operate transmitting or receiving stations in Canada.
- C. To acquire by lease, purchase, expropriation or otherwise, any or all existing broadcasting stations.
- D. To enter into operating agreements with privately-owned stations.
- E. To originate programs, and secure outside programs by purchase or exchange, and to make the arrangements necessary for their transmission.
- F. To determine the number, location and power of all broadcasting stations required in Canada.
- G. To control the issuing or cancellation of licenses to broadcasting stations.
- H. To cancel the allotments of channels to any stations, or to make substitution of channels.
- I. To prohibit the establishment of privately-operated chains of stations in Canada.
- J. Subject to the approval of the Parliament of Canada, to take over all the broadcasting in Canada.

²⁶ John R. MacNicol to Bennett (May 12, 1932) Bennett Papers. NAC microfilm M-1290 361547.

²⁷ Hansard (Ottawa: 17th Parliament, May 9, 1932) 2709.

K. To be vested with all other powers necessary or incidental for the fulfillment of the objects of the commission.²⁸

This was a pretty heavy dose of state intervention, particularly for a government whose membership seemed lukewarm towards the radio issue. Those who were ambivalent towards the idea of the Commission held plenty of influence within both the cabinet and the caucus. C.H. Cahan, Bennett's Secretary of State, was one who jealously guarded private enterprise and was very close to Montreal's powerful financial interests. One of the most senior members of the Atlantic caucus, R.B. Hanson of Fredericton, had family interests in radio. To counter any temptation on the part of government members to either delay or obstruct, Bennett moved quickly, and introduced legislation based largely on the committee report before the session was finished. Bennett also threw down the gauntlet as the legislation passed second reading, as he set out the government position on radio. His address was as much intended for the members of his own caucus as it was for the pages of Hansard:

First of all, this country must be assured of complete Canadian control of broadcasting from Canadian sources, free from foreign interference or influence. Without such control radio broadcasting can never become the great agency for the communication of matters of national concern and for the diffusion of national thought and ideals, and without such control it can never be the agency by which *national consciousness* may be fostered and sustained and *national unity* still further strengthened.

Bennett then moved his government towards the dream of the Canadian Radio League, rejecting the plans of the CPR, the political pressures of the private broadcasters, and the hesitation of his own caucus. His rhetoric was based on the conservative belief that the state should act in the interests of the national collective:

Secondly, no other scheme than that of public ownership can ensure to the people of this country, without regard to class or place, equal enjoyment of the benefits

²⁸ Ibid 2710.

and pleasures of radio broadcasting. Private ownership must necessarily discriminate between densely and sparsely populated areas. This is not a correctable fault in private ownership; it is an inescapable and inherent demerit of that system. It does not seem right that in Canada the towns should be preferred to the countryside or the prosperous communities to those less fortunate. In fact, if no other course were possible, it might be fair to suggest that it should be the other way about. Happily, however, under this system, there is no need for discrimination; *all may be served alike*.

Bennett concluded his address by suggesting that the air was no different from any other natural resource, and hence belonged to all the Canadian people:

The use of the air, or the air itself, whatever you may please to call it, that lies over the soil or land of Canada is a natural resource over which we have complete jurisdiction under the recent decision of the privy council... In view of these circumstances and of the further fact that broadcasting is a science that is only yet in its infancy and about which we know little yet, I cannot think that any government would be warranted in leaving the air to private exploitation and not reserving it for development for the use of the people... I think, Mr. Speaker, that that is a third and adequate reason why we should proceed with the bill.²⁹

Bennett's address received the endorsement of opposition members of the House, and momentarily silenced the critics found within his own benches. J.S. Woodsworth rose to state his "own very great appreciation of the admirable statement which the Prime Minister has made". The 1932 Act respecting Radio Broadcasting passed through the House of Commons with only one dissenting vote, and when Royal Assent was given on May 26, 1932, publicly-owned radio was born in the form of the Canadian Radio Broadcasting Commission. As Frank Peers has noted, "It seemed a very propitious start for Canada's new broadcasting policy".³⁰

Unfortunately for Bennett, May of 1932 was arguably the best month of the Canadian Radio Broadcasting Commission's four year existence. Hector Charlesworth, the former Saturday Night editor who was appointed as the only chair of the

²⁹ Hansard (Ottawa: 17th Parliament, May 18, 1932) 3035.

³⁰ Peers 102.

Commission, knew very little about radio, and it soon became apparent. The two vice-chairs were a francophone Tory (despite the fact that the Commission was to be non-partisan) with little experience in radio, and a civil servant who had pioneered government radio in the 1920s. Not one of the three Commissioners would make the transition to the Canadian Broadcasting Company after the Bennett government was defeated.

The CRBC purchased the CNR network on March 1, 1933, for \$50,000, and sought to use it as a base from which it could launch truly national public radio. The inexperienced Commission was soon overwhelmed, however, as it faced controversy over French-language programming, divisions between ‘high-brow’ and ‘popular’ tastes, chronic under-funding, and charges of political influence. A year after the Commission was formed, Bennett told the House that “No one knows better than I the unpopularity for the moment of this Commission”.³¹

For Bennett, who had privately encouraged the campaign of the Canadian Radio League and seemed to endorse national radio on a philosophical level, such setbacks were yet another burden on an administration already over-burdened by the Depression. Nonetheless, he sought to “improve the situation”, as he had so badly wanted to do on a number of initiatives under Borden’s government, and looked outside for advice. One of the first persons he turned to was Gladstone Murray, the future head of the CBC, and in the early 1930s a Canadian-born BBC official. In 1933, Bennett asked Murray to look at the CRBC, and put forward recommendations that would improve the Commission’s effectiveness. In June of 1933, Murray sent Bennett his report, titled National Radio in Canada. Murray started the Report by defending the CRBC:

It is submitted that, considering the great difficulties to be faced, and the imperfections of the Constitution [the radio legislation], the Commission has made a credible start. A good deal of the criticism to which it has been subjected can be ascribed to ignorance, which might have been dispelled had the Commission been able to develop its organization in time. As the various problems and obstacles are becoming more generally recognized, there is a growing disposition to give this great experiment the fair chance it so obviously deserves.

Murray then cautioned that real changes had to be made soon, in order to save the great experiment, noting that “unnecessary delays will tend to re-enforce and widen the area of public irritation, incidentally endangering the principle of public service broadcasting”.

Murray concluded the report by reminding Bennett of the advantages of public radio – advantages that the prime minister still believed in:

In the development of public service broadcasting on a co-operative constructive basis, with management on efficient business lines and State control remote yet secure, Canada will be in a position to add immeasurably to the amenities of civilization and also to produce a decisive new instrument of national unity and stability.³²

Bennett used the report as a base from which he could strengthen his Commission, and put forward amendments to the Radio Act in 1933 and again in 1934. A clearer legislative mandate, however, did little to solve another major problem at the CRBC – chronic under-funding, a situation that was in fact aggravated by certain members of the Bennett cabinet. According to the Radio legislation, the \$2 license fee on radio sets was to be used to pay for Commission activities, be they the development of national programs or the construction of new radio facilities. In practice, the cash-strapped Bennett government placed the license fees into general revenue, and instead gave the CRBC an annual grant. This arrangement proved to be entirely unsatisfactory,

³¹ Weir 139.

³² “National Radio in Canada”, memo from Gladstone Murray (June 34, 1933) Bennett Papers. NAC microfilm M-1293 365393-95.

since whenever Bennett had to absent himself from cabinet, the remaining members sought to undermine the Commission's finances.

On the first such occasion, when Bennett was in Great Britain in June of 1933, the cabinet proposed to cut the Commission's grant in half as an economy measure, effectively taking the government body off the air. It was only when Charlesworth threatened to resign and cable Bennett explaining his reasons for doing so, that the cabinet plotters relented.³³ In the Spring of 1935, as Bennett was recovering from heart problems, the cabinet again proved willing to undermine the CRBC, by granting powerful new radio licence upgrades to private Canadian stations receiving an enormous amount of American programming, and thereby creating a private-sector challenger for the CRBC's meagre advertising revenues. The license approvals never took place, for the prime minister recovered in time, Charlesworth later recalled, and "the iron heel came down on this 'sinister conspiracy' as [Bennett] called it".³⁴ Faced with such hostility, Charlesworth bitterly remembered how the lack of finances undermined the mandate of the CRBC. "When newspapers hostile to nationalization used to publish the lying accusation that we were making 'raids on the Treasury'", wrote Charlesworth, "I used to reflect grimly that the Treasury was making raids on us".³⁵

While the lack of finances undermined the CRBC, diminishing both the quality and quantity of Canadian programs, the underfunding had another unfortunate consequence. The funding woes had a distorting effect on the Canadian radio industry, which was one of the few domestic industries that seemed primed to grow despite the economic recession. Radios were one of only a handful of household goods that

³³ Weir 175-76.

³⁴ Charlesworth 116.

maintained healthy sales during the Depression, and this demand could have translated into healthy growth for Canadian radio stations. This was discouraged at least in part by the CRBC's own mandate. The Commission could in fact acquire privately-held stations, and had the authority to revoke licences or change radio frequencies, policies that could discourage private investment. This would not have been a problem if the CRBC vigorously pursued the mandate for expansion and nationalization that it had been given, but constant funding pressures forced the Commission to lease time on private stations rather than build stations of their own. The result of this policy was that while the CRBC somewhat discouraged private industry through the broad potential regulatory powers found within its legislation, it in fact strengthened the commercial viability of a select few private stations by leasing time on their air-waves for Commission programming.

Nowhere was this distorting effect greater than in areas of small population, where the CRBC was supposed to provide a dynamic Canadian alternative to listeners, and provide them with programming both local and national in character. In the Maritimes, the government body did not actually operate its own station until 1939 (under the auspices of the CBC), and, as historian Jeffrey Webb has pointed out, "the government's move into broadcasting served more to strengthen commercial broadcasters than to replace them with a public alternative".³⁶ Of the six Maritime stations that survived to the end of the decade, five of them received subsidies in the form of CRBC (and later CBC) programming.³⁷ In Saskatchewan, the CRBC was rejected by a number of listeners influenced by the local nativist movement in an uproar was over French

³⁵ *Ibid* 68.

³⁶ Jeffrey Webb, The Invention of Radio Broadcasting in Newfoundland and the Maritime Provinces, 1922-1939 (UNB Fredericton: unpublished PhD thesis, 1994) 125.

³⁷ Webb 156.

language programming, yet the lack of a large population meant that for a great number of Saskatchewan residents, there was no established Canadian private station that they could turn to. Bennett was concerned that the CRBC, under the cosmopolitan Charlesworth, seemed unresponsive to the complaints from Saskatchewan. As Bennett complained to Alfred Duranleau, the French-Canadian minister in charge of the Commission, “It is no use to argue about whether the people are right or wrong – whether they are tolerant or intolerant. We are faced with a condition, not a theory”.³⁸ For Bennett, only two years after his scheme for public radio had been launched with such high hopes, it seemed perhaps time to recognize that the current experiment did not provide for the wants of all Canadians. Bennett’s frustration with the Commission was apparent in his letter to Duranleau:

As to the financial end of the situation, if I could get a reasonable assurance from you that a wave length would be available and a license issued under conditions insuring reasonable permanency of the license, or else recompense to the owners if the license were withdrawn as a result of Government policy. A station friendly to us of 5,000 watts capacity, modern and up to date could be established by private capital... would be of better service to the people of Saskatchewan... The fear of what the Radio Commission will do prevents people from making an investment. Is there any way in which you can assure me some degree of security to the man who invests his capital?³⁹

Bennett was not the only individual frustrated with the ability of the Radio Commission to live up to its high expectations. Alan Plaunt, who had been so involved with the campaign for public radio two years before, restarted the dormant Radio League in 1934, and told Bennett’s secretary, R.K. Finlayson, “The contention is that the present set-up is imperilling the principle of a public system”.⁴⁰ Within a year, Plaunt would

³⁸ Bennett to Duranleau (April 13, 1934) Bennett Papers. NAC microfilm M-1293 365696-97.

³⁹ Ibid.

⁴⁰ Plaunt to Finlayson (May 5, 1934) Bennett Papers. NAC microfilm M-1293 365046.

privately advise Mackenzie King on radio policy, and advocated the establishment of a new body if the Liberals were elected. Graham Spry, who ran as a CCF candidate in 1935, shared his former colleague's pessimism. Spry outlined the reasons for his pessimism in a speech given in the United States in 1935:

The Canadian experiment has failed...Neither as a means of giving Canadians an adequate Canadian service to meet the Americanizing influences of American networks, nor as a means of providing a free flow of opinion which alone promises an alternative to force in change has the Commission been more than a modest success. It has failed, and some new experiment is called for.⁴¹

As the Bennett administration entered its final months, it became apparent that the prime minister was virtually the only member of the House willing to maintain the fight for public radio, at least in its present hybrid form. Knowing that his government could not possibly overhaul the Commission before the election, Bennett lashed out at those who sought to undermine it, complaining that the CRBC had in fact made great progress, but "then insidiously is the attack made against the publicly owned facility and the effort made to destroy it".⁴² Unfortunately for Bennett, a good deal of the effort to destroy the CRBC seemed to originate from his own party. When he spoke in the House, complaining of insidious attacks, the matter up for vote was a one year extension of the Commission's life. The cabinet had initially suggested, during Bennett's absence, that the CRBC receive only a two month extension. It seems apparent, then, that on the question of radio, Bennett was much more open to the idea of state intervention than the rest of his party. It would not be the only time that this gap developed between the leader and his flock during the Bennett administration.

⁴¹ Potvin 84.

⁴² Hansard (Ottawa: 17th Parliament, June 6, 1935) 3347.

After the 1935 election, the King government moved quickly to dismantle the Canadian Radio Broadcasting Commission. The use of the government agency for the New Deal broadcasts before the dropping of the writ and for the Conservatives' airing of the Mr. Sage advertisements during the actual campaign helped seal its fate. The King government's replacement, the Canadian Broadcasting Corporation, was in virtually every way an improvement, and helped ensure the long-term viability of public broadcasting. There were in fact a myriad of reasons for the success of the new corporation: increased funding, as a result of healthier government revenues; a more effective legislative framework, with a greater degree of independence; the work of the irrepressible C.D. Howe, who was responsible for the newly formed body in its infancy and gave it the attention he would later give to a host of other government agencies; and lastly, the appointments of Alan Plaunt and Gladstone Murray, two men whose advice on radio Bennett occasionally sought, to key positions in the new organization. Where the CRBC had a number of difficulties in its four year existence, the CBC had a clean slate with which it could build a solid following over the next sixty years.

While credit must certainly be given to the King government and the CBC in improving the status of Canadian radio, credit must also be given to Bennett and the trail-blazing CRBC. "It was successful in providing a reasonably effective national broadcast service on which the CBC could build," noted Frank Peers in The Politics of Canadian Broadcasting, "and it did so in a spirit which should give it an honoured place in the history of the 1930s".⁴³ Much of that honour, it seems, belongs to R.B. Bennett. He established public radio in the worst months of the Depression, and he seemed more influenced by his own progressive belief that the air was a natural resource that belonged

to the Canadian people than by the lobbying of the Canadian Radio League. Bennett appeared to be the most enthusiastic supporter of state intervention in radio from within the Conservative caucus, and subtly used his influence as prime minister to ensure that the CRBC was established. While it was an imperfect creature, so was the CNR – both institutions were government bodies deemed unacceptable by their private sector competitors. In creating the CRBC, Bennett was rejecting the influential appeals of the financial establishment, and instead acting in the best interests of all Canadians. His stand on the issue of radio was not surprising, considering the Conservative party's past experience in state intervention, and Borden's progressive doctrine that the nation's natural resources belonged to the people of Canada. As he had mentioned in the House of Commons, Bennett saw the air as another natural resource, and therefore for the use of the Canadian people.

⁴³ Peers 163.

“A New Economic Heaven on Earth”: The Bank of Canada

I note what you say about the attitude of our chartered banks towards the establishment of a central bank. If the people must engage in conflict with those who worship profits as their god and who regard the welfare of the nation as being of secondary importance, then I know in which camp I will be enlisted.

- R.B. Bennett, writing in a November 1933 letter to F.D.L. Smith, Editor-in-Chief of the Toronto Mail & Empire.¹

The Bank of Canada is arguably the most lasting legacy of the Bennett administration. Its daily transactions in the international money market have, for decades now, supported the viability of our national currency, while its trend-setting interest rate has, as conditions warranted it, conditioned the Canadian economy to either grow or slacken in its pace of growth. The governor of the Bank of Canada is, next to the finance minister, the most important official involved in the planning of the nation's monetary policies. Since the day it opened on March 11, 1935, the Bank's activities, shaped by legislation to “promote the economic and financial welfare of the Dominion”, have almost certainly had as great an influence on national economic development as the budgets of any federal government in the last sixty years.²

¹ R.B. Bennett to F.D.L. Smith. (November 23, 1933) National Archives of Canada. Richard Bedford Bennett Papers. [hereafter R.B. Bennett Papers] microfilm, reel M-962 62873.

² George Watts, The Bank of Canada: Origins and Early History (Ottawa: Carleton University Press, 1993) 16.

Despite, or perhaps because of, its efficiency in providing the Canadian state much of its power to influence the national economy, the Bank of Canada only occasionally undergoes significant popular scrutiny. Unlike other tools of the Canadian state that often dictate and direct the nation's economic destiny – state policies such as employment insurance and regional equalization, and state entities like crown corporations – the authority of the Bank of Canada is rarely challenged by Parliament. Its legitimacy as the guardian of the nation's finances against inflation is often challenged in the editorial pages of Canadian newspapers, yet its financial dealings have, in comparison to Canada's chartered banks, enjoyed little criticism from Canadians. Only in periods of severe recession or ambivalent economic policy has the Bank of Canada been hotly discussed – criticisms of the anti-inflationary policies of Bank Governors John Crow and James Coyne are evidence of this. Yet, even in times of economic uncertainty, there have been few radical alterations in the Bank's mandate in over sixty years.

Why is this so? Certainly, part of the Bank's legitimacy is due to its efficiency in operation. It has, over the decades, battled rampant inflation and suffocating recession with remarkable consistency. Perhaps the most notable example of the Bank's capable administration was evident in the Second World War, when it helped direct a command economy while dealing with difficult matters such as controlling foreign exchange and handling gold transactions between allied and neutral nations. The Bank's role in battling war-time inflation and conserving Canada's foreign exchange were two keenly appreciated aspects of the state's overall war effort.

A more theoretical reason for the Bank of Canada's continued legitimacy can be found in the writings of political scientist Leo Panitch, who investigated Canadian state

instruments in an edited volume aptly titled The Canadian State. In the book's introduction, Panitch argued that throughout the nation's history, "the guiding ideology and function of the Canadian state remained that of providing the basis for capital accumulation to facilitate national economic development".³ Born out of the Depression, the central bank has been a powerful instrument for ensuring continued capital accumulation. Since its opening in the midst of a prolonged recession, the Bank has acted in a counter-cyclical fashion to subsequent economic downturns, ensuring that economic activity continues and, consequently, that the state's taxation base is kept healthy. So long as economic growth is maintained decade after decade, the Bank of Canada's role in the Canadian economy has very rarely been seriously questioned.

It is perhaps in looking at the unique historical causes of the creation of the Bank of Canada, instead of its administrative record or theoretical basis, that the reasons for its continued legitimacy are most apparent. The Bank of Canada was, ultimately, shaped by two complementary factors: the Depression of the 1930s and the efforts of Prime Minister R.B. Bennett to find government solutions to the nation's economic disaster. While such an explanation may seem simplistic, it highlights the force with which the economic downturn hit Canada, and the determination of R.B. Bennett to shelter his country from the storm. Indeed, as George Watts, an early Bank of Canada official, later described it: "the founding of the Bank of Canada in 1934 appears to have been largely due to the initiative of one person – Prime Minister Bennett".⁴ The idea of a central bank had been developed prior to the Bennett administration, only to be discouraged by the majority of Canada's financial community. That Bennett was able to form a bank whose

³ Leo Panitch, ed. The Canadian State: Political Economy and Political Power (Toronto: University of Toronto Press, 1977)18.

monetary responsibilities would be taken from the established, and sometimes very powerful, chartered banks when others had previously failed is as much testament to the turbulent conditions of the 1930s as it is indicative of his own influence in the financial community. As the Canadian economy collapsed around him, Bennett applied his own intuitions and past experience to the task of developing solutions, yet proved more willing than some of his contemporaries to accept previously unheard of political or economic ideas.

The impact of the Depression on Canadian economic thinking and politics was not immediately felt in 1930, although the credit-restricting policies of the chartered banks soon prompted calls for significant reform. While Canada's closest trading partners, the United States and Britain, both had central banks by the start of the Depression (The Bank of England, which was privately owned, was created in 1694; the U.S. Federal Reserve, a branch of the Treasury, was started in 1913), Canada's monetary policy was based on the ability of its chartered banks to create new credit under the Finance Act of 1914, an arrangement never seriously questioned before because the stability of Canada's branch-banking system and the undeveloped potential of the nation's resources ensured that a policy of controlled expansion was easy to maintain. Prior to the Bank of Canada, the nation's chartered banks were in fact the lenders of last resort, where the Bank of Montreal acted as the federal government's banker. Such a policy reflected the traditional strength of Canada's banking system. The advent of branch banking and the sheer size and stability of Canada's chartered banks by the early twentieth century meant that the state was rarely required to directly intervene in the maintenance of monetary policy. For most of the post-Confederation period, while the

⁴ Watts 8.

American banking system was comprised of a large number of small local banks with limited financial resources, the legislation that shaped Canada's chartered banking community helped maintain the opposite characteristic – a few national banks with rather large resources. The chartered banks were of significant strength to withstand even the most severe recession. In fact, there was not a single bank failure in Canada in the 1930s. Their influence in the Canadian economy was so great that it allowed them act, when in co-operation, as a *de facto* central bank.

The stability of the Canadian banking system was complemented by the relatively small Canadian economy that existed throughout the first half-century after Confederation. The country had plenty of room for expansion, and the chartered banks pushed economic growth through a policy of easy credit that experienced few interruptions. This policy helped give rise to the “roaring” 1920s, during which industrial consolidations and new development, fuelled by chartered banks and financial promoters that profited under easy credit and a booming economy, eventually led to an overheated economy destined to contract, with over-capacity and heavy debt loads in key producing industries threatening to undermine the financial gains of Canadian households.

With the stock market crash of October 1929, a correction that hit the New York, Montreal and Toronto stock exchanges with indiscriminate fury, there were clear signs that a period of economic expansion had ended. The Canadian chartered banks, now exposed to a severe liquidity crisis due to non-performing loans, braced for a recession, and sought to clear up outstanding loans while refraining from lending money to new investments. At the Royal Bank, Canada's largest, the policy was put in place almost immediately. As Duncan McDowall has noted: “as the national economy soured, head

office instinctively tried to minimize the bank's exposure to liabilities by adopting tight money policies. From a 1929 high of \$640.5 million, loans were reduced a dramatic 40 per cent to \$384.6 million by 1933".⁵ Other banks followed this trend, and individual Canadians started to save their money in an almost desperate fashion, fearing the worst. The result was a severe contraction in the Canadian economy. Clifford Clark, Canada's Deputy Minister of Finance, told the MacMillan Commission on Banking that while a high of \$88,700,000 was advanced under the Finance Act in June 1929, the highest amount sought by the chartered banks in July 1931 was \$13,500,000.⁶

While there was in fact an over-capacity in Canadian industry, a climate of fear and economic uncertainty, re-enforced by the first of a number of crop failures in western Canada at the start of the decade, dissuaded Canadians from buying any surplus goods. The chartered banks' unwillingness to put more currency into the national market for fear of corporate losses concurrently pushed the recession into a full-blown Depression. There was far too little money in Canada's economy when it was needed most. Canada's banks, in seeking to maintain their own viability and hoping to avoid the large-scale banking runs of the United States, unwittingly threatened the viability of the national economy. Canadian economist R. Craig McIvor later highlighted the problem of Canada's monetary system at the start of the 1930s: "up to this time, monetary conditions in Canada reflected the independent credit decisions of the chartered banks, private institutions whose lending practices were legitimately related to considerations of profitability, rather than to regulating the total volume of money and credit in accordance

⁵ Duncan McDowall, Quick to the Frontier: Canada's Royal Bank (Toronto: McClelland & Stewart, 1993) 254.

with any broad social objective”.⁷ In other nations, institutions such as the central bank in England or the federal reserve system in the United States could help lead their banking system out of recession, a role in which the English bank was more inclined to fulfill, as the United States banking community was assisted more by Roosevelt’s banking holiday than the actions of the federal reserve. In Canada, however, economic considerations among the chartered banks were placed ahead of any broad social objective with a corporate efficiency. The speed and severity of the banks’ collective actions had never before been experienced in such a fashion as during the Depression, tightening the grip of recession experienced by the less fortunate.

At first glance, R.B. Bennett does not seem to be a credible champion of the less fortunate, if only because of his intimate relationship with those who managed the Canadian economy. R.B. Bennett was an individual who was not only close to those who created the easy credit conditions of the 1920s, but one who had earlier in his life profited handsomely from that sort of financial climate. Bennett, like his friend Max Aitken, was in every way a capitalist, and took advantage of the relative economic freedom of the western frontier. By the end of the Laurier boom, Bennett was the solicitor to a number of established companies (most notably the CPR.), a member of the board of directors for a select few, and majority owner of the E.B. Eddy paper plant in Hull, Québec, by the start of the 1920s. Such a cozy relationship with Canada’s financial elite would suggest that R.B. Bennett was an unlikely advocate of economic change when he sought the leadership of the Conservative Party in 1927. He was, after all, a millionaire. Among his

⁶ Testimony of Clifford Clark. National Archives of Canada. Archives of the Royal Commission on Banking and Currency. RG 33-17 [hereafter MacMillan Commission Archives] Recorded Proceedings, Volume 1, 141-142.

directorships held was a position at the Royal Bank, an institution in which he was still a significant shareholder.⁸ Behind such close ties with Canadian business, there was, however, a conservative understanding that the state must ensure that the collective interests of the nation should supercede the particular interests of any specific economic sector. Bennett had been ready to challenge the power of the chartered banks as a backbencher in Borden's government, and he had shown through the creation of the Canadian Radio Broadcasting Commission that he was not afraid of giving a government body significant powers in regulating a specific industry. As the Depression worsened, Bennett, upon consultation with a select few economists and members of the banking industry, seemed prepared to use the state once again, and significantly overhauled the relationship between Canada's chartered banks and the federal government.

Soon after his election in 1930, Bennett plunged into the work of halting Canada's economic slide, using whatever powers that Parliament had to reverse the downward trend in the economy. Unfortunately for Bennett, such powers were largely fiscal, since monetary policy was almost entirely part rooted in the actions of the chartered banks. Nonetheless, Bennett attempted to use budgetary measures to stimulate the economy: protecting key industries with the tariff, a trusted measure since Macdonald had once used the state to guide Canadian finance through the National Policy, and launching first public works and later relief programs to put money in circulation. Bennett met with limited success on all fronts. This was due to the simple fact that in the 1930s the fiscal weight of the Canadian state could not significantly alter the national economy with the same effect as monetary levers. In 1929, Dominion government expenditure was 6.3 per

⁷ R. Craig McIvor, Canadian Monetary Banking and Fiscal Development (Toronto: MacMillan, 1958) 142.

cent of GDP, compared to more than 25 per cent of GDP in 1975. Despite the limited effect of government expenditures in producing a turn-around, Bennett continued to put government cash into the economy throughout his administration. In 1928, the Dominion government's budgetary surplus was \$68 million; by 1935 the Dominion government was producing a deficit of \$160 million.⁹

As it became evident that the fiscal powers of the state could not alone tame the Depression, Bennett increasingly turned to others who might offer suggestions as to how the government might turn things around. Among the first experts consulted was Randolph Noble, the Assistant General Manager of the Royal Bank, who had prepared a memorandum on how government could stop the deflationary pressures on the Canadian economy by assuring the rediscounting of credit itself. C.S. Tompkins, an official with the Department of Finance, forwarded the memo to Bennett, stating: "No matter how one may disagree with Noble's proposals (and I do not myself wholly disagree) they are undoubtedly the product of serious and intelligent thought, and would, therefore, seem to be entitled to something more than light dismissal".¹⁰ The paper proved to be quite remarkable, for although Bennett did not immediately act on its recommendations, it laid out a coherent framework for a controlled expansion of the monetary supply that Bennett actively considered in the months ahead. In the memo, dated March 17, 1932, Noble suggested that depreciating the value of the dollar vis-à-vis gold had real benefits, yet advocated that government move cautiously. Noble began by stating the advantages:

⁸ McDowall 240.

⁹ Kenneth Norrie and Douglas Owsram, A History of the Canadian Economy (Toronto: Harcourt Brace, 1996) 363-364.

¹⁰ C.S. Tompkins to Bennett (March 1932) R.B. Bennett Papers. NAC microfilm M-1104 285519.

...it is perhaps worth while to point out again that the disadvantages to Governments on account of the extra cost of payment to foreign debts can easily be over-emphasized. England is in a fair way to balancing her budget, not because of economy or the new tariff but as a result of re-establishment of business on a profitable level through the change in the price level. In the case of our federal Government, customs' revenues would probably not increase very much because imports would certainly be restricted in relation to exports but it seems safe to assume that we would not import much less but would undoubtedly export much more, the surplus exports enabling us to import more than would at first glance seem likely...The sales tax would, of course, be increased, first by the percentage in increased volume of business and, since general business would again become profitable, income tax would certainly increase very substantially. Besides the increase in income should also be set a very marked reduction in expenses of social services, particularly unemployment relief.

Noble advocated that Canada abandon gold as a monetary standard (which had effectively already been done, since the export of gold was prohibited), and join Britain on the sterling system, but left open other options for the prime minister:

The mechanics of getting on to a sterling basis are quite simple...of course, the same effect could be obtained by simply inflating the note issue without purchasing sterling...We should not lose sight of the fact that our inability to compete in export markets in wheat and flour is due principally to the depreciation in the currencies of Australia and Argentina.

Noble concluded his memo by stating that controlled monetary expansion, and not inflation, could be achieved by the federal government:

A resolution was recently debated in the House of Commons which suggested that Dominion notes should be issued without regard to the gold supply. If passed in this form It would undoubtedly have created great feeling of lack of confidence in this country and abroad, in fact, it would probably have been interpreted as the first step in an uncontrolled inflation; but a proposal...to increase the Dominion note issue to normal...the increase being represented either by deposits in Canadian banks or with the Bank of England would have no such effect on public opinion. I do not believe I have over-stated the case and I further believe that to restore what should be considered our normal price level under present conditions will in the long run be much more advantageous to us than to ride up with inflation which in due course seems to me inevitable in the United States.¹¹

¹¹ Memorandum from Randolph Noble (March 17, 1932) R.B. Bennett Papers. NAC microfilm M-1104 285521-27.

Noble's memorandum was only one of a number of proposals put forward in 1932 as Bennett searched for ways to turn things around. Noble's advice was soon followed by proposals from other Canadian economic officials, including Graham Towers and Clifford Clark, who would play pivotal roles in the government's battle with the Depression. While the various papers did not advocate a central bank, they clearly suggested that the government of Canada should undertake a more activist role in formulating monetary policy, now that the banks were either unwilling, or unable, to undertake expansion. By 1932, as his relief programs and tariff legislation had done little to reverse the contraction of the national economy, Bennett was increasingly more willing to listen to their ideas.

Bennett hoped that he could discuss a common monetary strategy with the members of the Commonwealth during the Imperial Economic Conference of 1932. His undersecretary for external affairs, O.D. Skelton, arranged to have a paper on monetary reconstruction prepared in advance of the conference in case the subject came up. The author of the paper was Clifford Clark, an economics professor at Queen's University who had lost earlier employment as a financial analyst in New York because of the stock market crash. Clark's views on possible solutions to the Commonwealth's economic woes were obviously well received by R.B. Bennett – by October of 1932, Clifford Clark was named Canada's deputy minister of finance. O.D. Skelton, Clark, and later Graham Towers were all a source of valuable advice for Bennett. While the severity of the Depression no doubt caused the prime minister to turn to a number of unusual corners for assistance, the growing influence of the mandarins in the Bennett government also reflected Bennett's progressive belief, first successfully articulated by Robert Borden,

that a non-partisan civil service was critical to efficient state activity. Clark's 1932 proposals for economic reform, for instance, reflected the earlier questioning of a private-sector expert, Randolph Noble, of the current state of capitalism, and helped ensure that Bennett would gather an efficient bureaucracy to combat the recession. The impact of Clark on Bennett's thinking is well documented by Jack Granatstein in his book The Ottawa Men:

[Clifford] Clark was destined to pass only one year in Kingston. In the summer of 1932, at Skelton's instigation, he worked on the preparations for the Imperial Economic Conference, producing a long paper on monetary reconstruction. A later economic historian has called this "a remarkable document for its careful weighing and proposed resolution of the conflict between external and internal monetary objectives". Clark focused on the position that the source of fluctuations in employment and production was the instability of the general price level. This, he suggested, could be stabilized chiefly through monetary policy. His proposal was for ambitious international monetary reconstruction and co-ordinated expansionary measures that would seek stability through acceptance of an international standard with a stabilized value – gold, for example. He advocated for Canada stable exchange rates with other countries because of the critical role that trade and borrowing played in the economy; in addition, and most important, he argued strongly for an independent financial policy and, to help shape it, for the establishment of a central bank as the key to maintenance of the monetary control necessary for exchange stability... Bennett decided to send it for comment to a baker's dozen of the leading economists in the land. The memorandum won their plaudits.¹²

Although a coherent discussion on monetary policy was abandoned at the Ottawa Conference as the delegates bickered over an imperial trade policy, Bennett had obviously decided that his government would at the very least attempt to frame a plan that would get the Canadian economy moving without adding undue stress to the federal treasury. In the confusing months of 1932, when nation after nation followed the United Kingdom in abandoning the gold standard as the basis for their currency, framing any

¹² J.L. Granatstein, The Ottawa Men: The Civil Service Mandarins, 1935-37 (Toronto: Oxford University Press, 1983) 47.

sort of plan was an intellectual and political challenge. Indeed, the Imperial Conference delegates privately admitted such, as Canada's leader of the opposition, William Lyon Mackenzie King, was informed by the British participants that there would not be an agreement on the international monetary and currency crisis, since "nothing is hoped for. Of six economists there would be seven different opinions – Keynes giving two".¹³

In November of 1932, a month after Clark assumed his post as deputy minister of finance, Bennett attempted to re-inflate the Canadian economy along the monetary lines allowed under the Finance Act of 1932, and advocated in Noble's memo. The procedure was as follows:

the government made an initial attempt to counteract the undesirable contraction of chartered bank reserves, by forcing these institutions to borrow, under the provisions of the Finance Act, \$35 million in Dominion notes....the measure was quite unsuccessful in inducing monetary expansion because the banks proceeded to reduce their outstanding indebtedness to the government.¹⁴

Just as he had expressed caution when confronted with the idea of social legislation in the late-1920s, Bennett was proceeding down the road of controlled inflation carefully. The cautious monetary experiment of 1932 did not succeed, however, because the chartered banks failed to see the collective good that was to be the result of Bennett's expansionary program. While the chartered banks understandably wanted to reduce their overall debt in the middle of the Depression, their response to Bennett's attempts at monetary expansion – the repayment of past advances – did nothing to increase national employment or income levels and simply re-enforced the prime minister's belief that the chartered banks were either unwilling or unable to act in the best

¹³ National Archives of Canada, Transcript of the William Lyon Mackenzie King Diaries [hereafter WLMK Diaries] microfiche 77. July 28, 1932.

¹⁴ McIvor 133.

interest of the nation. What further infuriated Bennett was that he undertook monetary expansion almost a year after he had successfully repatriated part of Canada's debt through the 1931 bonds program, so that the controlled inflation of 1932 would have therefore had a limited effect on the nation's ability to pay the interest on its debt. Bennett had done his part in expanding the monetary supply, and the banks had failed miserably. As a backbencher in Borden's government, Bennett had occasionally challenged the special powers given to the banks by Parliament. Now that the banks had undermined his experiment in monetary expansion, he was willing to significantly challenge the banks' powers in dictating monetary policy.

When Bennett's monetary expansion did not produce the desired results, expectations arose that the federal government would take further action. Indeed, it was evident that action was needed, if only to maintain the legitimacy of Canada's banking system. William Lyon Mackenzie King, in meeting with some bankers in December of 1932, was advised that most of the chartered banks thought that the monetary policy established by the 1914 Finance Act was sufficient, and that they would not like the idea of a central bank. His response was indicative of the growing support outside of the banking community for the idea of a central bank: "I said quite openly if the bankers wished to oppose they might as well understand their opposition would bring thousands to our sides, and carry the reform farther than they would like".¹⁵ In January of 1933, Clifford Clark privately told Floyd Chambers of The Financial Post that "Canada is going to have a Central Bank anyway. The public wants it and if the government does not set one up the radicals will set one up some day".¹⁶ Clearly, as 1932 turned to 1933 and the

¹⁵ WLMK Diaries. Microfiche 78. December 15, 1932.

¹⁶ Granatstein 50.

Depression maintained its suffocating grip on the Canadian economy, a growing number of Canadians, including the prime minister and other officials from within the Bennett administration, began to call for a monetary policy that reflected both social and economic objectives.

While the chartered banks had shown little leadership in monetary expansion, the federal government recognized that to proceed too hastily would only further undermine confidence in the Canadian economy. As a result of the fact that further monetary remedies could achieve the same dismal result of that undertaken in 1932, the government decided that structural changes were needed. In the budget speech of March 1933, Finance Minister Edgar Rhodes announced that the government was ready to explore new ways of ensuring that the nation's monetary policy would act in the best interest of Canadians:

Under the impact of the severest financial storm that history records, our banking system has fully maintained its enviable reputation, meeting every demand upon it and retaining the fullest confidence of the public...Speaking in this house more than a year ago, the Right Honourable the Prime Minister, raised the question as to whether or not a central bank should be established in Canada. In recent months the question has been widely discussed, but it must be recognized that it is a highly technical matter, upon which conclusions should be reached only in the light of the fullest enquiry into all aspects of the problem. The government proposes, therefore, to appoint a royal commission to study the organization and working of our entire banking and monetary system, to consider the arguments for and against a central banking institution and to make recommendations for revising or supplementing our existing banking and monetary legislation .¹⁷

The Royal Commission on Banking and Currency in Canada was chaired by Lord MacMillan, a member of the British House of Lords who had chaired a similar commission on finance in Britain. Sir Charles Addis, a former director of the Bank of

¹⁷ Canada, Official Report of the Debates of the House of Commons of the Dominion of Canada [hereafter Hansard] (Ottawa: 17th Parliament, March 21, 1933) 3209.

England was another British resident appointed to the Commission. The Canadian commissioners were drawn from different regions of the nation. Premier Brownlee of Alberta, a United Farmer populist, was appointed at least in part because popular opposition to the chartered banks and probable support for the central bank was strongest in western Canada. Sir Thomas White, former finance minister in the Borden administration was a member of Toronto's banking community and had heard calls for a central bank at the end of the First World War. The last member, Beaudry Leman, a Montreal banker, was the only French Canadian.

The MacMillan Commission started work in August of 1933, visited thirteen Canadian cities, received one hundred and ninety six written submissions, and wrapped up their work in mid-September at a cost to the federal government of \$30,953.¹⁸ While the speed with which the Commission proceeded was partly due to commitments Lord MacMillan had in Great Britain, critics suggested that the federal government had already decided to establish a central bank before the hearings started. This is certainly a plausible assumption, considering Bennett's reputation as a man of action and his willingness to accept a dynamic federal state. Rod Finlayson, one of Bennett's advisors, later noted that the prime minister expected the commission's findings to fit with his own wishes: "Bennett knew the background of the men named on the Commission... There was thus a majority of the Committee that would, in all probability, recommend the establishment of a central bank in Canada".¹⁹ Bennett himself, in a speech given in

¹⁸ George Henderson, Federal Royal Commissions in Canada, 1867-1966: A Checklist (Toronto: University of Toronto Press, 1967) 123-124.

¹⁹ Larry A. Glassford, Reaction & Reform: The Politics of the Conservative Party under R.B. Bennett (Toronto: University of Toronto Press, 1992) 126.

December 1933, let it slip that he had already committed to a central bank almost two years before the Commission delivered its report:

[When the United Kingdom went off the gold standard in 1931] I learned to my surprise that there was no direct means of setting international balances between Canada and London, that the only medium was New York and the value of the Canadian dollar would have to be determined in Wall Street. I made up my mind then and there that this country was going to have a central bank because there must be some financial institution that can, with authority, do business for the whole of the Dominion with other nations of the world. If Canada is to be financially independent, there will have to be a means of determining balances, or settling international accounts and a central bank would provide this.²⁰

Although it appears that the prime minister had already made up his mind on the question of a central bank, Canadians were quick to give the MacMillan Commission their thoughts on both the central bank and Canadian banking in general. These views were sure to give Bennett comfort as he contemplated the political risks involved with challenging the chartered banks. The schedule of the commission proceedings allowed public support for the a central bank to easily gather momentum. After an initial meeting in Ottawa, the commission traveled to western Canada, where support for a new monetary arrangement was strongest, and then toured Atlantic Canada, before hearing the views of the Canadian banking community in Montreal, Toronto, and Ottawa, where the most notable voices of dissent came. These criticisms came only after Canadians from virtually every province had, in public meetings and in written submissions, called for a central bank. While some banking officials, most notably Graham Towers of the Royal Bank, supported a central bank, a clear majority of bankers opposed the proposition. John R. Lamb, general manager of the Bank of Toronto, probably reflected the majority opinion of his colleagues when he described the central bank as “this additional frill to

²⁰ Watts 9.

our banking system – and goodness knows this is not the time to indulge in any extravagances”.²¹ Lord MacMillan, no doubt informed of the success and influence of the Canadian banks, attempted to dampen the expectations of Depression-weary Canadians in his opening remarks as chair:

...such inquiries as this serve a negative as well as a positive purpose. They enable the public to know what cannot be done as well as what can be done. It is perhaps due to the necessary unfamiliarity of the layman with the principles which underlie sound banking, that he often brings himself to believe that almost anything – even a new economic heaven on earth – can be brought about by manipulating finance. I need not say how many such schemes reached me. The only trouble is that no two of them agree. The trouble is that while a sound banking system is one of the most valuable of national assets and an immense aid to trade and commerce, it is not itself productive. It is merely the servant of production and distribution and unless a country is running itself on sound business lines the most perfect banking system in the world cannot save it from the inevitable consequences of its breaches of economic law.²²

Outside of the banking community, support for a central bank indeed suggested that a new economic heaven on earth might soon appear. Saturday Night magazine, in an essay entitled “Preparing for A Canadian New Deal”, argued that either “the Canadian MacMillan Commission will lay the foundation-stone of a new Canadian state or [it] will merely mix a bucket of whitewash to cover up the mildew and a little plaster to fill in the more obvious cracks”.²³ The Trades and Labour Congress, while less enthusiastic than the writer of the Saturday Night article, nonetheless argued that “a central bank is essential to prevent the wide fluctuations of exchange rates and to bring under state

²¹ Joseph Schull, 100 Years of Banking in Canada: A History of the Toronto-Dominion Bank (Toronto: Copp Clark, 1958) 157.

²² Opening remarks by Lord MacMillan. MacMillan Commission Archives. Recorded Proceedings, Volume 1, 10-11.

²³ “Preparing for A Canadian New Deal”, Saturday Night, August 19, 1933.

control the power to extend credits commensurate with the required needs for the development of this country".²⁴

In reading the recorded proceedings of the Macmillan Commission, it quickly becomes apparent that presentation after presentation seemed to either support the idea of a central bank or criticize the current banking system, with critical enthusiasm the strongest in western Canada. Speaking in Regina, G.W. Robertson, secretary of the Saskatchewan Wheat Pool (comprised of over 80,000 farmers), complained that the "best definition of banking in the province of Saskatchewan today is that banking is the business of loaning umbrellas when the sky is clear and the sun is shining, and demanding their return as soon as it begins to rain".²⁵ In Calgary, Robert Gardiner, President of the United Farmers of Alberta, noted that: "Canada is pre-eminently an agricultural country and wheat her greatest item of production. Yet the banks seem unable or unwilling in many cases to advance credit to enable the farmers to purchase even binder twine with which to tie the crop...recurring depressions, of which we are now experiencing the most severe in modern times, are not due to acts of God but to acts of man".²⁶ In Vancouver, W.C. Pritchard, speaking on behalf of the British Columbia wing of the C.C.F., read from their manifesto: "Control of finance is the first step to the control of the whole economy...the national banking system thus established must have at its head a central bank to control the flow of credit and the general price level, and to regulate foreign exchange operations".²⁷ In Toronto, the National Construction Council

²⁴ "Labor in Favor of Establishing a Central Bank", Ottawa Morning Citizen, September 19, 1933.

²⁵ Testimony of G.W. Robertson. MacMillan Commission Archives. Recorded Proceedings, Volume 3, 1640.

²⁶ Testimony of Robert Gardiner. Ibid.

²⁷ Testimony of W.C. Pritchard. Ibid.

of Canada hoped that a central bank would fulfill a role the chartered banks could not: “in periods of intense depression such as we are experiencing just now, it is the judgement of this industry that the resources of the state should be utilized to stimulate the industry by the provision of easier credit and cheaper money”.²⁸ In its final brief to the Macmillan Commission, the Canadian Bankers’ Association stood virtually alone as it vainly attempted to swim against the current: “our considered view is that in the present extremely disturbed state of business it would be most unwise to experiment with an organization entirely new to this country, namely, a central bank”.²⁹ Indeed, even its own membership had splintered, as the Royal Bank supported a central institution.

With widespread support for a central bank, the only remaining question for the commission, and the government, was one of control. Who would own the institution? Ownership was seen as a critical aspect of the bank question, since a state-owned bank could be subject to political interference, while a privately owned institution managed as a public trust could fall under the influence of the chartered banks. There were, however, precedents for state ownership. Conservatives in Ontario nationalized hydro-electricity, and Borden later nationalized the C.N.R. While a state-owned institution was seen by many as the more attractive formula, it was seen to contain the danger of being no more effective than the Treasury Board in using the monetary powers established under the Finance Act, or losing its credibility because of the political inclinations of a particular government. The dangers of ‘funny money’, for instance, promoted as a political program by Social Credit in Alberta, were a serious concern for Canada’s established financial interests. Privately, Macmillan expressed concern about political interference to a number

²⁸ Testimony of George Oakley. *Ibid.*

²⁹ Testimony of J.A. Macleod. *Ibid.*

of bankers in a closed-door session of the commission: “Of course every government can propose experiments. It is a question of exercising control over them...The central bank is fallible like any body, and it will make mistakes. It is rather a question of who should make the mistakes. Should the power to make the mistakes be in the hands of the government for the time being or in the hands of the bank?”³⁰ Lord MacMillan also seemed to recognize the danger of continued ineffectiveness in Canadian monetary policy, as evident in a conversation that he had with Mackenzie King, later recorded in the Liberal leader’s diary:

Lord MacMillan took me off by himself, to tell me of the report of the Commission which he said was signed and recommended a Central Bank, but not unanimously. He spoke of the chapter on the central bank being important – the necessity of a banking policy in Canada ...when I spoke of reproducing what is in the Finance Department as an outward and visible sign, he said no, go farther – you must be bold and go in for a centralizing policy that will shore up the national finances.³¹

The question of a privately-owned central bank, on the other hand, seemed attractive to many if it was operated in the national interest. Even the opposition Liberals did not seem averse to the scheme initially, and at their policy conference of 1933 in Port Hope, Ontario, they were reminded by F.S. Chalmers, editor of The Financial Post, that “It is argued that a central bank or any substitute for a central bank in Canada must be non-political. The League of Nations and most other proponents of central bank establishment all urge private ownership for central banks”.³² Mackenzie King was even more forceful in front of his caucus, where he argued after the Commission had reported

³⁰ Transcript of Macmillan Commission private sitting. MacMillan Commission Archives. (August 8, 1933) File number 12, Box 7.

³¹ WLMK Diaries. Microfiche 82. September 27, 1933.

³² National Liberal Federation, The Liberal Way: A Record of Opinion on Canadian Problems as Expressed and Discussed at the First Liberal Summer Conference (Toronto: Dent, 1933) 29.

that “as Leader I could not support state ownership of a bank, knowing what it would mean in way of pressure by members and provinces on governments...we had a duty as trustees to the nation greater than consideration of party”.³³ The final report of the Commission underlined Mackenzie King’s views that party consideration should be secondary to the national interest, by describing the potential power of a central bank:

A central bank is at the same time an instrument and a force. As an instrument it is the means by which the state – which must necessarily retain ultimate sovereignty over the currency – can give effect to the national policy. As a force the central bank has certain powers in its keeping which can be used to achieve the ends of national policy.³⁴

When the final report of the Royal Commission was tabled in the House of Commons in January, 1934, it set the stage for a debate on just what form a central bank would take. The Commission had recommended, by a margin of 3 – 2, that a central bank should be created, and hinted broadly that private ownership was the best form. Sir Thomas White and Beaudry Leman, the two Canadian bankers on the Commission, had argued against the formation of a central bank, but their objections were lukewarm and largely based on their continued confidence in the Canadian banking system of which they were an intimate part. On February 22, 1934, *A Bill to Incorporate the Bank Of Canada* was given first reading by Finance Minister Edgar Rhodes. The bill initially received at least some support from all parties, including the Liberals. Privately, Mackenzie King wrote in his diary: “I must say I think the act is an exceedingly good one, and I am in more in favour of its provisions than some of the changes being suggested by some in our party”.³⁵

³³ WLMK Diaries. Microfiche 84. March 1, 1934.

³⁴ Hansard (Ottawa: 17th Parliament, February 22, 1934) 826.

³⁵ WLMK Diaries. Microfiche 84. February 27, 1934.

In presenting the Bank of Canada bill, Rhodes presented the case why a central bank must replace the Finance Act and the powers that had traditionally been under the domain of the chartered banks:

No purely profit-making institution operating in a competitive system can afford to place *social interests* before its own in regard to credit policy...nor can the management of such a body be expected to regard the maintenance of the monetary standard, for example, as a duty prior to its obligation to the stockholders.

Rhodes then defined the principal functions of the new bank:

1. To regulate internal credit;
2. To regulate the foreign exchanges;
3. To mitigate fluctuations in the level of production, trade, employment, and prices as far as may be possible within the scope of monetary action and;
4. To give expert and impartial financial advice to the government of the day.³⁶

Rhodes then proposed that the Bank would be privately owned, to safeguard it from undue political interference. In its final form, the Bank of Canada Act would allow the issue of one hundred thousand shares at \$50 each, with the proviso that shareholders must be "British subjects normally resident in Canada" and an individual shareholder – with the exception of the minister of finance – could not possess more than fifty shares. Profits would be limited to a six per cent dividend (a relatively minor sum) with the rest of the Bank's earnings flowing into its consolidated fund. The Governor and Deputy Governor (initially appointed by cabinet and later subject to cabinet approval) would be supported by a board of directors elected from the shareholders, while the deputy minister of finance would be a non-voting member of the board. The Governor, Deputy Governor and Board of Directors were subject to strict rules of eligibility. They could not hold office at the same time as they were a member of a federal or provincial legislature, a

public servant or a shareholder in a Canadian chartered bank. Any officer of the bank who held office “knowing that he is not eligible for such office, shall be guilty of an indictable offence and liable to imprisonment for not more than three years and not less than three months”.³⁷

The structure of the proposed institution was such that it maintained a delicate balance between the broad social objectives presumably advanced by any government in power and the economic considerations of the nation, long defended by the chartered banks. Under the new state instrument, neither party held a controlling influence. The central bank would instead gain its legitimacy by pursuing a monetary policy that was in the interest of the entire nation. The finance minister argued that such an arrangement was in the national interest, since it served to protect Canada’s monetary policy from both the reckless promises of politicians and the chartered banks’ plans for profit. According to Rhodes:

the Bank of Canada, while privately owned, will operate as a public trust...the bank is not to be a “profit making” institution. This feature sharply distinguishes the bank from the ordinary business or commercial enterprise and is designed to enable the bank to pursue its legitimate ends, unhampered on the one hand by the urge to make profits and on the other hand undue political interference.³⁸

The Liberals, under Mackenzie King (who initially supported the privately owned scheme) opposed the legislation, arguing that as a state body, the Bank of Canada should come under the exclusive control of the minister of finance. While Mackenzie King no doubt was persuaded to take this position by the more progressive members of his

³⁶ Hansard (Ottawa: 17th Parliament, February 22, 1934) 825-6.

³⁷ Canada, Acts of Parliament of the Dominion of Canada: Part 1, General Public Acts (Ottawa: 17th Parliament, 1934) 494-511.

³⁸ Hansard (Ottawa: 17th Parliament, February 22, 1934) 827.

caucus, particularly those with seats in western Canada, he offered a different explanation in his diary:

The fact that it is proposed to give all the gold of the country into the care of the Central Bank and also to give it the power of note issue causes me to change my view as to the wisdom of private ownership. It is one thing to continue privately owned institutions for private purposes another to part with public property to private concerns without a predominating public control.³⁹

Bennett responded to Liberal criticisms by suggesting that the bank's powers were too great to be left to political interests alone:

I have said that I commenced my study of this problem from the standpoint of believing that it would be desirable to have the bank publicly owned. When I studied the matter; when I observed what had been written with respect to other countries...when I reviewed, as I did carefully, the appointments that have been made to the various commissions of this country; when I saw patronage in all activities with respect to our publicly owned institutions; when I saw the effect of such appointments, and when I saw the governmental intervention with respect to some matters of business that were dealt with by commissions of this country, I determined that if we were to preserve the unchallenged independence of this bank we must do something more than merely leave it to public ownership.⁴⁰

Bennett then went on to compare Canada's proposed bank with other, privately-held, central banking institutions, and concluded that for the Bank to earn the confidence of the Canadian people and international markets, it must maintain a degree of independence. The rhetoric he put forward is revealing, for not only does it reflect Bennett's belief in the progressive ideas of Borden and the state intervention of the Macdonald Conservatives, but his understanding of what Gad Horowitz called 'tory democracy'. The people, suggested Bennett, were the most likely beneficiaries of this institution, and as a result the interests of politicians and bankers had to be distanced from

³⁹ WLMK Diaries. Microfiche 84. March 21, 1934

⁴⁰ Hansard (Ottawa: 17th Parliament, June 27, 1934) 4358.

a state instrument charged with ‘the stormy career’ of lifting Canadians out of the

Depression:

One great thing we can say, that this institution with a body of shareholders, with a privately created directorate, will be controlled through government to an extent that no other privately owned central bank is controlled either in France or Great Britain or elsewhere. We confidently believe that freed from political control and with the merit determined by experience of those who are engaged to manage the bank, it will discharge the obligations for which it was created and thereby bring improved conditions to the Canadian people...having studied the matter as long as I have, I could not in the disturbed conditions of public affairs, and with the appeals that have been made, venture to launch this institution on the stormy career that lies before it if it is to function successfully and bring credit to the Canadian people, and allow it to be subjected to the play of the forces [partisanship, political intrigue] to which I have just alluded.⁴¹

The legislation incorporating the Bank of Canada passed the House of Commons in late June of 1934, and Bennett, with his government was still mired in the woes of the Depression, could seek comfort in knowing that it was one of the few aspects of his administration that enjoyed the public’s support. Even the banking community seemed resigned to the idea of a central bank, as evident in a letter sent to Bennett from Beaudry Leman (a member of the MacMillan Commission), recognizing the bank’s statutory power to shape the Canadian economy:

As to the restrictions embodied in...the Bank of Canada Act, I am afraid that, after a few years’ experience, it may be found necessary to broaden the statutory powers of the Central Bank. On the other hand, it may have been the part of wisdom to shackle and fetter the new species introduced in the Canadian fauna, in order that no one be scared. As it becomes evident that the animal is tame, it will no doubt be found desirable to loosen and even remove some of the chains.⁴²

The banking community soon appreciated the utility of the new species in the Canadian economy, when one of their own was named as Governor of the Bank of Canada.

⁴¹ *Ibid* 4360-61.

⁴² Beaudry Leman to Bennett (June 7, 1934) *R.B. Bennett Papers*. Microfilm, reel M-963 63833.

Graham Towers, general manager of the Royal Bank and one of the few outspoken advocates of a central bank coming from the banking community, was ultimately selected as the most qualified Canadian for the top position at the Bank. Since he was acceptable to bankers and politicians alike, the relative youth of the 37-year old Towers was overlooked, and he was named as the first Governor of the Bank of Canada in September of 1934. By January of 1935, the financial community in general came to realize that there was nothing dangerous in the central bank, as a slate organized by the Canadian Chamber of Commerce was approved as the Board of Directors by shareholders. The new bank was perhaps most popular with Canadians, however, as bank stock was heavily subscribed. About twelve thousand people purchased the shares of the new Bank of Canada. Their occupational and regional perspectives were indeed broad: "They came from all walks of life; on the list of shareholders were an RCMP corporal, a lieutenant-governor, a cab driver, a parish priest, a blacksmith, accountants, farmers and clerks...Shareholders were scattered across the country, although about 70 percent of the shares were purchased in Ontario and Quebec...women held 37 percent of the shares".⁴³

When the Bank of Canada opened its doors in March 11, 1935, it immediately pursued an expansionary monetary policy, boldly attempting to draw Canada out of the Depression after years of caution from the chartered banks. This does not suggest, however, that the central bank was merely focused on a social objective. It was as interested in increasing economic growth as its private sector partners. Through the establishment of a central bank, the state did not seek to overturn the structure of the Canadian economy, but instead sought to ensure its continued legitimacy. This attitude

⁴³ Michael Babad and Catherine Mulroney, Where The Buck Stops: The Dollar, Democracy, and the Bank of Canada (Toronto: Stoddart, 1995) 19.

was reflected by Bennett himself, when the millionaire prime minister stated in one of his New Deal speeches that “when capitalism is freed at last from its harmful imperfections, when government exercises the intended measure of regulation over capitalist groups, capitalism will be in fact your servant and not your master”.⁴⁴

From a theoretical perspective, Bennett’s action was not out of character, especially when we note Leo Panitch’s observation that by “specifying the concrete linkages between a state formally based on political equality and a society dominated by the capitalist class, we again immediately note a particularly striking characteristic of the Canadian state – its very close personal ties to the bourgeoisie”.⁴⁵ Bennett was, in the eyes of many 1930s radicals, almost a bourgeoisie cartoon – a corporate lawyer with imperial sentiments and numerous financial connections. Such a characterization does, however, oversimplify a basic logic. When Bennett spoke of enlisting in the camp of the “people”, and not “those who worship profits as their god”, he was in fact selling Canadians to the idea that the state had to save the bourgeoisie, and in particular, the banking community, from itself. As H. Blair Neatby noted, Bennett was trying to reform and preserve, not destroy, the capitalist system.⁴⁶

From a historical perspective, Bennett’s action reflected a long-standing conservative tradition of state activity, as well as the ability of previous conservative governments to adapt to a new era. Bennett’s state activism was also present in the creation of the Canadian Radio Broadcasting Commission, the maintenance of Macdonald’s National Policy of tariff protection, and the establishment of the Canadian

⁴⁴ H. Blair Neatby, The Politics of Chaos: Canada in the Thirties (Toronto: MacMillan of Canada) 66.

⁴⁵ Panitch 41.

⁴⁶ Neatby 66.

Wheat Board. In each case, the state sought to ensure the continued legitimacy and viability of the Canadian economy, and its actions were also fuelled by a sense that state instruments were of critical importance in maintaining the integrity of the nation. In the case of the Bank of Canada, Bennett took the state, and the history of Canadian conservatism, in a new direction. In his New Deal speeches, Bennett described the central bank as one of his government's first actions of reform, and it would ultimately be his most lasting. The Bank of Canada, like a number of other legislative actions taken by Bennett in 1934 and 1935, expanded the ability of Canadian conservatism to respond to the needs of the Canadian collective, and while critics certainly suggested that the measures were politically motivated, these criticisms minimized the historical roots of the reforms. Like the most successful Conservatives before him, Bennett would significantly alter the role of the state when needed, and such alterations were certainly needed in the first five years of the Depression.

Despite his efforts, Bennett never received much credit for the Bank of Canada or any other reform measures, or for his apparent willingness to enlist in the camp of "the people". Defeated by Mackenzie King's Liberals in 1935, Bennett was cast as an agent of the rich and powerful, and this characterization seemed valid when he accepted a seat in the British House of Lords. His friend Lord Beaverbrook was one of a select few who celebrated Bennett's accomplishments in leading Canada during the Depression. Aitken later wrote of Bennett's achievements:

His courage never faltered, his confidence never failed. He carried out unprecedented remedial measures, thus avoiding grievous damage which would have been inflicted upon the whole financial structure of the country. In truth, I am convinced that no other man but Bennett would have had the courage to guide

the shattered fortunes of Canada along uncharted waters of finance, and through unexplored forests of industry.⁴⁷

Among the changes undertaken by Mackenzie King upon taking office in 1935 were amendments to the Bank of Canada Act. Throughout the latter half of the 1930s, the minister of finance purchased all of the central bank shares in circulation, placing the Bank of Canada firmly, at least in theory, under the control of Parliament and satisfying Mackenzie King's jealous sense that all the instruments of the state were answerable to a House of Commons that he ruled. In practice, the Bank of Canada sternly maintained its independence – a trait that Bennett said was needed – and in some instances Governors of the Bank of Canada have threatened to resign if the Canadian cabinet gives them instructions on monetary policy that they do not agree with. While its independence was maintained, accountability was not. When the shares were taken out of circulation, individual Canadians – ranging from the cab driver and the RCMP corporal – no longer had the opportunity to challenge the Bank's monetary policies at annual meetings or seek to change them through the election of a new board. After King's changes, the only guardian of the people's trust was Parliament, an institution that King revered, yet one that has increasingly seen its credibility questioned by individual Canadians. While the Bank of Canada has maintained its legitimacy through maintaining a sound monetary policy overall, the removal of publicly-owned shares stripped from individual Canadians a degree of their own agency, making it more difficult for them to suggest ways of achieving an economic heaven on earth.

⁴⁷ Max Aitken (Lord Beaverbrook) *Friends: Sixty Years of Intimate Personal Relations with Richard Bedford Bennett* (London: Heinemann, 1959) 81.

Conclusion: “I summon the power of the State”

I am for reform. And, in my mind, reform means government intervention. It means government control and regulation...Reform or no reform! I raise that issue squarely. I nail the flag of progress to the masthead. I summon the power of the State to its support.

- R.B. Bennett, delivering the first of his New Deal radio addresses on January 2, 1935.¹

Rarely has a political event in Canada captivated the nation with the same intensity as the Bennett New Deal addresses. Millions of Canadians tuned their radios to listen to the prime minister in the cold evenings of January, 1935. It is estimated that 8,000,000 may have listened to the fifth and final address.² Over the next few months, the reactions were as excitable as they were varied. In London, Howard Ferguson felt that it was “a programme with outlook and vision”.³ In Montreal, fascist organizer Adrien Arcand rejoiced in the belief that “all that Bennett legislation tends towards fascism”.⁴ In Saskatchewan, John Diefenbaker noted that the “speeches are being enthusiastically received in the province”.⁵ Examined from whatever political perspective, the Bennett

¹ R.B. Bennett, The Premier Speaks to the People: The Text of the First Address (Ottawa: Dominion Conservative Association, 1935) 11.

² Bennett 3.

³ Peter Oliver, G. Howard Ferguson: Ontario Tory (Toronto: University of Toronto, 1977) 430.

⁴ Lita-Rose Betcherman, The Swastika and the Maple Leaf (Toronto: Fitzhenry & Whiteside, 1975) 43.

⁵ Denis Smith, Rogue Tory: The Life and Legend of John G. Diefenbaker (Toronto: Macfarlane Walter & Ross, 1995) 79.

New Deal addresses were seen as electoral dynamite. They were being delivered by a man who had brought back the Conservative party from the political wilderness, only to govern as his nation endured four straight years of financial collapse. Now, in the final year before an election, the Conservative leader had a plan. It was not, however, a plan that the electorate expected to come from Bennett, whose government had a reputation of being more in sympathy with St. James Street than Main Street. The Bennett New Deal prescribed a different sort of conservatism, one that William Herridge privately referred to as a New Toryism, and it did not include such traditionally conservative planks as the tariff or transportation projects once welcomed by the party's financial elite. Instead, a new vocabulary was introduced. It included employment insurance, economic councils and government regulation, and it suggested that the federal state would become more activist in its defence of the collective good. In Ottawa, Bennett understood that his cabinet was both startled and somewhat anxious over the addresses, and could not escape the irony. Leaving the cabinet room one day, he slapped Sir George Perley in the back and quipped, "How are you comrade?"⁶

While the Bennett New Deal addresses and the accompanying legislation may have made for great pre-election speculation, it seems apparent that the New Deal is not in itself a good benchmark with which to judge the Bennett administration. As historian J.H. Wilbur has noted, "The so-called Bennett New Deal is a misnomer in the first place and an unlikely and inaccurate point of departure for any assessment of Bennett's legislative record".⁷ There is little doubt that the pressure of the coming election, and the

⁶ Grattan O'Leary, Recollections of People, Press and Politics (Toronto: MacMillan of Canada, 1977) 77.

⁷ J.H. Wilbur, "R.B. Bennett as a Reformer", in Historical Papers (Ottawa: Canadian Historical Association, 1969) 104.

rhetoric of Herridge and Finlayson (the principal authors of the speeches), produced a somewhat distorted impression of Bennett's achievements. This was evident when Bennett stated in the first address: "we were determined to resist the impulse of change until we could be satisfied that change was beneficial: until we could be satisfied that change was safe".⁸ Wilbur, who felt that Bennett was consistently sincere in his efforts to wear the coat of a social reformer, believed that the prime minister was in fact open to change at least three years before the broadcasts. Obvious evidence for this argument was found in Bennett's support for unemployment insurance in as early as 1931, and his willingness to substantially change the direction of Canadian radio a year later. Concrete proposals for unemployment insurance were debated early on in the Bennett administration, but the prime minister's belief in a system based on contributory payments precluded action until increased employment levels placed the scheme on a sound actuarial basis. While the election-style speeches that formed the Bennett New Deal were dramatic enough to make Bennett sound like he was willing to change the capitalist system, the reality was that Bennett had spend a good part of his earlier career advocating the type of changes considered to be too little and too late in January of 1935.

Other historians have suggested that there was an earlier thrust for reform in the Bennett administration prior to what was pledged in the New Deal. Larry Glassford, a more recent scholar who has given Bennett a very thorough treatment, has also claimed that the Conservatives stood for reform prior to the New Deal, with the most evident example being the Stevens affair of 1934.⁹ The turbulent personal relationship between

⁸ Bennett 11.

⁹ see chapter nine in Larry Glassford, Reaction and Reform: The Politics of the Conservative Party under R.B. Bennett, 1927-1938 (Toronto: University of Toronto Press, 1992)

Stevens and Bennett no doubt complicates an examination of the government's sincerity in its investigation of price spreads, or in Bennett's personal commitment to the small producer in the face of the capitalist excesses of the Depression. While Stevens ultimately left the party in 1935, there is plenty of evidence that clashing personalities were a decisive factor, and Bennett's continued support for the royal commission despite the political intrigue suggests that he shared a number of Stevens' concerns. Indeed, it is important to note that Bennett complained of 'sweat-shop' conditions and their effect on distorting imperial trade at the 1930 imperial conference, a full four years before the Commission was formed.¹⁰

Glassford concluded his study by determining that the Conservative Party under Bennett's leadership stood for both reaction *and* reform. The reaction, of course, was to the paralyzing effect the Depression and some of the government's own policies had on the nation, while the reforms were separate and distinct from the political upheaval. In examining Bennett's career prior to assuming the role of prime minister, and some of the initiatives he took to combat the burdens of the Depression, there is certainly enough evidence to suggest that he was more predisposed towards reform than reaction. The Bank of Canada, the Canadian Radio Broadcasting Commission, and other initiatives like the Canadian Wheat Board underline this fact. Perhaps, to paraphrase Michael Bliss, Bennett was "a genuine social reformer who hit a long patch of bad luck".¹¹

To obtain a better perspective on Bennett, it is useful to compare his own administration, rather than the rhetoric heard over the radio in 1935, to Roosevelt's actual New Deal. After the 1932 presidential election, Canadians desperately wanted a leader

¹⁰ The Manchester Guardian (November 6, 1930)

¹¹ Michael Bliss, Right Honourable Men (Toronto: Harper Collins, 1994) 112.

who put forward a Rooseveltian plan of hope, one that would assist the unemployed, try new ideas, and employ an army of idealistic young bureaucrats ('New Dealers') that would get the nation moving again. Bennett, and Herridge in Washington, no doubt saw the political appeal. Whereas Bennett had often avoided contact with out-going president Hoover (to the point of discouraging photos at a state visit), the prime minister met with Roosevelt a matter of weeks after the inauguration.¹²

Bennett's decision to politically mimic the American president was met with a degree of suspicion by many. Grattan O'Leary reflected these views when he claimed that "Bennett was a High Tory posturing as a Roosevelt Democrat".¹³ Such criticisms are at least partially valid, when considering how the two leaders actually treated the unemployed. Organized marches were held on both capitals, but while Bennett met the marchers with Mounties and the threat of armed force, Roosevelt offered coffee and the sympathetic ear of his wife Eleanor.¹⁴ Yet upon closer inspection, it seems apparent that while Bennett did not have Roosevelt's style, his administration had much of the same substance and inclination to reform.

While Roosevelt pledged real help for the unemployed, it is interesting to note that during the winter of 1932-33, when the single unemployed in the U.S. were still completely at the mercy of private charity, the Canadian federal government was paying for the relief costs of 46,000 men.¹⁵ And while Roosevelt earned plaudits as a saviour for his declaration of a banking holiday in February of 1933 and his willingness to undertake

¹² see chapter eight in Lawrence Martin, The Presidents and the Prime Ministers (Toronto: Doubleday, 1982)

¹³ O'Leary 78.

¹⁴ Arthur M. Schlesinger, Jr., The Age of Roosevelt: The Coming of the New Deal (Boston: Houghton Mifflin, 1959) 15.

¹⁵ James Struthers, No Fault of their Own: Unemployment and the Canadian Welfare

a program of controlled inflation, Bennett had already undertaken an experimental program of monetary expansion some months before. The celebrated 'New Dealers' of Washington certainly had a counterpart in Ottawa. Among the civil servants and officials that Bennett consulted were Lester Pearson, Charlotte Whitton, Clifford Clark, Graham Towers, Gladstone Murray, Phyllis Turner (John Turner's mother), and O.D. Skelton. Many of these individuals made a name for themselves during the Depression, and went on to have very successful public careers. It is also obvious that many of them certainly appreciated having the prime minister's ear. "I shall tell you all about the exciting doings of the last month", wrote Lester Pearson, secretary of the Stevens inquiry, to an associate in May of 1935, "not the least of which were several long conversations with the Prime Minister over our Commission's evidence and its Report".¹⁶ Gladstone Murray, who would later manage the CBC after consulting Bennett on radio, told Brooke Claxton in 1932 that he had "several characteristically fantastic interviews with R.B."¹⁷ Like Roosevelt, Bennett was extremely interested in hearing out new ideas, and his confidence in a select few members of the civil service immeasurably changed Ottawa in the turbulent years to come. While Grattan O'Leary may have felt that Bennett was a High Tory posturing as a Roosevelt democrat, the opposite case could also be made – that Bennett was in fact a Roosevelt democrat who happened to be stuck with the personality of a High Tory.

State 1914-1941 (Toronto: University of Toronto Press, 1983) 97.

¹⁶ L..B. Pearson to C.A. Curtis (May 22, 1935) National Archives of Canada. Archives of the Royal Commission on Price Spreads and Mass Buying. RG 33-18 [hereafter Stevens Commission Archives] Volume 52.

¹⁷ Frank Peers, The Politics of Radio Broadcasting (Toronto: University of Toronto Press, 1969) 109.

Bennett's apparent willingness to fashion his own New Deal, and his readiness to use the federal state to combat the ravages of the Depression, seems remarkable in comparison to Mackenzie King's own hesitation to provide solutions in the early 1930s. It was obvious, however, that if he did ponder solutions, King did not look to the United States as an example. In September 5, 1933, the Liberal leader wrote in his diary: "I dread the thought of what may come out of the U.S. experiment. I am beginning to think Roosevelt is a little like Bennett in his outlook, methods, etc."¹⁸ When King finally took back the office of the prime minister, he maintained a reluctance to act that was characteristic of his record in the 1920s, as it would be for the rest of his political career. As historian James Struthers has noted, "more than Bennett, King was philosophically averse to expanding the role of government"¹⁹.

After the 1937 recession prolonged the agony of the depression, King, with some cajoling from his cabinet, finally appeared willing to use the power of the federal state. The resulting budget, delivered in 1938, has been described by a number of historians as Canada's first deliberate Keynesian budget. Yet the deficit was only \$23 million, and according to King biographer H. Blair Neatby, "King still thought of it as a response to a temporary emergency, a regrettable aberration from the principal of fiscal responsibility"²⁰. In comparison, Bennett's budget deficit in 1932-33 – the lowest year of the Depression – was \$220 million, and funded 40 per cent of government expenditure. While the Bennett government has received criticism for taking economy measures just as the economic down-turn was at its lowest ebb, the 1932-33 budget came on the heels

¹⁸ National Archives of Canada, Transcript of the William Lyon Mackenzie King Diaries [hereafter WLMK Diaries] microfiche 82. September 5, 1933.

¹⁹ Struthers 140.

²⁰ H. Blair Neatby, William Lyon Mackenzie King: The Prism of Unity, 1932-39

of an earlier deficit of \$114 million, representing 25 per cent of total government expenditure. Bennett continued to produce deficits of \$133 million in 1933-34, \$116 million in 1934-35, and \$160 million in 1935-36 (a number shared with the Liberals in his final year in office), and the deficit represented roughly 25 per cent of government expenditure at its lowest point. Added to Bennett's financial challenges was the fact that there was no central bank to operate in a counter-cyclical fashion against the Depression until his final year in office, a luxury that certainly assisted King in his economic planning. Throughout his period in government, Bennett provided an annual low of \$36 million and a high of \$51 million to the unemployed, through his government's various unemployed relief acts. At its lowest point, the relief program represented no less than 7 per cent of total government expenditure.²¹ While Bennett himself would admit an aversion to the principles of Keynesian economics, the budgets that his government produced would have nonetheless made many a Keynesian economist blanche!

Bennett's actual New Deal legislation, with its precedent-setting intervention in the field of social policy, was largely emasculated by King. By referring their constitutionality to the courts, King ultimately gave the Judicial Committee of the Privy Council, and not the federal government, the authority to decide whether or not the Canadian state would intervene in social policy to help the nation cope with the Depression. The privy council in large part said no, as it declared the Minimum Wages Act, the Hours of Work Act, the Employment Insurance Act, and the Natural Products Marketing Act *ultra vires* under the Canadian constitution. Bennett, in preparing the legislation, had been aware of possible illegalities, but was prepared to argue that the

(Toronto: University of Toronto, 1976) 257.

²¹ Hansard, Years 1930-38.

earlier privy council decision on radio had paved the way for the New Deal, since Canada had signed the League of Nations Convention on Labour and had specific responsibilities under that agreement. Bennett, of course, was defeated in 1935, and was thus unable to present his argument in the courts. As a result of the 1937 verdict over the New Deal, argued J.H. Wilbur, “Bennett’s reform legislation performed a valuable service. By declaring much of it *ultra vires*, the Privy Council was signalling the end of its usefulness as the interpreter of Canada’s constitution”.²²

The end result of the privy council decision was that the Canadian people, who had rejected Bennett so soundly in 1935, still did not escape the economic insecurity that was the cause of their rejection until many years later. By 1941, a great number of Canadians still did not have protective legislation dealing with minimum wages or maximum hours of work. In 1941, King, under pressure from the Left, finally introduced legislation respecting unemployment insurance, but it was virtually identical to the act Bennett had his own officials prepare in the early 1930s. This was cold comfort to the thousands of Canadians who had, in the meantime, spent nearly a decade unemployed. While King may have beat Bennett at the polls, that was hardly relevant to government. As J.H. Wilbur has noted:

Elections notwithstanding, it is this [legislative] record that matters in the long run. A closer study might reveal that of all the administrations governing Canada in this century, the most conservative have been led by Mackenzie King and the most reforming by Richard Bedford Bennett.²³

In the final analysis, it is not in comparisons with other political leaders, but in a comparison to the principles of Canadian conservatism, that the political ideas and

²² Wilbur 109.

²³ Ibid 111.

legislative legacy of R.B. Bennett should be judged. In this light, perhaps the statements of H.M. Cassidy, a 1930s social reformer, might be of some help. Speaking at a Conservative party retreat in 1933, Cassidy explored the meaning and significance of conservatism:

Lord Cecil points out that the religious background of Toryism, one of the ingredients of modern Conservatism, dictates a humane policy of social reform. He says further that “modern Conservatism inherits the traditions of Toryism which are favourable to the activity and the authority of the state.” In this country, as all of us well know, and notably in this Province of Ontario, Conservatives have gone some distance to exalt the authority of the state over that of the individual. But the Conservative tends to move cautiously in this direction, more slowly than his radical friend; and on the whole no faster than he thinks necessary to conserve and protect the basic institutions in which he believes.

Then, perhaps, unwittingly, Cassidy neatly described the political ideas of the man who happened to lead the party holding the retreat:

It is now possible, I think to state in a sentence the essence of the Conservative position – maintenance of the economic and social status quo, involving protection of private property rights, of the economic system known as capitalism, and of the social stratification based upon it; coupled with a willingness to extend the power and influence of the state, in so far as this may be necessary to protect and defend the essentials of the status quo.²⁴

When R.B. Bennett was elected in 1930, he had pledged to protect the Canadian economic system from the ravages of the Depression. When the traditional powers of the federal state proved hopelessly futile in facing this task, Bennett searched for new ideas and new ways of protection, if only to *conserve* the Canadian economic system in front of the most severe crisis in its history. While the Bennett New Deal, which was the ultimate culmination of his search, was described as radical by a number of his peers, it was simply a reflection of his political ideas developed over fifteen years as a member of Parliament. Bennett saw the federal state as a dynamic force, one that would ensure that

the economic gains made by Canada would be shared by all Canadians. His government had the misfortune of being in office when few economic gains were made, and the burdens were too often placed on the unemployed. As a conservative, this offended his collective tory beliefs. As a Canadian who was born just three years after Macdonald achieved Confederation, this undermined his belief that the federal state could play a strong dynamic role in national life, and actively intervene when individual Canadians required assistance. This latent tendency to invoke the powers of the federal state was a critical aspect of Bennett's political appeal. It was first evident in his career as a backbencher, found again in the Winnipeg platform, and ultimately overwhelmed by the force of the economic recession. While Bennett would ultimately fail politically in his efforts to "improve the situation", the ideas he put forward and the legislation he enacted while in government moved both his party and the Canadian people towards a more dynamic and comprehensive federal state. Reflecting on the Bennett years, John Diefenbaker noted that "this was a government that did not sit on its hands." It would be another twenty-three years before another Conservative ministry could do the same.

²⁴ H.M. Cassidy, "An Unemployment Policy: Some Proposals", in J.H. Wilbur, The Bennett New Deal: Fraud or Portent? (Toronto: Copp Clark, 1968) 33-34.

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