

The Politics of Capital:  
The Crisis and Transformation of Canada's Big Bourgeoisie, 1917-1947

by

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## ABSTRACT

This study examines the changing *mentalité* as well as the shifting accumulation and political strategies of Canada's big bourgeoisie during the transformative period from 1917 to 1947. Engaging literatures from a range of disciplines and subfields within history, the study pursues biographical case studies of five leading business and political figures from different regions and associated with different sectors of the economy. The group includes Howard P. Robinson (1874-1950), Charles Dunning (1885-1958), Sir Edward Beatty (1877-1943), Sam McLaughlin (1871-1972), and C.D. Howe (1886-1960). In an era when American investment surpassed British investment for the first time and created a new dependency for the country's economic elite, the crisis of the old political economy of the National Policy period became apparent as business leaders and institutions struggled to maintain their economic and political power. This challenge became more pronounced with the onset of the Great Depression and the rise of social democratic and socialist alternatives, including a strong labour movement. For members of the economic elite whose residual worldview was associated with finance capital, compromise on key issues was difficult and some members questioned the efficacy of democratic governance in a time of economic crisis, but the eventual political defeat of this response cleared the way for ideological and political adjustments. The tendency of the scholarly literature to focus on the themes of economic dependency and political continuity in this period has concealed the more complex story told in this study: of finance capital's political failure and the eventual triumph of a form of managerial capitalism that accepted government intervention without ceding ideological ground.

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## INTRODUCTION

The tall buildings lining St. James Street can be seen from miles away, a cluster of grey structures hovering above Montreal's bustling cityscape. From the street itself these edifices are even more imposing, creating an almost cavernous effect and projecting from their neo-classical architecture the impression of timeless wisdom. Well-dressed men scurry about purposefully in heavy coats amid the frosty January air; perhaps a few carry one of the city's anglophone daily newspapers, the *Montreal Star* or *Gazette*, under their arm. The septuagenarian president of the Royal Bank of Canada, Sir Herbert Holt, is to address the bank's directors for its annual meeting at 11 in the morning. From his mansion on Stanley Street in Montreal's Square Mile, an old enclave of the city's bourgeoisie extending from the southern section of Mount Royal, Holt's journey to the office is short. The tallest building in Montreal, the new headquarters of the Royal Bank at 360 St. James Street serves as a testament to the bank's rising stature in business and finance, and with assets totaling more than \$900 million, the directors are likely at ease while Holt addresses them. The year 1928 had been good, and Holt anticipates more of the same in 1929. He propounds an expansive, global vision of capital accumulation,

which hitherto had served the bank well. The postwar political turmoil in Europe having calmed, Holt declares, “the world stands upon the verge of a period of prosperity similar to that which is now being experienced in North America, and . . . the volume of our international trade will soon rise to new and unprecedented levels.” The potential problems that lay ahead, to Holt’s mind, are simply the problems of meeting the conditions for further expansion, and thus Holt warns that a substantial increase in immigration is necessary. “I believe, however,” he concludes, “that at the moment it is no exaggeration to summarize the general situation by saying that there is no other part of the world more prosperous than Canada.”<sup>1</sup>

This was the setting of the Royal Bank’s annual meeting on 10 January 1929. Holt’s optimism was not unusual; it evinced the élan of a conquering national bourgeoisie. With his involvement in utilities, textiles, coal and steel, as well as pulp and paper, the tentacles of Holt’s economic activity extended well beyond banking; indeed, his non-bank business interests represented hundreds of millions in capital. But Holt’s optimism, and his business interests, would be thrown into question with the onset of economic crisis later in the year. Having actively participated in the economic growth of the National Policy period, when western expansion, European immigration and settlement, railway building, and protective tariffs established and consolidated Canada’s position in North America, which represented both a project of nation-building and one of imperial expansion under the Union Jack, Holt and many other capital-rich Canadians anticipated a future that would follow the experience of the recent past. But the

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<sup>1</sup> *The Canadian Annual Review of Public Affairs, 1928-29* (Toronto: The Canadian Review Company Limited, 1929), 671-81; Duncan McDowall, *Quick to the Frontier: Canada’s Royal Bank* (Toronto: McClelland and Stewart, 1993), 230; Paul-André Linteau, *Histoire de Montréal depuis la Confédération* (Montréal: Boréal, 1992), 303-6.

contradictions of that expansion would soon disrupt these expectations and create a new array of challenges and opportunities for a changing national bourgeoisie.

## I

This study examines Canada's big bourgeoisie as they confronted new circumstances and as they tried to build and maintain the economic order – as they understood it – during the 30 years following the First World War. As with Holt, the expectations and assumptions of the country's business elite during this period continued to be shaped by the experience of the National Policy period. The 1920s, as Holt's language revealed, was a successful decade for Canadian big business, especially as emerging industries such as pulp and paper and automobiles provided new opportunities for capital accumulation. It was also a decade of marked political success. With the retreat of the postwar farmer-labour revolt during the early 1920s, Canadian big business regained its swagger.<sup>2</sup> Drawing upon the influence of progressivism and meritocratic ideals, big business advanced its political influence and shored up its legitimacy as the big bourgeoisie made renewed claims to stewardship.

When the Great Depression of the 1930s hit, the country's elite was caught off guard. Many elite figures proved themselves ideologically incapable of adapting to the emerging pressures created by the new economic situation. They sought to preserve the days of limited government intervention and stave off the influence of industrial unionism and broader social democratic and socialist initiatives, but popular pressures

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<sup>2</sup> For the labour revolt see Craig Heron, ed., *The Workers' Revolt in Canada, 1917-1925* (Toronto: University of Toronto Press, 1998).

worked against their success. Increasingly, members of Canada's business elite became more skeptical about the efficacy of democratic principles in the nation's political life. This was especially apparent as the country's business moguls obsessed over the railway question, a ubiquitous public policy issue of the 1930s. Since Prime Minister Robert Borden's Unionist administration set the policy course that eventually created the Canadian National Railways (CNR) as a state-owned competitor to the Canadian Pacific Railway (CPR) after the First World War, the two railways had engaged in bitter competition. CPR president Edward Beatty believed the privately owned railway was entitled to special consideration given its nation-building role during the National Policy period, and he considered the existence of a state-owned competitor unfair to the CPR. The Great Depression made this issue even more pressing, as both railways fell into financial difficulties and as businessmen argued that CNR deficits, combined with other government spending, threatened the solvency of the Canadian state. The railway question gained a central role in the politics of big business as the debate acquired a wider ideological resonance with business leaders during the 1930s, becoming part of a larger debate about the role of the state in society. The political bloc that Beatty represented faced a significant historical failure.

This study tells the story of that political failure. It does so by examining the *mentalité* as well as the political and accumulation strategies of the Canadian bourgeoisie through a series of comparative biographical case studies. The interpretation in the pages to follow suggests the need to revise the general historiographical tendency emphasizing the successful and orderly adaptation of business leaders to the onset of a social

democratic era during the 1930s.<sup>3</sup> This study argues that the adaptation that occurred in the 1930s and 1940s involved the beginning of a transition to a new capitalist logic, which was made possible only by the political defeat of the old logic. Holt, Beatty and adherents to the old capitalist order embraced the outlook of finance capital, which in Canada meant high tariffs, limited government involvement in the domestic economy, and a general reverence for British culture, which before the First World War had been part of Canadian business's widespread connection to the British financial market.<sup>4</sup> The

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<sup>3</sup> The successful adaptation of the business community and its ability to control the reform process is argued most explicitly in Alvin Finkel's important study, *Business and Social Reform in the Thirties* (Toronto: James Lorimer & Company, 1979). Finkel's argument, though persuasively argued and broadly correct, tends to overstate the prescience of the nation's business elite. The fundamental conservatism of social reform in the 1930s is also persuasively demonstrated in James Struthers, *No Fault of Their Own: Unemployment and the Canadian Welfare State, 1914-1941* (Toronto: University of Toronto Press, 1981). More recently Struthers has reiterated this general argument about the nature of social reform in "Unequal Citizenship: The Residualist Legacy in the Canadian Welfare State," in *Mackenzie King: Citizenship and Community; Essays Marking the 125<sup>th</sup> Anniversary of the Birth of William Lyon Mackenzie King*, ed. John English, Kenneth McLaughlin and P. Whitney Lackenbauer (Toronto: Roblin Brass Studio, 2002), 169-85. Numerous monographs have also contributed to the theme of prescient adaptation by emphasizing the role of intellectuals and their growing importance within the expanding government bureaucracy. See, for example, J.L. Granatstein, *The Ottawa Men: The Civil Service Mandarins, 1935-1957* (Toronto: University of Toronto Press, 1998 [1982]); Douglas Owsram, *The Government Generation: Canadian Intellectuals and the State, 1900-1945* (Toronto: University of Toronto Press, 1986); Barry Ferguson, *Remaking Liberalism: The Intellectual Legacy of Adam Shortt, O.D. Skelton, W.C. Clark, and W.A. Mackintosh* (Montreal and Kingston: McGill-Queen's University Press, 1993).

<sup>4</sup> See, for example, Gregory P. Marchildon, "'Hands Across the Water': Canadian Industrial Financiers in the City of London, 1905-1920," *Business History* 34, 3 (July 1992), 69-95. For a recent study of the broader British connection, examining the role of British businessmen in Confederation, see Andrew Smith, *British Businessmen and Canadian Confederation: Constitution-Making in an Era of Anglo-Globalization* (Montreal and Kingston: McGill-Queen's University Press, 2008). For a recent examination of how empire shaped the calculation of risk among British financiers regarding investment in Canada and Australia during the early 20<sup>th</sup> century see Andrew Richard Dilley, "Empire and Risk: Edwardian Financiers, Australia and Canada, c. 1899-

basis of this political economy was already being undermined in the 1920s, not only through increased government intervention (railways), but also through the expansion of American influence in Canada's economy, especially apparent in the rise of the automobile industry. A profound contradiction became apparent in Canadian businessmen such as General Motors of Canada president Colonel Sam McLaughlin, whose business success represented a new junior partnership with American capital, but whose cultural sensibilities remained decidedly British.

While the structural reorientation of the Canadian economy during the 1920s gradually began to undermine this residual culture and worldview, the economic and political crises of the 1930s and the experience of the wartime economy of the 1940s would provide the basis for a transition to something new. The genesis of the new logic – which allowed greater freedom for state intervention, was more managerial, and was more oriented towards the United States – was apparent in the activities and beliefs of engineering contractor-turned-politician C.D. Howe. As minister of transport in the second half of the 1930s, Howe would embolden the CNR's management and offer stronger opposition to the CPR, not only in the railway business, but also in the airline business. As minister of munitions and supply, Howe functioned as Canada's industrial czar during the Second World War, a position he would maintain as minister of reconstruction during the transition to a peacetime economy. But while Howe had

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1914," *Business and Economic History Online* 7 (2009), <<http://www.thebhc.org/publications/BEHonline/2009/dilley.pdf>>. My use of the term "finance capital" draws heavily upon Rudolf Hilferding's definition in *Finance Capital: A Study of the Latest Phase of Capitalist Development*, ed. and intro. Tom Bottomore, trans. Morris Watnick and Sam Gordon (London: Routledge & Kegan Paul, 1981 [1910]).

involved the state in new economic activities, by the end of the Second World War he had also limited that activity; and after the war he gained a reputation as a conservative-minded defender of free enterprise. Howe, then, did not represent a clear break from the old order, but was more of a transitional figure. Nevertheless, this does not diminish the importance of the role he played in the 1930s and 1940s in persuading the Canadian bourgeoisie of the benefits of the new forms of state intervention, which would eventually provide the ideological basis for the business expansionism of the postwar period.

Adaptation did come, but not in the manner generally perceived by scholars. This is less a story about prescient invention and adaptation, than it is a story both about the failure of extreme alternatives within a conservative bourgeoisie and about a fundamental shift in power away from Canada's historic business centre, St. James Street. From a wider perspective, it is a story about the rise and fall of finance capital. When he pronounced with such confidence about the future of Canadian capitalism in 1929, Sir Herbert Holt, the grizzled veteran of Canadian big business who had worked as a contractor and an engineer with the CPR during the railway's initial construction, failed to recognize that he was near the height of his economic power and that Canadian capitalism was entering a new era.

## II

The Canadian business elite or bourgeoisie does not hold a clearly defined area of study within historiography. Though they figure in almost every subfield of Canadian history, their social existence remains shrouded in many respects. In one study they

preside over a royal commission, in another they sell war bonds, and in another they run for public office or finance a political campaign. One of the first serious attempts to examine the historical development of Canadian capitalists was Gustavus Myers's *History of Canadian Wealth*, published in 1914. This muckraking account examined the big names in Canada's economic development, from the fur trade to the railway building of the late 19<sup>th</sup> century, to provide a narrative of recurring swindles and underhanded maneuvering.<sup>5</sup> In the succeeding decades Harold Innis offered a more structural interpretation of the activities of Canadian businessmen, arguing that economic development in Canada was driven by staples production: cod in the earliest period, fur up into the 19<sup>th</sup> century, then timber and lumber throughout the rest of that century; and in the 20<sup>th</sup> century Innis witnessed the emergence of new staples based on other resources.<sup>6</sup> In 1937 Donald Creighton offered a less deterministic view of business activity in *The Commercial Empire of the St. Lawrence, 1760-1850*. For Creighton, it was the expansive ambitions of Montreal merchants and their pursuit of a commercial empire in the 19<sup>th</sup> century that best explained the politico-economic foundations of the nation.<sup>7</sup> In the 1950s Hugh G. Aitken suggested that a contrary force drove grand business and political developments in Canada. According to Aitken, it was the impulse of "defensive expansionism" – the threat of political and economic absorption into the United States –

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<sup>5</sup> Gustavus Myers, *A History of Canadian Wealth*, with intro. by Stanley Ryerson (Toronto: James Lewis & Samuel, 1972 [1914]).

<sup>6</sup> For a useful overview of Innis's work see Carl Berger, *The Writing of Canadian History: Aspects of English-Canadian Historical Writing since 1900* (Toronto: University of Toronto Press, 1986), 85-111.

<sup>7</sup> Donald Creighton, *The Commercial Empire of the St. Lawrence, 1760-1850* (Toronto: Ryerson Press, 1937).

which provided the logic for the development strategies that regularly involved state intervention that were pursued by politicians and businessmen in Canada.<sup>8</sup>

The 1960s and 1970s saw the flowering of a vigorous debate on the nature of Canada's capitalist class, spurred by mounting anxiety about American influence in Canada's economy. As chairman of the Royal Commission on Canada's Economic Prospects from 1955 to 1957, Walter Gordon had already registered public concern over the growth of American ownership in the Canadian economy. In the years to follow commentators from a range of ideological positions articulated similar concerns. Written broadly within a Marxist tradition, L.C. and F.W. Park's 1962 book, *Anatomy of Big Business*, presented a contemporary snapshot of the economic elite, which emphasized Canadian business's junior partner relationship with American big business and the business elite's general indifference to Canadian nationalism.<sup>9</sup> Presenting a similar conclusion three years later, conservative philosopher George Grant published his influential *Lament for a Nation*. Grant decried the passing of Canada's nation-state – as he understood it – and its former nation-building policies, which he argued were falling to the concomitant forces of liberalism, free-market capitalism and continental integration.<sup>10</sup> Donald Creighton also entered the debate. Having earlier written about the

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<sup>8</sup> Hugh G.J. Aitken, "Defensive Expansionism: The State and Economic Growth in Canada," in *The State and Economic Growth: Papers Held on October 11-13, 1956, under the Auspices of the Committee on Economic Growth*, ed., Hugh G.J. Aitken (New York: Social Science Research Council, 1959), 79-114.

<sup>9</sup> L.C. and F.W. Park, *Anatomy of Big Business* (Toronto: Progress Books, 1962).

<sup>10</sup> George Grant, *Lament for a Nation: the Defeat of Canadian Nationalism*, with intro. by Andrew Potter (Montreal and Kingston: McGill-Queen's University Press, 2005 [1965]).

rise of the commercial empire of the St. Lawrence, he lamented its decline and fall in the 1970s, coming to the topic from a perspective similar to Grant's. Disdainful of the policies of the Liberal government after the Second World War, Creighton's condemnation had something of a partisan tinge, but it was also rooted in his favourable view of the older, more British sense of Canada, which was in rapid eclipse by the 1960s.<sup>11</sup>

A left-nationalist perspective on the Canadian bourgeoisie also gained adherents during these years, especially with the development of the Waffle movement within the New Democratic Party. The political economist Mel Watkins, who established the Waffle group with James Laxer in 1969, was particularly influential in shaping the academic interpretations that emerged from this movement, drawing upon Harold Innis's "staples thesis" to offer historical perspective on Canada's capitalist class and its apparent "comprador" nature. Watkins along with Kari Levitt, Daniel Drache and R.T. Naylor all advanced the basic argument that the historical function of Canada's bourgeoisie was that of an intermediary for outside capital, thus making Canada "the world's richest underdeveloped country."<sup>12</sup> They argued that Canadian capitalists played an important

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<sup>11</sup> Donald Creighton, *Canada's First Century 1867-1967* (Toronto: Macmillan of Canada, 1970); "The Decline and Fall of the Empire of the St. Lawrence," in Creighton's *Towards the Discovery of Canada: Selected Essays* (Toronto: Macmillan of Canada, 1972), 157-73; and *The Forked Road: Canada 1939-1957* (Toronto: McClelland and Stewart, 1976). On the decline of the older, British sense of Canada see José Igartua, *The Other Quiet Revolution: National Identities in English Canada, 1945-71* (Vancouver: University of British Columbia Press, 2006).

<sup>12</sup> Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Toronto: Macmillan of Canada, 1970), 25. See also R.T. Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence," in Gary Teeple, ed., *Capitalism and the National Question in Canada* (Toronto: University of Toronto Press, 1972), 1-41; Daniel Drache, "The Canadian Bourgeoisie and Its National Consciousness," in Ian Lumsden,

role in the “underdevelopment” and dependency of the country by failing to support national industrialization. Preferring to profit from the country’s traditional participation in the international staples trade, the Canadian bourgeoisie was drawn to the easy profits of financial and commercial activities, resulting in an “underdeveloped” manufacturing base. Influenced by dependency theory, particularly by the work of André Gunder Frank, these scholars suggested that the Canadian bourgeoisie was facilitating underdevelopment and dependency by forging a junior partnership relationship with the capitalist core, namely the United States.<sup>13</sup> Drawing upon the emphasis on staples and trade, as presented in the earlier work of Innis and Creighton, these scholars made larger claims about Canadian dependency: it was not merely a postwar phenomenon, as suggested by Creighton, Grant or even the earlier left-nationalist interpretation of the Parks, but was fundamental to the nature of Canadian capitalism and the country’s capitalist class.

The argument was elaborated upon at length in R.T. Naylor’s two-volume *The History of Canadian Business, 1867-1914* (1975). In this sweeping account, Naylor maintained that merchant capitalists represented a dominant fraction within the national bourgeoisie, and that this fraction pursued accumulation and political strategies that safeguarded the interests of commerce and finance to the detriment of indigenous

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ed., *Close of 49<sup>th</sup> Parallel etc: The Americanization of Canada* (Toronto: University of Toronto Press, 1970), 3-25. See also the collected essays in Mel Watkins, *Staples and Beyond: Selected Writings of Mel Watkins*, ed., Hugh Grant and David Wolfe, intro., Wallace Clement (Montreal and Kingston: McGill-Queen’s University Press, 2006).

<sup>13</sup> See André Gunder Frank, *Lumpenbourgeoisie: Lumpenddevelopment: Dependence, Class, and Politics in Latin America*, trans. by Marion Davis Berdecio (New York: Monthly Review Press, 1972).

manufacturing. In the 19<sup>th</sup> century, the creation of the Canadian nation-state, tariff policy, railroad expansion, and the economic strategies of the state generally were devised by a ruling commercial-financial elite – backed by British capital. According to Naylor, the proliferation of American branch-plants in the Canadian economy during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries fit within this broader pattern of dependency, wherein national economic development was sacrificed in favour of the unproductive accumulation strategies of a ruling elite subservient to an outside, imperial power.<sup>14</sup> The common theme linking this work, as L.R. MacDonald has noted, is a producerist critique of the bourgeoisie.<sup>15</sup> From Gustavus Myers to R.T. Naylor, Canadian businessmen have been assailed for engaging in unproductive endeavours, accumulating easy profits without adding value to the society in which they operate, whether it is through dubious financial practices or through promoting export trade at the expense of native industry.

Sociologist Wallace Clement provided more evidence for this general interpretation in his 1975 study of Canada's contemporary elite. Clement had studied under John Porter, the author of the path-breaking examination of Canada's social structure, *The Vertical Mosaic* (1965).<sup>16</sup> But whereas Porter, drawing upon the work of

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<sup>14</sup> R.T. Naylor, *The History of Canadian Business, 1867-1914*, 2 vols. (Toronto: J. Lorimer, 1975).

<sup>15</sup> L.R. MacDonald, "Merchants against Industry: An Idea and its Origins," *Canadian Historical Review* 56, 3 (September 1975), 281: "For Marxists and industrial nationalists to work together has required an effort at emphasizing points of agreement, and the traditional producer ideology has provided a prominent one. The resulting reinterpretation of Canadian history has, in its most explicit statement, been rigid and imprecise."

<sup>16</sup> See John Porter, *The Vertical Mosaic: An Analysis of Social Class and Power in Canada* (Toronto: University of Toronto Press, 1965).

scholars such as American sociologist C. Wright Mills, was interested in explaining social mobility, stratification and the exercise of power *within* Canada, Clement's work was shaped by the growing interest in Canadian dependency. Clement argued that the elite was divided into three fractions: a "native" fraction that was largely interested in the financial and commercial sectors, a "comprador" fraction working for the subsidiaries of foreign-owned (largely American) enterprises, and a "parasite" fraction managing those enterprises – largely concentrated in the manufacturing and mining sectors. The native bourgeoisie was thus, according to Clement's findings, only autonomous in the "unproductive" realms of finance and commerce, though Clement did not go as far as the dependency theorists in positing the absolute dominance of the American-linked fraction.<sup>17</sup>

Historians entered the debate in the 1970s as well. They were especially critical of the historical interpretation laid out in Naylor's two-volume history of Canadian business. They considered implausible Naylor's claim that the National Policy tariff did not serve a protective function, but that it was solely a revenue-producing tariff. Straightforward criticism of Naylor came especially from Canadian business historian Michael Bliss, who attacked its empirical weaknesses and failure to recognize the limited options available to Canadian businessmen and policymakers.<sup>18</sup> Naylor's claim that merchants opposed industrialization was considerably debunked. And, as numerous historians observed, his

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<sup>17</sup> Wallace Clement, *The Canadian Corporate Elite: An Analysis of Economic Power* (Toronto: McClelland and Stewart, 1975).

<sup>18</sup> R.T. Naylor, "The History of Canadian Business: A Reply" and Michael Bliss, "The History of Canadian Business: Reviewer's Response," *Histoire Sociale/Social History* 10, 19 (May 1977), 152-63.

procedure of defining the railroads – the most heavily capitalized sector of Canada’s economy and one of its most important industrial employers throughout the 1867 to 1914 period – as “merchant capital” completely distorted his portrayal of the Canadian economy.<sup>19</sup> On the question of the historical development of the Canadian bourgeoisie, in particular, Naylor’s thesis was contradicted on many fronts. Industrialization and industrialists had played a much greater role in Canada’s 19<sup>th</sup> and 20<sup>th</sup> century history than the “staples thesis” embraced by Naylor and the dependency school suggested. In the 1970s and 1980s social historians produced numerous community studies that collectively did much to contradict the grand theories of Canadian dependency theorists, demonstrating industrial capital’s formidable presence in Canadian communities as early as the middle of the 19<sup>th</sup> century. Among those producing these studies was a group of historians who not only critiqued the work of Naylor and others for being empirically weak, but also sought to lay out a different interpretation of Canadian capitalism. Greatly influenced in Canada by the work of Clare Pentland and Stanley Ryerson and internationally by the economic histories of Maurice Dobb and Eric Hobsbawm, this “school” emphasized the historical importance of the 19<sup>th</sup>-century transition to industrial capitalism in Canada. The scholarship of Gregory S. Kealey and Bryan Palmer, whose interests lay primarily in the history of the working class, became most noticeably associated with this “school.”<sup>20</sup>

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<sup>19</sup> These criticisms are laid out in MacDonald, “Merchants against Industry.” See also Paul Craven and Tom Traves, “Canadian Railways as Manufacturers, 1850-1880,” *Historical Papers* (1983), 254-81.

<sup>20</sup> See H. Clare Pentland, *Labour and Capital in Canada, 1650-1860* (Toronto: James Lorimer & Company, 1981 [1960]); Stanley Ryerson, *Unequal Union: Confederation and the Roots of Conflict in the Canadas, 1815-1873* (Toronto: Progress Books, 1968),

Meanwhile, in the 1980s, sociologists such as Jorge Niosi, William K. Carroll and others also challenged the left-nationalist characterization of the bourgeoisie.<sup>21</sup> Niosi's work sought to qualify the application of dependency theory to Canada by pointing to the existence of an economically powerful and autonomous national bourgeoisie within certain sectors; Niosi conceded, though, that the national bourgeoisie and the Canadian economy existed in a general relationship of dependency to American capital.<sup>22</sup> Carroll's argument was less qualified. Adopting a more traditional Marxist analysis than the Canadian dependency school, Carroll's work was rooted in the works of Nikolai Bukharin, Rudolf Hilferding, and Lenin, and advanced the argument that the Canadian bourgeoisie represented a cohesive and autonomous class, one that appeared to be repatriating capital from American interests in the 1970s. Those of the dependency school, Carroll argued, mistook the coalescence of financial and industrial sectors in the

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especially chapter 13. Maurice Dobb, *Studies in the Development of Capitalism* (London: Routledge, 1963); Eric Hobsbawm, *Labouring Men: Studies in the History of Labour* (London: Weidenfeld and Nicholson, 1964); Gregory S. Kealey, *Toronto Workers Respond to Industrial Capitalism, 1867-1892* (Toronto: University of Toronto Press, 1980), especially chapter one; and Bryan D. Palmer, *A Culture in Conflict: Skilled Workers and Industrial Capitalism in Hamilton, Ontario, 1860-1914* (Montreal: McGill-Queen's University Press, 1979).

<sup>21</sup> This "school" articulated its collective position in Robert J. Brym, ed., *The Structure of the Canadian Capitalist Class* (Toronto: Garamond Press, 1985). Criticism of the left-nationalist political economy was not only coming from sociologists during the 1980s. See, for example, Leo Panitch, "Dependency and Class in Canadian Political Economy," *Studies in Political Economy* 6 (Autumn 1981), 7-33. The first sustained effort from the left to challenge the left-nationalist characterization of the Canadian bourgeoisie was delivered in Steve Moore and Debi Wells, *Imperialism and the National Question in Canada*, intro., Leo Johnson (Toronto, 1975). See also Philip Resnick, *The Land of Cain: Class and Nationalism in English Canada, 1945-1975* (Vancouver: New Star Books, 1977).

<sup>22</sup> Jorge Niosi, *La bourgeoisie canadienne: La formation et le développement d'une classe dominante* (Montreal: Boréal Express, 1980).

structure of Canadian business for evidence of dependency. This coalescence, far from a sign of dependency, was characteristic of the monopoly/oligopoly phase of capitalist development, an accumulation regime that Hilferding described as “finance capital” in his 1910 book by that title.<sup>23</sup> Historian Gilles Piédalue, indeed, had already shown that during the 1920s Canada’s financial elite developed an increasingly integrated network of inter-linkages that brought large industrial enterprises under its control. Piédalue concluded that a national business elite did indeed exist; he conceded, however, that the question of the existence of a national bourgeoisie still needed to be proven.<sup>24</sup>

Nationalist sensibilities had long shaped the way in which scholars viewed Canada’s business elite. It is perhaps not surprising, then, that with the decline of economic nationalism and the rise of the new free-market theology in the 1980s, the debate over the business elite’s commitment to national economic development became somewhat quieted, although new interpretations continued to appear.<sup>25</sup> With the ascent of neo-liberalism and “globalization” in the 1990s, research turned towards the contemporary elite’s integration into global business networks. In more recent years there has been a renewed effort to examine “traditional” questions as well, such as class

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<sup>23</sup> William K. Carroll, *Corporate Power and Canadian Capitalism* (Vancouver: University of British Columbia Press, 1986).

<sup>24</sup> Gilles Piédalue, “Les groupes financiers au Canada, 1900-1930: Étude préliminaire,” *Revue d’histoire de l’Amérique française* 30, 1 (juin 1976), 3-34.

<sup>25</sup> See, for example, Glen Williams, *Not For Export: Toward a Political Economy of Canada’s Arrested Industrialization* (Toronto: McClelland and Stewart, 1983); Gordon Laxer’s *Open for Business: The Roots of Foreign Ownership in Canada* (Toronto: Oxford University Press, 1989), which, using comparative analysis, argues that the relative political weakness of farmers in the 19<sup>th</sup> century caused Canada’s weak economic and political nationalism.

hegemony, especially in view of the last 35 years in Canada, where, like other parts of the advanced capitalist world, the free-market ideals of the private sector have become more hegemonic.<sup>26</sup> In addition, deindustrialization in the capitalist core since the 1970s has undermined the implicit assumption of the dependency school: that industrialization of the sort experienced by Britain and the United States represented a “normal” path to economic maturity which was stifled in Canada by a bourgeoisie committed to the maintenance of established relations with the capitalist core, thus perpetuating the colonial character of the Canadian economy. This idealist political economy, which equates national manufacturing with economic maturity, seems especially dated in light of the “financialization” or “Walmartization” of global capitalism over the past several decades. This development has been characterized by the decline of hitherto long-established industrial sectors throughout North America and Europe and concomitant troubles in the financial sector, recently seen with the collapse of the housing market in the United States in 2008. Predictably, the triumphalist free-market doctrines of the recent past have come under scrutiny again.<sup>27</sup>

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<sup>26</sup> See, for example, William K. Carroll, *Corporate Power in a Globalizing World: A Study in Elite Social Organization* (Don Mills, ON: Oxford University Press, 2006); Jamie Brownlee, *Ruling Canada: Corporate Cohesion and Democracy* (Halifax: Fernwood Publishing, 2005).

<sup>27</sup> For a critique of the left-nationalist political economy in light of recent developments see Paul Kellogg, “Kari Levitt and the Long Detour of Canadian Political Economy,” *Studies in Political Economy* 76 (Autumn 2005), 31-60. John Bellamy Foster discusses the theme of financialization in his reflection on Paul Baran and Paul Sweezy’s classic work, *Monopoly Capital* (1966), in “The Financialization of Capitalism,” *Monthly Review* (April 2007), 1-12. The general trend towards finance is also noted in James Fulcher, *Capitalism: A Very Short Introduction* (New York: Oxford University Press, 2004). David Harvey’s *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005) places the recent transformations of the world economy within the broader context of neoliberalism’s political ascent. Nelson Lichtenstein’s *The Retail Revolution:*

Indeed, the left-nationalist conception of Canada's historical position in the world economy was more a product of the politics of the 1960s and 1970s than a realistic assessment of the nature of Canadian development. A fundamental insight from the burgeoning literature on the "British World" is that Canada's historical development, including its social, cultural and economic history, unfolded within the British Empire until the 1950s or 1960s, when imperial decline, continental integration, and the emergence of new nationalisms finally undercut the older sense of Canada as a British nation. This is an important point, because it acknowledges Canada as a British settler society, in which the beneficence of empire went largely unquestioned – at least outside those groups who suffered most from imperial expansion, particularly Aboriginal and Métis peoples.<sup>28</sup> The left-nationalism of dependency theorists drew upon a general understanding of Canada, as articulated by cultural figures of the period such as the author Margaret Atwood, that tended to view the settler population of the 19<sup>th</sup> and early 20<sup>th</sup> centuries as historical actors exploited by Britain.<sup>29</sup> However, as indicated by the title of one recent book on British female migration to Canada and Australia, the settlers were

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*How Wal-Mart Created a Brave New Business World* (New York: Metropolitan Books, 2009) presents a compelling argument suggesting that Wal-Mart's rise signaled, in the United States, the decline of industrial capital and the rise of a new form of merchant capital, thus ending a roughly 100-year period of industrial capital's dominance, from 1880 to 1980.

<sup>28</sup> For a recent statement see Phillip Buckner, "Introduction," in *Canada and the British Empire*, ed., Phillip Buckner (Oxford: Oxford University Press, 2008), 1-21.

<sup>29</sup> Margaret Atwood, *Survival: A Thematic Guide to Canadian Literature* (Toronto: Anansi, 1972), 25-43.

“agents of empire.”<sup>30</sup> Of course, various complex forms of exploitation obtained within the imperial system; but it is nonetheless historically inaccurate to transpose a national ideal upon a society in which no such ideal existed. Before the Second World War, nationalist and imperialist sentiments were plainly self-reinforcing. Perhaps nothing revealed this more plainly than the Canadian Prime Minister of 1930 to 1935, R.B. Bennett, whose economic nationalism coalesced with a potent imperialist outlook. And recent work by historians such as Kurt Korneski has begun to examine elites during the 19<sup>th</sup> and early 20<sup>th</sup> centuries within Canada’s wider imperial context.<sup>31</sup> Finally, in viewing Canada as something akin to a wealthier version of Mexico or Brazil, the left-nationalists grossly misrepresented Canada’s real position in the world economy in the 1970s: a wealthy country within the capitalist core with a significant level of industrial production and a heavily unionized and relatively well-paid workforce.<sup>32</sup>

Nevertheless, the question of Canadian dependency remains an important historical issue and the left-nationalist school has offered some thought-provoking – if not entirely compelling – analyses of the bourgeoisie’s historical development. It is important to keep in mind that the left-nationalists were mostly interested in the

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<sup>30</sup> Lisa Chilton, *Agents of Empire: British Female Migration to Canada and Australia, 1860-1930* (Toronto: University of Toronto Press, 2007).

<sup>31</sup> See Kurt Korneski, “Britishness, Canadianness, Class and Race: Winnipeg and the British World, 1880s-1910s,” *Journal of Canadian Studies* 41, 2 (Spring 2007), 161-84; “Reform and Empire: The Case of Winnipeg, Manitoba, 1870s-1910s,” *Urban History Review/Revue d’histoire urbaine* 37, 1 (Fall 2008), 48-62; “Race, Gender, Class, and Colonial Nationalism: Railway Development in Newfoundland,” *Labour/Le Travail* 62 (Fall 2008), 79-107. Andrew Smith’s *British Businessmen and Canadian Confederation* is another recent and relevant work.

<sup>32</sup> This point is made in Kellogg, “Kari Levitt and the Long Detour,” especially 47-53.

contemporary bourgeoisie, just as most present work on the subject in the fields of sociology and political economy, too, remains focused on recent developments. While the present study sets out to add new historical perspective to the general question of the business elite's development, it is firmly rooted within the social history tradition while also building upon literature in the fields of business and political history.

The work of social historians such as T.W. Acheson, Christopher Armstrong, Michael Bliss, Gregory S. Kealey, Robert McDonald, H.V. Nelles, Fernande Roy and Brian Young has collectively thrown light upon the broad formation of business elites in Canada from the mid-19<sup>th</sup> century to the First World War.<sup>33</sup> This work, sensitive to social and cultural complexities and the historical contingency of social formations, has helped to root capitalists within their local contexts, although it largely (but not entirely) avoided the big questions of the dependency theorists. Implicitly, the work of these scholars has tended to overturn the dependency thesis while illuminating hitherto understudied facets of bourgeois social life, culture, and political activity.

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<sup>33</sup> T.W. Acheson, "The Social Origins of Canadian Industrialism: A Study in the Structure of Entrepreneurship" (PhD thesis, University of Toronto, 1971); Michael Bliss, *A Living Profit: Studies in the Social History of Canadian Business, 1883-1911* (Toronto: McClelland & Stewart, 1974); Gregory S. Kealey, *Toronto Workers Respond to Industrial Capitalism, 1867-1892* (Toronto: University of Toronto Press, 1980), chapters 1 and 2; Brian Young, *George-Etienne Cartier: Montreal Bourgeois* (Montreal and Kingston: McGill-Queen's University Press, 1981); Christopher Armstrong and H.V. Nelles, *Southern Exposure: Canadian Promoters in Latin America and the Caribbean, 1896-1930* (Toronto: University of Toronto Press, 1988); Fernande Roy, *Progrès, harmonie, liberté: le libéralisme des milieux d'affaires francophones de Montréal au tournant du siècle* (Montreal: Borealis, 1988); Robert A.J. McDonald, *Making Vancouver: Class, Status and Social Boundaries, 1863-1913* (Vancouver: University of British Columbia Press, 1996); Christopher Armstrong, *Blue Skies and Boiler Rooms: Buying and Selling Securities in Canada* (Toronto: University of Toronto Press, 1997).

The social historians, of course, were united only by a shared commitment to the empiricism of the historian's craft. Their work exhibited divergent ideological tendencies. In particular, the leading historians of business in the 1980s and 1990s, such as Christopher Armstrong, Michael Bliss, Gregory Marchildon, Duncan McDowall, and H.V. Nelles, appeared to reject – or, at least, avoid – the entire idea of the historical existence of a bourgeoisie. Armstrong and Nelles paid heed to the business community's relationship with the state, but they narrowed the parameters of their focus by describing the financial magnates of early 20<sup>th</sup>-century Montreal and Toronto as members of a “financial village” centred in the financial districts of their respective cities.<sup>34</sup> Marchildon, too, focused on the occupational parameters of Max Aitken's Canadian business life.<sup>35</sup> Although Michael Bliss sought to throw light upon the business community's general *mentalité*, his work highlighted the turbulent struggle that characterized the business world, a struggle that presumably worked against elite formation and united political action. And Duncan McDowall uncovered important transitions in the nature of Canadian business in the first half of the 20<sup>th</sup> century and examined some of the informal links that bridged the worlds of business and politics.<sup>36</sup>

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<sup>34</sup> Armstrong and Nelles, *Southern Exposure*; Nelles and Armstrong, *Monopoly's Moment: The Organization and Regulation of Canadian Utilities, 1830-1930* (Philadelphia: Temple University Press, 1986); Nelles, *The Politics of Development: Forests, Mines and Hydro-electric Power in Ontario, 1849-1941* (Montreal and Kingston: McGill-Queen's University Press, 2005 [1974]).

<sup>35</sup> Gregory P. Marchildon, *Profits and Politics: Beaverbrook and the Gilded Age of Canadian Finance* (Toronto: University of Toronto Press, 1996).

<sup>36</sup> Bliss, *Living Profit*; Duncan McDowall, *Steel at the Sault: Francis H. Clergue, Sir James Dunn, and the Algoma Steel Corporation 1901-1956* (Toronto: University of Toronto Press, 1984) and *Quick to the Frontier: Canada's Royal Bank* (Toronto: McClelland and Stewart, 1983). Bliss's *A Canadian Millionaire: The Life and Business*

Taken as a whole, these scholars conceptualized businessmen more as members of an occupational group than as members of a social class.<sup>37</sup>

Political histories, too, have had little to say about the business elite generally. There are important exceptions, of course, such as Alvin Finkel's study of Canadian business and the reform process in the 1930s and the work of political scientist Reginald Whitaker on the organization and financing of the Liberal party from 1930 to 1958; but these are exceptions.<sup>38</sup> Indeed, when it comes to biographies of political leaders or studies of the main parties on the national scene, there has been surprisingly little written in recent years, especially for the 1917 to 1947 period. At present, Roger Graham's 1960s trilogy on Arthur Meighen remains the most up-to-date book-length study on that subject. We still await another scholarly biography of William Lyon Mackenzie King to update H. Blair Neatby's decades-old two-volume study. And J.L. Granatstein's *The Politics of Survival* remains one of the few monographs on the federal Conservative party of the

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*Times of Sir Joseph Flavelle, Bart., 1858-1939* (Toronto: MacMillan of Canada, 1978) does reveal a considerable amount about the social life and culture of the capitalists centred around the Methodist Church in early 20<sup>th</sup>-century Toronto.

<sup>37</sup> The historians most interested in studying class have tended to be historians of labour and the working class. And, while historians such as Robert McDonald, Fernande Roy and others have sought to understand the activities of businessmen in wider social, cultural and political contexts, the period after the First World War remains understudied; this is also true of the dependency literature, which is especially surprising since American investment eclipsed British investment for the first time in Canada in the 1920s. This study examines this period of transition but the historical questions it sets out to answer are not quite the same as those that emerged out of the dependency debates decades ago.

<sup>38</sup> Alvin Finkel, *Business and Social Reform in the Thirties* (Toronto: James Lorimer & Company, 1979); Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-58* (Toronto: University of Toronto Press, 1977).

period.<sup>39</sup> The present study revisits this literature, but approaches the histories of political leaders and parties from a different angle.

### III

One of the central tasks of this study is to argue for the appropriateness of “bourgeoisie” as a category of analysis for understanding the activities of the men examined in the pages to follow. More specifically, this study examines members of the big bourgeoisie, by which is meant leading capitalists who occupied positions on the boards of the country’s leading corporations as well as the politicians who moved freely between the public and private sectors and also regularly assumed lead positions in private business. Though these men would have not described themselves as being members of a big bourgeoisie, identifying the group – especially its leading members – is relatively straightforward. Louis Rosenberg described them as Canada’s “fifty big shots” in his popular 1947 pamphlet *Who Owns Canada?*<sup>40</sup> The Parks in 1962 used the terms

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<sup>39</sup> Roger Graham, *Arthur Meighen*, 3 vols. (Toronto: Clarke, Irwin & Company, 1960, 1963 and 1965 respectively); H. Blair Neatby, *William Lyon Mackenzie King: The Lonely Heights, 1924-1932* (Toronto: University of Toronto Press, 1963) and *William Lyon Mackenzie King: The Prism of Unity* (Toronto: University of Toronto Press, 1976); J.L. Granatstein, *The Politics of Survival: The Conservative Party of Canada, 1939-45* (Toronto: University of Toronto Press, 1967). Aspects of Mackenzie King’s life and work have been the subjects of substantial scholarly works since the publication of Neatby’s two volumes. See, for example, Paul Craven, *‘An Impartial Umpire’: Industrial Relations and the Canadian State, 1900-1911* (Toronto: University of Toronto Press, 1980) and Robert A. Wardhaugh, *Mackenzie King and the Prairie West* (Toronto: University of Toronto Press, 2000). See also C.P. Stacey’s *A Very Double Life: The Private World of Mackenzie King* (Toronto: Macmillan of Canada, 1976) for an exploration of King’s private life based upon his diaries.

<sup>40</sup> Watt Hugh McCollum [Louis Rosenberg], *Who Owns Canada? An Examination of the Facts Concerning the Concentration of Ownership and Control of the Means of*

“tycoons,” “big shots,” “financial oligarchy,” and “elite” to describe the upper stratum of what they claimed was Canada’s ruling class.<sup>41</sup> Big bourgeoisie is probably the most adequate term, nonetheless: the adjective implies a largeness of capital and wide political connections, and the noun describes a historically-contingent social grouping whose social power emerged from ownership and/or control over capital. The French term *haute bourgeoisie* conveys a similar meaning of a higher stratum.<sup>42</sup> Big bourgeoisie is more adequate than colloquial terms such as “big shots” or “tycoons” which imply little in the way of analytical precision or historical specificity. The term is also intended to avoid limiting the group’s implied activities to the vocations of business, since, as we shall see, the big bourgeoisie was also directly represented in politics. For stylistic reasons, the terms “business elite,” “economic elite,” “moneyed Canadians,” “capital-rich Canadians,” or even “upper class” are also used in this study to refer to this elite social group. And while this study works upon the understanding that social class involves a structural dynamic, it also sets out to move beyond the “economistic” concepts of class that have long since lost currency among historians.

This study draws upon aspects of E.P. Thompson’s classic formulation, in which he described class as not a thing, but an historical occurrence related to a wider social experience. The model developed in this study also draws upon Thompson’s emphasis

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*Production, Distribution and Exchange in Canada* (Ottawa: Woodsworth House, 1947), 10-11. An earlier edition of this pamphlet was published in 1935.

<sup>41</sup> The Parks, however, fail to demonstrate the existence of a ruling class. As they observed, their argument “assumes that those who govern represent the interests of the owners of the means of production.” See Park and Park, *Anatomy of Big Business*, 10-11.

<sup>42</sup> See Alain Rey, ed., *Le Grand Robert de la langue française*, 2<sup>nd</sup> ed. (Paris: Dictionnaires Le Robert, 2001), 1610-1.

upon class conflict in shaping the historical development of classes; and, indeed, the findings of this study suggest that class conflict was central in shaping the bourgeoisie's overall political strategy. At the same time, the study places heavy emphasis upon internal conflict within the bourgeoisie, as new historical circumstances during the 1930s and 1940s made old ideas concerning the relationship between business and the state less convincing, and as a left-moving public and new labour activism undermined the legitimacy of capitalists generally. The big bourgeoisie emerges out of the broader context that is developed throughout this study: their environment, their ideas, and their activities – what Thompson described as “experience.”<sup>43</sup> The intent of this study is to use Thompson's key insight modestly and contingently while incorporating other ideas that have emerged in the nearly 50 years since his original formulation. As Geoff Eley and Keith Nield have recently observed, the postulation of “structural regularities” need not entail the “further assumption that these regularities necessarily translate into solidarities and forms of class consciousness that we can then describe as class consciousness traditionally understood, in the canonical and time-honoured way.”<sup>44</sup>

This is also largely a study about business, party politics and government policies; as such, it is basically a study about men. While this study claims that a big bourgeoisie did indeed exist in Canada from 1917 to 1947, it does so neither as a polemic nor as an

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<sup>43</sup> For E.P. Thompson's well-known theoretical discussion on class see his *The Making of the English Working Class* (London: Penguin Books, 1991 [1963]), 8-13. Sven Beckert has brilliantly drawn upon Thompson in his examination of New York City's bourgeoisie during the latter half of the 19<sup>th</sup> century. See Beckert's *The Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie, 1850-1896* (Cambridge: Cambridge University Press, 2001).

<sup>44</sup> Geoff Eley and Keith Nield, *The Future of Class in History: What's Left of the Social?* (Ann Arbor: University of Michigan Press, 2007), 195.

attempt to argue that class is the only appropriate or exclusive category of analysis in studying the behaviour of Canadian business. No attempt is made here to write the entire history of Canada's upper class, which would require a much broader analysis and much closer attention to the lives of bourgeois women, their role in preserving cultural capital, their important functions in philanthropy, and in other important ways worthy of scholarly attention.<sup>45</sup> However, the public face of the bourgeoisie was essentially masculine throughout this period, as business and political leaders were cast within the emerging meritocratic discourse, which reified the supposed manly characteristics of aggressiveness and physical vitality in what the American cultural historian Jackson Lears has described as "the managerial revitalization of the rich."<sup>46</sup> This process of revitalization, as we shall see, achieved only limited success in Canada, as the economic depression of the 1930s undermined the public image of big business vitality. Nonetheless, C.D. Howe carried business ideals forward into the new environment of the 1940s, evincing aspects of what historian Christopher Dummitt has described as characteristics of the "manly modern," including anti-intellectualism, decisiveness, and a willingness to engage in calculated risk.<sup>47</sup>

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<sup>45</sup> A fascinating discussion on elite women of the period, examining the conflict between social-climbing aspirations and philanthropic ideals within the Montreal Junior League, can be found in Elise Chenier's "Class, Gender, and the Social Standard: The Montreal Junior League, 1912-1939," *Canadian Historical Review* 90, 4 (December 2009), 671-710.

<sup>46</sup> Jackson Lears, "The Managerial Revitalization of the Rich," in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005), 181-214.

<sup>47</sup> Christopher Dummitt, *The Manly Modern: Masculinity in Postwar Canada* (Vancouver: University of British Columbia Press, 2007).

Finally, one last comment about the bourgeoisie. Eric Hobsbawm has observed that with the crisis and decline of bourgeois liberalism during the early 20<sup>th</sup> century the bourgeoisies of Europe lost their “historical mission,” which also entailed the eclipse of a distinct bourgeois sphere of culture after 1914; as he noted, however, this was not quite the case in North America, where the tenets of liberalism remained stronger.<sup>48</sup> Though Hobsbawm’s observation is somewhat beyond the purview of this study, it will become apparent that social practices remained firmly entrenched throughout the interwar period and into the 1940s that promoted social interaction and shared understandings between leading businessmen and politicians in Canada. One only needs to read one of popular business historian Peter Newman’s books to witness the survival and evolution of an elite world among Canada’s super-rich throughout the 20<sup>th</sup> century.<sup>49</sup> And while it may be true that mass-consumer society eroded the underpinnings of a distinct bourgeois culture as the distinction between high and low culture became muddled, Jackson Lears has observed that cultural commentators could forge a new, sleeker style for the wealthy that was concomitant with those developments.<sup>50</sup> The big bourgeoisie did maintain a distinct culture based upon a vibrant associational life, shared outlooks and pastimes, and collective political activism. This, at least insofar as it figures in this study, nonetheless

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<sup>48</sup> Eric Hobsbawm, *The Age of Empire, 1875-1914* (London: Abacus, 1994 [1987]), 190 and *The Age of Extremes, 1914-1991* (London: Abacus, 1995 [1994]), 178-98.

<sup>49</sup> Peter C. Newman, *The Canadian Establishment*, vol. I (Toronto: McClelland and Stewart, 1975); *The Establishment Man* (Toronto: McClelland and Stewart, 1982); *Titans: How the New Canadian Establishment Seized Power* (Toronto: Viking, 1998).

<sup>50</sup> Lears, “Managerial Revitalization.” For an analysis of the more recent versions of elite ideologies in the United States and an illuminating historical analysis of meritocratic ideals see Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York: W.W. Norton & Company, 1995), 25-49 and 74-9.

represented a limited set of social practices and thus the “bourgeois culture” described in the pages below does not denote the programmatic bourgeois culture of the 19<sup>th</sup> century in which a social class attempted to project its own ideas and image through culture; it is meant to denote a much more limited range of practices among the specific stratum of the big bourgeoisie.

#### IV

In the following pages, attention has been paid to incorporate figures from different regions and sectors of the economy, and each case reveals a different trajectory. Aside from this, selection was based upon sheer economic and political influence as well as upon the availability of sufficient relevant source material. Though these men may not have represented typical experiences, their trajectories were archetypal. The biographical approach was chosen because it presents an opportunity to enter the world and *mentalité* of the bourgeoisie. This study, after all, is just as much about what these men thought they were doing as it is about what they actually did; it is just as much about political failure as it is about political success. By looking at this subject anew through the biographical approach, we can appreciate the extent to which big business moguls perceived their own failure to influence public policy. Thus, while Alvin Finkel has correctly emphasized the prominent role of business in the reform process during the 1930s, the individual reforms he examined were distinct from what Arthur Meighen described in 1939 as “the big towering issues facing Canada,” such as the railway

question, empire, national debt, and industrial unionism.<sup>51</sup> Business moguls often refused to adapt on these issues. Furthermore, while businessmen could support government intervention in aid of the private sector, they in many instances remained hostile to government expansion in areas already inhabited by private business, and they often remained ideologically opposed to the idea of government intervention, no matter how often this conflicted with the actual practice of business in a national economy characterized by monopoly and oligopoly wherein the state already played an active role.

Chapter One examines Howard P. Robinson (1874-1950), a Saint John, New Brunswick newspaper owner who was also interested in utilities and an array of other business endeavours. Robinson rose from relatively modest circumstances to become one of the Maritime region's most influential capitalists of the interwar period and played an important political role in facilitating New Brunswick's transition to pulp and paper during the 1920s. Maintaining links to outside capital, both American and Central Canadian, Robinson represented a more ambiguous version of community-minded entrepreneurship than had existed in the National Policy period. Nonetheless, his experience points to the continued vitality of regional elites in the context of a highly centralized national economy. Robinson worked as a behind-the-scenes political operator who succeeded in championing the ascendance of big capital in New Brunswick. In his case we see that the growing influence of large, corporate capital was, therefore, not merely an economic process born of the greater economies of scale and capital reserves of large companies, but that it was also part of a larger political process, which depended

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<sup>51</sup> Finkel, *Business and Social Reform*; Arthur Meighen to George McCullagh, 30 January 1939, quoted in Harold A. Naugler, "R.J. Manion and the Conservative Party, 1938-1940" (MA thesis, Queen's University, 1966), 189.

upon the support of regional elites such as Robinson. Moreover, Robinson had taken control of Saint John's entire daily press by 1927 and signaled a more generalized shift of the period towards a non-partisan press sensitive to the general interests of business, as seen by Canadian press barons of the period, including Lord Atholstan and later J.W. McConnell of the *Montreal Star*, Smeaton White of the *Montreal Gazette*, and, in the 1930s, C. George McCullagh of the *Toronto Globe and Mail*. As Canada descended into economic turmoil in the 1930s, Robinson reacted angrily against government interventionism and articulated the regionalist lament that Confederation had been a mistake.<sup>52</sup> A strong British imperialist and strident believer in free enterprise, Robinson was aghast at the social democratic and continental direction in which Canada was heading during the 1930s and 1940s. However, even Robinson accepted that tactical adaptation must be within his repertoire, and he remained aware of the necessity to, as he put it, "compromise with the assassins."<sup>53</sup>

Chapter Two follows a different regional trajectory associated with the experience of the National Policy period. It examines Charles Avery Dunning (1885-1958), a leader of Saskatchewan's co-operative grain growing movement, a farmers' representative and western progressive, who became a Liberal premier of Saskatchewan in the 1920s before moving into Mackenzie King's federal cabinet as minister of railways and canals and later as minister of finance. After the defeat of the King Liberals in the 1930 federal election, Dunning moved into the private sector in Montreal and became associated with

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<sup>52</sup> Howard Robinson to W.C. Milner, 29 January 1934, file 7, W.C. Milner Papers, S 11, New Brunswick Museum [NBM].

<sup>53</sup> Howard Robinson to R.B. Hanson, 4 May 1938, 31/144, R.B. Hanson Papers, 1247, Provincial Archives of New Brunswick [PANB].

numerous enterprises, but especially the CPR. When he resumed his place in King's cabinet as minister of finance in 1936, he was widely perceived as a representative of big business – and correctly so. The chapter examines the manner in which Dunning's brand of western progressivism coalesced with the outlook of big business and for a time seemed to create an effective political formula. As Dunning moved to St. James Street and developed an outlook that was closer to the interests of the CPR, however, his political stock in the West tumbled quickly. His former public image of vitality and high political morals of the previous decade suffered during the 1930s from the taint of big money, as Dunning came to be seen as a stodgy plutocrat representing the privileged interests of Montreal and Toronto. Ultimately, his term as minister of finance from 1936 to 1939 proved frustrating, as the pressures of government limited the range of his policies. While free enterprise and limited government intervention remained an ideal in Dunning's mind, he was forced to compromise these ideals, and he suffered the bitter irony of being the first minister of finance in Canada to oversee the government's initial experimentation with Keynesianism in 1938. He suffered a stroke that year. With his health worn down and his ideology compromised, Dunning retired from politics in September 1939 and resumed his career in private business on St. James Street.

Dunning's experience served as a lesson to businessmen frustrated by the party system. "Regardless of political stripe," claimed *Globe and Mail* president and publisher George McCullagh in January 1939, "I think most fair-minded people will agree that Charlie Dunning is a sincere public servant, trying to do a good job for the people. However, it is my firm conviction that he is suffering at the present time just as much from a broken heart as any physical ailment. In other words, he sees the hopelessness of

doing a first-class job for the people, under our present political system. I could go on and name many other outstanding men in public life today whom the system effectively destroyed.” To McCullagh’s mind, Dunning’s experience was a prime example of how talented individuals were effectively ruined by party politics.<sup>54</sup> McCullagh articulated a more generalized concern within the business elite concerning the pressures of popular opinion during a period of economic crisis. Indeed, some businessmen had hoped that Dunning could have led a non-partisan “National Government,” which would be capable of implementing policies without interference from popular pressures or partisan calculations. And Dunning himself toyed with the idea. This was a recurring idea throughout the 1930s and into the 1940s.

It was an idea that was most strongly advanced by Sir Edward Beatty (1877-1943), the president of the CPR from 1918 to 1943 and the subject of Chapter Three. The railway question was central to the politics of business during the 1930s, and Beatty was always a central player in the debate and commonly involved in the related political activism. Beatty and many other businessmen associated with St. James Street believed that amalgamation of the CPR and CNR under private, i.e. CPR, control was necessary in order to rescue the country from looming financial insolvency and general economic ruin. The major hurdle confronting this political drive was a public largely skeptical of the CPR’s motivations as well as thousands of railway workers who were concerned about losing their jobs in the retrenchment that would follow railway unification. Beatty’s support of the National Government campaign was prefigured by earlier efforts to publicize the railway question, particularly in the Royal Commission to Inquire Into

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<sup>54</sup> George McCullagh, *Marching On – To What? First in Series of Five Radio Addresses Delivered by Mr. George McCullagh, Sunday, January 15, 1939, 3-4.*

Railways and Transportation in Canada in 1931 and 1932. While Beatty had been encouraged by the commission's potential early on, he quickly became frustrated by what he viewed as its ineffectual recommendation for increased cooperation between the two railways systems. And though the commission and the House of Commons hearings tarred his business rival, CNR president Sir Henry Thornton, Bennett's Conservative administration seemed more interested in revealing improprieties that occurred under Mackenzie King's watch than in following Beatty's suggestions regarding railway affairs. National Government offered a way out of this dilemma by insulating the government from the popular pressures inherent in partisan politics, which, to Beatty's mind, were stifling a constructive solution to the railway question. Meanwhile, during the 1930s Beatty also brought this elitist and somewhat embattled brand of politics to the campus of McGill University, where as chancellor he waged a campaign against political radicalism. Beatty's ultimate failure to achieve railway unification revealed the waning political power of St. James Street. Nonetheless, the railway question assumed a broader importance within the business community by the late 1930s, becoming tied to more general concerns about the state's expanding role in society.

The decline of the CPR was related to a more general shift in Canada's political economy. Emblematic of this transition was the rise of General Motors of Canada after the First World War. Whereas the CPR was a largely British-owned company managed in Canada, General Motors of Canada was a subsidiary of a giant American corporation firmly under the control of its American head office, and thus it introduced a new form of dependency to the Canadian economy. Chapter Four examines Colonel Sam McLaughlin (1871-1972), the president of General Motors of Canada. McLaughlin had well-

established roots in Oshawa. His father operated a successful carriage company in Oshawa from the late 1870s to 1915, when Sam McLaughlin finally completed the transformation of the family business from the manufacture of carriages to the manufacture of automobiles. The carriage company had become the largest of its kind in Canada, a success story of National Policy industrialization. Given its size, the McLaughlin Carriage Company had a remarkably steady history of labour peace. After Sam McLaughlin and his brother, George, sold the business to General Motors in 1918, they succeeded in maintaining the earlier ethos of community stewardship, which the elder McLaughlin had cultivated around the carriage business. Indeed, during the 1920s McLaughlin remained in many ways socially and economically detached from the national business class, and the automobile industry had yet to acquire political recognition commensurate with its fast-expanding economic power. When the King Liberals lowered the tariff on automobiles in 1926, the community in Oshawa was quick to rally around GM of Canada in protest; and although a brief strike was staged two years later, Sam McLaughlin succeeded in encouraging a resolution and sustained his claims to stewardship.

In the 1930s McLaughlin became more integrated into the social and economic life of the country's big bourgeoisie as the automobile industry itself became even more important to the Canadian economy with the further expansion of the parts industry; and no longer did businessmen or politicians seriously question the importance of the industry. These developments were paradoxical, since McLaughlin's path of dependent industrialization eventually undermined his claims to community stewardship in Oshawa as General Motors of Canada implemented massive cutbacks in response to the onset of

economic crisis during the 1930s. The lessons that working-class Oshawa took from that experience were made apparent once the industry showed signs of recovery in the mid-1930s. The historic 1937 strike at General Motors in Oshawa not only signaled a breakthrough for industrial unionism in Canada, but it was also plain evidence of McLaughlin's estrangement from the city's working class. He little understood the nature of the protest and reacted strongly against what he perceived as outside interference in the community. The Committee for Industrial Organization (CIO) was, after all, an American organization; and, as little as it squared up with his actual economic reality, McLaughlin remained a strident advocate of a right-wing version of the British tradition, articulating a profoundly conservative vision of the social order and advocating a hard-line stance against industrial unionism and the political left.

By the end of the 1930s McLaughlin and other members of the country's big bourgeoisie had rallied around conservative ideas that offered a set of right-wing alternatives to the perceived excesses and inadequacies of the political system. Defending the nation against the perils of radicalism, they subscribed to a residual ideology which combined a reverence for an imagined British tradition with a free-market ideology that had its roots in the old liberalism of the 19<sup>th</sup> century. The beginnings of an emergent ideology existed within Mackenzie King's cabinet, in the form of Clarence Decatur Howe (1886-1960), the subject of Chapter Five. Trained as an engineer at the Massachusetts Institute of Technology, the American-born Howe ran a successful business in Port Arthur, Ontario, designing and building grain elevators during the 1920s and into the 1930s. With the onset of economic hard times, Howe gravitated towards politics with the encouragement of Liberals whom he knew from the grain trade, namely

Charles Dunning and Liberal organizer Norman Lambert. As minister of transport, Howe introduced business-like methods to government, but not of the variety Beatty and others had been calling for. In the second half of the 1930s, he moved away from the cost-cutting and retrenchment that had been forced upon the CNR under the Bennett administration and directed more attention towards setting up the company as a successfully functioning enterprise – not simply a political burden, as Bennett and his minister of railways and canals, R.J. Manion, had handled it. Moreover, with the formation of Trans-Canada Air Lines (TCA), Howe signaled his willingness to use the state to accomplish economic tasks of national importance. And, of course, these methods would become dramatically apparent when Howe served as minister of munitions and supply during the war. As an engineer, Howe privileged efficiency within a capitalist framework and was more willing to entertain ideas about economic management than was the case among those more wedded to the old liberalism. And, during the 1940s, as the old ideals eroded with the experience of the wartime economy and as the influence of socialist and social democratic alternatives became more widespread, especially as revealed by the growing popularity of the Co-operative Commonwealth Federation (CCF), Howe's vision of state managed business expansionism became an attractive alternative for the country's business elite.

This outcome was arrived at haphazardly. It only truly arrived after the political defeat of the right-wing of the big bourgeoisie, which was made obvious by Arthur Meighen's unsuccessful resurrection as Conservative party leader in 1941-2. Indeed, differing from the general view within the historiography that the business elite succeeded in adapting to change in the 1930s, this study suggests that the elite became

more conservative in many instances in the face of mounting external threats – political radicalism, industrial unionism, and the prospect of general financial collapse. Howe’s postwar role as a big business representative within government may have appeared part of a smooth adaptation, as he drastically reduced the economic role of the state in the transition to a peacetime economy in the mid-1940s, but that appearance is deceptive, since the contingencies of depression and war had recently and significantly undermined the outlook and political effectiveness of the bourgeoisie.

While finance capital had been in the ascendance during the 1920s, the expectations born of the National Policy period proved unrealistic. The conquering vision that Sir Hebert Holt articulated in 1929 never came to fruition; as was the case in the United States, the rule of “big money” in the 1930s was also abortive in Canada.<sup>55</sup> Popular pressure forced adjustment, but often members of the business elite proved incapable of adjusting themselves. Eventually an emergent ideology gave the big bourgeoisie a new framework within which they could understand and defend their interests in the new circumstances. But this ideological transformation remained ambiguous by the end of the Second World War, as C.D. Howe sought to reinstate the old ideals of enterprise and individualism in the new postwar setting. Nevertheless, the seeds of the new managerial capitalism had been planted.

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<sup>55</sup> Alan Dawley, “The Abortive Rule of Big Money,” in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005), 149-80. See also Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York: W.W. Norton, 2009), 3-15 and 19-25.

## CHAPTER ONE

### Provincial Man of Mystery: Howard P. Robinson and the Politics of Capital in New Brunswick

Aitken, Dunn, Killam, Pitfield: the best-known Maritime-born financiers of the first half of the 20<sup>th</sup> century all left their native region to make their mark.<sup>1</sup> Howard P. Robinson (1874-1950) was different. He stayed in New Brunswick to assemble a huge array of business connections that touched a wide range of sectors – all from a Saint John base. Though, his public profile was barely perceptible and even regional specialists today have little more than vague knowledge of his activities. Robinson's influence in business, politics and cultural life was, nonetheless, considerable, especially after the First World War when he emerged as a leading provincial capitalist. His interest in the

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<sup>1</sup> The business lives of Max Aitken (later Lord Beaverbrook) and Sir James Dunn in Canada have been the subject of two scholarly monographs. For Aitken see Gregory P. Marchildon, *Profits and Politics: Beaverbrook and the Gilded Age of Canadian Finance* (Toronto: University of Toronto Press, 1996) and for Dunn see Duncan McDowall, *Steel at the Sault: Francis H. Clergue, Sir James Dunn, and the Algoma Steel Corporation* (Toronto: University of Toronto Press, 1984). Izaak Killam has largely eluded scholarly attention; there are no personal papers available for researchers to examine. Nonetheless, for a biographical treatment of Killam see Douglas How's hagiographic commissioned study, *Canada's Mystery Man of High Finance: The story of Izaak Walton Killam and his glittering wife Dorothy* (Hantsport, NS: Lancelot Press, 1986). To date, no biographical study of Ward C. Pitfield exists. Pitfield worked for Max Aitken in the Saint John offices of Royal Securities before moving to Montreal and eventually setting out on his own.

province's utilities sector, which began modestly in the telephone business in 1904, helped ensure that the defence of private property would remain a central tenet of his political philosophy until his death in 1950. Robinson's imposing role in the province's newspaper business, solidified by 1927, after he had acquired control of Saint John's entire daily press, also made certain that his interests and views were not to be taken lightly. By the 1920s, too, Robinson was beginning to forge more extensive links with the emerging pulp and paper industry. Though Robinson's business network was becoming more cosmopolitan in the decade after the First World War – and would become more so in the 1930s and 1940s as he entrenched his position within the ranks of the national bourgeoisie accumulating directorships with the Royal Bank of Canada, the Canadian Pacific Railway (CPR) and numerous other firms – he was to remain committed to advancing what he believed were the economic and political interests of his home province. Unlike the Aitkens and Dunns, Robinson moved the tradition of “community-minded entrepreneurship” into the 20<sup>th</sup> century, remaining essentially a provincial capitalist, a forerunner of sorts to K.C. Irving.

That tradition, of course, was much more ambiguous in Robinson's time than in times past. In the 19<sup>th</sup> century businessmen such as Alexander “Boss” Gibson – or even the financier John F. Stairs of Halifax – had attempted to consolidate control within the Maritime region and were guided by ideas of community stewardship and often paternalist convictions too.<sup>2</sup> Robinson was no paternalist and operated in a business world where proprietorship and control were increasingly complex. As a financier early

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<sup>2</sup> D. Murray Young, “Alexander Gibson,” *Dictionary of Canadian Biography* 14 (Toronto: University of Toronto Press, 1998), 400–4; James D. Frost, *Merchant Princes: Halifax's First Family of Finance, Ships and Steel* (Toronto: Lorimer, 2003).

in his career he valued profit above control, but as he matured into a finance capitalist, developing more permanent associations with industry, he showed more concern for the maintenance of provincial control; that said, he consistently collaborated with outside capital and, indeed, such collaboration was essential to the economic stature he attained.<sup>3</sup> He represented a new type of regional entrepreneur: a product of the new and more integrated accumulation regime of the 20<sup>th</sup> century, Robinson's brand of "community-minded entrepreneurship" was fraught with contradictions and eventually collapsed under its own weight.<sup>4</sup>

Having ascended in business by forging relationships with outside capital, Robinson's autonomy and effectiveness as a provincial booster was limited, just as his political aims and ideological sensibilities were transgressed by the social and political ferment that emerged from the Great Depression of the 1930s and Canada's transition to state-managed capitalism under a social democratic paradigm in the 1940s. The social philosophy embraced by Robinson championed private enterprise but under monopolistic conditions.<sup>5</sup> The doctrine asserted the beneficence of private enterprise and argued

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<sup>3</sup> "Finance capitalist" is used here to denote a capitalist whose accumulation strategy represents the coalescence of finance and industry typical of "finance capital." See Rudolph Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, ed. and intro. Tom Bottomore, trans. Morris Watnick and Sam Gordon (London: Routledge & Kegan Paul, 1981 [1910]).

<sup>4</sup> On the earlier brand of "community-minded entrepreneurship" see the classic statement by T.W. Acheson in "The National Policy and the Industrialization of the Maritimes, 1880-1910," *Acadiensis* 1, 2 (Spring 1972), 3-28.

<sup>5</sup> Monopoly conditions, according to Paul Baran and Paul Sweezy, bring a qualitative transformation to the functioning of capitalism. See Paul Baran and Paul Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (New York: Monthly Review Press, 1966).

against government intervention, even in sectors where “natural monopolies” prevailed. This worldview, rooted in the political economy of the National Policy period, posited that the state could play only a supporting role to private enterprise. Ideologically, his role as a provincial booster became harder to sustain as the public increasingly demanded more aggressive state intervention. The Maritime Rights “progressivism” he helped disseminate in the 1920s shed its popular appeal once the economic slump of the 1930s set in. In the 1920s Robinson was able to contribute to the political defeat of a provincial Liberal administration intent on developing publicly-run hydroelectricity; but by the 1930s his political views lost popular appeal under the strains of the Great Depression; under these new conditions, Robinson’s political priorities aligned more closely with the beliefs of capital-rich colleagues in Montreal and Toronto than with the priorities of many resident New Brunswickers. Robinson’s career trajectory provides a case study into the rise and fall of finance capitalism in Canada and its especially complicated role at the margins of the national economy.

His experience also provides insight into how large corporations were able to extend their influence in the Canadian economy during the first half of the 20<sup>th</sup> century. A number of intellectual trends within Canadian scholarship, including metropolitanism, dependency theory, and the staples thesis, have emphasized the formative role of dominant centres and institutions in shaping the Canadian economy.<sup>6</sup> While these

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<sup>6</sup> This is especially true of the nationalist political economists, as represented by the scholarship of R.T. Naylor and Mel Watkins. The literature on regional underdevelopment in the Maritimes, too, tends to downplay the continued political importance of regional capitalists such as Robinson. This aspect of the literature is touched upon in Don Nerbas, “Adapting to Decline: The Changing Business World of the Bourgeoisie in Saint John, NB, in the 1920s,” *Canadian Historical Review* 89, 2 (June 2008), 152-5.

“schools” emerge from differing theoretical bases, they all tend to downplay the continued importance of regional elites in the first half of the 20<sup>th</sup> century. These “schools” also tend to understate or simplify the political nature of big business’s ascent, by positing instrumentalist views of the state and/or subscribing to environmental determinism.<sup>7</sup> In doing so, they tend to ignore or simplify the role of regional capitalists such as Robinson, who played an important political role in facilitating the extension and further penetration of big, corporate capital into a regional economy after the First World War.<sup>8</sup> In the final analysis, Robinson’s vision failed. Though big capital was in New Brunswick to stay, the long-term success of Robinson’s economic and political strategy and the viability of his worldview were all seriously compromised during the 1930s and 1940s as Robinson and likeminded members of the nation’s economic elite groped ineffectually to save the old economic order from an increasingly interventionist state. The New Brunswick and Canada Robinson embraced were unambiguously British and based on private enterprise; it was a world that became unhinged by state-managed capitalism, continental integration and the growing concomitant political strength of social democracy.

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<sup>7</sup> For an instrumentalist interpretation of the state, wherein the state is controlled by and acts directly for the bourgeoisie, see especially R.T. Naylor’s *The History of Canadian Business, 1867–1914*, 2 vols. (Toronto: Lorimer, 1975). Environmental determinism is inherent in the staples thesis. For its specific application to the Maritime region see S.A. Saunders, *The Economic History of the Maritime Provinces, Sources in the History of Atlantic Canada*, intro. and ed. T.W. Acheson (1939; Fredericton: Acadiensis Press, 1984).

<sup>8</sup> Alfred D. Chandler’s classic account of the rise of the modern corporation also largely ignored to role of politics. See Chandler’s *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Belknap Press, 1977).

While Robinson's business and political life remained firmly rooted in New Brunswick, his overall experience fit into a wider pattern. His disillusionment was shared by other capital-rich Canadians who could not anticipate or understand the social and political transformations of the 1930s and 1940s. They lamented the eclipse of older ideas and worried that society, as they knew it, was under grave threat by mounting government intervention and social democratic concessions. Having grown suspicious about the efficacy of democracy in a time of economic crisis, Robinson and other members of Canada's big bourgeoisie retreated into conservative isolation.

## I

Born in the village of Elgin in Albert County in 1874, Robinson grew up in modest social circumstances. The relative paucity of source material on Robinson is particularly acute for his early years, but a general picture may be painted. Robinson's father, Robert D. Robinson, of some Loyalist ancestry, worked as a schoolteacher and later became superintendent for Albert County; this work was apparently supplemented by farming, as the 1871 and 1881 censuses list his occupation simply as "farmer." Robert Robinson also became a small manufacturer of birch spools for British thread mills. In the political fight over Confederation, he opposed the union.<sup>9</sup> Robinson's mother, Lavina J. Robinson, came from a pre-Loyalist family (Stiles), which had originally migrated from New England to settle in Cornwallis, Nova Scotia. She embraced the Baptist faith, a particularly well-established denomination in the Maritimes, and seems to have exercised

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<sup>9</sup> See the memo attached to Howard Robinson to W.C. Milner, 25 April 1927, file 6, W.C. Milner Papers, S 11, New Brunswick Museum [NBM].

the matriarchal authority typical in religious matters during the 19<sup>th</sup> century.<sup>10</sup> Howard and his older sister Laura were both enumerated as Baptists in the census, even though Robert was Methodist. Howard's grandmother, Mary, also lived in the family household in Elgin; she, too, was a Baptist.<sup>11</sup> Howard Robinson did not develop any particularly ardent sense of religiosity. He reminisced about reading Robert Louis Stevenson's *Treasure Island* and memorizing "Requiem" as a child. Conceding that he was "not orthodox" in religious belief, reading Stevenson's "prayers" had always been "an inspiration and a joy" to him.<sup>12</sup> Robinson later attended Mount Allison Academy in nearby Sackville and one wonders whether fatherly influence was exercised to encourage this, Robinson's attendance at a Methodist institution.

In the early 1880s Robert Robinson moved the family to Sussex, centred within a relatively prosperous dairy region, where he established the printing business of R.D. Robinson & Company and later began to publish the *King's County Record*. He died in 1901 and Howard took over the business, which he reorganized into a limited liability company, R.D. Robinson Publishers Limited. Robinson's familial associations were not extensive, but he appears to have maintained an enduring emotional attachment to his mother, who passed away following an extended illness in 1932, at the age of 87, in

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<sup>10</sup> George A. Rawlyk, *Ravaged by the Spirit: Religious Revivals, Baptists and Henry Alline* (Montreal and Kingston: McGill-Queen's University Press, 1984).

<sup>11</sup> "Business, Professional Men Gather to Pay Final Tribute At Late Publisher's Funeral," *King's County Record* (Sussex), 31 August 1950, 1; "Howard P. Robinson Dies; Outstanding Business Leader," *Telegraph-Journal* (Saint John), 24 August 1950, 1 and 5; *Census of Canada, 1871*, Albert County, Elgin, Division 2, 5; *Census of Canada, 1881*, Albert County, Elgin, 1.

<sup>12</sup> Howard P. Robinson to J.C. Webster, 5 May 1943, file 229, John Clarence Webster Papers, S 194, NBM.

Robinson's Saint John mansion; at the time, Robinson himself was recovering from a gastric ulcer and ignored a doctor-recommended European trip in order to remain with his ailing mother.<sup>13</sup> His older sister passed away the following year.<sup>14</sup> With his mother and sister gone, he appears to have had few relationships with blood relatives. Robinson willed his estate to his wife – Pearl Fox of Gagetown, whom he married in 1921 – but stipulated that, should his wife predecease him, pretty much his whole estate would go to her relatives.<sup>15</sup>

Robinson had collaborated with his father to establish a farming newspaper, *The Maritime Farmer*, in 1895. Operating in Sussex, the paper made sense enough, but competition later arose from a Halifax-based paper, *The Maritime Homestead*, owned by William Dennis, proprietor of the *Halifax Herald*. *The Maritime Homestead*, the *Financial Post* reminisced in a 1937 biographical portrait of Robinson, “didn’t anticipate much trouble in driving Mr. Robinson’s *Maritime Farmer* to the boards.” Robinson traveled to Halifax in an attempt to sell to his competitor, but Dennis was not interested. The *Financial Post* curtly reported the outcome: “the youthful proprietor of the *Maritime*

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<sup>13</sup> “Mrs. R.D. Robinson,” *King’s County Record*, 6 May 1932, 4; Howard P. Robinson to Lord Beaverbrook, 31 December 1931, 250, Lord Beaverbrook Papers, House of Lords Record Office [HLRO]. Indicative of Robinson’s importance in Canada and beyond by the early 1930s, his mother’s obituary appeared in the *New York Times*. See “Mrs. Robert D. Robinson,” *New York Times*, 2 May 1932, 18.

<sup>14</sup> Robinson wrote of his sister’s death: “It has upset me and, coming on top of the loss of many near and dear relatives and friends within the last eight months, makes one wonder as to the cause of these terrible occurrences.” Robinson to G. Percy Burchill, 18 January 1933, file 21/28/3, box 337, Burchill Papers, MC 1246, Provincial Archives of New Brunswick [PANB].

<sup>15</sup> “Last Will and Testament,” Howard P. Robinson, 17 July 1949, Letters of Probate, PANB.

Farmer went home to Sussex, borrowed money for his paper and won the fight.”<sup>16</sup>

Robinson’s health broke down soon after the victory. He sold *The Maritime Farmer* for \$47,000 and left for Johns Hopkins Hospital in Baltimore.<sup>17</sup>

Robinson also became interested in the telephone business while he was still living in Sussex. Robinson’s entry into the business was accidental. The 1937 *Financial Post* story claimed that he and a friend were planning a trip to the 1904 World’s Fair in St. Louis, but, in order for his unnamed friend to have cash for the trip, Robinson endorsed a note for him at the bank and took stock in the Central Telephone Company as security. Given that Senator Percy Burchill’s later account of these events, based upon Robinson’s testimony, makes no mention of the St. Louis excursion and puts the value of the endorsed banknote at \$50,000, it seems unlikely that Robinson was simply freeing up some spending money for a friend. In either case, the friend was unable to pay, and Robinson was left with stock in a company that owned a telephone system that, according to Robinson, “began nowhere and ended nowhere.”<sup>18</sup>

His first instinct was, again, to sell his interest in Central Telephone to the more powerful competitor, the New Brunswick Telephone Company, which was affiliated with Bell Telephone of Montreal. As before, Robinson was turned away and “decided to fight.” In order to save Central Telephone from bankruptcy, he convinced the prominent

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<sup>16</sup> “Battles Fought and Won By Maritime Publisher,” *Financial Post* (Toronto), 16 January 1937, Section 2, 2.

<sup>17</sup> G.P. Burchill, *The Story of the New Brunswick Telephone Company: As told to the Writer by one of its Founders—Mr. Howard P. Robinson* (Nelson-Miramichi, 1974), 2.

<sup>18</sup> “Battles Fought and Won,” 2; Burchill, *The Story of the New Brunswick Telephone Company*, 2.

Saint John tea merchant T.H. Estabrooks to join the company's board of directors, along with a local Sussex lumberman, S.H. White; one of White's relations, C.T. White, had already developed an interest in the telephone business by establishing the first telephone system in Alma, Albert County.<sup>19</sup> Having fulfilled the demands of the company's creditors, aided by the leniency of Saint John industrialist J.L. McAvity in not demanding \$4,000 owed him, Robinson embarked on a mission to create a functional telephone system by acquiring feeder lines across the province. It is evidence of his early Liberal party leanings that Robinson was able to obtain permission from H.R. Emmerson, Laurier's Minister of Railways and Canals, to run telephone poles along the Intercolonial Railway's right-of-way.<sup>20</sup> This allowed Central Telephone to build a line reaching Bathurst, near the northern extremity of the province, ahead of New Brunswick Telephone, whose president, Senator F.B. Thompson, had a similar design as part of a larger plan towards the construction of a phone system encircling the province. Intent on forcing a merger with New Brunswick Telephone from the beginning, Robinson's hand was strengthened when he received confidential information that Bell Telephone was dissatisfied with its New Brunswick service. He convinced Estabrooks to travel to Montreal with him to meet with C.F. Sise, president of the Bell Telephone Company of Canada, where the New Brunswick duo succeeded in obtaining a letter from Sise stating that Bell intended to abstain from voting in the upcoming New Brunswick Telephone

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<sup>19</sup> Nancy Colpitts, "Alma, New Brunswick and the Twentieth Century Crisis of Readjustment: Sawmilling Community to National Park" (MA thesis, Dalhousie University, 1983), 60-1.

<sup>20</sup> Howard P. Robinson to R.B. Bennett, 4 January 1933, 421417, vol. 686, R.B. Bennett Papers, MG 26 K, Libraries and Archives Canada [LAC].

shareholders meeting. Armed with this letter and control of the proxies belonging to the late Dr. A.A. Stockton of Saint John, Robinson succeeded in 1906 in forcing a merger that gave Central Telephone directors representation equal to that of their New Brunswick Telephone counterparts, even though the arrangement was technically a takeover of Central Telephone.<sup>21</sup> That Robinson was appointed managing director of the reconstituted New Brunswick Telephone Company left little room to doubt the nature of the amalgamation. Robinson had won. He left Sussex for Saint John and was on his way to establishing himself as an important figure in the province's commercial capital.

Robinson's modus operandi in his early business career valued capital accumulation above control of an individual enterprise, a mentality that was pervasive amongst early 20<sup>th</sup> century financiers and apparent in Robinson's early attempts to force mergers. In search of new horizons of accumulation, Robinson left New Brunswick Telephone to work in the securities business, first as a manager of J.C. Mackintosh & Company, and later for his own company, Atlantic Bond Company Limited, which handled municipal and industrial bonds.<sup>22</sup> In 1912, however, "persistent demand for his services from the directors and shareholders" resulted in his return to New Brunswick Telephone as managing director.<sup>23</sup> As he resumed his position with New Brunswick Telephone, Robinson was also beginning to consider a venture that would involve

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<sup>21</sup> Burchill, *The Story of the New Brunswick Telephone Company*, 2; *Daily Gleaner* (Fredericton), 22 August 1906, 1; "Telephone War at End," *Globe* (Saint John), 22 August 1906, 8.

<sup>22</sup> "Battles Fought and Won," 2; Howard P. Robinson to R.B. Hanson, 27 October 1913, 14/256, R.B. Hanson Papers, MC 1247, PANB.

<sup>23</sup> "Battles Fought and Won," 2.

developing a power system in southern New Brunswick, which would also encompass Saint John's street railway system. The framework for Robinson's vision was largely achieved in 1916-17 with the formation of the New Brunswick Power Company and its acquisition of the St. John Railway Company, owners of the city's street railway system. Robinson was able to finance the company through the Boston investment house of Harris, Forbes & Company, purchasers of the first issue of New Brunswick Power Company bonds. Support and advice were also forthcoming from Sir Herbert Holt, president of the Royal Bank of Canada. In November 1916, Robinson cited these facts in a letter to J.B.M. Baxter, attorney general of the province at the time, in an effort to increase the company's authorized capital. "In view of the fact that capital is at all times timid," Robinson explained,

I trust that there will be no delay whatever in securing the authorization of the capitalization proposed. In the interest of the Province generally it must be borne in mind that we have succeeded in interesting outside capital to the extent of many millions of dollars, dependent upon the success of the application above referred to. We feel that in interesting such strong financial forces as these that we are doing something for the promotion of general prosperity in the district to be covered by our power lines and street railway extensions, and we sincerely trust your Government will give us all assistance possible.<sup>24</sup>

Attracting large amounts of outside capital and creating a general climate conducive to capital accumulation was viewed by Robinson as an unqualified benefit to the province. Harris, Forbes & Company advertised the first issue of \$1,750,000 of New Brunswick Power bonds in the *New York Times* in March 1917, luring potential investors with the

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<sup>24</sup> Howard Robinson to J.B.M. Baxter, 4 November 1916, folder: 8 December 1916, box 55, RS 9, New Brunswick Cabinet Papers, PANB. I would like to thank Matt Baglole for drawing my attention to this document.

promise that “[t]he Company operates entirely without competition.”<sup>25</sup> Unfortunately for Robinson and his associates interested in New Brunswick Power, the company’s monopoly position was not lauded by a general public in Saint John, nor by local industrialists and merchants, desirous of cheap power rates.

## II

The economic crisis that followed the First World War had especially profound consequences for the Maritime region, which experienced a crippling wave of de-industrialization in the early 1920s. The Liberal New Brunswick government of W.E. Foster sought to shore up the crumbling industrial economy of the province’s most populous and industrialized city, Saint John, by establishing the New Brunswick Electric Power Commission in 1920 and soon after developing hydroelectricity on the Musquash River that would serve Saint John. The government’s public power leanings became even more pronounced after Foster retired from active politics in 1923 and handed the reins of government over to P.J. Veniot, New Brunswick’s first Acadian premier. His government’s administration of workmen’s compensation, its highway construction, and its pro-public power stance were indicative of a “progressive” vision for the province. Acquiring the nickname “Good Roads” Veniot for his highway-building work as premier and earlier as minister of public works, the progressive premier retained solid support among Acadians, who were particularly concentrated in the northeast arch of the province extending from Moncton to Edmundston, while also garnering support in the

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<sup>25</sup> Advertisement, *New York Times*, 9 March 1917, 13.

province's anglophone south. Veniot's vision for New Brunswick seemed, for a time, politically viable.<sup>26</sup> It was a vision that Robinson would vigorously oppose.

Formerly a Liberal, Robinson had by this time left the party. The evidence suggests the decisive break came during the First World War with the formation of the Union government in 1917. The decision of Conservative Prime Minister Robert Borden to forge a coalition government had been encouraged by the emerging view among segments of the English-speaking population that the prosecution of the war was too important for "party government"; conscription was, of course, the main issue of contention. An ardent imperialist, Robinson was an officer in the 3<sup>rd</sup> Artillery Regiment, a title undoubtedly conferred because of financial donations. Available biographical accounts indicate that Robinson attempted to enlist for overseas service but was refused because of an unspecified "physical disability." Remaining in Saint John, Robinson went on to play a leading role in recruiting men for the New Brunswick "Fighting 26<sup>th</sup> Battalion" and served an active role in the Victory Loan campaigns.<sup>27</sup> If indeed Robinson

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<sup>26</sup> For the government activism of the Foster and Veniot administrations generally see W.Y. Smith, "Axis of Administration: Saint John Reformers and Bureaucratic Centralization in New Brunswick, 1911-1925" (MA thesis, University of New Brunswick, 1984), 47-115; for road construction and repair policies under Veniot's direction see Charles Joseph Allain, "The Impact of the Automobile on the Government of New Brunswick, 1897-1932" (MA thesis, University of New Brunswick, 1987), 45-60; for an examination of hydro-electric development and its politics see Paul-Emile McIntyre, "The Development of Hydro-Electric Power at Grand Falls, New Brunswick: An Issue in Provincial Politics, 1920-1926" (MA thesis, University of New Brunswick, 1974); for the Veniot's administration's position on milk pasteurization see Jane E. Jenkins, "Politics, Pasteurization, and the Naturalizing Myth of Pure Milk in 1920s Saint John, New Brunswick," *Acadiensis* 37, 2 (Summer/Autumn 2008), 86-105.

<sup>27</sup> "Howard P. Robinson Dies," 5. Information from the *Who's Who in Canada* misleadingly suggests that Robinson was an active combatant: "Served in the First World War as Lieutenant with 3<sup>rd</sup> Regiment, New Brunswick Garrison Artillery." See B.M.

still identified himself as a Liberal at the beginning of the war, by its end he certainly did not. As Sir Wilfrid Laurier, the Liberal leader, refused to acquiesce to conscription, pro-conscription Liberals jumped ship to become Unionist Liberals in a coalition government headed by Borden. Twenty years later Prime Minister William Lyon Mackenzie King, who had remained loyal to Laurier in the moment of crisis, derisively referred to Robinson as “another Unionist.”<sup>28</sup> The political fractures created within the Liberal party in Saint John would be particularly severe.<sup>29</sup> Even though Premier W.E. Foster sympathized with the Union government, he did not offer the official support of his administration for fear of losing Acadian support, which his government relied upon heavily.<sup>30</sup> Thus, when the Liberal provincial administration sought to develop public power, Robinson was already opposed to the government on broader issues of imperial loyalty.

In 1922 Robinson gained control of Saint John’s only remaining Conservative daily, the floundering Saint John *Standard*, later renamed the *Journal*, by injecting \$90,000 into its operations; the Conservative party had offered only \$3,200 to keep the

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Greene, ed., *Who’s Who in Canada, 1947-48* (Toronto: International Press Limited, 1948), 241.

<sup>28</sup> William Lyon Mackenzie King, *Diaries*, 11 August 1937, LAC.

<sup>29</sup> New Brunswick Liberal J.E. Michaud reported in 1935 “that since 1917 the Liberals in St. John have not been united, and this breach was about to be healed when some of the non-conformists undertook to speak on behalf of the Liberal party.” J.E. Michaud to Norman Lambert, 16 August 1935, file “Ralston, J.L., Correspondence, Political 1935 (July-Nov),” vol. 17, James Layton Ralston Papers, MG 27 III B 11, LAC.

<sup>30</sup> John English, *The Decline of Politics: The Conservatives and the Party System, 1901-20* (Toronto: University of Toronto Press, 1977), 175-6.

paper going.<sup>31</sup> Saint John's daily newspaper business, driven by political partisanship and over-optimism, had been oversaturated since before the First World War. Industrialist George McAvity, co-owner of the *Liberal Telegraph* and *Times*, reported in 1914 that the papers yielded no return on his investment. He called for the Liberal party to take over the papers itself, but the party was apparently slow to act.<sup>32</sup> McAvity, along with Saint John lumberman John E. Moore, remained in control of the *Telegraph* in the early 1920s, when it continued to serve as an organ of the Liberals and had become a decidedly vocal advocate of public power development. In the wake of public hearings on New Brunswick Power in 1919, the provincial government's entry into power development in 1920, a bitter street railway strike in 1921, and growing support for public power development at the municipal level in Saint John, Robinson sold his interest in New Brunswick Power to Federal Light and Traction of New York in 1922.<sup>33</sup> The timing of Robinson's decision to enter the newspaper business, coinciding as it did with the growing debate over public power development, suggests that he may have been driven by political motivations from the beginning: namely, insuring the *Standard* remain an opponent of government intervention.<sup>34</sup> Whether he remained interested in New

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<sup>31</sup> Howard P. Robinson to R.B. Hanson, 19 December 1923, 19/419-21, Hanson Papers, PANB.

<sup>32</sup> ? to J.B.M. Baxter, 22 July 1914, J.B.M. Baxter Papers, MC 3153, PANB.

<sup>33</sup> Smith, "Axis of Administration," passim; Don Nerbas, "Revisiting the Politics of Maritime Rights: Bourgeois Saint John and Regional Protest in the 1920s," *Acadiensis* 37, 1 (Winter/Spring 2008), 114-6; "Public-Capital Divide Opinion Currier Report," 22 March 1919, *Financial Post*, file 13, vol. 35, Financial Post Fonds, MG 28 III 121, LAC.

<sup>34</sup> The *Standard* was dyspeptic in its opposition to municipal power development. After the provincial government passed legislation that allowed the City of Saint John to purchase and take over New Brunswick Power's assets, the *Standard* proclaimed: "Never

Brunswick Power at some level remains unclear; he was, however, without question an ideological and political ally.

The McAvity and Moore newspapers continued to oppose New Brunswick Power in 1923. The *Financial Post* reported: “The dispute between the New Brunswick Power Company and the owners of the Daily Telegraph and Evening Times, newspapers of St. John, is raging with intensity. It is no uncommon occurrence to find all the editorial space and several columns of the news space in each issue of these newspapers devoted to attacks on the New Brunswick Power Company.” The *Financial Post* suggested that McAvity and Moore were following narrow self-interest, supporting the Saint John Power Commission because they owned land on the site of the Musquash dam – which was washed away by a freshet in the spring.<sup>35</sup> Though particular interests may have been at stake, the dispute also involved competing fractions of capital. Local industrial capital, which was also supported by small merchants, was desirous of cheap power rates and the McAvity and Moore newspapers voiced its perspective. It was opposed by finance capital, embodied in New Brunswick Power but also including aligned local and regional capitalists.<sup>36</sup> Robinson represented the vanguard of the latter fraction and vigorously advanced its political mission.

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in the history of Canada has such a bare-faced steal been suggested as this is. The Bolsheviks’ plans in force now in Russia have nothing on this thing.” See “Public Ownership Gone Mad,” *Financial Post*, 21 April 1922, file 13, vol. 35, Financial Post Fonds, LAC.

<sup>35</sup> “Oppose Setting Up Second Plant,” *Financial Post*, 13 April 1923, file 13, vol. 35, Financial Post Fonds, LAC.

<sup>36</sup> Nerbas, “Adapting to Decline,” 176-80.

Premier Veniot wished to achieve direct party control of the *Telegraph* and *Times-Star*, reporting to Mackenzie King in May 1923 that “[o]wing to the attitude of Moore the Telegraph and Times Star are becoming dangerous to the Liberal Party and we must obtain control or look to the organization of other means to carry on.” Veniot suggested that only through the collective efforts of the Prime Minister, Minister of Public Works Dr. James H. King, and Kings County MLA J.D. McKenna could the Liberal party hope to secure an option on the papers.<sup>37</sup> This was apparently done, but Veniot later reported to Mackenzie King that George McAvity “might not carry out the agreement entered into to transfer the papers to Mr. Andrew Haydon, who is acting in my behalf and other representative Liberals,” because he believed “the option was secured by fraud.” Emphasizing that the deal would serve to consolidate Liberal control of the papers, Veniot explained that J.D. McKenna “will more fully discuss matters with you.”<sup>38</sup> McKenna acted as Veniot’s representative; “he thoroughly understands the situation and you can depend on him,” Veniot reassured King.<sup>39</sup> McKenna, however, also had personal associations with Howard Robinson: both men were connected to Sussex and McKenna had taken over the *Maritime Farmer*. The evidence is patchy, though there is considerable reason to believe that McKenna – who, in March, had “made complimentary

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<sup>37</sup> P.J. Veniot to W.L.M. King, 12 May 1923, 81113-4, vol. 95, William Lyon Mackenzie King Papers, MG 26 J1, LAC.

<sup>38</sup> P.J. Veniot to W.L.M. King, 12 June 1923, 81115-6, vol. 95, King Papers, LAC.

<sup>39</sup> Veniot to King, 12 May 1923, 81113-4, vol. 95, King Papers, LAC.

references” to the incoming Premier in the New Brunswick Legislature – was not the reliable Liberal agent Veniot thought and helped Robinson gain control of the paper.<sup>40</sup>

The New Brunswick Publishing Company, whose authorized stock was raised to \$600,000 on 29 June, was used by Robinson as a holding company to execute a merger of the Liberal *Telegraph* and Conservative *Journal* and later “guide the destinies of the new publications.”<sup>41</sup> The Saint John *Globe* announced the incorporation of the company on 5 July, noting in its editorial section the following day that the company’s listed members, which consisted of a Fredericton lawyer and two young women from York County, hardly squared up with the public assurance that “the new company will have a representative board of directors, including leading business men from widely scattered sections of this province.” This, the *Globe* suggested, was an indication that the individuals behind the merger wished “to remain unknown, not even letting the left hand know what the right hand doeth.”<sup>42</sup> When the first issue of the *Telegraph-Journal* was published on 16 July, J.D. McKenna – suggestive that an understanding between himself and Robinson had been reached – headed the new operating company and T.F. Drummie served as business manager. Robinson would remain closely associated with these individuals in the years to come. The paper made no specific pronouncements regarding its policy “on either federal or provincial politics,” stating the universally inoffensive position that it would serve the “the interests of New Brunswick and the Maritime

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<sup>40</sup> *The Canadian Review of Public Affairs, 1923* (Toronto: The Canadian Review Company Limited, 1924), 656.

<sup>41</sup> Letters of Patent, B1, 402, PANB; “Howard P. Robinson Dies,” 5.

<sup>42</sup> “New Companies,” *Globe* (Saint John), 5 July 1923, 9; “Making Progress,” *Globe*, 6 July 1923, 4.

Provinces.”<sup>43</sup> Robinson’s true intentions were kept quiet, restricted to a small circle of investors. One of those investors, Richibucto lumberman Richard O’Leary, wrote of Robinson’s motivations in private correspondence the following year: “to wipe out the St. John Telegraph which had been injurious, every way, to the public utilities of the province (in some of which we were interested) and as a political sheet had been very obnoxious.”<sup>44</sup>

The veneer of provincial and regional solidarity in the paper’s public pronouncements also masked considerable behind-the-scenes struggle and intrigue. The recently retired premier W.E. Foster had secured an option on the *Telegraph*, and resisted Robinson’s plans. In the end, Robinson was able to secure Foster’s option in exchange for a “large block of common stock,” which Foster believed would give him controlling interest when combined with “the other grit holdings.” Foster had miscalculated. The bloc of preferred shares owned by Robinson gave him control of the newly formed *Telegraph-Journal*. Foster, for his uncooperative attitude, became a marked enemy: Saint John Conservative MP J.B.M. Baxter wrote in private correspondence to Arthur Meighen on 10 August that Robinson “is determined to [word here appears to be “kill”] W.E. Foster when the opportunity is afforded.” When Meighen wrote back to say that he could not read the word between “to” and “Foster,” Baxter responded: “You can fill that blank

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<sup>43</sup> “The Telegraph-Journal,” *Globe*, 16 July 1923, 4.

<sup>44</sup> R. O’Leary to Angus McLean, 11 October 1924, 669143, vol. 118, Arthur Meighen Papers, LAC, quoted in Nerbas, “Adapting to Decline,” 178 (n 76).

with ‘beat’ ‘smash’ ‘destroy’ or any more injurious language which will express annihilation!”<sup>45</sup>

Robinson and other business associates, including northern New Brunswick lumbermen Angus McLean and Richard O’Leary, were major shareholders in the New Brunswick Publishing Company.<sup>46</sup> Baxter explained to Meighen that much of the stock “is held by business interests which are not particularly interested in parties but are expected to respond to an approval based upon solid business.” Even though the merger eliminated Saint John’s only Conservative paper, Baxter reassured Meighen that the advantage was theirs, since “Mackenzie King and his like” would not provide “solid business” policies, but, more importantly, because Baxter had received from Robinson a “private assurance most confidentially given.”<sup>47</sup> This perhaps explains Baxter’s enthusiasm when reporting news of the merger on July 12 to R.B. Hanson, Conservative MP from Fredericton: “The deal is through and one of the most poisonous influences in N.B. politics [the *Telegraph*] is eliminated. The most poisonous [Veniot] remains and is in your city!”<sup>48</sup>

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<sup>45</sup> J.B.M. Baxter to Arthur Meighen, 10 August 1923, 34612-9; Meighen to Baxter, 14 August 1923, 34620-1; Baxter to Meighen, 20 August 1923, 34622-7, vol. 61, series 3, Meighen Papers, LAC.

<sup>46</sup> R. O’Leary to Angus McLean, 11 October 1924, 669143, vol. 118, Meighen Papers, LAC.

<sup>47</sup> J.B.M. Baxter to Arthur Meighen, 10 August 1923, 34612-9; Meighen to Baxter, 14 August 1923, 34620-1; Baxter to Meighen, 20 August 1923, 34622-7, vol. 61, series 3, Meighen Papers, LAC.

<sup>48</sup> J.B.M. Baxter to R.B. Hanson, 12 July 1923, 5/339, Hanson Papers, PANB.

Robinson had accomplished an impressive feat, since the merger depended upon nuanced financial dealings and on balancing the apparent political scales so as not to alienate investors committed to either the Liberal or Conservative parties – all necessarily done with considerable deception. Robinson’s ability to accommodate Liberals was not entirely insincere, but a result of his political priorities. His pro-business outlook did not entail loyalty to any one party, and from this perspective his willingness to mislead Foster and even King’s deputy Andrew Haydon was simply a business strategy rather than a political betrayal. Angus McLean’s move away from the Liberal Party in 1925 was to demonstrate this style of politics, where safeguarding the “business climate” was the overriding political concern. Robinson brought Saint John’s daily press under the direct control of business, distancing it from more partisan “political” interference. As Arthur Doyle notes, the muckraking, party journalism of past years was quieted as capitalists such as Robinson, and later K.C. Irving, assumed control of the newspaper business.<sup>49</sup> Robinson’s acquisition of Saint John dailies, too, reflected the broader national trend towards stricter business control and operation of the media in Canada after 1913.<sup>50</sup> The new arrangement evidenced the ascendance of finance capitalism in New Brunswick, which allowed big capital to operate above the uncertainties of party allegiances.

Though Robinson favoured the Conservative party for his own political and ideological reasons, he made it clear that representatives of the Conservative party were

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<sup>49</sup> Arthur T. Doyle, *Front Benches and Back Rooms: A Story of Muckraking, Corruption, Raw Partisanship and Intrigue in New Brunswick* (Toronto: Green Tree Publishing Co., Ltd., 1976), 276.

<sup>50</sup> Paul Rutherford, *The Making of the Canadian Media* (Toronto: McGraw-Hill Ryerson Limited, 1978), 51-2. Minko Sotiron’s *From Politics to Profit: The Commercialization of Canadian Daily Newspapers, 1890-1920* (Montreal and Kingston: McGill-Queen’s University Press, 1997) examines this transformation in detail.

in no position to dictate the news coverage of the *Telegraph-Journal*. This became evident in an exchange between Robinson and R.B. Hanson in December 1923. "I am, of course, simply delighted at the manner in which the *Telegraph-Journal* has been handling the opposition side of the campaign in Kent," Hanson sarcastically wrote to Robinson in reference to a federal by-election campaign. Ending his letter on a more assertive note, Hanson proclaimed: "I am not complaining . . . but if you live for the next ten years, believe me, your newspaper and all the rest will have to take notice of me."<sup>51</sup> The overzealous Hanson was quickly put in his place. Robinson wrote back: "There is one thing I don't think you nor our friend Baxter nor any of the Conservative party realize or appreciate, and that is the fact that, if it had not been for me, the Conservative party in this province would have had no paper prepared to publish anything but one side of a political situation and that the side opposed to them." "On top of that," he continued, "I think I accomplished almost what was the impossible when, after having fought the 'Telegraph', I succeeded in securing an option on it and eventually raised the money to buy it. There were a thousand difficulties in the way, a thousand obstacles to be overcome, not only of a financial but of a political character, and not one single man of your party has come to me and expressed the slightest appreciation of what I have done."

Robinson's letter then turned more personal:

And not only that, but you personally sold your stock in my new company at fifty cents on the dollar. You offered it and it was bought by a man who had purchased a large quantity of bonds. The effect of your act upon my brokers can not be considered as either beneficial to my enterprise or as looking upon my changing the "Telegraph" from a violent Liberal paper to an independent paper as anything

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<sup>51</sup> R.B. Hanson to Howard P. Robinson, 17 December 1923, 19/417-8, Hanson Papers, PANB.

more than an unfriendly so far as you can view it. Some of you Conservatives should at least appreciate the fact that if it had not been for me, you in this Province to-day would not have any paper except the Moncton 'Times' which would even mention the fact that you were a factor in the Kent County campaign.

Now, don't understand that I am finding fault, criticising or trying to be nasty. I just want more of you fellows to realize the way this whole situation looks from the spot by the roadside where I am standing. Just think these facts over, and the next time you are prepared to criticise something which might appear in our news or editorial columns or through some slip in the publication of a news item . . . please do not be so harsh or suspicious or give away to your temper by doing an injury to your friend, the same way you did, when, in a moment of pique, you depreciated the value of the Preferred Stock I have been selling in this newspaper venture by talking and acting as you did.

Thus, not only was Hanson ungrateful, in Robinson's view, but destructively irresponsible in his sale of shares. Robinson closed by offering a warning, couched in the language of advice, that ultimately extended an olive branch to his vociferous colleague:

I think this sort of letter is coming to you, Dick, because it is written in an endeavor to keep you from a repetition of what has just taken place in-so-far as my newspaper venture is concerned. There are some newspaper men in this country who, if you had done what you have done in this situation, would give you just cause for complaint. I want to assure you that, although I feel that you have acted in a most unfriendly manner towards me and that, whether intentionally or not, you have been the cause of doing me a personal and business injury, it is not in any sense going to affect the attitude of the paper toward the Conservative party nor my personal attitude toward you.

If you are going to play the political game, you have got to play it in a different way from that or you will make so many enemies that you will be shot full of holes the first time you show your head above the tall grass.

Some day I can tell you just what the effect of this sale of your stock has been and how very much you have endangered my plans, which must ultimately work out to the advantage of your party as well as to you personally.<sup>52</sup>

No response can be found in Hanson's papers. Robinson's point was made. He would not accept such impudence from politicians, whose sense of political strategy was, from

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<sup>52</sup> Howard P. Robinson to R.B. Hanson, 19 December 1923, 19/419-21, Hanson Papers, PANB.

Robinson's perspective, made overly narrow and shortsighted by partisan considerations. Typical of other business moguls, Robinson maintained a sense of superiority in his dealings with political apparatchiks such as Hanson. As Mackenzie King later observed, Robinson expected to be "courted."<sup>53</sup> Robinson's political tactics were based upon an understanding of the power relationship between capitalists and politicians, in which the latter were beholden to the former.

Politician and businessman were, of course, not mutually exclusive, but rather each is best understood as a social role that could be acted out by a single individual. Hanson, himself, was an example of such a situation. He provided legal counsel to Fraser Companies of Edmundston and sat on the board of directors of the New Brunswick Telephone Company since 1922.<sup>54</sup> Family association also integrated Hanson into the Canadian business world; his brother-in-law, C.E. Neill, was vice-president of the Royal Bank of Canada and had arranged Hanson's appointment as solicitor for the bank's Fredericton branch. Interestingly, Neill had advised Hanson against becoming a politician; he told Hanson that politicians were generally not men of "a high type" and involvement in politics had "spoiled many good men and wrecked useful careers."<sup>55</sup>

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<sup>53</sup> King Diaries, 12 May 1930, LAC.

<sup>54</sup> Howard P. Robinson to R.B. Hanson, 17 November 1922, 19/367, Hanson Papers, PANB.

<sup>55</sup> C.E. Neill to R.B. Hanson, 11 January 1921, 16/642-3 and Neill to Hanson, 4 January 1921, 18/638, Hanson Papers, PANB. Neill wrote Hanson in 1921, when Hanson was deciding whether to accept nomination: "The glamour of politics to my personal knowledge has spoiled many good men and wrecked useful careers. If I had the ability and experience to become Prime Minister of Canada, and were offered that position tomorrow, I should decline it, and I think I am as ambitious as most men. The average politician with whom you will come in contact is not a man of high type, and nothing, as far as I have been able to see, in the association is of an elevating character."

J.B.M. Baxter also straddled the business world; his law firm represented New Brunswick Telephone. Though they occupied different social roles, Robinson, Baxter, and Hanson were ideologically likeminded, coalescing around the defence of private property and the advancement of private enterprise, and shared similar social experiences forged in places such as the Union Club in Saint John, social outings with the New Brunswick Telephone board, and a plethora of other activities that characterized the associational life of the bourgeoisie.<sup>56</sup>

### III

The politics of the *Telegraph-Journal* mirrored Robinson's overriding concern with cultivating a friendly climate for capital, while remaining aloof from the morass of party politics. Mackenzie King's comment that "[Angus] McL.[ean] controls a paper that was taken over in the name of the Lib.[eral] party" revealed that McLean may have also played a role in facilitating the *Telegraph-Journal* merger by reassuring his Liberal colleagues in somewhat the same way Robinson reassured Baxter.<sup>57</sup> The most sincere reassurance regarding the *Telegraph-Journal*, it seems, was the one Robinson made to New Brunswick Publishing Company investors, McLean among them – "that it was to be

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<sup>56</sup> Howard Robinson to Hanson, 20 August 1934, 28/43, Hanson Papers, PANB. All three were members of the Union Club. See B.M. Greene, ed., *Who's Who in Canada, 1934-35* (Toronto: International Press Limited, 1935), 478 and 991; Greene, ed., *Who's Who in Canada, 1947-48*, 241.

<sup>57</sup> King Diaries, 4 September 1925, LAC. It is apparent from the context of the quotation that King is referring to a Saint John paper, since the following sentence reads: "The other paper St. John Times (?) is being sold to the tories."

run in the interests of the business men in this province.”<sup>58</sup> The shared priorities of Robinson and McLean – “the interests of the business men” – overrode party allegiances. King’s perception that McLean controlled the *Telegraph-Journal* was indicative of Robinson’s success in maintaining a low profile; “I have an absolute horror of publicity,” he would later write to a friend, in response to the 1937 *Financial Post* article on his early business career.<sup>59</sup>

In 1924 and early 1925, as the Veniot government purchased the Grand Falls site from International Paper and proceeded to move ahead with its plans for public power development, opposing forces mobilized. Businessmen led the political mobilization at the upper levels of the New Brunswick Conservative party in preparation for the 10 August 1925 provincial election. Prior attempts had been made by the Conservative party to recruit a new provincial leader. In late 1923, Hanson expressed the opinion to J.B.M. Baxter that the provincial Conservatives should “get some outstanding business man, new to politics, to take up the burden” of party leader.<sup>60</sup> Baxter agreed, but the man they had in mind was reticent, Saint John resident W. Shives Fisher, owner of the Enterprise Foundry of Sackville.<sup>61</sup> The opposite transpired: the businessmen would recruit their politician of choice, J.B.M. Baxter. A party of about 25 businessmen, led by Angus McLean and likely Robinson too, approached Baxter in 1925 to request that he contest

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<sup>58</sup> Richard O’Leary to Howard Robinson, 6 September 1924, 69141, vol. 118, Meighen Papers, LAC.

<sup>59</sup> Howard Robinson to J.C. Webster, 18 January 1937, file 228, Webster Papers, NBM.

<sup>60</sup> Hanson to Baxter, 22 October 1923, 5/342-3, Hanson Papers, PANB.

<sup>61</sup> Baxter to Hanson, 1 November 1923, 5/334, Hanson Papers, PANB.

the election. A “financial madman,” they argued, was running the province.<sup>62</sup> Baxter heeded their request, vacating his federal seat. Having served earlier in the decade in Arthur Meighen’s government as minister of customs, Baxter was known as an opponent to public ownership and was on better terms with St. James Street than Meighen, whose railway policy – inherited from Borden – had resulted in the formation of a nationalized railway system and had upset the federal Conservative party’s financial supporters in Montreal centred around the CPR. Thus embracing “sound” economic views, Baxter left the uncertain world of federal politics for the more familiar, if not certain, political environ of New Brunswick.<sup>63</sup>

Grand Falls development was an issue upon which Robinson was willing to fight. In 1923 R.B. Hanson reported to George B. Jones, a fellow New Brunswick Conservative MP, that the *Telegraph-Journal* would pursue a strictly neutral, non-partisan line should a provincial election arise, except if Veniot should attempt to develop Grand Falls. “I understand they will oppose development of Grand Falls by any Government,” explained Hanson.<sup>64</sup> Veniot not only proceeded with plans to develop Grand Falls, but campaigned against the “Big Interests,” promising that “[n]o private corporation will be permitted to

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<sup>62</sup> “Baxter Declares Veniot Cause of Return to N.B.,” *Telegraph-Journal* (Saint John), 8 August 1925, 1.

<sup>63</sup> Roger Graham, *Arthur Meighen: And Fortune Fled*, vol. 2 (Toronto: Clarke, Irwin & Company, 1963), 254-5; Leslie Roberts, *These Be Your Gods* (Toronto: Musson Book Company Ltd., 1929), 144.

<sup>64</sup> Hanson to George B. Jones, 5 October 1923, 5/509, Hanson Papers, PANB.

lay a finger on our water power resources so long as I have the honour of remaining Premier of New Brunswick.”<sup>65</sup> The fight was on.

The most visible group opposing Veniot were the province’s forestry capitalists, concentrated largely in the northern section of the province. The emerging pulp and paper interests, with which Robinson was becoming associated, were provoked by Veniot’s attempt to move the state into what they perceived as their rightful domain of economic activity, viewing it as a challenge to free enterprise. At the forefront of this group was Angus McLean, whose company, Bathurst Power and Paper, by the end of the decade would be included among New Brunswick’s powerful pulp and paper triumvirate, which also consisted of International Paper of New York and Fraser Companies of Edmundston. McLean and Donald Fraser of Fraser Companies both left the Liberal party to oppose Veniot. International Paper, the largest of the triumvirate, had reason to oppose Veniot as well, for the Liberal government had cancelled the company’s contract to develop Grand Falls. A.R. Graustein, International Paper’s president, admitted as much in private correspondence; and though the company’s policy was to refrain from party politics, which included restricting its employees from running for public office, Graustein made an exception and allowed A.D. Taylor, manager of the Miramichi Lumber Company, an International Paper subsidiary, to run under the Conservative banner.<sup>66</sup> The smaller and economically troubled lumber barons, whose businesses were proving less and less

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<sup>65</sup> P.J. Veniot, *The Premier’s Manifesto to Electors of New Brunswick* (1925), 11, “Provincial Politics; Election Campaigns, 1912, 1925,” 4/1, box 1, J. Leonard O’Brien Papers, MC 299, PANB.

<sup>66</sup> A.R. Graustein to R.B. Hanson, 1 July 1925, 6/246; Hanson to Graustein, 6 July 1925, 6/246; Graustein to Hanson, 13 July 1925, 6/252, Hanson Papers, PANB.

viable, shared some of the concerns of the pulp and paper interests, such as stumpage rates, which they felt had become too high under Veniot's oversight. The forestry sector as a whole was unimpressed too by Veniot's administration of workmen's compensation, which, many lumbermen felt, placed too heavy a burden on operators. Indicative of the significant political realignments provoked by the 1925 election, the Conservatives ran three former Liberals in Northumberland County, prompting a Newcastle Conservative paper to withdraw its support of the Conservative candidates; even the "Liberal" and "Conservative" titles were largely discarded during the campaign in favour of the terms "Government" and "Opposition" to refer to the respective parties.<sup>67</sup> Robinson was an important, though quiet, ally of the province's "lumber barons" in 1925.

In this context, Robinson was willing to respond to specific demands from R.B. Hanson regarding the placement of news in the *Telegraph-Journal*, though in general the paper maintained a relatively neutral tone throughout the election.<sup>68</sup> Saint John Conservative candidate L.P.D. Tilley claimed, with considerable truth, that the *Telegraph-Journal* "leaned a little towards the Opposition" during the election

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<sup>67</sup> "Advocate Refuses to Back Baxter," *Telegraph-Journal*, 7 August 1925, 2. The *Advocate*, a northern New Brunswick paper, characterized the Conservative convention held in Newcastle on 24 July as "a Baxter and lumbermen's convention." See "Bolt from the Blue in Northumberland Country," *Globe*, 8 August 1925, 5.

<sup>68</sup> Hanson wrote to J.B.M. Baxter less than two weeks before the election: "I got in touch with Howard Robinson and told him to put in the *Telegraph* a statement contradicting the [Fredericton] *Gleaner's* roar back of the night before, to the effect that you had made a deal with the big lumbermen at Chatham when there last Friday to give them:- (a) The Quebec scale, (b) a reduction in stumpage on the stumpage bills falling due August 11, 1925, and he promised to attend to it." See Hanson to Baxter, 29 July 1925, 6/41, Hanson Papers, PANB.

campaign.<sup>69</sup> The appearance of neutrality was somewhat contrived, though, particularly when Angus McLean's five-part diatribe against Veniot and the Liberals was published as purchased advertising space.

The political strategy of the Conservatives was to tar Veniot personally, not to denounce popular initiatives such as public power development and workmen's compensation. Baxter, McLean and others attacked Veniot as a proto-dictator, irresponsibly emptying the public purse more to satisfy personal vanity than the public good. They claimed he moved to develop Grand Falls without first obtaining "expert" advice as earlier promised, that he paid International Paper too much for the Grand Falls property in 1924, and that he was lining the pockets of favoured contractors. The thrust of the attack was, thus, not against public power development, but against Veniot's handling of it.<sup>70</sup> Moreover, Angus McLean argued that Veniot's Grand Falls contract had ceded International Paper privileged access to Grand Falls power while endangering the access of native New Brunswick industries, thus suggesting that Veniot and International Paper were arrayed against native industry.<sup>71</sup>

Indeed, in Saint John the Conservatives attempted to appropriate public power and workmen's compensation for their own purposes. While Baxter remained tight-

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<sup>69</sup> "Opposition Speakers Accuse Government of Imperiling Financial Stability of Province," *Telegraph-Journal*, 8 August 1925, 3.

<sup>70</sup> See, for example: Angus McLean, "Second Article From Angus McLean," *Telegraph-Journal*, 5 August 1925, 2; "Baxter Declares He Will Revalue Paper Co. Rights," *Telegraph-Journal*, 7 August 1925, 2; Angus McLean, "Fourth Article from Angus McLean," *Telegraph-Journal*, 7 April 1925, 2; "Candidates Criticise Government Policies," *Telegraph-Journal*, 7 August 1925, 11.

<sup>71</sup> "Fifth Article from Angus McLean," *Telegraph-Journal*, 8 August 1925, 2.

lipped on the subject and McLean argued that public power was more expensive than private development, Saint John Conservative candidate and local businessman M.E. Agar was on record in favour of public development: “M.E. Agar Declares for Public Ownership,” declared the *Telegraph-Journal* on 6 August.<sup>72</sup> Baxter, meanwhile, dubiously claimed the Workmen’s Compensation Act had been passed by a Conservative government, claiming that Veniot was taking credit for something that he was merely overseeing; lumbermen supporting Baxter opposed workmen’s compensation and probably interpreted such rhetoric for what it was – disingenuous politicking. The Conservatives gained political strength from their campaign’s ambiguity and vaguely articulated intentions. This, no doubt, was a product of internal contradictions within the “Opposition,” but it was likely also born of a strategy designed to cultivate support beyond a narrow rump of business interests, seen also in the *Telegraph-Journal*’s relatively subdued stance during the campaign.<sup>73</sup> The real trump card was the latent anti-Acadian and anti-Roman Catholic sentiment that the “Opposition” succeeded in arousing in southern New Brunswick and the St. John River Valley. Indeed, a Klansman, J.S. Lord, was elected in Charlotte County, and correspondence in R.B. Hanson’s papers demonstrates that Hanson maintained a rather friendly patronage relationship with a member of the Ku Klux Klan.<sup>74</sup>

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<sup>72</sup> “M.E. Agar Declares for Public Ownership,” *Telegraph-Journal*, 6 August 1925, 12.

<sup>73</sup> The Saint John *Globe* believed the Angus McLean-wing of the Opposition camp would overtake the pro-public power sentiment within the party articulated by Miles E. Agar. “Politicians Busy in the Evenings,” *Globe*, 6 August 1925, 4.

<sup>74</sup> Hanson’s personal correspondence includes a number of letters from H.H. Morton, who, as the letterhead printed on his letters reveals, was “Grand Scribe” of the KKK in Fredericton. Morton was apparently a local Conservative supporter. He wrote to Hanson

It was a successful strategy. The Baxter Conservatives picked up 37 of 48 seats in the election, winning in an unexpectedly lopsided fashion. The decisiveness of the Conservative victory suggested that bigotry played an important role in determining the outcome. And, indeed, the manner in which Veniot was defeated seemed to confirm as much. As one political scientist has observed, “[t]he seats won by the Veniot Government were almost entirely Acadian Catholic constituencies, while the English and Protestant constituencies went strongly for the Opposition.”<sup>75</sup> Certainly, Veniot was convinced that business interests had used their money to exploit the issues of race and religion during the campaign.<sup>76</sup> Announcement of Baxter’s victory in the *Financial Post* included the reassuring words that New Brunswick’s new premier “is a lawyer of distinction and is financially interested in many important companies in his native province,” as well as being knowledgeable “of the finer points of bridge.”<sup>77</sup> Robinson’s contribution to the victory remains unclear; it seems to have been mostly of a passive, but calculated, nature. His control of the *Telegraph-Journal* ensured that the Conservative party was able to get

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in August 1934 on the behalf of W.K. MacKenzie of McAdam to see if MacKenzie’s son could get a job at the newly-constructed McAdam post office. Morton ended his letter thanking Hanson “for past favors.” See H.H. Morton to Hanson, 30 August 1934, 10/435, Hanson Papers, PANB. “K.K.K. Member Here,” newspaper clipping, n.d., scrapbook, 6/1, box 1, O’Brien Papers, PANB.

<sup>75</sup> Calvin A. Woodward, *The History of New Brunswick Provincial Election Campaigns and Platforms, 1866-1974* (Micromedia Limited, 1976), 51.

<sup>76</sup> Doyle, *Front Benches and Back Rooms*, 258. Reflecting on a conversation with Veniot in Quebec City after the election, King wrote: “listened to [Veniot’s] story re his defeat. There is no doubt U.S. money by predatory interests was used, the lumbermen are a selfish lot. I am beginning to think Angus McLean, the worst of the lot of them.” King Diaries, 23 September 1925, LAC.

<sup>77</sup> *Financial Post*, 14 August 1925, 1.

its message out to the voting public in Saint John, and private correspondence indicates his involvement in collecting campaign funds.<sup>78</sup> But Robinson remained aloof from active public involvement in the campaign. Indeed, 20 years later Robinson would write that even though he “owned and operated daily newspapers,” he “never made a practice of writing editorials.”<sup>79</sup> The party picked up all four seats in the City of Saint John, and the two in Saint John County. Robinson was likely most effective behind the scenes, particularly in Saint John where direct opposition to public power would have been a highly unpopular stance, since low residential power rates in Saint John in 1925 were evidence to many residents of the benefits of public power development.<sup>80</sup> Moreover, capturing a significant portion of the working-class vote was necessary to win at the

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<sup>78</sup> Upon announcement of the election, Robinson was named as an individual who might be sent to Montreal on behalf of the New Brunswick Conservatives. Fundraising, it seems certain, was the purpose of the prospective trip. Jones wrote Arthur Meighen: “The election was announced last evening, nomination August 3<sup>rd</sup>, polling the 10<sup>th</sup>. Baxter is very busy so am I. Would you wire Dr. Baxter or myself on receipt of this, if we can send a man to Montreal. It will be Thomas Bell or H.P. Robinson, both of St. John. This is very important and I hope that you will give us all the assistance you possibly can.” Later, Jones wrote Meighen that he heard “Angus McLean + H.P. Robinson would meet [him] at the Ritz [in] Montreal.” George B. Jones to Arthur Meighen, 18 July 1925, 68164, and Jones to Meighen, 23 July 1925, 68165, vol. 116, Meighen Papers, LAC. Angus McLean served as the New Brunswick envoy to Montreal, though it is not certain whether Robinson joined him. Meighen reported to Jones on 26 July: “I saw MacLean [*sic* – contemporaries often spelt Angus McLean’s last name both ways, “Mac” and “Mc”] in Montreal, and no doubt by this time he will have reported to you.” Meighen to George B. Jones, 26 July 1925, 68168, vol. 116, Meighen Papers, LAC. Whether or not Robinson joined McLean in Montreal, the correspondence collectively reveals Robinson’s close association with the inner-workings of the Conservative campaign.

<sup>79</sup> Robinson to J.C. Webster, 6 November 1945, file 229, Webster Papers, NBM.

<sup>80</sup> The Conservatives countered by claiming that public ownership had nothing to do with creating low power rates in Saint John. “Politicians Busy in the Evenings,” 2.

polls. The mysterious Robinson, once the main figure behind New Brunswick Power, would not have been an effective political figure for the “Opposition.”

While Robinson was not an active public figure in the 1925 election, his management of the *Telegraph-Journal* throws light upon his inclination to refrain from engaging in public conflict and preference to work behind the scenes. A glimpse of this mode of conduct is apparent in Robinson’s offer to approach the government on behalf of J. Macmillan Trueman, Chairman of the Public Utilities Board, to request a salary increase for utilities board members; since the Liberals were still in power at the time, this episode also suggests the ease with which Robinson could deal with both parties. One is inclined to conclude, as Trueman did, that Robinson’s offer was unlikely a selfless act of altruism. In March 1925 Trueman noted in private correspondence with the province’s attorney general, Ivan C. Rand (who was later defeated in the 1925 election as one of the most outspoken critics of the lumbermen), that Robinson managed New Brunswick Telephone, “the second largest of assessed companies.” “I would not like to go to any of these Public Utilities and ask, as a favor to me, that they write to the Government,” concluded Trueman, aware of the conflict of interest that such a favour would entail.<sup>81</sup>

#### IV

With the 1925 Conservative victory, Robinson’s central position within a new type of provincial bourgeoisie was strengthened. Robinson’s role in the New Brunswick

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<sup>81</sup> J. Macmillan Trueman to Ivan C. Rand, 2 March 1925, file 11, box 67, New Brunswick Cabinet Papers, PANB.

Telephone Company had long put him into contact with important businessmen across the province. But the rise of pulp and paper in the 1920s was, as Bill Parenteau has demonstrated, qualitatively changing the nature of entrepreneurship in the province's forestry sector, a sector that had become even more central to the provincial economy in the wake of the deindustrialization of New Brunswick industrial centres, particularly Saint John. Less non-committal about turning over Grand Falls to International Paper than his campaign rhetoric suggested, Baxter ceded huge tracts of land to the pulp and paper triumvirate, and allowed the paternalistic lumber barons of the 19<sup>th</sup> century mould to be displaced by large joint-stock companies.<sup>82</sup> Robinson served as an intermediary between northern New Brunswick lumber barons such as J. Leonard O'Brien and G. Percy Burchill and outside financial and pulp and paper interests.<sup>83</sup> He also became associated with all three major pulp and paper companies operating in New Brunswick.

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<sup>82</sup> Bill Parenteau, "The Woods Transformed: The Emergence of the Pulp and Paper Industry in New Brunswick, 1918-1931," *Acadiensis* 22, 1 (Autumn 1992), 5-43.

<sup>83</sup> Correspondence between Robinson and G. Percy Burchill reveals that Robinson was involved in Burchill's efforts to offer an option on timber lands and mill properties to Montreal financier Ward Pitfield of the Royal Securities Corporation. Pitfield had worked in the Saint John office of Royal Securities before the First World War and, no doubt, would have been acquainted with Robinson while in Saint John. See file 21/30/3, box 331, Burchill Papers, PANB.

Writing from New York on 20 June 1930, Robinson passed this message along to northern New Brunswick lumberman J. Leonard O'Brien: "have not had time to take your matter up here yet but will do everything possible." See Howard Robinson, New York, to J.L. O'Brien, 20 June 1930, file 1/2, box 1, O'Brien Papers, PANB. Robinson was likely taking up a matter with International Paper. Leonard was doing business with International Paper in the 1930s but later a dispute arose over International Paper's local business practices. O'Brien claimed that local International officials had extorted payment from him for rotten material and had demanded double payment on some transactions. The "racket," as O'Brien described it, was sustained because O'Brien was so dependent upon cutting rights on International's "vast public holdings." See O'Brien to Neill C. Head, assistant to the president, International Paper, 21 July 1934, file 40/1, box 22, O'Brien Papers, PANB.

By the close of the decade he had been appointed to the board of directors of Canadian International Paper, a subsidiary of International Paper, which, in turn, had acquired half of the Bathurst Power and Paper Company – and Robinson would gain a directorship with Bathurst Power in the 1930s. He was also appointed trustee of Fraser Companies bondholders during its reorganization in 1931.<sup>84</sup>

Robinson was involved in the Grand Falls project after the Conservative victory, and appears to have been directly connected with the subsidiary company that International Paper formed to develop Grand Falls power, the Saint John River Power Company; Fraser Companies, too, was interested in the Grand Falls project. International Paper president A.R. Graustein wrote in June 1926 that he wished “to invite several representative citizens of New Brunswick to membership of the board.” This included “not only Mr. Fraser himself, but also Mr. Howard Robinson, and, although he is not directly interested, perhaps Mr. McLean also.”<sup>85</sup> The pulp and paper triumvirate did not compete with one another; rather, each company marked out its spheres of influence on the provincial map while cultivating mutual interests. The basis of their collective accumulation strategy was to shore up and guard monopoly position. Grand Falls construction was delayed as International Paper and Fraser Companies demanded more

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<sup>84</sup> J.R.H. Wilbur, *The Rise of French New Brunswick* (Halifax: Formac Publishing Company, 1989), 130; Nicole Lang, “De l’entreprise familiale à la compagnie moderne: la Fraser Companies Limited de 1918 à 1974,” *Acadiensis* 25, 2 (Spring 1996), 51; *The Financial Post Directory of Canadian Directors and Officials 1931 (January)* (Toronto: Maclean Publishing Company Limited, 1930), 318-9; Greene, ed., *Who’s Who in Canada, 1947-48*, 241; *The Financial Post Directory of Canadian Directors and Officials, 1937* (Toronto: Maclean Publishing Company, 1937), 302.

<sup>85</sup> A.R. Graustein to J.B.M. Baxter, 5 June 1926, file A2b, Grand Falls Power Dam Fonds, RS 196, PANB.

concessions, which, Graustein suggested, were necessary to raise capital.<sup>86</sup> The New Brunswick pulp and paper industry by the second half of the 1920s – with the way it merged financial and industrial activities, sought to consolidate monopoly, and expand territorial control – conformed closely to Rudolf Hilferding’s description of finance capital, but with one important difference.<sup>87</sup> The capital was not national, but transnational. Robinson had, of course, been working in this milieu since his involvement with New Brunswick Power, which had brought him into contact with Boston and New York capital. Working as an intermediary to push along the commencement of construction at Grand Falls, Robinson advised Baxter that Graustein and Fraser intended to begin development as soon as the contract with the government was signed. “I would strongly urge you to bring this matter to conclusion just as soon as possible,” wrote Robinson to Baxter in June 1926. “From all parts of the Province,” he continued, “I get reports that the delay in proceeding with Grand Falls is being accepted as evidence that the whole situation has been trifled with. This provides an excellent excuse for many lukewarm supporters of yours to start talking against you and if the cause of their dissatisfaction is not removed soon, they will have gone ‘over the fence’ permanently.”<sup>88</sup> Though construction did not proceed as quickly as Robinson hoped, he did eliminate

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<sup>86</sup> See, for example, A.R. Graustein to J.B.M. Baxter, 24 May 1926 and 5 June 1926, file A2b, Grand Falls Power Dam Fonds, PANB. The pulp and paper companies wanted to monopolize control over forest resources without conditions. Graustein, for example, complained about stipulations in a proposed lease requiring the companies cut at least six per cent of the forest growth each year – or pay at least pay the dues that would have accrued to government based on such a cut. Graustein and Fraser to Baxter, 23 June 1926, file A2b, Grand Falls Power Dam Fonds, PANB.

<sup>87</sup> See Hilferding, *Finance Capital*, passim.

<sup>88</sup> Robinson to Baxter, 4 June 1926, file A2b, Grand Falls Power Dam Fonds, PANB.

Saint John's last dissenting voice to Baxter's handling of Grand Falls when the New Brunswick Publishing Company took over the Liberal Saint John *Globe* late in 1926.<sup>89</sup>

Three years later, on 14 March 1930, Robinson presided over the official ceremonies marking the opening of an enormous International Paper newsprint mill, fed with power from the Grand Falls dam, in Dalhousie. He had been "instrumental, perhaps more than anyone else, in inducing the Canadian International Paper Company" to invest in the \$14,000,000 mill.<sup>90</sup> Robinson explained before the prominent audience at Dalhousie that the gathering marked the opening of one of the largest plants in New Brunswick's history. Such a development, he continued, "meant prosperity and money to the laboring people"; his view, that the business was the best friend of working people, was rooted in his more general belief that organized labour was meddlesome and without any real social purpose. Introducing J.B.M. Baxter, Robinson "said that he spoke with personal knowledge of the great amount of work done by the Premier." He introduced Graustein in equally glowing terms, describing him "one of the great captains of industry in America." Amongst these laudatory remarks, Robinson also expressed his belief that it was completely appropriate that such a large enterprise should be associated with the province's forest resources, which "were the chief source of wealth of the province."<sup>91</sup>

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<sup>89</sup> "Two papers such as the Gleaner and the Saint John Globe can work infinite mischief by insinuation and suggestion with regard to a thing which is perfectly right in itself," Baxter lamented to A.R. Graustein in 1926. See Baxter to Graustein, 3 May 1926, file A2b, Grand Falls Power Dam Fonds, PANB.

<sup>90</sup> "Howard P. Robinson Dies," 5.

<sup>91</sup> "Formal Opening of Newsprint Mill of N.B. International Paper Company Colorful Event," *Telegraph-Journal*, 15 March 1930, 1 and 5.

Robinson's ascendance in the 1920s moved in step with emerging and revitalized resource sectors. Aside from pulp and paper, Robinson was also interested in fisheries, serving on the board of directors of Connors Brothers Ltd., a Blacks Harbour-based company that was reorganized in 1923 and became a world leader in the sardine business.<sup>92</sup> Both Connors Brothers and the forestry sector witnessed the eclipse of direct proprietorship and its attendant forms of paternalism during the 1920s with the rise of impersonal, joint-stock control. The break with the past was not complete, however. A. Neil McLean, president of Connors Brothers, exercised a form of corporate paternalism in the community of Blacks Harbour and was a prominent Liberal. One Conservative observer claimed that McLean created a "near-autocracy on the coast of Charlotte" County.<sup>93</sup> That Robinson was associated through business connections to prominent Liberals across the province such as A. Neil McLean, G. Percy Burchill, and A.P. Paterson simply provides more evidence of his ability to operate successfully in economic life without having to cultivate specific party loyalties.

Robinson also represented a break within the Saint John business community away from the urban industrial economy, which was rooted in an earlier era of paternalistic enterprise. This shift in accumulation strategy synchronized with the increasingly popular Maritime Rights version of regional economic history, which argued that Confederation had caused the decline of the Maritimes and thus ignored the

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<sup>92</sup> At his death Robinson owned 940 class "A" and 20 class "B" Connors Brothers shares. Letters of Probate, Howard P. Robinson, PANB.

<sup>93</sup> Neil McLean and his brother, Alan, were both Liberals and capable of reliably delivering the Liberal vote, claimed R.A. Tweedie, and played an important role in upholding the Liberal government in 1939. See R.A. Tweedie, *On With the Dance: A New Brunswick Memoir, 1935-1960* (Fredericton: New Ireland Press, 1986), 66-7.

significant industrialization of the National Policy period. New Brunswick, Robinson explained to Lord Beaverbrook in 1929, had “got into the doldrums after Confederation, and suffered so severely through the loss of wooden ship building and, later, of the lumber industry [*sic*] that we, as a people, almost lost the ‘will to do’.”<sup>94</sup> “To me,” Robinson would reiterate years later, “the golden and heroic age of this province is associated with the building of ships.”<sup>95</sup> The experience of urban industrialization did not figure much into Robinson’s historical consciousness, nor his accumulation strategy. It did, however, mesh well with his support of Maritime Rights, which was evident in his personal intervention in support of sending a “Great Delegation” to Ottawa to voice Maritime concerns. Robinson’s sympathy for Maritime Rights was apparent in the *Telegraph-Journal*’s importance as an organ of the movement; even R.B. Hanson was driven to protest the prominent role given the dyspeptic Maritime Rights crusader A.P. Paterson in the paper’s pages.<sup>96</sup> The decline of the partisan press helped facilitate the articulation of non-partisan regionalism under the rubric of Maritime Rights; and the movement became an updated boosterism, embraced by an emerging provincial elite whose accumulation strategy had moved beyond the localism of the “community-minded entrepreneur.” Robinson adopted the language of Maritime Rights with ease. “Now we are fighting for our rights and we will continue to fight,” Robinson explained before the Maritime Board of Trade in 1928; he advised “his hearers to forget political prejudices

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<sup>94</sup> Robinson to Beaverbrook, 19 October 1929, Beaverbrook Papers, HLRO.

<sup>95</sup> Robinson to J.C. Webster, 6 November 1945, file 229, Webster Papers, NBM.

<sup>96</sup> Don Nerbas, “Revisiting the Politics of Maritime Rights,” 122; R.B. Hanson to F.X. Jennings, 19 October 1929, 23/319-20, Hanson Papers, PANB.

and work in unison and harmony for Maritime welfare.”<sup>97</sup> Under such platitudes, Robinson advanced an aggressive pro-business agenda and identified that agenda with the general good of the region.

At around the time of the opening of the Dalhousie mill, a gastric ulcer forced Robinson to withdraw from active business life. “I have been back to work for the last month for the first time in three years,” Robinson reported in December 1932, a year after having received treatment at Johns Hopkins Hospital.<sup>98</sup> Indeed, severe periodic illness plagued Robinson throughout his life, a pattern not dissimilar from that observed by Christopher Armstrong and H.V. Nelles amongst Canadian promoters operating in the Latin American utilities business, namely Max Aitken, James Dunn, and F.S. Pearson; the stress-driven world of business was often more than the body could handle.<sup>99</sup> In Robinson’s case, the periods of illness were unusually extended and disruptive; had not another gastric ulcer struck in 1937, Robinson would have served as a commissioner for the Royal Commission on Dominion-Provincial Relations.<sup>100</sup>

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<sup>97</sup> *Busy East* (January 1928), 8.

<sup>98</sup> Robinson to Beaverbrook, 10 December 1932, 31 December 1932 and 20 January 1932, Beaverbrook Papers, HLRO.

<sup>99</sup> Christopher Armstrong and H.V. Nelles, *Southern Exposure: Canadian Promoters in Latin America and the Caribbean, 1896-1930* (Toronto: University of Toronto Press, 1988), 274.

<sup>100</sup> King Diaries, 13 August 1937, LAC: “Took up the Domin. Prov. Commn. Howard Robinson had come on but was in too bad shaped (ulcer in stomach) to take on work. I had told Illesley [*sic*] of this in advance & stressed need for younger man.” Maritime Liberals, J.E. Michaud of New Brunswick and J.L. Ilsley of Nova Scotia, had recommended Robinson’s appointment. See King Diaries, 11 August 1937, LAC. CPR president Edward Beatty wrote to Robinson later in August: “I imagined that something such as you describe had arisen to prevent you from assuming your duties of a Royal Commissioner.” See Edward Beatty to Howard Robinson, 30 August 1937, 197, vol. 165,

The privileges of wealth allowed Robinson to escape the stress-filled world of business with Pearl, his wife. One refuge was Caton's Island, located in the St. John River, 21 miles from the City of Saint John. Robinson bought the island in 1926 and transformed it into a summer resting place, including a summer cottage and landscaped surroundings, which received attention from a Montreal "tree surgeon." By 1941, he had also built a barn, a chicken coop, and a pig sty. It was a genteel farm, since by that time the property also included a rebuilt summer home named "Windemere" – with "wings built on both sides together with a back extension" – furnished with "fine antique furniture" and walls lined with "old prints." A small one-room building was erected for the chauffeur.<sup>101</sup> In the winter Howard and Pearl Robinson fled the cold weather. Since 1927, they had been heading down to Nassau, Bahamas for a month to six weeks of rest and relaxation during the winter, a practice that was becoming increasingly common amongst Canada's big bourgeoisie, attracting the likes of Sir Herbert Holt as well as some wealthy Canadian tax exiles in the 1930s who made it a permanent home.<sup>102</sup>

By the late 1920s Robinson had emerged as a self-assured, well-established capitalist. Though his marriage in 1921 did not make Saint John's social pages, by the latter half of the decade Robinson had established himself as a leader of the Saint John bourgeoisie, even helping collect money for Saint John's elite boys' school, Rothesay

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box 23-008, President's Letter-Books, RG 23, Canadian Pacific Railway Archives [CPRA].

<sup>101</sup> James J. Fraser, *A History of Caton's Island* (Chatham: Miramichi Historical Society, 1967), 40-7.

<sup>102</sup> Howard Robinson to Lord Beaverbrook, 20 January 1947, 28585-28587, case 46(a), R / file 1(c), Lord Beaverbrook Papers, University of New Brunswick Archives [UNBA]; *Financial Post*, 24 July 1937, 9.

Collegiate.<sup>103</sup> However, his social network was much broader than Saint John alone. In 1928, he became a member of Montreal's ultra-exclusive Mount Royal Club, the preserve of capitalists associated with the "CPR-Bank of Montreal group."<sup>104</sup> His appointment to the board of directors of the Royal Bank of Canada, announced by the *Financial Post* in January 1935, further confirmed his entrenched position on "St. James Street," the centre of Montreal's financial community.<sup>105</sup>

Robinson's ascent, however, was also marked by an ambiguity that arose from the contradiction between his role as a provincial booster in an economically marginalized province and his integration into national business circles. In the Maritime Trust Company, established in 1929, Robinson was able to bring together a broad cross-section of important New Brunswick capitalists; the board of directors of New Brunswick Telephone had a somewhat similar composition, but the capital requirements of the telephone business, non-existent with the trust company, made strict provincially based control less sure.<sup>106</sup> From 1911 to 1921, New Brunswick Telephone's invested capital

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<sup>103</sup> Howard Robinson to Percy Burchill, 29 December 1927, file 21/30/3, box 331, Burchill Papers, PANB.

<sup>104</sup> H. Heward Stikeman, *The Mount Royal Club, 1899-1999* (Montreal: Price-Patterson Ltd., 1999), 204. This source appears to attribute an incorrect first-name – "Harold P." – to Robinson.

<sup>105</sup> *Financial Post*, 19 January 1935, 17.

<sup>106</sup> The directors of Maritime Trust in 1939 (as listed in the *Annual Financial Review* (Canadian), July 1939, compiled by W.R. Houston, vol. 39 (Toronto: Houston's Standard Publications), 840) reveal the organization's provincial nature: Howard P. Robinson, President, Saint John; Fred C. Beateay, Vice-President, Saint John; Peter G. Clark, Vice-President, Summerside, P.E.I.; Hon. Frank B. Black, Sackville, N.B.; G. Percy Burchill, South Nelson, N.B.; Hugh A. Carr, KC, Campbellton, N.B.; Hon. A.B. Copp, Sackville, N.B.; Willam F. Fraser, New Glasgow, N.S.; James MacMurray, Saint John; James D. McKenna, Saint John; Hon. A.P. Paterson, L.L.D., Saint John; A. Neil McLean, Saint

doubled to more than \$2.5 million.<sup>107</sup> During the 1920s Robinson and New Brunswick Telephone officials were forced to make repeated appeals to the Board of Commissioners of Public Utilities for increased capitalization in order to meet financial obligations. In 1920 the company asked for the authority to issue more stock in order to raise the capital required to pay \$300,000 owed its creditor. The financial position of the company was not perilous, however. Robinson emphasized that the issuance of new stock was simply necessary to raise the “working capital” required in the capital-hungry telephone business. The cyclical nature of construction, the collection and payment of debts, as well as payments on bonds, created a thin margin of liquidity that required the telephone company to continually raise more capital.<sup>108</sup> New Brunswick Telephone’s relationship with the banks was also rather unstable. In 1925 Robinson explained that the company had used three different banks over the previous eight years.<sup>109</sup> The company’s growth in

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John; J.J. Fraser Winslow, K.C., Fredericton, N.B.; W.C. Allison, Saint John; R.H. McLean, Saint John; J.B. Dever, B.C.L., Saint John; C.F. Inches, K.C., Saint John; Harry O’Leary, Richibucto, N.B.; Hon. George B. Jones, Apohaqui, N.B.; E.W. Mair, Woodstock, N.B.; W.W. Boyce, Fredericton, N.B.; Luke S. Morrison, Fredericton, N.B.; John A. Reid, Fredericton, N.B.; George J. Tweedy, Charlottetown, P.E.I.; R.E. Mutch, Charlottetown, P.E.I.; Frank M. Ross, Montreal; W.J. Kent, Bathurst, N.B.; Allan H. Wetmore, Saint John, N.B.

<sup>107</sup> Application, New Brunswick Telephone Company, 27 July 1921, 3, file “N.B. Telephone—General Documents, 1921,” B 1/2, 27a, RG 3, Public Utilities Board of Commissioners Records, RS 18, PANB.

<sup>108</sup> *New Brunswick Board of Public Utilities Commissioners, In the Matter of the New Brunswick Telephone Company, Proceedings at Hearing, 26 October 1920*, 3-4, 7, 10, file “N.B. Telephone General Documents, 1920,” B/27a, RG 3, Public Utilities Board of Commissioners Records, PANB.

<sup>109</sup> *Before the New Brunswick Board of Public Utilities, in the matter of the application of the New Brunswick Telephone Company for leave to issue \$500,000 additional stock*, 25 November 1925, 20, file “General N.B. Telephone Co., 1925,” B1/27a, RG 3, Public Utilities Board of Commissioners Records, PANB.

the late 1920s made the need for new capital as pressing as ever. “This province is growing and we have quite good evidence of it in the growth of our business,” said Robinson in 1928. He concluded that “[a]s long as we are in business we are going to find approximately this same demand for increased facilities which means of course additional money,” noting that the telephone business had been good even in times marked by depression.<sup>110</sup>

Operating outside of the nation’s capital markets, which were centred in Montreal and Toronto, New Brunswick Telephone maintained a provincial autonomy that was ambiguous from the beginning. Indeed, it had been affiliated with the Montreal-based Bell Telephone of Canada since Robinson first became involved with the company before the First World War. Robinson, however, was largely successful in exercising a sort of province-based control over New Brunswick Telephone. In 1931, for example, Bell vice-president J.E. Macpherson referred to his company’s policy of “noninterference” in New Brunswick Telephone affairs. Ambiguity reigned even here, though. Macpherson cited the noninterference policy in response to R.B. Hanson’s request to be considered to serve as legal counsel for New Brunswick Telephone, a position that J.B.M. Baxter resigned in order to take up a judgeship on the New Brunswick Supreme Court. Hanson expressed appreciation for Macpherson’s “attitude in not interfering,” and asked Macpherson to “have a little private conversation with Howard Robinson” instead.<sup>111</sup> Hanson appears to

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<sup>110</sup> *New Brunswick Board of Public Utilities, in the matter of the New Brunswick Telephone Company, Limited*, 24 October 1928, 6, file “General N.B. Telephone Co., 1928,” B1/27a, RG 3, Public Utilities Board of Commissioners Records, PANB.

<sup>111</sup> J.E. Macpherson to R.B. Hanson, 5 May 1931, 24/716; Hanson to Macpherson, 30 April 1931, 24/715; Hanson to Macpherson, 6 May 1931, 24/717, Hanson Papers, PANB.

have thought that he was appealing to a higher authority by contacting Macpherson; Robinson, ill at the time, remained a source of considerable authority in the company's affairs.

The *Financial Post* listed New Brunswick Telephone as one of a dozen companies in which Bell maintained "an active public interest" in April 1935.<sup>112</sup> That interest was strengthened as Bell purchased a large bloc of New Brunswick Telephone stock as a "preventative measure against American interests who were definitely seeking control." Even though Macpherson emphasized that Bell would continue to respect the fact that New Brunswick Telephone was a "provincial company," this structural control would, as the forceful Robinson disengaged from active business in the 1940s, place Bell in a dominant position vis-à-vis the board of directors of New Brunswick Telephone.<sup>113</sup> A decade later R.B. Hanson wondered to Robinson, "Are we rubber stamps? I feel rather strongly that we are," he concluded, expressing disgust at the ease with which the company's board of directors tendered a contract to an "upper Canadian firm" to dig

<sup>112</sup> *Financial Post*, 27 April 1935, 4.

<sup>113</sup> J.E. Macpherson to R.B. Hanson, 20 September 1937, 29/551, Hanson Papers, PANB. Robinson reported having been approached by a "outside interests" hoping to build a national telephone system in competition with Bell. Robinson refused their offers, explaining that New Brunswick Telephone directors would only sell to the Bell Telephone Company of Canada. Later, "an individual broker with connections in Montreal and Saint John" began to buy New Brunswick Telephone stock and sold stock to shareholders in another, unrelated telephone company. These activities eventually aroused Robinson's suspicion that a takeover was afoot. In Robinson's account of these events, names and dates are omitted. Robinson refers to the individual broker as "an intimate personal friend" – perhaps Ward Pitfield. A bidding war later took place between Bell and the interests backing the "individual broker with connections in Montreal and Saint John." See Howard Robinson to George B. Jones, 19 November 1943, file 21/56/3, box 347, Burchill Papers, PANB.

trenching and lay conduits from Fredericton to Woodstock without considering local firms.<sup>114</sup> Robinson concurred, writing that he was “astonished to find that the Executive Committee had agreed to this thing.”<sup>115</sup> Though Robinson later discovered that an effort had been made to tender the contract to a New Brunswick firm, to him the episode revealed a general state of mind governing Bell’s relationship with New Brunswick Telephone. Robinson complained that New Brunswick Telephone did not even buy its ladders from a perfectly fine local manufacturer in Hampton – but from Montreal – because someone in the company thought the local ladders were no good. “I have been personally using [the Hampton] ladders at my house in the country . . . for over twenty years to the complete safety and satisfaction of all concerned,” Robinson explained in outrage. He continued: “Apparently anything that has ever been done in construction work in this Company is now viewed as wrong, careless and a waste of money. I get so damn fed up with this God-awful complex on the part of people in Montreal and Toronto that I feel like very much going to the mat on it.” Robinson ended correspondence on this issue with Hanson on a melancholic note:

However, as no one on the Executive Board seemed to be impressed with anything unusual in what transpired, and as at the general meeting of the Board nobody but yourself and myself seemed to be interested, I do not feel that I will go any further with the matter. Life is too short, and the control of this company is too definitely in other hands; and I am afraid the attitude of at least some people associated with the control is antagonistic to the point of being somewhat unreasonable towards local men, things and events.<sup>116</sup>

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<sup>114</sup> Hanson to Howard Robinson, 21 May 1947, 35/174, Hanson Papers, PANB.

<sup>115</sup> Robinson to Hanson, 26 May 1947, 35/175, Hanson Papers, PANB.

<sup>116</sup> Robinson to Hanson, 30 May 1947, 35/177-6, Hanson Papers, PANB.

Bell's representative on the New Brunswick Telephone board, Paul McFarlane, evinced the mindset that so upset Robinson. In private correspondence that year with newly elected New Brunswick Telephone president, G. Percy Burchill, McFarlane wrote that effective work of the directors "will not be curbed and checked by provincial traditions of another age."<sup>117</sup> Burchill had replaced Robinson as president; Robinson moved to chairman of the board. Had things moved too far along for Robinson to effectively intervene?

No, it seems. By the end of the year Bell had relinquished its control of New Brunswick Telephone, and McFarlane had left the board.<sup>118</sup> The exact manner in which Bell relinquished control is not entirely clear; it is clear, however, that Robinson had long been working towards such an outcome. With the detached but friendly relationship between Bell and New Brunswick Telephone transformed during the 1930s as Bell took a more active role in the company, Robinson, as early as 1933, suggested that Bell limit its purchase of New Brunswick Telephone stock.<sup>119</sup> As threat of government takeover became more real during the Second World War, Robinson sought again to repatriate shares to New Brunswick residents. Disagreement, however, surfaced over the purchase price. Bell had, in Robinson's view, paid a "crazy" price for New Brunswick Telephone shares in its earlier drive to secure control of the company from competitors, which had

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<sup>117</sup> Paul McFarlane, Fort Lauderdale, Florida, to G. Percy Burchill, 27 February 1947, file 21/65/7, box 353, Burchill Papers, PANB.

<sup>118</sup> G.M. McKiel to G.P. Burchill, 28 November 1947, file 21/65/7, box 353, Burchill Papers, PANB.

<sup>119</sup> Robinson to Burchill, 23 February 1933, file 21/28/3, box 337, Burchill Papers, PANB.

resulted in a bidding war; Robinson did not believe New Brunswick investors should have to pay the same “crazy” price to bail out Bell.<sup>120</sup> Bell president C.F. Sise, unconvinced that his company’s control of New Brunswick Telephone would make it vulnerable to government takeover, refused to sell in 1944.<sup>121</sup> New Brunswick Telephone made considerable profit during the war, so much so that, in 1945, Bell suggested New Brunswick Telephone increase its dividend payments from five to six per cent. More in touch with the local political situation, Robinson advised that the dividend remain at five per cent for public relations reasons, even though New Brunswick Telephone would “have an embarrassingly large surplus at the end of the year.”<sup>122</sup> Meanwhile, the company embarked on a program of rural line extensions, prompting a cabinet member of

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<sup>120</sup> Robinson to Senator George B. Jones, 19 November 1943, file 21/56/3, box 347, Burchill Papers, PANB.

<sup>121</sup> C.F. Sise to F.B. Black, 23 February 1944, file 21/56/3, box 347, Burchill Papers, PANB. F.B. Black, president of New Brunswick Telephone at the time, reported to Sise that he was “disappointed” that the Bell directors “did not look favorably upon the request made by the New Brunswick Telephone Company.” He elaborated: “I fear that they have failed to appreciate the main point of our presentation, namely that a Company outside the Province of New Brunswick holds 55% of our stock. This fact stands out conspicuously for demagogues and sensation seeking politicians to shoot at.” A central concern for Sise was that New Brunswick Telephone would – should Bell relinquish control – possibly come under control the control of an outside competitor. Black suggested that steps be taken to hide its control from the public: “I suggest that since your board had not approved of our first plan that if a considerable block of your holdings in our Company were distributed among twenty or so of your stockholders, it might help the situation if and when an attempt was made to take over the New Brunswick Telephone Company because of the fact of outside corporation control. This, of course, would be more or less of a substitute but the fact that the Bell would not show in publications as the major stockholder would be some advantage in case of difficulties.” See F.B. Black to C.F. Sise, 29 February 1944, file 21/56/3, box 347, Burchill Papers, PANB.

<sup>122</sup> Fred Johnson, president, Bell Company of Canada, to Howard Robinson, 30 November 1945 and Robinson to Burchill, 6 December 1945, file 21/62/6, box 350, Burchill Papers, PANB.

J.B. McNair's Liberal provincial administration to comment: "It's pretty near G--- D--- time that you were getting around to it, if you hadn't, somebody else would have done it for you."<sup>123</sup> An overflowing company treasury, the possibility of government control (New Brunswick Power's Saint John plant was expropriated by the New Brunswick government in 1948), and company executives such as Robinson, interested in fostering provincial ownership, all appear to have contributed to New Brunswick Telephone's reemergence as a provincially-based enterprise.<sup>124</sup> It was an uncertain arrangement. In the 1970s Peter C. Newman would observe that New Brunswick Telephone "concentrates on its board much of the province's business power" – "[a]lthough it's controlled by Bell Canada."<sup>125</sup>

## V

By the end of the Second World War Robinson had sold the newspaper business to K.C. Irving – just as quietly as he had acquired it. It was not merely newspapers that Robinson sold to Irving; it was also the CHSJ radio station. Robinson and his associates from the New Brunswick Publishing Company, J.D. McKenna and T.F. Drummie, acquired the radio station from C.F. Monro in 1934, threatening to set up a competing

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<sup>123</sup> Burchill to Robinson, 21 March 1945, file 21/62/6, box 350, Burchill Papers, PANB.

<sup>124</sup> R.A. Young, "Planning for Power: The New Brunswick Electric Power Commission in the 1950s," *Acadiensis* 12, 1 (Autumn 1982), 76.

<sup>125</sup> Peter C. Newman, *The Canadian Establishment*, vol. 1 (Toronto: McClelland and Stewart, 1975), 227.

station if Monro did not sell.<sup>126</sup> From a business point of view the acquisition made sense. Not only was radio growing in importance, but it was a good fit with Robinson's holdings in newspapers and telecommunications: the radio station received feeds from the Canadian Press via the newspaper offices, while radio broadcasts profited from a telephone line devoted exclusively to its purpose.<sup>127</sup> The capital that Robinson wielded was apparent by the fact that Monro's 100-watt CFBO station was transformed "literally overnight" to the modern CHSJ station soon after the New Brunswick Broadcasting Company, in which Robinson was the major shareholder, gained ownership.<sup>128</sup> Both the *Telegraph-Journal* and *Evening Times-Globe* devoted an extended section on the new radio station in their 18 April 1934 issues, advertising programming that included weekly performances by Don Messer and his "old tyme dance radio orchestra" as well as regular broadcasts from the recently-formed Canadian Radio Broadcasting Commission; the station's modern facilities, located in the Admiral Beatty Hotel, were also highlighted.<sup>129</sup>

Not mentioned, of course, was the fact that the new company had fired the old full-time CFBO staff after they went on strike to protest the dismissal of an engineer who had blown an essential tube. Since the staff consisted of four people, this was far from a weighty labour dispute; the staff was replaced within 24 hours.<sup>130</sup> Nonetheless, the

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<sup>126</sup> Jo Anne Claus, *On Air in the Maritimes Since 1928* (Saint John: Acadia Broadcasting Limited, 2007), 3.

<sup>127</sup> Claus, *On Air in the Maritimes Since 1928*, pp. 5 and 8.

<sup>128</sup> Claus, *On Air in the Maritimes Since 1928*, 3-4.

<sup>129</sup> *Telegraph-Journal* and *Evening Times-Globe*, Radio Supplement, 18 April 1934, 2-6.

<sup>130</sup> Claus, *On Air in the Maritimes Since 1928*, 3-4.

dispute did reflect Robinson's rough-and-ready style of labour management. Robinson, indeed, seems to have prided himself on his lack of sophistication on the topic of labour relations. Asked in 1920 whether he had ever read *Psychology and Industrial Efficiency*, an 1913 tome by German-American psychologist Hugo Münsterberg, he replied "no" and followed with a story that highlighted his short temper and seemed to poke fun at psychology's application to the workplace: "As far as criticism of the service is concerned, I think Dr. Baxter and myself are probably two of the severest critics. I got mad one time and tore a telephone off the desk and threw it through a wall. There is psychology in that."<sup>131</sup> He was no labour-relations expert, no Mackenzie King. But his aggressive and plain personal style seemed to mirror a broader cultural phenomenon associated with the assertion of meritocratic ideals among the wealthy during the first few decades of the early 20<sup>th</sup> century.<sup>132</sup>

Robinson and his political allies had exercised an effective hegemony during the 1920s under the Maritime Rights banner, valorizing development directed by business before everything else. That wealthy capitalists were the natural leaders of society was assumed; Robinson played an active role in advertising this view in 1930 when he organized a ceremony giving Angus McLean the "Freedom of Saint John," where McLean's business and political associates gathered to publicly celebrate his achievements. Typical of the event's tenor, Lieutenant Governor Hugh H. McLean

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<sup>131</sup> New Brunswick Board of Commissioners of Public Utilities, Proceedings at Hearing, 26 October 1920, 4, "General – NB Tel General Documents, 1920," B1/27a, RG 3, Public Utilities Board of Commissioners, PANB.

<sup>132</sup> This development has been examined in the American context by Jackson Lears in "The Managerial Revitalization of the Rich," in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005), 181-214.

lauded “the beneficent services” Angus McLean had “rendered to the province and city.” “To Mr. McLean and men of his caliber,” proclaimed Arthur Meighen in obvious celebration of society’s presumed meritocratic order, “we must pay the respect due them in their day and generation.” Premier Baxter not only lauded McLean’s enterprising example, but also championed the political spirit that McLean represented. The *Telegraph-Journal* reported: “The old party political idea had pretty well been gotten out of the minds of the people of the Maritimes, Premier Baxter said, and it had got to be known that the best form of government was that which gives good business administration. ‘In other words,’ he said, ‘the business of the country should be the politics of the country.’” At the end of the tributes, Robinson presented McLean with a silver tray to commemorate the event.<sup>133</sup>

As the beneficence of private enterprise came under increasing attack with the onset of the Great Depression of the 1930s – evidenced at the national level by the formation, in 1932, of a social democratic political party, the Co-operative Commonwealth Federation (CCF), and the increasing popular appeal of the Communist party – Robinson’s politics became markedly reactionary. In his earlier career Robinson behaved as if organized labour was illegitimate. The attitude of New Brunswick Power while he was a director in the 1921 street railway strike is probably the most obvious indication of this attitude. In an attempt to lower wages and introduce the controversial “one-man car” – to replace the traditional car, operated by two men – the directors rejected conciliation in the belief “that the company must have control of its

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<sup>133</sup> “Angus M’Lean to Receive Freedom of Saint John,” *Telegraph-Journal*, 20 November 1930, 5.

employees.”<sup>134</sup> In Robinson’s correspondence from the 1930s and 1940s, these sentiments are voiced repeatedly. As he moved to embrace a militantly individualistic solution to the problems of his province and the rest of the capitalist world, he also backed away from his earlier embrace of regionalism, revealed as his opinions on regional protest diverged from those of regionalist stalwart A.P. Paterson.<sup>135</sup> Robinson’s reference to “the average lazy-minded individual who makes this Province his home” in 1944 starkly reflected the limits and ambiguities of his provincial loyalty.<sup>136</sup>

The political victories won by Robinson in the 1920s were quickly threatened under the weight of the economic crisis of the following decade. Robinson held steadfast to the dictums of fiscal orthodoxy and private enterprise. He believed that fiscal austerity was the path out of the Depression, arguing in 1932 that “Government must do exactly what business men have done, namely, cut down expenses in every way, shape and form. Taxes must be reduced instead of increased, if we are to pull out of this mess.”<sup>137</sup> In this respect, Robinson’s laissez-faire views accurately voiced the more general position of the finance capitalists whom he joined at the national level, such as CPR president Edward Beatty (see Chapter Three).<sup>138</sup> In the context of capitalist crisis and widespread human

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<sup>134</sup> The quotation is from an unnamed company director. See Nerbas, “Revisiting the Politics of Maritime Rights,” 115-6.

<sup>135</sup> A.P. Paterson to Howard Robinson, 10 January 1937, file 12, A.P. Paterson Papers, S 69A, NBM.

<sup>136</sup> Robinson to J.C. Webster, 30 December 1944, file 229, Webster Papers, NBM.

<sup>137</sup> Robinson to George B. Jones, 18 April 1932, 300545, vol. 479, Bennett Papers, LAC.

<sup>138</sup> The friendly nature of relations between Robinson and Beatty can be gleaned from Beatty’s letter-book. Reflecting the interlocking characteristics of personal and business relationships, Beatty, in 1931, thanked Robinson for sending him a box of Cortland

suffering, the call for reduced government expenditures and pull-yourself-up-by-the-bootstraps rhetoric, propounded by these capitalists, had little potential to create the class alliances necessary for the creation of a hegemonic movement. Robinson voiced what were essentially elitist formulations that were becoming more and more marginal politically. What Robinson believed true and correct was becoming widely unpopular; this – the unpopularity of their beliefs – was the perennial problem of the Canadian bourgeoisie in the 1930s, causing businessmen such as Robinson to question the viability of democratic methods during a period of economic crisis.

“I have seen many cases where a good laborer has been spoiled by too much education,” Robinson observed in 1938 while discussing educational developments. After noting that proper inculcation in classical education was beyond the reach of many people and emphasizing the need for more practical educational pursuits, Robinson then turned to the world scene. “Undoubtedly we are entering a period when dictatorships, even though temporary in character, are bound to make tremendous headway,” Robinson argued, “due to their temporary efficiency in competition with the stumbling and blundering methods of our democracy.” Though Robinson believed that democracy

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apples and proceeded to ask that they have a “chat” when Robinson was next in Montreal about “harbour matters.” See Edward Beatty to Robinson, 21 January 1931, 193, box 23-005, President’s Letter-Books, CPRA. See also Beatty to Robinson, 25 November 1931, 338, vol. 141, box 23-006, President’s Letter-Books, CPRA; Beatty to Robinson, 22 September 1934, 72, vol. 150, box 23-007, President’s Letter-Books, CPRA; Beatty to Robinson, 7 February 1936, 240, vol. 156, box 23-008, President’s Letter-Books, CPRA. In 1940 Robinson indicated his wish to relinquish his directorship in Canadian Airways, the CPR’s airline. Beatty asked that he remain for another year, explaining “I am satisfied that the Canadian Pacific’s interests in air services should be extended and that is one reason why I should like the support of men such as yourself in putting these plans into effect.” See Beatty to Robinson, 7 March 1940, 81, vol. 192, box 23-013, President’s Letter-Books, CPRA. For Robinson’s club affiliations see Greene, ed., *Who’s Who in Canada, 1947-48*, 241.

would win in the end, he still saw the possibility of having “to go back to the Dark Ages and gradually creep back again to the Golden Age of Democracy.”<sup>139</sup> In the 1930s J.B.M. Baxter, who, it was reported, had invested \$50,000 in Robinson’s newspaper business, displayed a similar elitism and aloofness to democratic governance while discussing world events.<sup>140</sup> In a diary entry written in 1938, Baxter based his hope for Franco’s victory in Spain upon the following principle: “I would rather have dictators from the better classes than submit to the dictatorship of those – or in the end – perhaps one [*sic*], whose outlook is that of the criminal classes.”<sup>141</sup> The emerging message was that the moneyed and propertied should govern – those, as Robinson would explain, with “a stake in the community.”<sup>142</sup>

But Robinson also had an awareness of tactics and was willing to change with changing circumstances. The same year Baxter hoped for Franco’s victory in Spain, R.B. Hanson wrote Robinson to suggest that they protest the provincial government’s increased taxation of the telephone company.<sup>143</sup> The most Robinson could do was

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<sup>139</sup> Robinson to J.C. Webster, 4 January 1938, file 228, Webster Papers, NBM.

<sup>140</sup> Lambert Diaries, 31 August 1932, box 9, Norman Lambert Papers, 2130, Queen’s University Archives [QUA]: Saint John Liberal W.E. Scully reported to Norman Lambert that “Baxter has 50 thousand in McKenna’s papers.”

<sup>141</sup> J.B.M. Baxter Diary, 50, MC 2990, PANB.

<sup>142</sup> Robinson to Burchill, 24 September 1943, file 21/56/3, box 347, Burchill Papers, PANB. See below for context in which Robinson used this phrase. Support for fascists was considerable among the bourgeoisie in Britain and the United States. For Britain see Clement Leibovitz and Alvin Finkel, *In Our Time: The Chamberlain-Hitler Collusion* (New York: Monthly Review Press, 1997); and for the United States see Jacques R. Pauwels, *The Myth of the Good War: America in the Second World War* (Toronto: James Lorimer & Company, 2002).

<sup>143</sup> Hanson to Robinson, 23 April 1938, 31/142, Hanson Papers, PANB.

reassure Hanson that they had friends in the Liberal government of A.A. Dysart who had succeeded in shooting down suggestions for even higher taxation rates. Clearly Robinson maintained important business and political contacts, which he could use to his advantage. But he understood the limitations of the prevailing political climate. He wrote Hanson that “we must realize today that we are living in an age of realism [*sic*] when ideas and ideals have got to be kept in cold storage until such a time as a change in public thinking and public sentiment again brings us back to an era of fair-play and encouragement for private enterprise. Until that time arrives I feel that it is wise to more or less compromise with the assassins.”<sup>144</sup> Robinson, aware of the continued need to adjust during the Second World War, worked towards the selection of the Manitoba Progressive premier, John Bracken, as leader of the national Conservative party in 1942. Explaining to Beaverbrook that he had “worked behind the scenes for the selection of Bracken,” Robinson elaborated upon his motivations:

I know him personally and know his political record, and I think through him we will get normal evolution and possibly prevent excesses of a revolutionary character which [is] threatened through the C.C.F. I cannot see how any political party as a party can govern a country through the war such as this and be returned at the first general election after the peace. Therefore it becomes a question of who is going to beat the existing government party; I have feared the C.C.F. I think however the selection of a man of Bracken’s type will do a lot to dissipate that fear.<sup>145</sup>

Though Robinson’s specific analysis proved incorrect, for the Liberals would return to power after the war, his more general observation about the need to adjust the Conservative party was astute.

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<sup>144</sup> Robinson to Hanson, 4 May 1938, 31/144, Hanson Papers, PANB.

<sup>145</sup> Robinson to Beaverbrook, 9 December 1942, Beaverbrook Papers, HLRO.

It would be a mistake to read these instances of political adaptation as part of a more general embrace of social reform, however. It was a purely tactical maneuver. Robinson, indeed, viewed the early indications of social reform with alarm. Responding to Bennett's "New Deal" radio addresses, Robinson wrote to him to explain that it contributed to a siege atmosphere within the business community. "Unfortunately," Robinson continued, "your remarks are being interpreted, or perhaps I should say misinterpreted, and, through propaganda, it is being made to appear that we are going to have the New Deal, the N.R.A. and all kinds of interference, through despotic bureaucrats, with a normal trend of business."<sup>146</sup> Robinson was firmly committed to what he referred to as the "British method" of dealing with economic depression, and claimed to Bennett that "nine men out of ten" in the Maritimes shared this view.<sup>147</sup> The "British method" meant, in Robinson's usage, a free enterprise system unencumbered by excessive government intervention.

Operating with the British Empire as his essential frame of reference, Robinson viewed the British tradition as inimical to New Deal reforms, and thus valued the imperial connection as a bulwark against encroachments upon individual freedom that – he believed – were being perpetrated by New Dealers south of the border. Fascist aggression and the onset of the Second World War represented a new stage in a continued series of external threats facing the empire. Robinson worried, less than a year after the outbreak of the Second World War: "the stuff that made the British Empire seems to have been civilized out of us." "Our only hope is to become rough, tough and

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<sup>146</sup> Robinson to Bennett, 7 January 1935, 439096, vol. 715, Bennett Papers, LAC.

<sup>147</sup> Robinson to Bennett, 7 January 1935, 439097, vol. 715, Bennett Papers, LAC.

dusty,” he claimed, elucidating further: “The British have been slapped, kicked and insulted by practically every nation in the world and it is about time that somebody showed a little bit of the good old British stuff that did not take this sort of back-talk from anybody.”<sup>148</sup> Thus calling for a return to primal tactics, Robinson proclaimed: “Nobody is more British than I am.”<sup>149</sup> Robinson’s hope for a reinvigorated British Empire articulated an interrelated set of political and cultural objectives that were underpinned by a belief in the superiority of British institutions and people.

He rooted his sense of empire in New Brunswick’s Loyalist past, and – from his Loyalist ancestry – felt a special connection with that past. In a 1932 essay intended to advertise the idea of celebrating the 150<sup>th</sup> anniversary of the arrival of the Loyalists, Robinson proclaimed that “[i]n all the romance of the British Empire, dating back for more than one thousand years, there is nothing to compare with the Loyalists story.” Robinson believed that history received through “American channels” had put a partisan spin on events that caused many others to unjustly overlook the story of the Loyalists. His discussion of Loyalist history led to the following reflection:

At all times and in all revolutions, it is the man without stake in a community, the floater of irresponsible individual, who is the first to demand an appeal to force in settling his difficulties with his fellow men. The more mature brain of the educated individual and his natural desire not to jeopardize his stake in the community by resorting to arms, naturally, puts him in the class of those who favor constitutional methods of correcting wrongs rather than by restoring to arms. The Loyalists were of this latter class.<sup>150</sup>

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<sup>148</sup> Robinson to J.C. Webster, 4 July 1940, file 229, Webster Papers, NBM.

<sup>149</sup> Robinson to J.C. Webster, 3 January 1940, file 229, Webster Papers, NBM.

<sup>150</sup> H.P. Robinson, “The United Empire Loyalists,” 18 May 1932, file 8, Howard P. Robinson and J.E. Humphrey Papers, S 78-1, NBM, 3, 5, and 14. The essay was read by lieutenant governor Hugh H. McLean before the Loyalist Society of New Brunswick in Saint John on Loyalist Day (18 May) in 1932. See “Loyalist Meeting 4 p.m. to be Close

Characterizing the Loyalists as propertied and educated, Robinson was drawing upon a long-held myth about the elite origins of the Loyalists while at the same time revealing his own class assumptions.<sup>151</sup> The propertied, Robinson believed, were educated and thoughtful; those “without stake in a community,” by contrast, were prone to foment social disorder. Robinson also highlighted the unifying impulse and stability of the imperial connection by pointing to the racially diverse support garnered by the Crown, but also defined the Loyalists, themselves, as racially British.<sup>152</sup> The Loyalist past, in Robinson’s view, made New Brunswick – and especially Saint John – unusually British. “I do not think that there is any part of Canada where the British tradition is as deeply ingrained as in the good old city of Saint John,” claimed Robinson in private correspondence with Lord Beaverbrook in 1929.<sup>153</sup>

Robinson’s keen interest in local and provincial history was more than an arcane pursuit, but was also part of an attempt to construct an identity and project political values. He was one among many prominent New Brunswick residents to join the New Brunswick Loyalist Society, which had been reestablished in 1930, and surviving personal papers indicate his avid interest in genealogy, not surprising given his racialist

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of Celebrations,” *Telegraph-Journal*, 18 May 1932, 14; “History of Loyalists for Use in Schools Suggested By Dr. White,” *Telegraph-Journal*, 19 May 1932, 1, 5, and 11.

<sup>151</sup> Murray Barkley, “The Loyalist Tradition in New Brunswick: the Growth and Evolution of an Historical Myth, 1825-1914,” *Acadiensis* 4, 2 (Spring 1975), 5.

<sup>152</sup> Robinson, “United Empire Loyalists,” 13-16.

<sup>153</sup> Robinson to Beaverbrook, 23 August 1929, Beaverbrook Papers, HLRO.

construction of Britishness.<sup>154</sup> Even more noteworthy was his important role in the New Brunswick Museum, established in 1929. As chairman of the museum finance committee, Robinson solicited donations from prominent business associates, such as T.H. Estabrooks and Frank M. Ross, and played a central role in financing the construction of a museum building, which opened on August 1934 in tandem with the 150<sup>th</sup> anniversary of the founding of New Brunswick.<sup>155</sup> Robinson had advised such a course in March in private correspondence with a fellow New Brunswick Museum board member, John Clarence Webster, writing that “if we can organize a celebration of the 150<sup>th</sup> anniversary of this Province and make the formal opening of the Museum at that time the centre of our activities, it will do a great deal to introduce it to the public.”<sup>156</sup> It would, as Robinson clearly realized, help to solidify the museum’s connection with the province’s Loyalist past; and he was involved in planning the three-day celebration that marked the museum’s opening.<sup>157</sup> As Greg Marquis has observed, the museum itself became “the major edifice that would mark the 150<sup>th</sup> anniversary of the Loyalist province.”<sup>158</sup>

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<sup>154</sup> Don Nerbas, “The Changing World of the Bourgeoisie in Saint John, New Brunswick in the 1920s” (MA thesis, University of New Brunswick, 2006), 89. See Robinson and Humphreys Fonds, NBM. Robinson, indeed, had actively sought to establish his Loyalist ancestry. See Robinson to W.C. Milner, 25 April 1927, file 6, Milner Papers, NBM.

<sup>155</sup> Howard Robinson to J.C. Webster, 3 February 1930, file 228, Webster Papers, NBM; Robinson to Beaverbrook, 26 September 1929, Beaverbrook Papers, HLRO; W. Austin Squires, *The History and Development of the New Brunswick Museum (1842-1945)*, intro. by Dr. J.C. Webster (Saint John: New Brunswick Museum, 1945), 17 and 19.

<sup>156</sup> Robinson to Webster, 26 March 1934, file 228, Webster Papers, NBM.

<sup>157</sup> Robinson to Webster, 12 April 1934, 9 April 1934 and 21 June 1934, file 228, Webster Papers, NBM.

<sup>158</sup> Greg Marquis, “Commemorating the Loyalists in the Loyalist City: Saint John, New Brunswick, 1883-1934,” *Urban History Review* 33, 1 (Fall 2004), 30.

Robinson also sought to use his position in the newspaper business to enhance the imperial connection in Canada. He helped Beaverbrook disseminate material for his Empire Free Trade campaign during the 1930s, and, as director and vice-president of the Canadian Press during the early years of the Second World War, worked to distance the press in Canada from American dominance, specifically its reliance upon the Associated Press (AP) news service for empire news.<sup>159</sup> Robinson suggested to Beaverbrook the establishment of an empire news service to counter the AP's dominance in Canada – to no avail.<sup>160</sup> As a director of Famous Players Canadian Corporation, a subsidiary of Paramount Pictures, Robinson was also aware of – and implicated in – the hegemony of the American film industry, serving as both representative and critic of mass American culture. “I do not know what the solution is in the motion picture industry,” he lamely conceded.<sup>161</sup> In the world of business, Robinson's Britishness was ambiguous.<sup>162</sup> This was less the case in the political and cultural realms, where Robinson clung to Britishness in opposition to the various challenges that were arising from the movement towards

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<sup>159</sup> Beaverbrook to Robinson, 20 January 1932; Robinson to Beaverbrook, 31 December 1931, 9 and 24 May and 5 June 1939, Beaverbrook Papers, HLRO. Robinson served as director of the Canadian Press from 1926 to 1942 and vice-president from 1939 to 1941.

<sup>160</sup> Robinson to Beaverbrook, 6 May 1940, Beaverbrook Papers, HLRO.

<sup>161</sup> Robinson to Beaverbrook, 27 October 1944, Beaverbrook Papers, HLRO.

<sup>162</sup> His position against the proposed pulpwood embargo in the 1920s, for example, seemed to encourage economic integration with the United States. Angus McLean, who owned mills on both sides of the border took the same position. Arthur Meighen to Robinson, 18 February 1924, 71303–5, vol. 121, Meighen Papers, LAC. For the pulpwood debate in New Brunswick and Nova Scotia see Bill Parenteau and L. Anders Sandberg, “Conservation and the Gospel of Economic Nationalism: The Canadian Pulpwood Question in Nova Scotia and New Brunswick, 1918-1925,” *Environmental History Review* 19, 2 (Summer 1995), 55–83.

social democratic era. “I am rapidly coming to the point where I fear I am going to be one of those who believe that the only way of saving the British Empire is for the individual Britisher to get rough and rude and crude again and fight for his own peroperty [*sic*] as well as for his neighbour’s,” wrote Robinson in December 1938, explicitly aligning the defence of the Empire with the defence of private property.<sup>163</sup> This sense of Britishness was carried forth in the 1930s and 1940s by moneyed contemporaries such as C. George McCullagh of the *Globe and Mail*, Edward Beatty, and it was briefly resurrected by Arthur Meighen in his unsuccessful attempt to lead the Conservative party in 1942.<sup>164</sup> Meighen’s defeat that year in the York South by-election by the CCF candidate must have been an awful shock to Robinson.

Although Robinson went on to support the party’s leftward shift under Bracken, Robinson’s *mentalité* was fundamentally reactionary. At the beginning of the Second World War, Robinson perceived “an active Communist campaign” in Canada being carried out through an array of sources – book publishers, clergymen (“in most cases of the United Church, with an occasional Baptist”), college professors, and so on – and anticipated a resumed battle on the home front after the war.<sup>165</sup> As the CCF gained strength and as Ottawa gained extraordinary control of the wartime economy, Robinson correctly observed the worsening political position of capital. “I am one of those who

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<sup>163</sup> Robinson to Beaverbrook, 2 December 1938, Beaverbrook Papers, HLRO.

<sup>164</sup> J.L. Granatstein, *The Politics of Survival: The Conservative Party of Canada, 1939-1945* (Toronto: University of Toronto Press, 1967), 82–112; Roger Graham, *Arthur Meighen: A Biography: No Surrender*, vol. 3 (Toronto: Clarke, Irwin & Company, 1965), 130.

<sup>165</sup> Robinson to Beaverbrook, 17 November 1939, Beaverbrook Papers, HLRO.

believe that everyone who has a stake in the community must do everything in his power to help stabilize public opinion and employee relationships,” he wrote lumberman G. Percy Burchill in 1943. Concerned about “the completely uncontrolled flood of suggestions having to do with after-war affairs,” Robinson explained: “In my view there has been enough suggestions made in the last two years to upset and cancel everything that civilization has done since the Birth of Christ. That may be an exaggeration but, in my opinion, only a minor one. There seems to be a necessity for someone to rally individuals with a stake in the community and who know what can be done and what cannot be done without upsetting the whole apple-cart.” Believing those “with a stake in the community” were tasked with the responsibility of upholding civilization against the barbarians, Robinson explained that contact with his “newspaper friends from all parts of Canada” had caused him to conclude that the Dominion was “rapidly verging on anarchy.”

Who were the barbarians? Government bureaucrats “without any responsibility to the citizens” and representatives of the CCF who, in Robinson’s view, were taking advantage of the “spirit of animus” – “created by the ‘controls’” – that had arisen among the general public. Robinson viewed the administrative state and the CCF as precursors to fascism. He expressed a firm historical grasp of what Ian McKay has described as the “liberal order” in presenting his analysis to Burchill in a fascinating piece of correspondence from 1943.<sup>166</sup> “We seem to have departed from responsible government as my forebears believed it to be,” wrote Robinson, “because they were among those who

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<sup>166</sup> See Ian McKay, “The Liberal Order Framework: A Prospectus for a Reconnaissance of Canadian History,” *Canadian Historical Review* 81, 4 (December 2000), 617-45.

opposed dictatorship of the Family Compact.” That it was an order moving through a phase of “organic crisis” was revealed in Robinson’s following observation:

To me Hitler and Mussolini and Stalin were merely the leaders of political parties which seize control and then regulate everybody by decree. The C.C.F. are merely the forerunners of the same sort of gang in this Dominion, and I am one of those who are prepared *for possible murder and sudden death for them as a way out*. Appeasement will not do anything more than appeasement has ever done since the dawn of civilization. Munich is the best yardstick to measure that sort of thing by. To me it is not a question of either old parties so much as it is a question of preserving our way of life in this Dominion of Canada, and the same as our young men are doing to preserve it for the world by giving their lives on the sea, in the air, in the Mediterranean and in Italy. If we win the battle in these latter places but lose it in Canada, then the sacrifice of these lives has been in vain.<sup>167</sup> [emphasis my own]

Perceiving individual rights (and rights of property) to be under threat, Robinson was prepared for drastic action. His macabre imaginings of political assassination reveal his siege mentality and suggest the contingency of the bourgeoisie’s commitment to parliamentary democracy. Of course, Robinson was out of step with the emerging economic and political order and rejected the new brand of hegemony that was being constructed around the Liberal party.<sup>168</sup> He also failed to understand that Canadian soldiers were, for the most part, fighting for a freedom radically different from his own: the historical evidence suggests that the soldier vote was weighted towards the CCF.<sup>169</sup>

The post-war world was largely incomprehensible for Robinson. By the end of the Second World War the “British World” that Robinson imagined was well on its way to

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<sup>167</sup> Robinson to Burchill, 24 September 1943, file 21/56/3, box 347, Burchill Papers, PANB.

<sup>168</sup> See Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-58* (Toronto: University of Toronto Press, 1977).

<sup>169</sup> Jeffrey A. Keshen, *Saints, Sinners, and Soldiers: Canada’s Second World War* (Toronto: UBC Press, 2004), 261.

collapse. He lamented the continued involvement of the state in Canadian social and economic life after the war; the bureaucracies established to manage the postwar economy, Robinson believed, represented another step towards fascism. He derided the “god-like individuals at Ottawa who are forcing the value of money down” and who, he concluded, had become “our temporary hitlers.”<sup>170</sup> In another diatribe against the expanded Ottawa civil service, Robinson concluded that “autocracy and bureaucracy . . . are first cousins to each other.”<sup>171</sup> On the other hand, the state was, to his mind, not aggressive enough in fighting organized labour. He wished for more decisive action by the federal government in confronting the 1946 strike wave in Canada, pointing to Harry Truman’s high-handed threats south of the border in the national railway strike that year as a praiseworthy tactic.<sup>172</sup> Guided by a sense of Britishness that was not merely symbolic or ceremonial, Robinson was also hostile towards the growth of Quebec nationalism and lamented the willingness of the Mackenzie King Liberals to court that sentiment.<sup>173</sup> Believing that “Canada is British,” Robinson complained about “demands for a Canadian flag, the recognition of Canadian ‘nationality’ and the obvious attempt to

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<sup>170</sup> Robinson to Webster, 18 February 1946, Webster Papers, NBM.

<sup>171</sup> Robinson to Webster, 29 March 1946, Webster Papers, NBM.

<sup>172</sup> Robinson to Beaverbrook, 18 May 1946, Beaverbrook Papers, HLRO.

<sup>173</sup> Robinson to Beaverbrook, 7 July 1942, Beaverbrook Papers, HLRO. Robinson, in 1950, lamented: “we are living in an age when all political values, public or private morals, all the old virtues are thrown into the discard and we accept the theory that minorities, decadent races or races not sufficiently schooled in the ethics of civilization should be the masters of those whose background has come through the fiery furnace of experience.” Robinson was referring primarily to the Québécois in this passage’s reference to “races.” See Robinson to Webster, 3 January 1950, Webster Papers, NBM.

substitute a dirge called ‘Oh Canada’ for ‘The King.’”<sup>174</sup> The barbarians had breached the gates.

## VI

The casket was carried down the aisle to choir hymns at the St. Paul Valley Church in Saint John. Floral tributes had been received from a veritable who’s who of New Brunswick – Lord Beaverbrook, Premier J.B. McNair, Sir James Dunn, G. Clifford McAvity, K.C. Irving, and numerous others – as well as moguls of Canadian and North American business life – the presidents of the CPR, the Royal Bank, International Paper, Bell Telephone, and still more. Robinson had died on 23 August 1950 at the Algonquin Hotel in St. Andrews, New Brunswick – another favoured vacationing spot of the Canadian bourgeoisie. Suffering from hardening of the arteries (arteriosclerosis) and hypertension, Robinson was inflicted with a rare form of stroke (cerebral thrombosis) in July before eventually succumbing to pneumonia.<sup>175</sup> He was 76.

He had outlived Canada’s longest serving prime minister, Mackenzie King, who had passed away one month earlier. But unlike King, who was his exact contemporary, born in 1874 too, Robinson’s legacy was not obvious or particularly enduring. Though in the late 1940s Louis Rosenberg of the CCF listed Robinson amongst the “fifty big shots” who owned the country’s banks and major industries and Communist Tim Buck placed Robinson amongst the “finance-capitalist oligarchy of Canada,” both were a little

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<sup>174</sup> Robinson to Beaverbrook, 17 May 1945 and 23 October 1945, Beaverbrook Papers, HLRO.

<sup>175</sup> Registration of Death, 4089, vol. 194, PANB.

generous in their estimation of Robinson at the time.<sup>176</sup> Robinson was a man who had lost his grip. His ascendance in the 1920s mirrored the political and economic rise of finance capital, but it was a fleeting victory. Embracing a rigid philosophy that valorized private enterprise and unhindered property rights, Robinson showed a willingness to adapt tactics but was, more broadly, unwilling to adapt his thinking to the new economic order of state-managed capitalism and social democratic concessions. Connected with Montreal finance capital, he represented both its power and its limitations (see Chapters Two and Three). His appointment to the board of directors of the CPR in 1945 made him the first-ever true Maritime resident to become a CPR director, but this was largely a symbolic gesture.<sup>177</sup> Though he never truly retired and appears to have contributed to efforts to reassert provincial control of New Brunswick Telephone after the Second World War, health problems significantly limited his activities in the late 1940s, by which time he had already relinquished control of the newspaper and radio business to K.C. Irving. Not having built an identifiable business empire, having fathered no heirs, and overwhelmed by political change, Robinson's legacy fizzled out in the anonymity with which with he had lived.

Robinson, nonetheless, evinced broader changes in the "politics of business," which, while characteristic of finance capitalism, proved more enduring than that specific accumulation regime. Under his control the Saint John *Telegraph-Journal* became an

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<sup>176</sup> Watt Hugh McCollum [Louis Rosenberg], *Who Owns Canada? An Examination of the Facts Concerning the Concentration of Ownership and Control of the Means of Production, Distribution and Exchange in Canada* (Ottawa: Woodsworth House, 1947), 10-11; Tim Buck, *Canada: The Communist Viewpoint* (Toronto: Progress Books, 1948), 270.

<sup>177</sup> Robinson to Beaverbrook, 20 January 1945, Beaverbrook Papers, HLRO.

ardent and leading voice of the Maritime Rights movement in the 1920s. The non-partisan “get-together” spirit of Maritime Rights was highly attractive politically for Robinson, whose pro-business politics overrode the game of partisanship. And though aligned with the provincial Conservative party after the First World War, Robinson’s party loyalties were flexible and largely determined by his broader political aims, which were consistently directed towards ameliorating the province’s investment climate.

Robinson’s rise after the First World War, though part of a specific regional and provincial story, also reflected broader developments in the changing relationship between the business elite and politics in interwar Canada: press barons such as Lord Atholstan of the *Montreal Star* in the 1920s and C. George McCullagh of the *Toronto Globe and Mail* in the 1930s similarly used their control over daily newspapers to voice business-friendly perspectives irrespective of party loyalty. Though Robinson was much less hands-on in editorial writing than were Atholstan and McCullagh, the political style and strategy they pursued were similar: adopting business agendas, they sought to dictate public policy to political parties. Traditionally, the relationship between the daily press and political parties had been the reverse: parties controlled newspapers and determined their editorial policies. Thus, Robinson was one of several figures who marked the shift to more direct business control over the press. And, like Atholstan and McCullagh, Robinson was driven to play a more active role in politics over the issue of government intervention in the economy. Though some success was achieved, it proved to be an abortive project. Robinson’s political style itself proved more enduring, especially in his home province. Exercising relative independence from party politics and embracing none of the paternalism of the “community-minded entrepreneurs” of generations past,

Robinson prefigured the man who acquired his media empire: K.C. Irving would take advantage of the accumulation opportunities that came along with state intervention, building up much of his business empire through war production opportunities during the Second World War, and would practise an updated version of Robinson's political style in postwar New Brunswick.

Although Robinson was particularly rigid in his ideological outlook, his general experience was archetypal of the larger anxieties of Canada's big bourgeoisie. Embracing a worldview structured by the old liberalism of the 19<sup>th</sup> century and the experience of the National Policy period, they viewed the Great Depression of the 1930s through an ideologically narrow lens. Robinson responded especially forcefully to the crisis, prioritizing the defence of unfettered property rights above all else; and, indeed, the logic of his ideological formulations made apparent his willingness to discard civil liberties in the face of perceived political radicalism. Robinson also articulated a more generalized skepticism within the bourgeoisie about the capacity of a democracy to adequately respond to the economic crisis of the 1930s. As we shall see in the next chapter, such anxieties signaled a broader ideological divergence between economic liberalism and political democracy after the onset of the Great Depression, as wealthy defenders of the "liberal order," to draw upon Ian McKay's terminology, became increasingly hostile to the influence of popular opinion. Robinson, of course, viewed the ideals of economic liberalism as fundamental to society as he understood it; and his convictions were made all the more strong by his sense of operating within – and in defence of – the British Empire. But the political and economic order that he sought to defend had become an illusion by the end of the Second World War. Though his victories

in the business and political world during the 1920s were considerable, at least equally significant was Robinson's inability to adapt to change in the decades to follow.

## CHAPTER TWO

### Charles A. Dunning: A Progressive in Business and Politics

Unlike feudal or other traditional societies whose social structures are dependent upon familial succession, liberal capitalist ones allow for a certain level of fluidity in their social structures – including a freedom to fail, as suggested in recent years by an American cultural historian, who has noted the widening definition and growing fear of “failure” in 19<sup>th</sup>-century America.<sup>1</sup> Of course, the obverse path – to success – has historically received more attention within public discourse and has played a significant role in legitimizing the social inequalities inherent in liberal capitalist societies. Charles Avery Dunning (1885-1958) represented the latter trajectory and enthusiastically embraced the meritocratic ideal that became central to legitimizing disparities of wealth and power in the 20<sup>th</sup> century.<sup>2</sup> Dunning moved from modest social circumstances in

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<sup>1</sup> Scott A. Sandage, *Born Losers: A History of Failure in America* (Cambridge: Harvard University Press, 2005).

<sup>2</sup> See Jackson Lears, “The Managerial Revitalization of the Rich” in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005), 181-214.

Leicestershire, England to commence farming in Yorkton, in what was soon to become part of Saskatchewan, at the age of 17. Upward mobility would characterize much of his adult life in the Dominion. He became: a key figure in Saskatchewan co-operative grain marketing (1911-16); a cabinet member in W.M. Martin's Liberal provincial administration (1916-22); premier of Saskatchewan (1922-26); federal cabinet minister in three Liberal administrations, holding the important portfolios of railways and canals as well as finance (1926-30 and 1935-39); and, during the early 1930s in between his terms as minister of finance, he also emerged as a mogul of Canadian big business. "Some of his exploits read like a chapter from the pages of Horatio Alger," commented the *Ottawa Journal* upon Dunning's elevation to minister of finance in 1929.<sup>3</sup>

Dunning's mobility was not merely vertical, from poverty to wealth; it was also a regional trajectory associated with the experience of Western Canada during the National Policy period. When the *Ottawa Journal* lauded his ascension from the position of a "penniless immigrant farm hand," it also noted that he was to become the first minister of finance from western Canada. Indeed, four years earlier, Dunning had been brought into William Lyon Mackenzie King's cabinet as the government's western lieutenant on the basis of his popularity amongst western farmers, whom King wished so dearly to court. Dunning's popularity in the West stemmed from his association with western Progressives and past activism as a Saskatchewan farmer and member of the Saskatchewan Grain Growers' Association (SGGA) as well as his founding role in the Saskatchewan Co-operative Elevator Company (SCEC). Dunning, like Howard Robinson, acted as a representative of regional interests. But while Dunning was a more

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<sup>3</sup> *Ottawa Journal*, 26 November 1929.

visible representative of regional interests than Robinson had ever been, his turn away from regionalism was more dramatic and complete, as he grew apart from the western agrarian milieu that had made him such a popular figure in Saskatchewan. Dunning underwent a process of socialization that brought about his transformation from a western agrarian progressive – concerned with ideals such as democratic management – to an accepted and influential figure among Montreal’s big bourgeoisie by the early 1930s. He left Saskatchewan to join King’s cabinet as minister of railways and canals in 1926, never truly to return to the West.

Dunning displayed many characteristics of what has been described loosely as progressivism: a willingness to move outside the realm of political partisanship, a commitment to efficiency, and a belief that class differences are reconcilable and class politics are unnecessary – indeed harmful to the interests of society. If, as Shelton Stromquist has argued, American progressives were obsessed with class even as they denied its existence, Dunning suggests something similar in the Canadian context. But whereas Stromquist’s progressives were urban, encouraged state intervention, and played a major role in shaping 20<sup>th</sup>-century liberalism, Dunning emerged from rural Canada, was largely inimical to the idea of an interventionist state, and embraced a classical liberalism that appeared increasingly reactionary and became increasingly marginal in the context of the Great Depression.<sup>4</sup> Dunning’s political path was similar to that traveled by T.A. Crerar. Like Dunning, Crerar was, as president of Manitoba’s Grain Growers’ Company, a leading figure in cooperative grain marketing and, as leader of the Progressive party in

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<sup>4</sup> Shelton Stromquist, *Reinventing “The People”*: *The Progressive Movement, the Class Problem, and the Origins of Modern Liberalism* (Urbana and Chicago: University of Illinois Press, 2006).

the 1921 federal election, a critic of the protective tariff and a lead figure of moderate progressivism in the West – as opposed to radical-democratic progressives such as Henry Wise Wood, who represented the Alberta wing of the Progressive party. In the 1930s Dunning and Crerar became Liberal federal cabinet ministers and remained unusually resistant to government intervention and the unorthodox fiscal theories of John Maynard Keynes. Their smooth entry into the corridors of power and shared resistance to government intervention suggests their ideological framework was easily assimilated into elite circles: Crerar's advocacy for the mining industry suggested it, but Dunning's experience suggested it even more so.<sup>5</sup> As he became associated with Canadian big business, including the CPR, during the early 1930s, Dunning became the subject of numerous upper-class machinations – which he seemed to encourage – to clean up an overly slow-moving and corrupted political world.<sup>6</sup> His reputation as a non-partisan politician was attractive to moneyed interests in search of strong political leadership, not susceptible to the day-to-day political pandering characteristic of the party system.

Straddling the realms of business and politics like few others of his time, Dunning's progressive style presented opportunities to the social class he decisively joined in the 1930s. But, ultimately, Dunning failed to transform politics and shore up the old economic order as his allies at the commanding heights of the economy wished. The super-rich were not popular during the 1930s and Dunning, widely seen as their politician, could not expect considerable popular support. Appointed as minister of

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<sup>5</sup> J.E. Rea, *T.A. Crerar: A Political Life* (Montreal and Kingston: McGill-Queen's University Press, 1997), 27-8, 137-9 and 179-81.

<sup>6</sup> Relations between Dunning and Crerar were strained in the 1930s. Crerar felt Dunning was too sympathetic towards the CPR. See Rea, *Crerar*, 171-2.

finance following the 1935 general election, Dunning was nonetheless placed in a position to protect the interests of his class. Indeed, Dunning received the appointment from King specifically to steady the frayed nerves of capitalists, who actively supported Dunning's appointment. In the final analysis, however, Mackenzie King's hands were steering the ship as the Liberal party began to consolidate its position as the "Government party."

From an immigrant farm hand on the western prairies, to minister of finance, to director of an array of large Canadian corporations: Dunning's life provides evidence of individual opportunity just as it provides clues as to the resilience of the liberal-capitalist order in Canada. Of central importance to the present study, Dunning's case reveals the significant political limitations that were imposed upon the big bourgeoisie during the Great Depression of the 1930s. As the legitimacy of big business came in for attack under the strains of the economic crisis, the bourgeoisie's ability to shape public policy was limited to a greater extent than has been commonly acknowledged. While scholars have regularly emphasized the conservative nature of social reform during the 1930s, the business elite's ability to manage the reform process, and the smoothness of Canada's transition to a social democratic era, they have tended to underestimate the importance of the right-wing alternatives that were embraced by leading businessmen and politicians.<sup>7</sup> The failure of these alternatives was by no means certain to Dunning and other moguls, who continued to believe in the necessity of balanced budgets and retrenchment in the context of the Depression. Maintaining a worldview based upon the experience of the

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<sup>7</sup> See footnote 3 in the Introduction and the surrounding discussion.

National Policy period and limited by the ideological tendencies of finance capital, they knew not the future that awaited them.

## I

A square-shouldered, solidly built chap with [a] round, rather handsome face, keen, steel gray eyes with a humourous glint in them, a short clipped brown mustache, under it during most of his waking hours a short briar pipe, a singularly alert look and that mysterious emanation of power and confidence which some call a dominating personality, others, personal magnetism, is going down to Ottawa from Saskatchewan shortly to be Canada's Minister of Railways. His name is Charles Avery Dunning.<sup>8</sup>

So went the description of an admiring observer in March 1926. Such admiration was not unusual at that particular moment. Dunning was widely viewed as a dynamic westerner whose ambition, talent and vitality had not only accounted for his remarkable ascent in public life, but had bestowed the government of Saskatchewan with economical and efficient management for the past four years. Having maintained a cool relationship with the federal Liberal party throughout most of his time as premier of Saskatchewan, Dunning's provincial government had been supported by farmers whose federal votes went to the Progressives; it was this support that Dunning brought to the King administration. His move to Ottawa in early 1926 was crucial in bringing legitimacy to the King Liberals in the West, whose hold on power remained tenuous as a minority government for the second time.

Dunning had come a long way from the tenant farm in the hamlet of Croft, a few miles from Leicestershire, England, on which he was born, 31 July 1885. At the age of 14, after having worked as an office boy in a patent office, Dunning began an

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<sup>8</sup> 17 March 1926, 1, file 203, box 21, Charles Avery Dunning Papers, 2121, Queen's University Archives [QUA]. Published in *Western Home Monthly* in April.

apprenticeship at a local foundry. Three years later, after losing consciousness at the end of a swimming competition, doctors advised that the restoration of his health required that he move out of the city and do only light work for the time being. Dunning, as a result, decided to move to “the colonies.” He reminisced years later: “I obtained employment with a farmer in the Yorkton district [of Saskatchewan] and sent what money I could home, with the result that Dad came out and we each entered for a quarter section, which gave us three hundred and twenty acres.”<sup>9</sup> With his health restored, and having been joined by his family, prospects looked relatively bright. Before long, however, he was to realize that hard work alone could not guarantee success.<sup>10</sup> As a contemporary agrarian writer noted, the price offered farmers for their grain by the elevator companies sapped the “Englishman’s new feeling of ‘independence,’” and before long Dunning became an active member of the Beaverdale local of the SGGA.<sup>11</sup>

The SGGA local became the centre of social and political life in Beaverdale, observed western Liberal and soon-to-be secretary of the Canadian Council of Agriculture, Norman Lambert, in 1917.<sup>12</sup> Within this cradle of agrarian populism, Dunning developed his talents for clear thinking as well as a formidable oratorical style. In 1910 he was sent as Beaverdale’s first-ever delegate to the SGGA’s annual meeting at Prince Albert, the association’s ninth annual meeting. Helping to resolve a potentially

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<sup>9</sup> Dunning to W. Rupert Davies, 5 November 1928, file 63, box 7, Dunning Papers, QUA.

<sup>10</sup> J. William Brennan, “The Public Career of Charles Avery Dunning in Saskatchewan” (MA thesis, University of Saskatchewan, Regina campus, 1968), 2-3.

<sup>11</sup> Hopkins Moorhouse, *Deep Furrows* (Toronto: George J. McLeod, Limited, 1918), 226.

<sup>12</sup> Norman Lambert, “Dunning Came Up Through,” *The Courier*, 17 February 1917, box 11, Norman Lambert Papers, 2130, QUA.

divisive resolution on hail insurance at the February 1910 meeting, Dunning so impressed the other delegates that he was elected district director.<sup>13</sup> Perhaps equally beneficial for Dunning's public reputation was the story that later emerged regarding the financing of his trip; as Moorhouse explained, the Beaverdale local could raise only \$17.50 for his expenses, and Dunning "figured by making friends with the furnace man of one of the hotels he might be allowed to sleep in the cellar for the week," thus staying within his meagre budget. It was later reported that he came back from Prince Albert with money in his pocket.<sup>14</sup>

Dunning was elected vice-president of the SGGA the following year and became secretary-treasurer of the newly formed SCEC, having drafted its bylaws. The rise of cooperative grain marketing in Saskatchewan during the next five years was a testament to Dunning's managerial abilities and the collective economic power of Saskatchewan farmers. It also represented a political victory for the more business-minded SGGA representatives, such as Dunning, who opposed more radical experimentation with government intervention.<sup>15</sup> Using an older cooperative farming company to act as a selling agent for the SGGA in 1911, Dunning was "looked on as a green kid from the farm and laughed at" by representatives of the private elevator companies at the Winnipeg Grain Exchange. Not long after, Dunning, worried that the attitude of the

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<sup>13</sup> Brennan, "Public Career of Charles Avery Dunning," 4-7.

<sup>14</sup> Moorhouse, *Deep Furrows*, 227.

<sup>15</sup> For an analysis of the SGGA's decision to abandon the more radical "Partridge Plan," which called for direct government intervention, see Robert Irwin, "'The Better Sense of the Farm Population': The Partridge Plan and Grain Marketing in Saskatchewan," *Prairie Forum* 18, 1 (Spring 1993), 35-52.

private elevator companies had moved from amusement to purposeful fear, poured more capital into elevator construction in order to avoid possibly being squeezed out of the field by the private companies. With 137 elevators built by the end of 1912, the future of the SCEC was secured. When Dunning retired from the company in 1916, it had become the “largest single grain handling company in the world,” profits exceeded \$750,000 and progress was being made on the construction of a new terminal at Port Arthur, Ontario, which was being built by the engineering firm of C.D. Howe – who would join Dunning in Mackenzie King’s cabinet in 1935.<sup>16</sup>

Dunning had also reached a transitional period in his public and private life. In 1913 he was appointed to a royal commission on agricultural credit and another on grain marketing in Europe, leaving that summer for Europe to collect data. While in England he met “a charming girl who still remembered him.”<sup>17</sup> Charles Dunning married Ada Rowlett of Nassington, Northants, in England on 3 July 1913.<sup>18</sup> The young couple would have two children, a girl before the close of the decade and later a boy. With home life thus establishing itself, Dunning’s reputation for competence in business affairs spread beyond the farming community, evidenced in the summer of 1916, when he was invited to join the board of directors of the fledgling Grand Trunk Pacific. Dunning’s retirement from the SCEC that year marked the end of his formal association with Saskatchewan farmers, for he had already in 1914 refused the nomination as vice-president of the

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<sup>16</sup> Brennan, “Public Career of Charles Avery Dunning,” 12, 14-16, 24-5.

<sup>17</sup> 17 March 1926, untitled manuscript, 5, file 203, box 21, Dunning Papers, QUA.

<sup>18</sup> B.M. Greene, ed., *Who’s Who in Canada, 1934-35* (Toronto: International Press Limited, 1935), 1424.

SGGA. In October 1916 Dunning entered W.M. Martin's Liberal administration as provincial treasurer. Coming into an administration that had been rocked by a series of recent scandals, historian J. William Brennan has observed that Dunning was wanted by the Liberals as much for his business ability as for his connection with the SGGA.<sup>19</sup>

Dunning had behaved in a non-partisan fashion to that point. His only "political" involvement prior to his entry into government was with the Direct Legislation League, a non-partisan organization supported by the SGGA, which sought greater control of the legislative process for the electorate.<sup>20</sup> Dunning's aloofness from party politics was not a sign of lack of concern, but reflected his view that the SGGA best served the farmers as a non-partisan organization; and, indeed, the leaders of the SGGA supported the association's involvement with the Direct Legislation League in order to "ward off what they considered the greater threat of converting the Grain Growers into a political party."<sup>21</sup> Dunning believed the formation of a farmers' party would divide and weaken the political strength of farmers; he thought it best to operate within the established parties. This strategy made particular sense in Saskatchewan, where the provincial Liberal party had governed in close alliance with farmers' representatives. The Liberals had governed the province since its formation in 1905 and had developed a close relationship with the SGGA, which was consolidated early on by figures such as W.R.

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<sup>19</sup> J. William Brennan, "Charles A. Dunning, 1922-1926," in *Saskatchewan Premiers of the Twentieth Century*, ed., Gordon L. Barnhart (Regina: Canadian Plains Research Center, 2004), 70.

<sup>20</sup> Brennan, "Public Career of Charles Avery Dunning," 30-1; David E. Smith, *Prairie Liberalism: The Liberal Party in Saskatchewan, 1905-71* (Toronto: University of Toronto Press, 1975), 70.

<sup>21</sup> Smith, *Prairie Liberalism*, 70.

Motherwell and J.A. Calder. As Brennan has noted, in 1916 “Dunning was the third prominent Grain Grower to enter the cabinet, joining W.R. Motherwell and George Langley as spokesmen for farmers in the councils of the government. An interlocking of personnel between the leadership of the Saskatchewan Grain Growers’ association . . . and the leadership of the government at Regina had long been a feature of Saskatchewan politics, and over the years it had proven to be a mutually beneficial arrangement.”<sup>22</sup>

As a farmers’ advocate, before his entry into political life, Dunning embraced a democratic, petit-bourgeois outlook, which was revealed in his proposed plan to consolidate the cooperative grain marketing of the prairie provinces along the lines of England’s cooperative wholesale societies. George F. Chipman, editor and manager of the Winnipeg-based *Grain Growers’ Guide*, lauded Dunning’s plan as “the most democratic and best suited to secure a uniformity of policy and control.”<sup>23</sup> Prioritizing the preservation of the small producer’s economic autonomy, Dunning embraced an outlook rooted in what C.B. Macpherson has described as “possessive individualism,” an ideology that continued to assume popular, democratic dimensions in the Prairie West of the early 20<sup>th</sup> century, evidenced by the political success of individuals such as Dunning himself.<sup>24</sup> Writing to Chipman in 1914 in response to a proposal to pool the resources of

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<sup>22</sup> J. William Brennan, “C.A. Dunning, 1916-1930: The Rise and Fall of a Western Agrarian Liberal,” in *The Developing West: Essays on Canadian History in Honor of Lewis H. Thomas*, ed., John E. Foster (Edmonton: University of Alberta Press, 1983), 247.

<sup>23</sup> George F. Chipman to C.A. Dunning, 16 December 1914, file 2, box 1, Dunning Papers, QUA.

<sup>24</sup> C.B. Macpherson, *The Political Theory of Possessive Individualism: Hobbes to Locke* (Oxford: Oxford University Press, 1962). Dunning argued that “[t]o consolidate the various units now in existence along the lines so successfully adopted in England, it is

the three provincial grain companies by John Kennedy, vice-president of Manitoba's grain growers association, Dunning explained,

I am afraid we are still apart on the fundamental question as to whether the control should be from the top down or from the bottom up. You know my ideas on the subject fairly well, and I think your own coincide as to which is the most democratic and at the same time feasible form of capitalization and control. Kennedy's method of control, apparently, is from the top, but he proposes to regulate it by means of direct legislation. To tell the truth, it rather reminds me of R.L. Richardson's phrase that "the best form of government for this country would be a beneficent autocracy tempered by assassination." Needless to say, I do not think that form of government applied to our farmers' business institutions would prove practicable.<sup>25</sup>

Contrasting his views with the apparently antidemocratic suggestions of the *Winnipeg Tribune's* managing director R.L. Richardson, Dunning aligned himself with the ideals of democratization and economic progress.<sup>26</sup> That said, his refusal to consider the formation of a centralized purchasing and retailing agency as part of any consolidation of the three provincial grain cooperatives proved to be an irreconcilable stumbling block rooted in more pragmatic considerations: as the largest grain cooperative the SCEC would be forced to share its advantages of size if such a plan came to fruition.<sup>27</sup>

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necessary that the local field of collection and distribution of whatever commodities are handled should be left entirely to the local concerns whenever possible, and that also, wherever possible, the gathering and distribution by provinces should be left to provincial organizations." See Dunning, Memo, n.d., file 2, box 1, Dunning Papers, QUA.

<sup>25</sup> Dunning to Chipman, 19 December 1914, file 2, box 1, Dunning Papers, QUA.

<sup>26</sup> C.W. Parker, ed., *Who's Who in Western Canada, 1911*, vol. I (Vancouver: Canadian Press Association Limited, 1911), 322.

<sup>27</sup> Robert Michael Hugh Dixon, "Charles Avery Dunning and the Western Wheat Marketing Problem" (MA thesis, Queen's University, 1974), 83-91. See also Dunning to T.A. Crerar, 12 December 1914, file "Dunning, Hon. Charles A., October 1912-December 1914," box 105, T.A. Crerar Papers, 2117, QUA, with the article written by John Kennedy, entitled "Co-operation," attached.

Dunning harboured a considerable ambition and an ego to match. His contemporaries said as much in private correspondence on numerous occasions, and one must take this into consideration when assessing his career trajectory. His politics changed in step with his changing political allegiances, which themselves were not always clear. The famously partisan Saskatchewan Liberal Jimmy Gardiner “could never free his mind of the suspicion that Dunning was not a Liberal at all, but an opportunist who saw a more secure future for himself in the Liberal party than in any other.”<sup>28</sup> His political style differed from older colleagues who became deeply integrated into the party apparatus. Unlike figures such as Motherwell and Gardiner, who came to identify deeply with the Liberal party and pursued advancement within the party itself, Dunning was not so wedded. Dunning publicly stated that he joined the Liberals to “fight for the principles of the [SGGA].”<sup>29</sup> The conscription crisis in 1917 revealed this divergence, as Dunning and Gardiner bolted to opposing camps. Gardiner, loyal to Laurier, sided with the “Motherwell” camp and Dunning with the Unionist “Martin” camp.<sup>30</sup> The crisis provided a basis for non-partisan action, which prefigured the establishment of a Progressive party in the West, and all three Liberal administrations in the Prairie West severed ties with the federal party.<sup>31</sup> Dunning, then, was following the cue of the Saskatchewan administration

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<sup>28</sup> Norman Ward and David Smith, *Jimmy Gardiner: Relentless Liberal* (Toronto: University of Toronto Press, 1990), 41.

<sup>29</sup> Brennan, “Public Career of Charles Avery Dunning,” 31.

<sup>30</sup> Robert A. Wardhaugh, “Cogs in the Machine: The Charles Dunning-Jimmy Gardiner Feud,” *Saskatchewan History* 48, 1 (Spring 1996), 21-2.

<sup>31</sup> W.L. Morton, *The Progressive Party in Canada* (Toronto: University of Toronto Press, 1950), 55.

in 1917 in defying Laurier and became, as historian John Herd Thompson has observed, “a particular favourite [of Unionist Liberals] because of his close connection with the farm movement.”<sup>32</sup> Serving as chairman of the Saskatchewan Victory Loan Committee and director of the Canada Food Board’s drive to encourage greater production, Dunning’s public role in supporting the war effort expanded, as did his role in the cabinet of the Saskatchewan government.<sup>33</sup>

The exigencies of war made Union government possible; but in peacetime continued cooperation between western progressives and the Conservative party proved impossible, especially given their divergent views on the protective tariff. J.A. Calder, an influential founder of Saskatchewan’s Liberal party and, somewhat ironically, a former mentor to Jimmy Gardiner, joined the Union government as minister of immigration and colonization in October 1917 and was broadly on the same page as Dunning regarding political strategy at war’s end. “What you say is true,” wrote Calder to Dunning in early 1919. “There is every possibility of a strong agrarian movement in the near future. Personally I doubt very much if anything can stop it. To me it appears that the time is now ripe throughout the whole of Canada for a movement of this kind. Instead of opposing it or running counter to it, there is a possibility that your wisest course would be to join it.”<sup>34</sup> Dunning would eventually land the premiership by following such a strategy.

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<sup>32</sup> John Herd Thompson, *The Harvests of War: The Prairie West, 1914-1918* (Toronto: McClelland and Stewart, 1978), 135.

<sup>33</sup> *Who’s Who in Canada, 1934-35*, 1424; Thompson, *Harvests of War*, 159; Brennan, “Charles A. Dunning,” 71.

<sup>34</sup> J.A. Calder to Dunning, 14 January 1919, file 2, box 1, Dunning Papers, QUA.

Friction between Premier Martin and the Progressive party would pave the way for Dunning's ascension to the premier's chair. The 1921 Saskatchewan election witnessed another Liberal victory, but one that was much less decisive than in years past. Progressive and Independent candidates won a total of 21 seats, as Liberal supremacy continued to rest upon a strategy of cooperating with the SGGGA; J.A. Maharg, having served as president of the SGGGA for 11 years, was brought into the government as minister of agriculture by Premier Martin the previous year. Yet soon after securing this mandate, Martin campaigned against the Progressives in the 1921 federal election, prompting Maharg's resignation and the widespread scorn of Saskatchewan farmers.<sup>35</sup> Martin had, in the words of J.W. Dafoe, "cooked his goose."<sup>36</sup> He had to go. Dunning was the obvious successor.

In April 1922 Dunning succeeded Martin as premier of Saskatchewan and proceeded to maintain a distant relationship with the federal Liberals while extending an olive branch to the Progressives. Norman Ward and David Smith have noted that "had [Dunning] been clearly partisan, . . . he would almost certainly not have attained the

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<sup>35</sup> Crerar reported this sentiment following a trip to Saskatchewan in November: "During the four days I spent in Saskatchewan I found frequent expression of opinion against members of the provincial government because of the active part they are taking in pushing the interests of some Liberal candidates as against the Progressives. This invariably came to me from men who had supported the provincial government in the last election and some of whom had voted against independent candidates at that time. They had felt that Premier Martin's declaration that the provincial government was disassociated entirely from the federal Liberal party entitled it to their support." Crerar to Dunning, 27 November 1921, file "Dunning, Hon. Charles A., January 1914-August 1915, April 1920, September 1921-December 1922," box 5, Crerar Papers, QUA.

<sup>36</sup> J.W. Dafoe to Clifford Sifton, 31 December 1921 quoted in Smith, *Prairie Liberalism*, 92.

premiership in 1922.”<sup>37</sup> Grant Dexter, of the *Winnipeg Free Press*, described Dunning as a “sort of half Progressive – doesn’t see anything wrong with a Progressive.”<sup>38</sup> “On accepting office,” Dunning explained his position with apparent pleasure to Kirk Cameron, a Montreal industrialist and free-trade Liberal: “I made a flat-footed declaration of Liberalism, which, of course, has stirred up a hornet’s nest, and which was, evidently, not as much appreciated by our friends in Ottawa as it might have been.”<sup>39</sup> The tariff lay at the centre of tensions between Dunning and King’s federal administration. Dunning complained of the federal party’s failure to abide by its 1919 platform; King’s finance minister, W.S. Fielding, the Nova Scotian who had served as Laurier’s minister of finance, appeared to Dunning and other westerners as uninterested in western calls for tariff reductions. The Progressives, Dunning warned Mackenzie King in 1923, were capitalizing on the Liberal party’s evident inconsistency in this area. “I am not one of those who believe that this country can get to a free trade basis but I do believe that in order to remain a factor in Canada,” argued Dunning, “and particularly in Western Canada with its growing electoral power, the Liberal party must demonstrate that it is sincerely a low-tariff party and give evidence of that by performance when in power.” Dunning noted that his provincial constituency of Moose Jaw County was almost entirely contained within the federal riding of Moose Jaw; in the last federal by-election, he

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<sup>37</sup> Ward and Smith, *Jimmy Gardiner*, 41.

<sup>38</sup> Grant Dexter quoted in Ward and Smith, *Jimmy Gardiner*, 61.

<sup>39</sup> Dunning to A.K. Cameron, 12 April 1922, vol. 6, A. Kirk Cameron Papers, MG 27 III F2, Libraries and Archives Canada [LAC].

explained to King, “more than one-half of the Provincial Liberal Executive of my Constituency supported the Progressive.” He continued:

I do not attach much importance to the present Federal Progressive members as such. They are simply the puppets of a sentiment, – puppets which that sentiment is just as likely to discard at the next Progressive nominating conventions as it discarded several of their predecessors. I am not concerned with the puppets but I am concerned with the sentiment. Progressive sentiment in the main, – divested of its extreme radical manifestations in some quarters, is really Liberal sentiment.<sup>40</sup>

The natural home of Progressives, Dunning believed, was with the Liberals; they needed merely to harness Progressive sentiment and ride it to electoral victory. It was not so simple. King was in a difficult situation since Liberal support in Quebec was, as Reginald Whitaker has observed, “precisely the wing of the party dominated by high-tariff big business interests most inimical to the kind of policies required to attract farmers back into the Liberal flock.”<sup>41</sup> With the exit of Lomer Gouin and Fielding from the Dominion government in 1924, however, King was freed to court western progressives more aggressively.<sup>42</sup>

Meanwhile, Dunning had been forging a reputation as a successful administrator in Saskatchewan. He had, before rising to the premiership, acquired a range of experience in government. Coincident with serving as provincial treasurer from 1916 to 1922, he held the portfolios of railways, telephones, agriculture and municipal affairs at separate

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<sup>40</sup> Dunning to King, 27 July 1923, file 16, box 2, Dunning Papers, QUA. King responded to Dunning by claiming that Fielding had been misinterpreted in the press. See King to Dunning, 1 August 1923, 72537, vol. 91, William Lyon Mackenzie King Papers, MG 26 J1, LAC.

<sup>41</sup> Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-58* (Toronto: University of Toronto Press, 1977), 6.

<sup>42</sup> H. Blair Neatby, *William Lyon Mackenzie King: The Lonely Heights, 1924-1932* (Toronto: University of Toronto Press, 1963), 14.

occasions. Though in the 1925 provincial election the Progressives and Conservatives charged Dunning with reckless public spending, comparing the financial state of the province in 1917 with its state in 1925, Dunning was able to disarm such criticisms by pointing out that increased expenditures were due to the extension of education and welfare services, as well as the implementation of a farm-credit scheme.<sup>43</sup> Indeed, the business community generally approved of Dunning's management of the Saskatchewan government. Monte Black, of the Winnipeg financial and insurance firm Black & Armstrong and grandfather of one of Canada's most famous capitalist buccaneers, Conrad Black, wrote Dunning in 1924 that "I should almost have to elevate you to the Peerage, following the announcement made by you in the House with regard to savings effected during the past two years."<sup>44</sup> T.R. Deacon, the Winnipeg manufacturer whose intransigent attitude towards unions sparked the 1919 Winnipeg General Strike, believed that if Dunning were not "such a ferocious free trader," he "would be about the most popular public man in Canada."<sup>45</sup> H.M. Peacock, of the investment house of A.E. Ames & Company and brother of the Canadian-born London banker E.R. Peacock, reported to Dunning that his brother, who chatted with Dunning in London, England, "was much impressed with your grasp of the various problems of the West, particularly the railroad problem and your attitude towards them." H.M. Peacock hoped that Dunning would eventually become prime minister of Canada, believing that with Dunning at the helm

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<sup>43</sup> J. William Brennan, "C.A. Dunning and the Challenge of The Progressives: 1922-1925," *Saskatchewan History* 22, 1 (1969), 10.

<sup>44</sup> Monte Black to Dunning, 5 March 1924, file 21, box 2, Dunning Papers, QUA.

<sup>45</sup> T.R. Deacon to Dunning, 24 September 1924, file 27, box 3, Dunning Papers, QUA.

“this country will receive a very good administration.”<sup>46</sup> Erastus S. Miller, manager of the Imperial Life Assurance Company’s Ottawa office, assured Dunning in early 1925 that he commanded “the confidence of the business interests of the country in a very marked degree.” “I think it would be a great thing for the country if you,” Miller beckoned Dunning, “or any other strong man, could come and clean up the situation [in Ottawa].”<sup>47</sup> Dunning occupied a fortunate position. The business community, in spite of claims to the contrary from his political opponents, saw in Dunning a relatively safe version of progressivism that was prepared to appear in Liberal clothing – similar to that put into practice in Manitoba by John Bracken, although Bracken would chose Conservative clothing in his transition to the federal stage.<sup>48</sup> They appreciated Dunning’s fiscally conservative management of Saskatchewan’s affairs. The Dunning government, as J. William Brennan has observed, “adopted a policy of retrenchment.” New taxes were avoided and capital expenditures kept low; Dunning left the Saskatchewan government with a balanced budget in 1925.<sup>49</sup>

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<sup>46</sup> H.M. Peacock to Dunning, 17 May 1925, file 35, box 4, Dunning Papers, QUA.

<sup>47</sup> Erastus S. Miller to Dunning, 19 February 1925, file 32, box 4, Dunning Papers, QUA.

<sup>48</sup> It is interesting that both Dunning and Bracken were promoted as national leaders at various times by the right-wing of the nation’s business class, suggestive of the increasingly conservative implications of the ideas originally embraced by moderate western progressives. Bracken, too, had forged a reputation for economical government. Bracken’s Progressive government in Manitoba, which maintained independence in federal affairs and depended considerably upon Conservative votes, prevented a near complete merging between Liberal and Progressive forces as would take place in Saskatchewan. See Morton, *The Progressive Party*, 264. For Bracken’s record as Manitoba premier see John Kendle, *John Bracken: A Political Biography* (Toronto: University of Toronto Press, 1979), 24-182.

<sup>49</sup> Brennan, “Public Career of Charles Avery Dunning,” 109.

Dunning could pursue this policy and remain popular, observed Brennan, because the overwhelmingly rural population base of Saskatchewan prioritized low taxation – even to a greater degree than the somewhat more urbanized provinces of Manitoba and Alberta, where the provincial administrations expanded taxation.<sup>50</sup> Moreover, Dunning’s farming background and past involvement with the SGGGA were assets in meeting the provincial challenge of the Progressives: “Dunning . . . alone could attack the farmers’ political movement without appearing to criticize its foster parent, the S.G.G.A.”<sup>51</sup> The SGGGA itself, however, was in decline, “a reflection perhaps of Dunning’s own personal popularity among Saskatchewan farmers,” but also the result of schisms within the farmers’ movement.<sup>52</sup> In 1921 the Farmers’ Union was established, a group that organized itself along the lines of an industrial union, emphasizing class position, collective action and adopting the rituals of fraternal societies.<sup>53</sup> Clifford Sifton reported a conversation with Dunning on the subject to J.W. Dafoe, the influential editor of the *Winnipeg Free Press*:

[The Farmers’ Union] is an out and out radical deadbeat organization, appealing to the impecunious and those who are so loaded with debt that they do not ever expect to get out of debt. [Dunning] says they are a secret organization, oath bound with grips and pass-words and such like, and he says there are six hundred lodges in Saskatchewan. His view is that they are rapidly eating up the Grain Growers’ organization in Saskatchewan. Their platform is practical repudiation of debt of all kinds. He says they are spreading like the measles. He is not afraid that they can beat him, but he looks with alarm on the organization of the Tory party

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<sup>50</sup> Brennan, “Public Career of Charles Avery Dunning,” 214.

<sup>51</sup> Brennan, “C.A. Dunning and the Challenge of The Progressives,” 12.

<sup>52</sup> Brennan, “A Political History of Saskatchewan, 1905-1929” (PhD thesis, University of Alberta, 1976), 568.

<sup>53</sup> Smith, *Prairie Liberalism*, 92-9; Morton, *The Progressive Party*, 276-7.

in Saskatchewan, because it may absorb a certain number of the saner and more level-headed farmers and endanger his chances in three-cornered contests. He did not complain to me, but I think he rather feels that the [Winnipeg] Free Press is giving too unlimited support to the Progressives and tending to create a radical off-shot in the West, which may get under the control of the extreme radicals.<sup>54</sup>

Agrarian protest had moved beyond the petit-bourgeois, producerist ideology of the SGGA in many places, most significantly in Alberta, where H.W. Wood advanced the idea of “group government,” which advocated political organization along the lines of occupational blocs.<sup>55</sup> This radical-democratic variant of the progressive movement was associated with the Alberta-wing of the Progressive party and laid the basis for the entry of the United Farmers of Alberta (UFA) into politics in 1919. Two years later the UFA formed government in Alberta; and though Wood and the UFA government proved a disappointment to a leftward moving base, UFA members would play a key role in founding the Co-operative Commonwealth Federation (CCF) in 1932, a socialist party that united farmers and industrial workers, which was presaged by the alliance of labour representatives and advanced agrarian progressives – the “Ginger group” – in parliament in the 1920s.<sup>56</sup> The ideological milieu of Dunning’s pre-political activities was being

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<sup>54</sup> Sifton to Dafoe, 28 January 1925, J.W. Dafoe Papers, MG 30 D 45, LAC. A year earlier, Dunning had said in private conversation that Crerar was too much influenced by the *Free Press*. He claimed to welcome an open breach with the paper. Alex Smith to King, 12 January 1924, 93066-9, vol. 123, King Papers, LAC.

<sup>55</sup> In 1920 William Irvine, a year later to become a “Labour” MP with UFA backing, theorized “group government” in *The Farmers in Politics*. Wood’s embrace of the concept would prove limited once in power. See William Irvine, *The Farmers in Politics*, with intro. by Reginald Whitaker (Toronto: McClelland and Stewart, 1976 [1920]).

<sup>56</sup> Wood and the governing UFA members became increasingly conservative during the 1920s and 1930s as the party base moved to the left. Alvin Finkel’s important study of the rise of Social Credit in Alberta demonstrates the formidable presence of socialist politics within the agrarian protest movement that underpinned the rise of Social Credit. See Alvin Finkel, *The Social Credit Phenomenon in Alberta* (Toronto: University of

eclipsed as Western Canadian progressivism hit a forked road – one path socialist, the other liberal.

Dunning's experience in government, too, had transformed his outlook. Always at heart a liberal individualist, Dunning loathed class politics. He embraced cooperative marketing and even for a time as premier pressed for a grain board – which had been established by the Dominion government during the First World War, only to be dismantled immediately after – but these were not ends in themselves. Rather, they were for Dunning means for the farmer to achieve the ultimate goal of economic independence. John Evans, Progressive Saskatchewan MP, wrote Dunning in March 1925 to urge him to head up a national party that “could elect a government that has been free from the corruption of the past 40 years.” “There's a great future for some one with ability such as you have, to lead a peoples [*sic*] party of which the Progressives form a very good foundation,” but, Evans suggestively concluded, “[w]e are short a leader.”<sup>57</sup> Dunning did not want to lead that party, and his reasoning is telling. He explained to Evans:

I do not readily forget associations of long ago, although I do feel at times that in your relationship to me you tend to forget the wide difference in experience which must occur between men when one of them is free to pursue a more or less free lance mode of life while the other has been for many years charged with very heavy public responsibilities.

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Toronto Press, 1989), especially 18-28. Finkel's findings are a significant corrective to C.B. Macpherson's argument that agrarian protest in Alberta was unable to overcome the ideological limitations of its petit-bourgeois outlook. See C.B. Macpherson, *Democracy in Alberta: Social Credit and the Party System* (Toronto: University of Toronto Press, 1953).

<sup>57</sup> John Evans to Dunning, 30 March 1925, file 33, box 4, Dunning Papers, QUA.

I look back rather wistfully sometimes to that portion of my life which was devoted to advocacy because I have had the same experience which other advocates had had especially among old country public men, that when one is actually charged with a responsibility, it appears that the wheels of progress move most painfully slowly in spite of one's efforts.

Quite plainly, Dunning's experience in government had changed his perspective. His priorities, too, had changed. Once concerned with exploitation from above, his concern now turned to radicalism from below, a shift indicative of the wider reaction against the left in Canada during and after the First World War.<sup>58</sup> The rise of the British Labour Party and political developments in continental Europe (i.e. the rise of broad-based socialist parties) presented, to Dunning's mind, instructive lessons:

My study of the situation in the old country last year and my observations of the conditions in the House of Commons as well as what I read with regard to the Continental countries, [*sic*] impresses me with the idea that new parties constantly breed other new parties; that the formation of a group to the left of existing groups tends to cause still further subdivision and still further movement to the left.<sup>59</sup>

He was not about to leave the Liberal fold.

In the summer of 1925, Dunning explained in private conversation with J.W. Dafoe that the Liberal party in the West needed to pursue some type of merger with the Progressives. Though Dafoe felt Dunning's view "realistic" and "almost identical" with his own, he did not think Dunning's plan for initiating a broader merger – to have Dafoe

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<sup>58</sup> For an overview, focusing on the experience of the labour movement, see Bryan D. Palmer, *Working-Class Experience: Rethinking the History of Canadian Labour, 1800-1991* (Toronto: McClelland and Stewart, 1992), 214-67. See also Gregory S. Kealey, "State Repression of Labour and the Left in Canada, 1914-1920: the Impact of the First World War," *Canadian Historical Review* 73, 3 (September 1992), 281-314.

<sup>59</sup> Dunning to Evans, 3 April 1925, file 34, box 4, Dunning Papers, QUA.

press for a merger in Manitoba between the Progressives and Liberals – desirable.<sup>60</sup> Meanwhile, a progressive-Liberal group based in Winnipeg, including Dafoe, began to seriously consider Dunning as a potential successor to Prime Minister Mackenzie King. As S. Peter Regenstreif has documented, “The Winnipeg Sanhedrin,” which included Dafoe, former Progressive party leader T.A. Crerar, independent Liberal A.B. Hudson, former Winnipeg mayor Frank O. Fowler, and lawyer H.J. Symington, explored this possibility nearing the end of 1925. Having kept aloof from the federal party as premier of Saskatchewan, Dunning remained so in responding to King’s entreaties to join the federal cabinet in the summer of 1925, preferring to not involve himself in a government whose near future was uncertain.<sup>61</sup> Following the disappointing results of the October federal election – as the Liberals fell short of majority government status for the second time under King’s leadership – Dunning, in a telephone conversation with H.J. Symington on 7 November 1925, expressed the view that King should be replaced – but, he emphasized, the decisive move should come from “the East, Lapointe, Cardin, etc.” Symington reported that Dunning “thought C[rerar] and all of us ought to be most careful about appearing to be plotting, leave it entirely to the Frenchmen.”<sup>62</sup> However, the “Frenchmen” would not serve Dunning’s end, and Lapointe remained loyal to King. Moreover, would-be kingmakers within the Montreal wing of the party looked to former

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<sup>60</sup> Dafoe to Sifton, 30 June 1925, Dafoe Papers, LAC.

<sup>61</sup> Dunning’s refusal to enter the King administration signaled a lack of confidence to observers. See J.P.B. Casgrain to King, 14 September 1925, 96305 (and King to Casgrain, 16 September 1925, 96306), vol. 128, King Papers, LAC.

<sup>62</sup> H.J. Symington to A.B. Hudson, n.d., quoted in S. Peter Regenstreif, “A Threat to Leadership: C.A. Dunning and Mackenzie King,” *Dalhousie Review* 3, 44 (Autumn 1964), 279.

Nova Scotia premier George Murray and later J.A. Robb to replace King, never Dunning.<sup>63</sup> The episode illustrates Robert A. Wardhaugh's view that "Dunning was a deceptively straightforward type of politician whose emphasis on sound and efficient administration often disguised a powerful ambition."<sup>64</sup> The whole affair was more fantasy than serious plotting.

As the mock intrigue proceeded behind the scenes, Dunning's public profile was growing more impressive. His provincial electoral victory in the summer confirmed his public appeal and ability to court the Progressive vote. On 23 October he spoke at a Liberal meeting at Toronto's Massey Hall, sharing the podium with King, Ernest Lapointe, and Vincent Massey. The theme of the meeting – somewhat ironic given the coincident search for someone to play the role of Brutus within the party – was national unity, and Dunning delivered a speech that impressed the eastern audience.<sup>65</sup> "Let me tell you this," one admirer related, ". . . [t]hey were simply amazed and carried off their feet."<sup>66</sup> Dunning was an impressive orator and cultivated a public image of vitality and strength, in spite of shaky personal health that was made worse by hypochondriac imaginings. Nonetheless, the vitality Dunning projected aligned closely with the cultural reconstruction of the ruling class, as described by Jackson Lears in the American context. Lears has argued that the first three decades of the 20<sup>th</sup> century witnessed the emergence

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<sup>63</sup> Regenstreif, "A Threat to Leadership," 277-9.

<sup>64</sup> Robert A. Wardhaugh, *Mackenzie King and the Prairie West* (Toronto: University of Toronto Press, 2000), 94.

<sup>65</sup> "Dominion-Wide Appeal Is Voiced By Speakers At Massey Hall Meeting," *Globe* (Toronto), 24 October 1925, 1 and 6.

<sup>66</sup> L.T. McDonald to Dunning, 26 October 1925, file 40, box 5, Dunning Papers, QUA.

of a revitalized upper class in popular imaginings, wherein the wealthy were represented as more active and sleeker than the archetypal 19<sup>th</sup>-century plutocrat. In mannerisms and appearances, of course, Mackenzie King was more of the latter mould – a stodgy intellectual from the east; the younger Dunning who made good in the West – “a well-known site of regeneration for eastern dudes” in the United States – compared rather favourably.<sup>67</sup>

This popular image, bolstered by a record of fiscal conservatism and administrative efficiency, made Dunning popular beyond his home province even before he made the decisive move to Ottawa. “We have always felt that Saskatchewan was a particularly well governed Province, and in our own minds have placed most of the credit for this desirable condition on you,” wrote A.H. Williamson, of the investment-banking firm Wood, Gundy Limited, to Dunning in February 1926.<sup>68</sup> Earlier, in November 1925 while rumours that Dunning might succeed King were still in circulation, W. Rupert Davies pledged to Dunning his “whole-hearted support,” as well as the support of his daily newspaper, the Kingston *British Whig*.<sup>69</sup> J. Vernon McKenzie, editor of the national magazine *Maclean's*, upon hearing news that Dunning would leave Saskatchewan to become minister of railways and canals in the Dominion government, maintained hope that Dunning would eventually replace King. “When you succeed to the leadership of the Liberal party,” McKenzie wrote Dunning early in 1926, “as you no doubt will within the

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<sup>67</sup> Jackson Lears, “Managerial Revitalization of the Rich,” 189-90 and passim.

<sup>68</sup> A.H. Williamson to Dunning, 23 February 1926, file 46, box 6, Dunning Papers, QUA.

<sup>69</sup> W. Rupert Davies to Dunning, 23 November 1925, file 41, box 5, Dunning Papers, QUA.

next few years, I shall return to Canada and to the Liberal fold with great pleasure.”<sup>70</sup>

Closer to home, Winnipeg’s George W. Allan – director of Great-West Life and the Canadian Bank of Commerce, member of the Canadian Committee of the Hudson’s Bay Company, and former Unionist MP for Winnipeg South – lauded Dunning for having given “Saskatchewan strong, honest and efficient Government.” In spite of being a Conservative himself, Allan expressed to Dunning the view that “[w]hen it comes down to my friends, I don’t care a damn which side of politics they belong to, . . . the only thing with me in this connection which is worth while, is to know that they are white all through and that their hearts work overtime for their friends.”<sup>71</sup> Allan’s suggestively racist metaphor for pure intentions – “white all through” – not only reminds us of the centrality of “whiteness” in structuring social relations in the Prairie West, whose settler society was in most cases only a generation old, but it also articulates the progressive belief that virtuous action could overcome the degraded, partisan world of politics.

Another Winnipeg insurance mogul, W.A. Matheson, president of Monarch Life Assurance Company, similarly invoked the themes of strength, youth and character in his message to Dunning:

If ever a country required strong men[,] Canada does today, and I believe it is the young men and young women that should step out and help this country. The west is to be congratulated and in fact the whole Dominion that they have a man like yourself that is willing to step out and take hold and do his share in putting this country back to where we were before the war.<sup>72</sup>

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<sup>70</sup> J. Vernon McKenzie to Dunning, 24 February 1926, file 47, box 6, Dunning Papers, QUA.

<sup>71</sup> George W. Allan to Dunning, 26 February 1926, file 47, box 6, Dunning Papers, QUA.

<sup>72</sup> W.A. Matheson to Dunning, 25 February 1926, file 47, box 6, Dunning Papers, QUA.

National revitalization was to come from the West – in the form of Charles Dunning.

Dunning's image – both real and imagined – had won him considerable support from the nation's business community by the time he made his way to Ottawa and served as a testament to how easily businessmen assimilated progressive sentiments in their thinking. His reputation as a progressive stemmed more from a business-like record of administration than from exemplary political morality, however. Dafoe, a well-informed observer of western affairs, considered Dunning's reign in Saskatchewan "rather small-minded and tyrannical" and hoped he would "get away from his small-town ideas of political manipulation"; in particular, Dafoe cited deals made between newspaper proprietor George M. Bell, whose interests included four Regina and Saskatoon newspapers, "with Dunning in which newspaper support figured."<sup>73</sup> For the moment, nonetheless, Dunning's political support reflected the moderate progressive ideal, uniting farmers and businessmen into a formidable political bloc. He stood to legitimize the King administration in the West. And, after months of encouragement from King and his emissaries, Dunning finally expressed his willingness to join the Dominion government in November 1925, palace intrigue being put to rest for the time being.<sup>74</sup> He was sworn in as minister of railways and canals on 1 March 1926, a seat soon after being opened up for him in Regina, which he won by acclamation.

King, in retrospect, may have gained more than Dunning: he neutralized a potential competitor by bringing Dunning into government; moved Dunning away from

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<sup>73</sup> Dafoe to Harry Sifton, 26 May 1926, Dafoe Papers, LAC; Brennan, "C.A. Dunning, 1916-30," 261.

<sup>74</sup> Dunning to W.R. Motherwell, 16 November 1925, file 41, box 5, Dunning Papers, QUA.

the Saskatchewan Liberal party and replaced him with a more reliable party stalwart, Jimmy Gardiner; and, of course, shored up support in the West. The decisive period in accomplishing this feat was in November 1925, on the heels of the disappointing federal election results of 29 October. King and the Liberals, having won fewer seats than Meighen's Conservative party, could still form government by securing Progressive support. In earnest King sought to accomplish this. Dunning would be an important asset in courting the Progressives. In roughly a two-week period Dunning's musings on a prospective party coup were forgotten for the time being and he agreed to serve the very leader he thought should be replaced. J.W. Dafoe was brought into Liberal talks on 11 November in Toronto, consisting of Toronto and Montreal representatives, and was asked what would be necessary to bring about an alliance between western Liberals and Progressives. King later joined the talks, but the discussion remained of a general nature.<sup>75</sup> Jack Sifton phoned Dunning on Dafoe's behalf from Winnipeg to see if he could join the talks in Toronto, as Dafoe felt that nothing definitive could be worked out without him.<sup>76</sup> Dunning could not make it and soon after was told that King's dutiful emissary, Andrew Haydon, was on his way to meet him. A deal was eventually worked out.<sup>77</sup> This episode bespeaks both King's instinct for survival and Dunning's ability for duplicity, as, indeed, rumour continued to circulate that Dunning wished to unseat King.<sup>78</sup>

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<sup>75</sup> Dafoe to Dunning, 16 November 1925, file 41, box 5, Dunning Papers, QUA.

<sup>76</sup> "Report of Long Distance Telephone conversation between Mr. Dunning and Mr. Jack Sifton (Winnipeg), 11 November 1925," file 41, box 5, Dunning Papers, QUA.

<sup>77</sup> Clifford Sifton reported on 28 November that developments in Ottawa were encouraging. He believed "that the Progressives should not in the meantime be allowed to drift away from the idea of supporting the Government." Clifford Sifton to Dafoe, 28 November 1925, Dafoe Papers, LAC. Dunning, however, soon after regretted that he had

Dunning was, as Robert Wardhaugh has documented, at the centre of Mackenzie King's political designs in the West.<sup>79</sup> King's decision to undertake construction of the Hudson Bay Railway – which passed through cabinet in the summer of 1925 – was a specific concession to Dunning and broader western Liberal and Progressive sentiment that demanded the line's construction.<sup>80</sup> King was also able to move some way in accommodating Dunning's request that the personnel of cabinet signal low-tariff intentions, since the high-tariff forces within cabinet had already been weakened.<sup>81</sup> King, indeed, was about to embark upon a sort of western honeymoon. Having lost his own seat in the recent election, one was opened for him in Prince Albert, Saskatchewan in early 1926, just as word of Dunning's impending entry in the government began to spread. King arrived in Saskatchewan in early February 1926 and was nominated at Prince Albert. The experience impressed upon him the organization and good spirit of the Saskatchewan Liberals, as well as the personal charm of Dunning and his family. King

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not placed sufficient conditions upon his agreement to enter King's government to guarantee his role as leader of a western bloc. Dafoe to Clifford Sifton, 18 December 1925, Dafoe Papers, LAC.

<sup>78</sup> A letter sent to King, by an "INTERESTED FRIEND AND SUPPORTER," in January 1926, warned that "you can be prepared to give up the Leadership of the Party, if you bring Charlie Dunning from the West. He has as much as said that in time he would get you and the Leadership. I know what I am taking about, and I wanted to let you know the situation. It is exactly as I have stated." Anonymous [but sent on House of Commons letterhead] to King, January 1926, 108256, vol. 147, King Papers, LAC.

<sup>79</sup> Wardhaugh, *Mackenzie King and the Prairie West*, 112.

<sup>80</sup> King to J.A. Robb, 28 September 1925, 104235, vol. 141, King Papers, LAC; Morton, *The Progressive Party*, 242.

<sup>81</sup> King to Dunning, 26 November 1925, and Dunning to King, 30 November 1925, file 41, box 5, Dunning Papers, QUA.

wrote Dunning in appreciation of the “generous and kindly introduction” Dunning gave him at meetings in “all the important centres of the constituency.” From King’s perspective the future looked bright: “I look forward with delight to the growth of a friendship which has its roots in the public service of our country.”<sup>82</sup>

As Dunning had been warned, however, Progressive support for the government remained precarious.<sup>83</sup> This support failed and a non-confidence vote passed following revelations concerning the corrupt dealing of certain Liberal supporters in the Customs Department, particularly in Montreal. When King asked for a dissolution of parliament, Governor General Byng refused and called upon Arthur Meighen to form government: thus arrived the King-Byng affair. This well-documented event in Canadian constitutional and political history hardly needs to be revisited here, except to note that King emerged from the melee as a defender of Canadian autonomy. Meighen’s government did not last through the summer, leaving King and the Liberals more emboldened than before and with an issue upon which to campaign. The election, held on 14 September, resulted in a resounding Liberal victory. Meighen, having lost his own seat in Portage la Prairie, Manitoba, retired. Dunning won in Regina in the face of a

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<sup>82</sup> King to Dunning, 5 February 1925, file 44, box 6, Dunning Papers, QUA.

<sup>83</sup> Dunning was warned by his crony George M. Bell on 24 January that some Progressives would withdraw their support, and Bell thought Dunning’s move to Ottawa a mistake – but with Jimmy Gardiner, who was far less sympathetic to Bell’s interests, as the heir apparent in Saskatchewan, Bell was not a disinterested observer. See George M. Bell to Dunning, 23 and 24 January 1926, file 43, box 6, Dunning Papers, QUA. Indeed, the support of Saskatchewan Progressives was not solid; and, in fact, they threatened to withdraw it specifically if Dunning were taken into the government. See King Diaries, 28 January 1926, LAC, and letter signed “SASKATCHEWAN PROGRESSIVES” [on House of Commons letterhead] to King, 15 February 1926, 117183, vol. 162, King Papers, LAC.

reportedly well-financed Conservative mud-slinging campaign.<sup>84</sup> More importantly, with Dunning's help King had mastered the Progressive challenge; and T.A. Crerar entered the administration as minister of agriculture.

## II

Dunning arrived in Ottawa already socialized to life in government. His new role as minister of railways and canals would make him much more intimately involved with the upper echelons of Canadian business. The portfolio had gained added significance since the Canadian government's expansion in the railway business. Having taken over the bankrupt Mackenzie and Mann interests during the First World War, and the Grand Trunk and the Grand Trunk Pacific soon after the war, Borden's Conservative administration set a policy course that resulted in the establishment of the Canadian National Railways (CNR) between 1918 and 1923.<sup>85</sup> Encompassing also the Intercolonial system in the Maritimes, the CNR spanned the continent, representing direct competition to the privately owned CPR. As minister of railways, Dunning was charged with the responsibility of not only overseeing CNR operations, but also negotiating between the two systems. In such cases, Dunning observed in 1928, his role was to protect the interests of the public, who were served by both systems.<sup>86</sup> Widely lampooned in the

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<sup>84</sup> The Conservatives reportedly spent \$50,000 in Regina and a rumour was spread that Dunning had made \$150,000 in a grain deal. See Dunning to Edward Brown, 28 September 1926, file 49, box 6, Dunning Papers, QUA.

<sup>85</sup> G.R. Stevens, *History of the Canadian National Railways* (New York: Macmillan Company, 1973), 272-300.

<sup>86</sup> Dunning to W.J. Jeffers, Editor, *Financial Post*, 21 December 1928, file 200, box 21, Dunning Papers, QUA.

Prairie West as the epitome of protected eastern interests, the CPR and its representatives might have been concerned about the newly minted western cabinet minister. Tellingly, they were not. “For a great many reasons, some of them personal,” wrote CPR president Edward Beatty to Dunning following the 1926 election, “I should be very sorry if you consented to any other portfolio in the new administration than that of Railways.” Beatty’s tone – accepting another portfolio would “damage your own prestige” – indicated sincerity. “Good administration” is all Beatty claimed to want from Dunning, who Beatty suggested was “the strongest man in Canada.”<sup>87</sup> And though the CNR’s president, Sir Henry Thornton, had already expressed similarly positive views of Dunning, over time in this ministerial position Dunning would gain a reputation for pro-CPR leanings.<sup>88</sup> For a supposed representative of the West, this presented a political conundrum.

The ongoing hostility between Thornton and Beatty, rooted in competition between the railway systems each served, heightened the importance of Dunning’s intermediary role. But a thriving railway business fueled by good crops in the West and an expanding resource frontier – most evident in northern Ontario and Quebec – made the task somewhat easier. Within this context of relative prosperity – the final expansionary period of the nation’s railways – Dunning was charged with the responsibility of managing competition, not the much more troubling questions of solvency and retrenchment that would dominate railway debates throughout the 1930s as the economy remained in the doldrums. J.W. Dafoe believed Dunning managed in favour of the CPR,

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<sup>87</sup> E.W. Beatty to Dunning, 20 September 1926, file 49, box 6, Dunning Papers, QUA.

<sup>88</sup> H.W. Thornton to Dunning, 23 February 1926, file 46, box 6, Dunning Papers, QUA.

pointing to Dunning's interventions in northern Alberta and line extensions to Flin Flon and the Sheritt-Gordon mines. While the CPR gained a strategic hold in northern Alberta, Dafoe claimed, Dunning stood idle stalling CNR line extensions where profits were a near certainty. These reflections, coming from Dafoe in January 1929, were distilled into some broader conclusions:

the popular impression undoubtedly is that Dunning has been and probably still is sympathetic to the Canadian Pacific Railway. The Canadian Pacific Railway, I should say, are so to speak, capitalizing this sympathy or friendship by putting themselves into a strategically strong position for the future. . . . I am a little afraid that not only Mr. Dunning's temperamental attitude towards questions as public ownership but also his sympathies, due perhaps to past associations and future expectations, will make him a discreet but effective partizan of the Canadian Pacific Railway. If so, the situation will be serious for the Canadian National; and, I should think, serious also for the Liberal party. . . . I don't think the trouble is with the Canadian National directors. It is right in Ottawa and I fear a large proportion of the trouble can be located in Mr. Dunning's office.<sup>89</sup>

Even Frank Fowler, "originally an ardent Dunning partisan" and Winnipeg Sanhedrin member, was driven to the belief "that Dunning is in the cabinet to do a chore for the Canadian Pacific Railway and the Power trust whenever opportunity offers," as Dunning presented legislation in opposition to recommendations received from CNR officials.<sup>90</sup> Another Winnipegger, George W. Allan, would, after Dunning had moved on to become minister of finance, congratulate him for having given the privately owned railway "fair-play" and "a square deal"; but Allan, who had ascended to the presidency of Great West Life, more represented the perspective of big business.<sup>91</sup>

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<sup>89</sup> Dafoe to Harry Sifton, 10 January 1929, Dafoe Papers, LAC.

<sup>90</sup> Dafoe to Clifford Sifton, 15 July 1927, Dafoe Papers, LAC. Dafoe, apparently, was in contact with CNR officials who passed along inside information.

<sup>91</sup> George W. Allan to Dunning, 30 November 1929, file 69, box 8, Dunning Papers, QUA.

Nonetheless, the Hudson Bay Railway was Dunning's major ministerial project and one which continued to link him with the interests of the West, in spite of sympathies that were driving him in the opposite direction. As historian W.L. Morton observed, Dunning's appointment as minister of railways and canals was itself "a pledge to the West that the Hudson Bay Railway would be built."<sup>92</sup> The railway promised to provide western Canadian farmers with an additional route to access European markets, thus allowing farmers to escape dependence upon eastern terminals. Dunning also envisioned – albeit, overoptimistically – the possibility that the new route would bring industrial enterprise, fuelled by Albertan coal, westward.<sup>93</sup> By October 1929 the Hudson Bay Railway was "all but completed."<sup>94</sup> Though the initial terminal was planned for Port Nelson, Dunning changed it to Churchill based upon the engineers' report.<sup>95</sup> A rail line to Churchill would mean an additional 87 miles of track, but, Dunning reasoned, the port at Churchill was more suitable to accommodating marine traffic, which also made the project less expensive than the Nelson route.<sup>96</sup>

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<sup>92</sup> Morton, *The Progressive Party*, 252.

<sup>93</sup> Dunning, Address to the Ottawa Kiwanis Club, 9 December 1927, file 289, box 34, Dunning Papers, QUA. The government's industrial strategy during the First World War confirmed that national elites had little interest in seeing the West industrialize on any significant scale. See Thompson, *Harvests of War*, 43-72.

<sup>94</sup> Memo from Dunning to Mackenzie King, 26 October 1929, 137222, vol. 192, King Papers, LAC.

<sup>95</sup> Dafoe suspected that the engineer who delivered the report was picked "because it was figured out he would make a finding agreeable to the Minister." Dafoe to Grant Dexter, 4 August 1927, Dafoe Papers, LAC.

<sup>96</sup> "Dunning Tells Story of Why Change of Hudson Route Was Made," *Saskatoon Star*, 1 October 1927, file 189, box 34, Dunning Papers, QUA.

As the regional elite in the West grew suspicious of Dunning for harbouring pro-CPR sympathies, he also drew criticism from another regional elite, in the Maritimes, for the apparent opposite: his connection with the CNR. In the West the CNR was appreciated as a competitor to what was widely perceived in much of Western Canada as the rapacious CPR; however, in the Maritimes such appreciation was far less visible. Indeed, the Maritimes already had a competitor to the CPR in the Intercolonial. But, with the Intercolonial's absorption into the CNR, the government-owned line became, in the minds of many regional political and business leaders, an emblem of unjust federal policies and a cooption of regional control.<sup>97</sup> Dunning's role as government representative of the CNR, as well as his perceived western bias, did not play well in the Maritimes. Dunning described a letter received from J.D. McKenna, editor of the *Saint John Telegraph-Journal* and an important figure in the Maritime Rights movement, as "an amazing compound of error and abuse," and explained to McKenna: "I should not think of replying to it save for your statement that you are a Liberal." Dunning viewed, somewhat incorrectly, the attacks upon the CNR emanating from the Maritimes as a Tory ploy. He also believed such attacks would discredit Maritime claims in other parts of Canada.<sup>98</sup> Dunning received criticism from both ends of the country; but such were the

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<sup>97</sup> See Ernest R. Forbes, "Misguided Symmetry: The Destruction of Regional Transportation Policy for the Maritimes," in *Canada and the Burden of Unity*, ed., David Jay Bercuson (Toronto: Macmillan Company of Canada, 1977), 60-86.

<sup>98</sup> Dunning to J.D. McKenna, 2 December 1927, 121245-6, vol. 168, King Papers, LAC. McKenna also criticized Dunning for his attitude towards implementing the recommendations of the Royal Commission on Maritime Claims, popularly known as the Duncan Commission. See McKenna to Dunning, 19 December 1927, 123652, vol. 171, King Papers, LAC.

perils of embracing a “national” outlook, which at times could raise the ire of regional elites.

Living and governing in Ottawa had distanced Dunning from his political base in Saskatchewan. Even worse, his successor as Saskatchewan premier, Jimmy Gardiner, was not particularly friendly and accused Dunning of unjustly intervening in provincial party affairs in the West.<sup>99</sup> This speaks to Peter Regenstreif’s observation that, by moving from provincial to federal politics, Dunning was severed from his base of support.<sup>100</sup> Tory adversaries also tried to spread rumours of Dunning-Gardiner infighting in the press, which, in Dunning’s estimation, was part of “an effort to create division in the ranks of the Liberal Party in Saskatchewan.”<sup>101</sup> Even more worrisome to Dunning, however, was an article that appeared in an issue of the *Grain Growers’ Guide*. Written by Grattan O’Leary, Tory partisan and parliamentary correspondent for the *Ottawa Journal*, the article, which furthered rumours of a Dunning-Gardiner split, was distributed to delegates at the 1927 convention of the United Grain Growers held in Winnipeg. One delegate was prompted by the discussion that surrounded the article at the convention to ask Dunning: “Have you really changed?”<sup>102</sup> “It seems that whenever a Western man comes to Ottawa to live,” Dunning answered,

as he must in order to discharge his responsibilities to the country as a Minister, subterranean forces are immediately put to work to undermine the respect in

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<sup>99</sup> Ward and Smith, *Jimmy Gardiner*, 69.

<sup>100</sup> Regenstreif, “A Threat to Leadership,” 286.

<sup>101</sup> Dunning to Gardiner, 19 February 1927, and Gardiner to Dunning, 21 February 1927, file 52, box 7, Dunning Papers, QUA.

<sup>102</sup> J.B. Parker to Dunning, 17 December 1927, file 55, box 7, Dunning Papers, QUA.

which he is held by the people generally and especially by the people in the part of the country from which he comes. Without the support of the Western people which has been given to me so generously through all my public life, it would be impossible for me to retain the influence in Dominion affairs which will enable me to fight successfully for the policies for which the Western people stand. It seems to me sometimes that our Western people have a lesson to learn yet with regard to standing by their public men in the Federal arena.<sup>103</sup>

Increasingly, however, the West had less and less reason to stand by Dunning.

He had become more settled in Ottawa and the surrounding area. Mackenzie King in May 1927 saw the new house Dunning purchased in Ottawa on Range Road for \$25,000 – “a good investment,” reported King.<sup>104</sup> Lunches, planned social events, and speaking dates: these all brought Dunning into the same social world as the nation’s bourgeoisie and would provide new career opportunities for him in business, and one suspects that he may have already been anticipating those opportunities as he cultivated friendly relations with the CPR. In the West his reputation suffered. In a speech in Saskatoon in 1928, Dunning discussed the Hudson Bay Railway but failed to give due recognition to his Saskatchewan colleagues – much to their displeasure.<sup>105</sup> Meanwhile, a new opportunity in Ottawa was about to open up. Following the death of Minister of Finance J.A. Robb in late 1929, Dunning was moved to that portfolio. Tariff and budgetary decisions were thus placed under his control, making it even more difficult for him to appear as an advocate of the West.

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<sup>103</sup> Dunning to J.B. Parker, 28 December 1927, file 55, box 7, Dunning Papers, QUA.

<sup>104</sup> King Diaries, 26 May 1927, LAC.

<sup>105</sup> A. MacGillivray Young to Dunning, 1 December 1928, file 63, box 7, Dunning Papers, QUA.

As was the case with his earlier portfolio, Dunning was the first westerner to take charge of finance. As we have seen, however, his ambition was quickly eroding his sense of regional allegiance. Differing from Tory economic nationalism, which centred upon the protected manufacturing sector of Central Canada, Dunning was more oriented towards fostering economic growth through foreign trade, an unsurprising view for someone whose experience was in the wheat business, which was utterly dependent upon export markets. His appointment to finance signaled a very limited political victory for the West, for it also indicated that Dunning's views on the tariff had become sufficiently moderate to warrant the appointment; downward revisions were desirable, but drastic change was not. Tariff policy, Dunning realized, was a negotiated settlement between differing groups. In Regina in March 1930 Dunning explained: "As is well known I am a low tariff man. That means that I believe that the tariff of this country should be set as low as possible having due regard to the interest of producers, consumers and industry generally." Believing freer trade to be the recipe for increased employment and a generally robust economy, Dunning accepted that tariff revisions required "due regard" for differing interests.<sup>106</sup> Embracing the "relative autonomy" required of him as an agent of the state, Dunning also became more entrenched within the bourgeoisie.<sup>107</sup>

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<sup>106</sup> "Speech in part of Honourable Chas. A. Dunning at Regina Banquet, February 6<sup>th</sup>, 1930," file 293, box, 34, Dunning Papers, QUA.

<sup>107</sup> For Dunning, such negotiations were necessary for the wellbeing of the body politic. In the Dominion government, he had continued to rail against the perils of "group government," or any class-based political strategies. The task of governance required conciliating competing interests, not supporting the triumph of one over the other. This view, of course, assumes a nation's economic and political leadership to be determined by merit, where only the "best" rise to the top. Indeed, political negotiation, as put into practice by Dunning, meant negotiation pretty much exclusively at the upper-echelons of politics and business. Dunning thus consciously recognized the meditative role of the

Dunning's move into the finance portfolio was welcomed by Canada's big bourgeoisie, as he was welcomed into their exclusive circle. From Montreal hearty congratulations were extended from such luminaries as: M.W. Wilson, president of the Royal Bank; Jackson Dodds, Bank of Montreal general manager; John Bassett, newspaperman and mining magnate; A.W. Currie, principal of McGill University; and Senator Raoul Dandurand, who assured Dunning that "all our friends in Montreal are most happy to see you at the head of the Finances of the Dominion." Quebec Premier Louis-Alexandre Taschereau, who was well-respected by Montreal's Anglo-establishment, similarly assured Dunning "his appointment was popular throughout the Province of Quebec."<sup>108</sup> The appointment also promised Dunning closer social interaction with the world of high finance. Smeaton White invited Dunning to the exclusive Mount Royal Club to facilitate his social interaction with the city's big bourgeoisie:

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state and its "relative autonomy," while he articulated class-consciousness through a discourse of merit. Bourgeois nationalism could take on the appearance of the greater good under the rubric of a progressive, meritocratic worldview in Canada during the 1920s. Ability and merit, as Dunning's experience revealed, played a real role in determining the social structure, but the structure and the privileges it conferred to elites remained intact. Canada's "superstructure" – its dominant institutions and ideologies – played an important role in weeding out those who were dysfunctional to the maintenance of the liberal-capitalist order. Dunning's administrative ability, for example, no matter how great, would have never offered a similar avenue of entry into the upper echelons of government and business had he subscribed to an ideology that challenged capitalist social relations in a fundamental way. Or, to avoid the morass of counterfactual claims, we might note that radical agrarian leaders never assumed positions of comparable national importance; however, Crerar, who emerged from the same western economic and political base as Dunning and embraced a similar ideology, found his way into King's cabinet as well – and, also like Dunning, the business world of Central Canada. *Vancouver Daily Province*, clipping, 8 March 1928, file 57, box 7, Dunning Papers, QUA.

<sup>108</sup> Raoul Dandurand to Dunning, 28 November 1929, file 69, box 8, Dunning Papers, QUA; L.A. Taschereau to Dunning, 27 November 1929, file 69, box 8, Dunning Papers, QUA.

I had the honour of entertaining the late Mr. Robb when he was appointed Minister of Finance, and would feel honoured if you will accept an invitation to dine with me some time during December, at the Mount Royal Club, to meet some of the Montreal men. I consider it important, in your new position, that you should be acquainted with the people in this city who represent financial and other interests, and I do not think anyone will accuse either you or myself of introducing political atmosphere into the entertainment, as it will be a purely social one, with the idea of enabling you to meet some of the Montreal business community in this way. If you will suggest what date would be convenient, I would endeavour to have one, or possibly two, of your colleagues join you, as I feel our people in Montreal do not frequent enough opportunity of getting personally acquainted with the Members of the Government which, in my opinion, is a handicap to both sides.<sup>109</sup>

Dunning could not commit to Smeaton's invitation; he had already received a similar invitation from his "old friend, Mr. E.W. Beatty, President, Canadian Pacific Railway."<sup>110</sup>

Toronto financial magnates E.R. Wood, A.E. Ames, and Joseph Flavelle also expressed their approval; so did Sam McLaughlin, president of General Motors of Canada in Oshawa; and favourable words were even received from that famous expatriate New Brunswicker overseas, Lord Beaverbrook. Tories and Liberals alike, commanding figures of the national economy collectively signaled an attitude of real confidence in Dunning; though, no doubt, they were also aware that something might be gained by doing so.

Electoral support was another matter. Thoughtful commentators realized that, as finance minister, Dunning would not be able to implement the level of tariff reductions many in the West wanted; and his stock in the West waned after he accepted the

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<sup>109</sup> Smeaton White to Dunning, 28 November 1929, file 69, box 8, Dunning Papers, QUA.

<sup>110</sup> Dunning to Smeaton White, 30 November 1929, file 69, box 8, Dunning Papers, QUA.

portfolio.<sup>111</sup> King campaigned upon the “Dunning Budget,” which promised prosperity through increased world trade, especially with Britain. However, R.B. Bennett, the leader of the opposition and another figure who had made good in the West before entering federal politics, claimed the budget, by its use of countervailing duties, accepted the principles of Tory protectionism in all but name. “One is not permitted in parliamentary debate to use the expression hypocrisy,” Bennett proclaimed following Dunning’s budget speech, “but it is always a matter of satisfaction to see sinners turn from their sins . . . to see those who have erred converted to the light.”<sup>112</sup> Even more important in bringing about the political defeat of Dunning and the King government in the 1930 Dominion election was the onset of the Great Depression and failure of the Liberal government to deal with – or even recognize the seriousness of – the crisis. With a capitalist world in disarray, Canadians were more compelled by R.B. Bennett’s promise to “blast” into new markets and eliminate unemployment.<sup>113</sup> Added to this unfortunate mix of factors, growing xenophobic sentiment in Saskatchewan bolstered the strength of the Conservative party, as it had in the New Brunswick provincial election of 1925. J.T.M. Anderson and his Conservatives defeated the Liberal administration of Jimmy Gardiner

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<sup>111</sup> J. Fred Johnson to Dunning, 8 November 1929, file 69, box 8, Dunning Papers, QUA; Wardhaugh, *Mackenzie King and the Prairie West*, 156 and 160.

<sup>112</sup> *Debates of the House of Commons: Fourth Session – Sixteenth Parliament*, vol. II, 1930, 1 May 1930, 1678. Dunning was worried about losing his seat while crafting the budget and “almost broke down” because of attacks on him from protectionist elements in cabinet. See Robert B. Bryce, *Maturing in Hard Times: Canada’s Department of Finance through the Great Depression* (Kingston and Montreal: McGill-Queen’s University Press, 1986), 67-71.

<sup>113</sup> H. Blair Neatby, *The Politics of Chaos: Canada in the Thirties* (Toronto: Macmillan of Canada, 1972), 55-6.

in the 1929 provincial election. Gardiner, a brokerage politician, had taken a principled stance against the anti-Catholic and anti-immigrant sentiment of the Conservatives; he, indeed, did not believe “the solid citizens of Saskatchewan would vote for candidates espousing lunatic issues.”<sup>114</sup> Similar forces helped to defeat Dunning in the summer of 1930. He claimed the combination of Ku Klux Klan influence and 3,000 unemployed in Regina made his defeat unsurprising.<sup>115</sup> When, claimed Dunning, on election night the Klan paraded through Regina “by the thousands with banners and crosses flying I knew that my instinct was correct.”<sup>116</sup>

### III

Nineteen-thirty was a topsy-turvy year: the “Dunning Budget” had received much acclaim in the spring, but, before the leaves had fallen, Dunning’s electoral fortunes had as well.<sup>117</sup> It was also, in Dunning’s mind, a watershed year: the question was whether to remain in active politics or apply his skills to the business world. “I feel sometimes that I

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<sup>114</sup> Ward and Smith, *Jimmy Gardiner*, 104.

<sup>115</sup> Dunning to W.A. Fraser, 4 August 1930, file 79, box 9, Dunning Papers, QUA.

<sup>116</sup> Dunning to W.A. MacLeod, 4 August 1930, file 79, box 9, Dunning Papers, QUA.

<sup>117</sup> One admiring businessman claimed the “Dunning Budget” commanded much support within the business community of “Tory Toronto”: “I happen to be a member of the National Club, Toronto. The members of the Club are the leading manufacturers and business men of Toronto. I should think about ninety per cent of them are Conservatives. Of course, the budget has been discussed at great length in the Club, and you will be gratified to learn that they are almost unanimously in favour of it. In fact several very strong Conservatives have told me that they are going to vote Liberal this time and hope we will get out some strong candidates in Toronto. Practically all of them think that Bennett’s criticisms are quite futile.” John M. Godfrey to Dunning, 13 May 1930, file 76, box 9, Dunning Papers, QUA.

am at the cross-roads of life,” wrote Dunning to J.A. Cross “– deciding whether to definitely abandon politics for a business career or to accept some arrangement of an indefinite character (and on a basis suspiciously close to charity in my view) to enable me to remain in public life.”<sup>118</sup> Being a politician out of government did not look particularly attractive to Dunning. Money was an issue: his wife was sick with cancer and his children’s educations had become more costly. Within a few years, Dunning would report that he was also supporting his parents and two widowed sisters and their families.<sup>119</sup> There were laudable motives driving him into the business world, though Dunning’s past activities had already revealed a personal ambition that was likely to land him in moneyed corridors. Dunning had been successful in attracting money to the Liberal party too, and when he left active politics so too did money donated to the party for his continuance in politics.<sup>120</sup> King hoped that Dunning would act as party organizer.<sup>121</sup> Dunning concluded that he simply could not financially afford to remain in public life.

It did not take long before offers came his way. Winnipeg Liberal H.A. Robson advised Dunning in September that a grain-dealing firm was looking to secure him in a

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<sup>118</sup> Dunning to J.A. Cross, 22 August 1930, file 79, box 9, Dunning Papers, QUA.

<sup>119</sup> King Diaries, 31 October 1932, LAC.

<sup>120</sup> The party had to return campaign funds “collected expressly for Dunning under the auspices of Vincent Massey and W.E. Rundle, general manager of National Trust.” Whitaker, *The Government Party*, 14. King asked Rundle if it was possible for the party retain a portion or the whole sum collected for the “Dunning fund” for general purposes. The subscribers refused. King to W.E. Rundle, 6 November 1930, 154089-93 (and Rundle to King, 12 December 1930, 154095-6), vol. 220, King Papers, LAC.

<sup>121</sup> Neatby, *The Lonely Heights*, 385.

management capacity.<sup>122</sup> In early October Dunning became vice-president of Ontario Equitable Life, an insurance firm based in Waterloo, Ontario. The position, Dunning explained, was especially attractive because it was the only offer among many that did not require his “retirement from public life.”<sup>123</sup> Later that month Dunning was named vice-president of Lucerne-in-Quebec, a CPR company that operated the Seignior Club, an exclusive resort on the Ottawa River in Montebello, Quebec. Describing Dunning’s new duties, Harry Sifton explained: “He builds roads, excavates for swimming pools, sells land and has a great time, getting \$25,000.00 a year for doing it.”<sup>124</sup> “I am in the happy position of having more work than I can comfortably handle which,” Dunning explained to a friend, “always represents a condition of real happiness for me.”<sup>125</sup> From a western regional perspective little ambiguity remained: Dunning had “become an easterner.”<sup>126</sup> Suspicion of Dunning’s pro-CPR leanings seemed confirmed. A CPR lobbyist claimed Dunning was “going into the CPR organization for keeps” as the company’s next treasurer.<sup>127</sup> But his political aspirations remained. The next five years, as he became a well-known face of big business, would dramatically change the way in which the public perceived him. New political opportunities emerged as Dunning became

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<sup>122</sup> H.A. Robson to Dunning, 24 August 1930, file 79, box 9, Dunning Papers, QUA.

<sup>123</sup> Dunning to E.W. Stapleford, 10 October 1930, file 80, box, 9, Dunning Papers, QUA.

<sup>124</sup> Harry Sifton to Dafoe, 20 November 1930, Dafoe Papers, LAC.

<sup>125</sup> Dunning to J.R. Bird, 27 October 1930, file 80, box 8, Dunning Papers, QUA.

<sup>126</sup> Wardhaugh, *Mackenzie King and the Prairie West*, 160.

<sup>127</sup> Dexter to Dafoe, 25 October 1930, Dafoe Papers, LAC.

entrenched in the national business community, but his status as a “bigwig” would also prove limiting.<sup>128</sup>

The Lucerne-in-Quebec Seignior Club at Montebello was not merely a moneymaking project; it was also a project of class consolidation. Taken over by the CPR from an American syndicate, it was 75 miles west of Montreal and 45 miles east of Ottawa, strategically located between Canada’s centres of economic and political power and “easily accessible by Canadian Pacific Railway, or by Montreal-Hull-Ottawa highway, Quebec Route 8.”<sup>129</sup> Dunning was, in a sense, ideal to manage the project, since he was already familiar with the Montreal-Ottawa axis that the Seignior Club served and helped consolidate. Encompassing an area of 80,000 acres stretching into the Laurentian Mountains, the club was a planned community that offered exclusive hunting and fishing rights to its members, golf, an array of seasonal activities and an exclusive club atmosphere. Beatty encouraged Prime Minister Bennett to treat “Lucerne as a suburb of Ottawa” during the Imperial Economic Conference in 1932 and argued it was a “convenient . . . place for the residence of delegates or advisers while the Conference is proceeding.”<sup>130</sup> During the Second World War Algoma Steel president Sir James Dunn

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<sup>128</sup> Dunning was included in a book entitled *Bigwigs*, published in 1935, that consisted of a series of character portraits of leading businessmen and politicians. See Charles Vining, *Bigwigs: Canadians Wise and Otherwise*, illustrated by Ivan Glassco (Freeport, New York: Libraries Press, 1935), 42-45.

<sup>129</sup> John Murray Gibbon, *Steel of Empire: The Romantic History of the Canadian Pacific, the Northwest Passage of Today* (New York: Bobbs-Merrill Company, 1935), 395; *Lucerne-in-Quebec* (Lucerne-in-Quebec Community Association Limited, 1930).

<sup>130</sup> Beatty to Dunning, 30 May 1932, 295, vol. 143, box 23-006, President’s Letter-Books, RG 23, Canadian Pacific Railway Archives [CPRA]. But Bennett believed Lucerne too far outside Ottawa for conference delegates. He told Beatty the government

spent much of his time at Montebello in order to stay close to Ottawa, where the Steel Controller and the Minister of Munitions and Supply, C.D. Howe, became “[a]nnoyed by the steel president’s frequent, unannounced appearances at his office.”<sup>131</sup> This moneyed preserve had been a seigneurie, as the club’s name suggested – that of Louis-Joseph Papineau, the famous *patriote* of the Lower Canadian Rebellion, whose descendants could no longer afford the manor’s upkeep and auctioned it in 1929. Resold to the Lucerne-in-Quebec Community Association Limited, Papineau’s chateau was converted into a clubhouse with a large ballroom, a billiards room, and a mock-Elizabethan tavern. A promotional booklet emphasized Papineau’s role as a parliamentary reformer and re-imagined the organic structure and aristocratic tenor of life on the seigneurie; the property was thus not only legally appropriated, but intellectually appropriated as well.<sup>132</sup>

Money-making and the maintenance of social exclusivity: one reinforced the other, since attracting the “right” people would make membership more desirable for others. Beatty encouraged CPR directors to join the club for that reason. “I have already told Mr. Dunning to send application forms to Sir Herbert Holt, Sir Charles Gordon, Mr. Tilley and myself,” explained Beatty to Stelco president Ross H. McMaster, also a CPR director. “He has already received an application from Senator Beique,” continued

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would send delegates to Lucerne only for the weekend. See Beatty to Dunning, 4 June 1932, vol. 143, box 23-006, President’s Letter-Books, CPRA.

<sup>131</sup> Duncan McDowall, *Steel at the Sault: Francis H. Clergue, Sir James Dunn, and the Algoma Steel Corporation* (Toronto: University of Toronto Press, 1984), 190.

<sup>132</sup> “Parks Canada – The Occupants of the Seigneurie,” <[http://www.pc.gc.ca/lhn-nhs/qc/papineau/natcul/natcul1d\\_e.asp](http://www.pc.gc.ca/lhn-nhs/qc/papineau/natcul/natcul1d_e.asp)> [consulted 10 July 2009]; *Lucerne-in-Quebec*. On the intellectual appropriation of landscape in Quebec during an earlier period see Colin M. Coates, *The Metamorphoses of Landscape and Community in Early Quebec* (Montreal: McGill-Queen’s University Press, 2000).

Beatty, “and applications for membership will also be sent to Mr. R.S. McLaughlin, Colonel Frank Meighen, Colonel Cockshutt and other members of our directorate. As you will appreciate this support should be of great value in the sale of lots, and if you feel free to take a lot, I would naturally be very glad.”<sup>133</sup> Jews, meanwhile, were excluded – a policy that reflected the ubiquity of upper-class anti-Semitism during the period – and the procedure to gain membership ensured that only those with the requisite wealth and social standing would gain admittance.<sup>134</sup> “Membership in the Seignior Club and Lucerne-in-Qubec community is both selective and exclusive,” proclaimed a promotional booklet.<sup>135</sup>

Though Dunning was far removed from his former social milieu in Saskatchewan, his activities were still subject to the same market forces. This happened to work against the business success of the planned snobbery he was charged with overseeing at Montebello. Between 1 January and 31 May 1931 Lucerne-in-Quebec had run an operating deficit of \$741,000 and was on its way to losing well over a million dollars that year; Beatty lamented: “at this rate the Association will be swamped without hope of

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<sup>133</sup> Beatty to Ross H. McMaster, 30 January 1931, 247, vol. 136, box 23-005, President’s Letter-books, CPRA.

<sup>134</sup> Beatty claimed no responsibility for the policy, arguing the charter had been originally written by Americans who started the project, in which the CPR was but a minority partner, and could not be changed without breach of contract. See Beatty to James D. Stein, 30 June 1931, 263-4, vol. 139, box 23-006, President’s Letter-Books, CPRA.

<sup>135</sup> See *Lucerne-in-Quebec*, which also states that “no application for membership will be considered until the prospective member has been personally interviewed by a representative of the Seignior Club and his application has been approved by the Club membership Committee.”

recovery in a few years.”<sup>136</sup> He pressed Dunning to cut operating expenses by implementing the same economies that were being applied to railway operations.<sup>137</sup> It was an about-face for Lucerne-in-Quebec’s optimistic philosophy, evidenced in the enormous log chateau – purportedly the largest in the world – that had been built in 1930 to serve as a hotel for members while they constructed their mansions in the woods.<sup>138</sup> Dunning inherited this problem. He was about to tackle one of far greater magnitude, but born of the same forces.

On the eve of the Great Depression pulp and paper was Canada’s leading industry.<sup>139</sup> The great majority of the industry’s production – 85 per cent in 1929 – was newsprint.<sup>140</sup> Dominating this vast economic activity at the national level were three companies, the “Big Three”: Canadian International Paper, the Canadian subsidiary of New York-based International Paper whose presence, as we have seen, had been greatly felt in New Brunswick (see Chapter One); the Abitibi Power and Paper Company; and Canada Power and Paper. The last two companies were forged during the consolidation

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<sup>136</sup> Beatty to Dunning, 15 July 1931, 365, vol. 139, box 23-006, President’s Letter-Books, CPRA.

<sup>137</sup> Beatty to Dunning, 30 April 1932, 242, vol. 138, box 23-006, President’s Letter-Books, CPRA.

<sup>138</sup> *Our History: Le Château Montebello* (CP Hotels, n.d.); *Lucerne-in-Quebec*.

<sup>139</sup> In 1929 the value of its gross products was \$243,970,761. It was listed as the industry with the second largest capitalization, behind “central electric stations,” but the two sectors were closely aligned since power generation and pulp and paper production were often pursued by the same companies. See *Canada Year Book, 1932* (Ottawa, 1932), 340-1.

<sup>140</sup> William L. Marr and Donald G. Paterson, *Canada: An Economic History* (Toronto: Macmillan of Canada, 1980), 365.

wave of the late 1920s. The unthinking spirit of optimism so characteristic of capitalistic endeavours in boom times had fueled the industry's merger wave and had produced unwieldy capital structures.<sup>141</sup> The onset of economic depression was like a cold shower for industry grandees who were forced to confront the consequences of their unrestrained methods. Nowhere was this truer than with Canada Power and Paper.

In March 1931 Charles Dunning was appointed chairman of a "protective committee for the security holders," which also became known as the "Dunning committee," charged with the task of reorganizing Canada Power and Paper's capital structure. The *Financial Post* reported Dunning's appointment "was understood to have been made at the suggestion of E.W. Beatty."<sup>142</sup> The company had been established only a few years earlier, in 1928, by a group led by Royal Bank of Canada president Sir Herbert Holt and Toronto investment banker J.H. Gundy that orchestrated the gradual merger of five separate operating companies under Canada Power and Paper control.<sup>143</sup> In so doing, the "Holt-Gundy group" positioned itself at the helm of the country's newsprint industry, controlling the largest bloc of productive capacity in Canada. Linked through money and personnel to the country's two largest banks and the CPR, as well as major life insurance companies, Canada Power and Paper represented a group that was

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<sup>141</sup> John A. Guthrie, *The Newsprint Paper Industry: An Economic Analysis* (Cambridge: Harvard University Press, 1941), 55-66.

<sup>142</sup> "Canada Power & Paper Bondholders in Dark Position," *Financial Post* (Toronto), 9 April 1931, 18.

<sup>143</sup> The companies were: the Laurentide Company; the Belgo-Canadian Paper Company; the St. Maurice Paper Company; the Port Alfred Pulp and Paper Company; and the Wayagamack Pulp and Paper Company.

among the country's most powerful and well-established capitalist interests.<sup>144</sup> Having already revealed the company's financial standing upon the request of the Montreal Stock Exchange and deferred dividend payments in February, company president J.H. Gundy painted the expected dire picture at April's annual meeting: operating at 43 per cent capacity, the company's properties were in no way capable of generating the profits required to meet interest and debenture charges. Reorganization was necessary. The banks, which had loaned Canada Power \$14,558,000 by the end of 1930, would have a significant hand in the reorganization.<sup>145</sup>

Dunning, the self-described practitioner of "business statesmanship," was thus called to intervene: "I am certainly finding plenty of demand for the kind of service which people appear to think I am qualified to render in the business world," he explained in early May.<sup>146</sup> The newsprint industry bore some resemblance to the wheat business with which Dunning was familiar: both were export-oriented and governed by

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<sup>144</sup> The following companies held securities in Canada Power and Paper: "Canadian Pacific Railway, Sun Life Assurance of Canada, Great West Life Assurance Company, Canada Life Assurance, Mutual Life Assurance Company of Canada, Dominion Life and Manufacturers' Life Assurance Company." See "Big Security Deposits in Canada Power Plan," *New York Times*, 14 July 1931, 36.

<sup>145</sup> "Can. Power, Paper Shows Present Status To Stock Exchange," *Financial Post*, 12 February 1931, 1; "Defer For Time All Dividends C.P.P. Companies," *Financial Post*, 26 February 1931, 15; "Canada Power to Reorganize States Gundy," *Financial Post*, 2 April 1931, 24. This signaled a departure from the recent history of the Laurentide Company, which had been the country's largest newsprint from 1898 and 1919 before it came under the control of Canada Power and Paper in 1928. In his examination of Laurentide, Jorge Niosi concludes that even though Laurentide's board of directors included figures from the Bank of Montreal, the CPR, and Royal Trust, effective control of the company remained in the hands of executives who operated autonomous of bank control. See Jorge Niosi, "La Laurentide (1887-1928): Pionnière du papier journal au Canada," *Revue d'histoire de l'Amérique française* 29, 3 (décembre 1975), 408, 414 and *passim*.

<sup>146</sup> Dunning to A. MacGillivray Young, 4 May 1931, file 81, box 10, Dunning Papers, QUA.

cooperative marketing. The Newsprint Institute of Canada, which sought to regulate newsprint production, however, had become an increasingly impotent agency as American publishers (the *Chicago Tribune* and the *New York Times*) operated their own mills in Canada and successfully drove down the price of newsprint, while Canadian International Paper had, to make matters worse, stopped cooperating with the institute.<sup>147</sup> These problems were made worse by the fixed payments built into Canada Power's financial structure; this was the central problem Dunning confronted as head of the "protective committee" – to adjust the capital to reflect "current earning power," as opposed to "potential earning power," which had driven past financing. Significantly the investment house of J.H. Gundy – Wood, Gundy & Company – was not represented on the protective committee, whose formation and work remained under a veil of secrecy.<sup>148</sup> The *Financial Post* observed that, even though the committee claimed to represent the interest of security holders, "no meeting of the shareholders or bondholders of parent or subsidiary companies was ever held duly to elect these representatives. Nor has the committee ever made a public statement as to the interests primarily responsible for bringing the committee into being."<sup>149</sup> The personnel of the committee indicated the dominant presence of high finance, led by Montreal interests, including eminent members

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<sup>147</sup> "Paper Merger Plans Still in Abeyance," *Financial Post*, 16 April 1931, 1.

<sup>148</sup> "Can. Power New Scheme Ready Soon," *Financial Post*, 28 May 1931, 3.

<sup>149</sup> "Can. Power New Scheme Ready Soon," 1.

of the Canadian legal profession such as future Liberal cabinet minister J.L. Ralston, as well as representatives of London and New York.<sup>150</sup>

On 3 June the committee announced a reorganization plan – soon coined the “Dunning plan” – that was supported by the Royal Bank and the Bank of Montreal. It proposed the formation of a new company to take over Canada Power’s assets and, significantly, cutting the former capitalization by half; stocks, bonds and debentures formerly valued at \$103,832,266 were to be reduced to \$52,627,596.<sup>151</sup> Investors, naturally, were not uniformly supportive. A week after the plan was announced the *Financial Post* reported opinion was divided on its merits and its execution remained uncertain. A sufficient proportion of the old securities needed to be deposited in exchange for new ones in order to validate the plan, and some reticence remained among security holders, especially since the committee had not named the new board of directors.<sup>152</sup> The

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<sup>150</sup> The *Financial Post* listed the members of the committee after its reorganization scheme was released: “Charles A. Dunning, chairman; R.H. Collins, of the financial firm of Kitcat and Aitken, London, Eng.; Norman J. Dawes, president of the Montreal board of trade; Strachan Johnson, K.C., of Tilley, Johnson, Thompson and Parmenter, Toronto; H.D. Lockhart Gordon, C.A., of Messrs. Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto; Stewart Kilpatrick, of Govett, Sons and Co., London, Eng.; E.A. Macnutt, treasurer of Sun Life Assurance Co. of Canada; John J. Rudolf, of A. Iselin and Co., New York; Gordon W. Scott, secretary, of Messrs. P.S. Ross and Soris, Montreal; and J.L. Ralston, K.C., counsel, of Mitchell, Ralston, Kearney & Duquest, Montreal.” See “Canada Power and Paper Reorganization is Sweeping; Old Capital Reduced by Half,” *Financial Post*, 4 June 1931, 2.

<sup>151</sup> “Reorganizing Plan for Canada Power is Made Public,” *Globe*, 4 June 1931, 1 and 6. Later figures revealed an even more drastic reduction. Guthrie has written: “Approximately 95 million dollars of bonded indebtedness, 32 million dollars of preferred stock and a large block of common stock was replaced by a little over 51 million dollars of 5 ½ per cent bonds and roughly 1 ½ million shares of common stock.” See Guthrie, *Newsprint Paper Industry*, 68.

<sup>152</sup> “Canada Power and Paper Plan Depends for Success On Confidence in Committee,” *Financial Post*, 11 June 1931, 1 and 8.

strongest resistance came from representatives of the Belgo-Canadian Paper Company who claimed the proposed stock swap offered insufficient compensation for Belgo security holders. At a Belgo security holders' meeting in mid-June in Montreal, former company president Hubert Biermans and former general manager John Stadler advised shareholders to demand better terms, and a committee was organized to protect preferred shareholders.<sup>153</sup> The Belgo representatives were dispatched to meet with the protective committee headed by Dunning, but at the ensuing meeting a dispute arose over the ownership of two new machines recently installed at Belgo's plant at Shawinigan Falls, Quebec; the protective committee was not about to offer better terms.<sup>154</sup> Biermans urged Belgo security holders not to surrender shares to the protective committee in early July.<sup>155</sup>

The protests from Bierman and Belgo had the greatest effect, since they were the most organized. Indeed, the reorganization, which was originally slated to come into effect 15 July was pushed back again and again until November, when Belgo finally capitulated, giving formal approval to the Dunning plan.<sup>156</sup> In the summer while the banks, the CPR, and the insurance companies called for support of the plan, Dunning sounded a call for calm, warning "that liquidation and litigation would demoralize the

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<sup>153</sup> "Belgo Holders Seeking More Preferred Stock," *Financial Post*, 18 June 1931, 28.

<sup>154</sup> "Canada Power Plan Meeting Fair Response," *Financial Post*, 25 June 1931, 2.

<sup>155</sup> "Paper Deal is Assailed," *New York Times*, 4 July 1931, 13.

<sup>156</sup> "Canada Power Meetings Approve Dunning Plan," *Financial Post*, 14 November 1931, 13.

whole situation and might spell disaster to one of Canada's greatest industries."<sup>157</sup> Belgo was not the only aggrieved party. The chairman of a committee representing holders of Canada Power and Paper Laurentide series debentures wrote Prime Minister R.B. Bennett to report "the heavy loss that has been sustained by investors, from poor people as well as person of means," and to demand government action: "this scandal is even worse than . . . Beauharnois." Bennett's secretary of state, C.H. Cahan, later claimed that no investigation was possible since Canada Power was incorporated under Quebec law and not the Dominion Companies Act.<sup>158</sup> The formation of a new board of directors was meant to signal the company's liberation "from old influences" that had created the mess; and the new and unimaginatively named Consolidated Paper Corporation was free from any direct association with Gundy's financial recklessness, as American corporate executive LaMonte J. Belnap, whose experience had been "largely along the lines of an industrial engineer," was named president.<sup>159</sup> Nonetheless, the "old forces" remained well represented on the new board of directors, and Cahan and Bennett, both of whom had worked as corporate lawyers, were not about to launch an investigation that would have touched the upper-stratum of St. James Street. The businessman who received the brunt

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<sup>157</sup> "Dunning's Group To Name Its Board As Fight Goes On," *Financial Post*, 18 July 1931, 1; "Can. Power Plan Near Completion," *Financial Post*, 25 July 1931, 2.

<sup>158</sup> [First name illegible] Jones to R.B. Bennett, 28 July 1931, 417587 and C.H. Cahan to R.B. Bennett, 26 September 1931, 417588, D-440-C, R.B. Bennett Papers, MG 26 K, LAC.

<sup>159</sup> "Dunning's Group To Name Its Board As Fight Goes On," *Financial Post*, 18 July 1931, 3; "L.J. Belnap Will Be Head Can. Power," *Financial Post*, 1 August 1931, 1. Anglo-Canadian Paper Mills Ltd. had been allied with Canada Power and Paper, but, since the conditions of its agreement with Canada Power and Paper were unfavourable for the latter, the relationship was severed in the reorganization. "Anglo-Canadian Resumes Statues Prior to Merger," *Financial Post*, 19 August 1931, 10.

of the Beauharnois scandal, W.L. McDougald, was considered an outsider by Montreal's upper class, and was thus apparently more vulnerable to reprisal.<sup>160</sup> The wealthiest and most powerful seemed to enjoy special immunities – but not entirely. W.E.J. Luther, the president of the Montreal Stock Exchange and partner in the brokerage house of Luther, Craig & Company, lost a lot of money in Holt securities. And after Holt instructed the Royal Bank to no longer carry Luther's brokerage house, a distraught Luther traveled to Holt's Stanley Street house, in May 1932, and shot him. He then went home and started up the car in his shut-up garage; Luther killed himself, mistakenly thinking he had killed Holt. Luther's firm was petitioned into bankruptcy the following day, while Consolidated Paper went on to flounder, not paying dividends until after the Second World War.<sup>161</sup>

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<sup>160</sup> Edward Beatty reported to R.J. Manion in 1933: "When Mr. Mackenzie King was Prime Minister, his standing among the substantial people of Montreal was seriously jeopardized by ex-Senator McDougald, and this a long while before any of them ever heard of Beauharnois." Beatty to R.J. Manion, 30 November 1933, file 3-9, vol. 3, R.J. Manion Papers, MG 27 III B7, LAC. In 1924 Beatty told King that McDougald "had no friends among his contemporaries, his ambition was to be a member of the Mount Royal Club, of the Bank of Montreal & to have a high position." King Diaries, 2 December 1924, LAC. See also T.D. Regehr, *The Beauharnois Scandal: A Story of Canadian Entrepreneurship and Politics* (Toronto: University of Toronto Press, 1990), 16 and passim.

<sup>161</sup> Duncan McDowall, *Quick to the Frontier: Canada's Royal Bank* (Toronto: McClelland and Stewart, 1993), 256; William Fong, *J.W. McConnell: Financier, Philanthropist, Patriot* (Montreal and Kingston: McGill-Queen's University Press, 2008), 192; Peter C. Newman, *Flame of Power* (Toronto: Longmans, Green & Co., 1959), 43-4; "Montreal Broker Dies," *New York Times*, 31 May 1932, 11; "Brokers Held Bankrupt," *New York Times*, 2 June 1932, 38; "Broker Succumbs to Heart Attack," *Globe and Mail*, 31 May 1932, 3. Duncan McDowall has observed that Holt's shooting and Luther's suicide went unreported, save for the Toronto tabloid *Hush*, which claimed that Holt's bodyguard shot Luther and staged his suicide at his Oka home. Both the *New York Times* and the Toronto *Globe and Mail* reported that a coroner's jury deemed Luther's death to be from natural causes, a heart attack.

By early 1933 Mackenzie King saw in Dunning a bloated plutocrat. “He had got to look very fat & heavy,” King wrote of Dunning after meeting with him for two-and-a-half hours in January. He further explained: “His face sinks down into his cheeks, he has become member of the board of financiers, including Sir Charles Gordon, Borden & others, a great mistake if he has any further thoughts of public life, which I am beginning to doubt.”<sup>162</sup> Though Dunning liked to think of himself as “the Western iconoclast of St. James Street,” most people did not.<sup>163</sup> The appearance of vitality was gone, replaced by the stodginess of big money. Montreal Liberal manufacturer Kirk Cameron, a low-tariff political ally from the 1920s, wrote Dunning in 1934 to complain about unfair punishment meted out – by the big newsprint producers and Taschereau’s Quebec administration – to a small pulp and paper company in which he was interested that had been accused of violating its production-quota:

We hesitate to believe that your association with St. James Street during the past three years has contaminated your otherwise sound principles of freedom of trade, freedom of operation and freedom from government interference. It is true . . . you daily associate with those who exercise very often coercive and subversive powers. Does it mean in the words of Scripture ‘Evil communications corrupt good manners or in other words re-actionary association corrupt sound thinking’[?]<sup>164</sup>

It seemed, indeed, that Dunning had become “contaminated” by his close association with big business.

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<sup>162</sup> King Diaries, 20 January 1933, LAC.

<sup>163</sup> Dunning to A. MacGillivray Young, 28 March 1934, file 88, box 10, Dunning Papers, QUA.

<sup>164</sup> A.K. Cameron to Dunning, 7 December 1934, file “C.A. Dunning, 1935,” vol. 20, Cameron Papers, LAC.

Mackenzie King went even further in August 1932, claiming that Dunning “is now acting pretty much as an agent for Beatty & the C.P.R.”<sup>165</sup> This, King believed, was evidenced by Dunning’s position on the railway question, one of the most debated public policy issues in the 1930s: as both national railways fell into financial difficulty under the strain of economic depression, Beatty and his Montreal allies argued vigorously that “amalgamation” or “unified management” of the two railways was needed in order to stabilize the economy and protect the nation’s credit (see Chapter Three). Railway unification was not popular, however, especially in the West, where farmers almost universally feared the prospect of a railway monopoly. A similar view obtained throughout most of the country; railway workers quite reasonably worried layoffs would result from the rationalization inevitably to follow unification; there also existed a general concern among many commentators about the prospect of deteriorating railway services as well as concern about railway assets – paid for by the Canadian government – being turned over to the CPR. Though railway unification was not popular, Dunning thought it a possibility in the early 1930s and criticized Mackenzie King for “the positive nature of his remarks on the railway situation” in the course of a “fighting speech” King delivered in Winnipeg. Dunning thought, rather than committing himself to defend the “integrity” of the CNR, King “would have been better advised to remain in a watching position, so far as this problem is concerned, rather than to take a positive attitude, which hard facts later may make it impossible for him to maintain.”<sup>166</sup>

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<sup>165</sup> King Diaries, 25 August 1932, LAC.

<sup>166</sup> Dunning to E.M. Macdonald, 25 January 1932, file 83, box 10, Dunning Papers, QUA.

In late 1931, not long before Tories assailed Sir Henry Thornton's public reputation in the House of Commons, Dunning publicly suggested the possibility of railway unification in an address before the Commercial Travelers' Annual Banquet in Toronto. Commenting on Dunning's statement, the Toronto *Globe* stated, "there has been a very vital change in his convictions regarding railway monopoly. Mr. Dunning as Minister of Railways and Mr. Dunning as executive of the Canadian Pacific Railway would seem to have diametrically different views on this outstanding issue."<sup>167</sup> Soon after Thornton's resignation, Dunning expressed the belief to Mackenzie King that he expected to be appointed as Thornton's replacement. King elaborated further upon his conversation with Dunning in his diary:

Believes he can do the job better than any one with experience he has had. He says Tommy Russell [a Montreal industrialist] & present Presdt. of Montreal Harbor Board have declined the position. He does not count on politics at once. I can see that. Says Mrs. Dunning suffering effects of radium. I cannot blame him for seeking ways & means to live. We had a very pleasant talk – but clearly it was as an emissary of Beatty's & to soften the expression 'integrity' of Nat'l Railways, he had come, & possibly to sound me out on his own acceptance of the presidency of the C.N.R.<sup>168</sup>

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<sup>167</sup> *Globe*, 21 December 1931, clipping, in file 83, box 10, Dunning Papers, QUA. A Saskatchewan Liberal colleague expressed concern to Dunning regarding his position on the railway question and speculation that Dunning was slated to enter the Bennett administration as minister of finance. Dunning denied speculation about his becoming minister of finance under Bennett. On the railway question, interestingly, he wrote: "I may say to you privately . . . that it is becoming increasingly difficult for me to see how Canada can possibly carry its present transportation load having regard to the fact that even when times do improve other forms of transportation will [be] continuously making further inroads upon those forms of traffic most profitable to the railway." See Dunning to A. MacGillivray Young, 5 January 1932 (and A. MacGillivray Young to Dunning, 28 December 1931), file 83, box 10, Dunning Papers, QUA.

<sup>168</sup> King Diaries, 25 August 1932, LAC.

As familial responsibilities pressed, so also Dunning sought to expand his responsibilities in public life. But King exaggerated the extent to which Dunning was acting on Beatty's cue. In January 1933 Dunning reported to Floyd S. Chalmers, editor of the *Financial Post*, that he had been feeding Beatty arguments for his amalgamation plan but lamented that the Bennett government would not have the courage to carry the plan out. Asked by Chalmers whether a "National Government" – a coalition of the Conservatives and Liberals – could be established, Dunning concluded the two party leaders, Bennett and King, stood in the way. But, nonetheless, he thought the idea had considerable potential and might allow the implementation of unpopular, but necessary, policies: with Bennett and King out of the way, he believed, "a group of loyal citizens could organize a suicide club and go into office and clean up a lot of serious situations that could be cleaned up no other way. They would have to go into office prepared to kill themselves off politically in order to do unpopular and unpleasant things." Unpleasant things: such as the railway unification plan Dunning sketched out to Chalmers.<sup>169</sup> Dunning told Norman Lambert, another former western figure who had become deeply integrated into national political

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<sup>169</sup> Floyd S. Chalmers to John B. Maclean, 27 January 1933, file 2, "Conversations, 1933," box 6, series 3, Floyd S. Chalmers Papers, F 4153, Archives of Ontario [AO]. In 1931 Dunning and Meighen discussed the possibility of heading up a National Government together. The discussion was never serious, though both liked the idea and articles were later published in *Saturday Night* and *Maclean's* speculating that Dunning and Meighen would enter a reorganized Dominion cabinet. See Meighen to Dunning, 27 November 1931, and Dunning to Meighen, 30 November 1931, file 82, box 10, Dunning Papers, QUA. Ontario Liberal MP Fraser reported to Dunning, following a trip to Ottawa, the "idea of a Coalition Government seemed to be in the air." Should "there be any change forced by necessity or otherwise" to require a National Government, Fraser felt Dunning should be at its head, King and Bennett left out, and that it should be elected. Dunning claimed he had heard no such discussions, not mentioning his correspondence with Meighen. See W.A. Fraser to Dunning, 22 December 1931, and Dunning to Fraser, 28 December 1931, file 82, box 10, Dunning Papers, QUA.

life during the 1930s as president of the National Liberal Federation, that joint management of the two railways by a holding company to facilitate “rationalization of shops + terminals as well as unnecessary parts of main lines” could solve the railway question.<sup>170</sup> Such solutions were exactly what many Canadians feared.

It would be an oversimplification to portray Dunning as Beatty’s emissary in this period. Life in this charmed Montreal-Ottawa world – spent at the Ritz-Carlton in Montreal and his home in Ottawa – allowed Dunning to view the human consequences of the Depression with considerable equanimity.<sup>171</sup> As he joined the ranks of the nation’s big bourgeoisie, Dunning acquired their outlook, an outlook he had already been moving towards in the 1920s. Moreover, the progressive style he represented was one which seemed to offer big business significant opportunities to overcome the morass of partisan politics, its party machines, and inefficiencies. More than opportunism or blind ambition, Dunning embraced a *mentalité* typical of his social class. Gone was Dunning’s belief, from his days in Saskatchewan’s cooperative movement, that sound economic development easily dovetailed with democratic principles. Increasingly, the two appeared to be in conflict. Dunning believed that history recommended growing demands for immediate action by the state or other drastic measures be resisted. In 1932 he explained,

Personally, I take a great deal of pleasure in these times reading history. It tends to comfort one to know that while things are very bad, they have been very bad before. Also, reading history tends to disprove the idea one gets occasionally that we are all going crazy, because one learns that always in such periods there have been technocrats, currency renovators, commonwealth fadists [*sic*], and endless other “ists” and “isms”, each one with a potent remedy for the condition then prevailing. Astonishing as it may seem, always in the past humanity appears to

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<sup>170</sup> Norman Lambert Diaries, 12 March 1933, box 9, Lambert Papers, QUA.

<sup>171</sup> Dunning to Meighen, 15 May 1931, file 81, box 10, Dunning Papers, QUA.

have survived, without having applied any one of the amazing remedies then proposed.

I doubt very much personally whether it is wise to make basic, fundamental changes in either our economic or our political structure when humanity is under the kind of stress which it labours under at the present time, and I am afraid that basic changes adopted for the purpose of meeting the present condition would not stand the test of time, for the reason that our eyes are glued to [*sic*] closely upon getting out of the present condition quickly somehow, and we have not a clear conception of the effect of some of the remedies proposed upon our future well-being as individuals or as nations.

He argued the “wheat pool” had circulated false ideas about the dawn of a new economic order; and, displaying a measure of upper-class anti-Semitism, Dunning grouped “eminent New York Jews” amongst the false prophets.<sup>172</sup> It was, to his mind, the violation of immutable laws that had created the crisis. Humanity was doing necessary penance. Dunning’s words reveal much about his state of mind:

I have profound belief that the immutable laws of economics are working. For a time humanity defied them, and we were told by the Wheat Pool and by some eminent New York Jews that the old economic law had past away and that we were living under a new economic dispensation. All the time these same old immutable laws kept grinding on, and what we are suffering today is the inevitable result of defying them. I think we sometimes forget in this time of trouble that these laws work for us. Humanity is now doing penance in an economic sense for infraction of the laws of sound economics. This very penance is bringing us daily back more and more closely into harmony with economic law. The process is very painful, but I have faith that 1932 will be known in future as the most painful year through which we have past.<sup>173</sup>

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<sup>172</sup> Dunning’s superior at the CPR, president Edward Beatty, expressed the view to Mackenzie King in 1922 that he felt it was a “great mistake Jews had come in such numbers,” and “did not think they made very good citizens.” King Diaries, 8 February 1932, LAC. This should not be viewed as an isolated belief amongst Canada’s bourgeoisie. Winnipeg’s powerful grain dealer, financier, and pioneer in aviation, James Richardson, for example, expressed similarly anti-Semitic views in suggesting that allowing a Jewish grain-dealing firm based in Europe to do business in Canada would negatively affect the country’s business morals. See James A. Richardson to Norman Lambert, 18 June 1938, “General Correspondence, 1938,” box 2, Lambert Papers, QUA.

<sup>173</sup> Dunning to J.A. Cross, 27 December 1932, file 85, box 10, Dunning Papers, QUA. See also Dunning to J.R. Bird, 10 May 1932, file 84, box 10, Dunning Papers, QUA:

Dunning's prediction was not entirely incorrect: 1932 was the nadir of the Depression. But the recovery was slower than he expected, and its ultimate solution would come through the very things he feared would create even greater problems: aggressive government intervention, deficit spending, and, last and most importantly, war. Dunning was ideologically incapable of accepting such ideas.

In retrospect, it is reasonable to conclude that Dunning embraced a "residual" ideology of a waning phase of the "liberal order." The individualism and fiscal orthodoxy of 19<sup>th</sup>-century liberalism had always been part of Dunning's mental universe, and in the early 20<sup>th</sup> century those ideals had been compatible with agrarian protest and the cooperative movement of which he was a part. This changed after the First World War, as Canada's liberal order fell into a period of "organic crisis": agrarian protest moved towards more radical alternatives in some quarters, the Farmers' Union in Saskatchewan being one example, and the onset of the Great Depression had encouraged a more widespread questioning of the old liberal ideals and a general resurgence of the left.<sup>174</sup> Having been repressed on the heels of the First World War, the Canadian left was revitalized on the social democratic end of the spectrum with the formation of the CCF in 1932, and further to the left, with the increased activism of the Communist Party of

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"economic law is working in its usual inexorable fashion, and there is no doubt that what is now going on in an economic sense is a severe dose of medicine for humanity, but if the patient survives the severity of the medicine, his after condition will be very much better."

<sup>174</sup> See Ian McKay, "Canada as a Long Liberal Revolution: On Writing the History of Actually Existing Canadian Liberalism, 1840s-1940s," in *Liberalism and Hegemony: Debating the Canadian Liberal Revolution*, eds., Jean-François Constant and Michel Ducharme (Toronto: University of Toronto Press, 2009), 347-452.

Canada, whose followers saw revolutionary potential in the economic crisis. (With the Communist party's adoption of the popular front strategy of cooperating with the social democratic left in 1935, a formidable political bloc was forged.) Even individuals within the two major political parties were beginning to question liberal orthodoxy. Dunning was out of step with this broader trend as he continued to hold on to an ideology that was proving to be most durable among the nation's bourgeoisie.<sup>175</sup>

Dunning defended a specific notion of freedom, just as he embraced antidemocratic ideas and political tactics. Reading books such as *The New Despotism* and *Our Wonderland of Bureaucracy* – both studies arguing the rise of government bureaucracies were undercutting law and individual freedom, the first, a British study, the second, an American one – Dunning believed an interventionist state would restrict freedom.<sup>176</sup> Widely seen within the business community as a figure to lead a political movement to defend against unwise government intervention, which threatened classical notions of freedom embraced by numerous moneyed Canadians, Dunning's name continued to arise in National Government speculation. But the prospects of such a

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<sup>175</sup> The significant fact was not that Dunning's worldview had changed, but that it had not changed, and had even become more doctrinaire; these ideological formulations assumed a different significance because of the changing historical context as well as his changed personal circumstances. CCF founder J.S. Woodsworth had, for example, given up the rugged individualism of his earlier life, coming to the conclusion that the ills of modern industrial society could only be adequately confronted through collective action and an interventionist state; Dunning, by contrast, clung to his earlier liberal individualist philosophy. See Allen Mills, *Fool for Christ: the Political Thought of J.S. Woodsworth* (Toronto: University of Toronto Press, 1991).

<sup>176</sup> Dunning to D.C. Coleman, 16 November 1932, file 85, box, 10, Dunning Papers, QUA. See Lord Hewart of Bury, *The New Despotism* (London: Ernest Benn Limited, 1929); James M. Beck, *Our Wonderland of Bureaucracy: A Study of the Growth of Bureaucracy in the Federal Government, and Its Destructive Effect Upon the Constitution* (New York: Macmillan Company, 1932).

government seemed less and less likely. Dunning began to gravitate back towards the Liberal fold, never really having left. He told Lambert in October 1933 that there was no chance for National Government, as the “necessary elements are not present in political situation.”<sup>177</sup> “It is clear he sees how the wind is blowing,” reported King following a dinner conversation with Dunning in November. Though King believed him “anxious to be back in the Government,” Dunning remained fairly noncommittal up until 1935.<sup>178</sup> More than that, there is evidence to suggest that Dunning was becoming involved in another episode of mock palace intrigue, but this time with the support of Montreal courtiers. Gordon Ross warned King that Dunning was not to be trusted because he had spoken “in a deprecatory manner.”<sup>179</sup> And indeed Dunning described King as a “charming, polite, hospitable + inert mass” that stood in the way of real accomplishment.<sup>180</sup> Within the Montreal wing of the party there existed enough discontent with King’s leadership to spark rumours that Dunning or J.L. Ralston, Liberal finance critic and Montreal corporate lawyer who traveled in many of the same circles as Dunning, were prospective candidates to replace King.<sup>181</sup>

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<sup>177</sup> Lambert Diaries, 16 October 1933, QUA.

<sup>178</sup> King Diaries, 3 November 1933, LAC.

<sup>179</sup> King Diaries, 20 December 1933, LAC.

<sup>180</sup> Lambert Diaries, 8 April 1934, QUA. Dunning had claimed in 1932 that he would never join the Liberals while King was leader. “He hates King intensely,” reported Grant Dexter. But he also believed at the time that Bennett “would probably trim King next election.” Dexter to Dafoe, “Monday 1932,” Dafoe Papers, LAC.

<sup>181</sup> King Diaries, 12 June 1934, LAC.

Business life in Montreal proved difficult for Dunning. Lucerne-in-Quebec continued to hemorrhage money. "I am a little disappointed in the lack of original suggestions to improve the situation," lamented Beatty to Dunning in April 1934.<sup>182</sup> Late in the year Dunning left Montreal for Toronto to head up the Maple Leaf Milling Company, and was sent off by a gathering of friends at the Mount Royal Club in November.<sup>183</sup> Maple Leaf suffered from the same ills as had Canada Power and Paper. "He liked the idea of being a physician to a sick business," reported Lambert. "But he soon discovered that he had taken on the job of being physician to an incurable." Worse still, he did not like Toronto; "Montreal was his atmosphere," but top positions in Montreal were closed off to him because he had "queered himself with Beatty" when he left the CPR for Toronto. With a general election looming in 1935, a return to politics was possible.<sup>184</sup> W.M. Martin, whom Dunning had succeeded as Saskatchewan premier in the 1920s, told King in late 1934 that Dunning would only return to politics if made leader.<sup>185</sup> J.L. Ralston advised him to get back into politics "at once" if "he wished to be in running for leadership later on."<sup>186</sup>

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<sup>182</sup> Beatty to Dunning, 4 April 1934, 410-1, vol. 148, box 23-007, President's Letter-Books, CPRA. See also Beatty to McLaughlin, 26 March 1934, 361-2, and Beatty to McLaughlin, 6 April 1934, 423-4, vol. 148, box 23-007, President's Letter-Books, CPRA.

<sup>183</sup> Frank Common to Dunning, 14 November 1934, file 90, box 10, Dunning Papers, QUA.

<sup>184</sup> F.S. Chalmers, "Memorandum of conversation with Hon. Charles A. Dunning," 5 August 1937, file 36, series 2, box 3, Chalmers Papers, AO.

<sup>185</sup> King Diaries, 29 December 1934, LAC.

<sup>186</sup> King Diaries, 18 January 1935, LAC.

Dunning also continued to politely entertain the suggestion that he lead a National Government – for example, the idea that he form a coalition with Conservative renegade H.H. Stevens, suggested to him in January – but that changed with the sensationalist story published in the 12 March 1935 issue of the *Toronto Globe*.<sup>187</sup> The *Globe* placed Dunning at the head of a St. James Street campaign to form a coalition government in the interests of big business and, in particular, to push through a policy of railway amalgamation. Dunning, “much put out about it,” responded quickly to the *Globe* via telephone to emphatically deny the story, predicting as well that Mackenzie King would be Canada’s next prime minister; his rebuttal was published the following day on the front page of the *Globe*.<sup>188</sup> This signaled the end of Dunning’s willingness to entertain further National Government machinations. T.A. Crerar reported to Lambert, just over a

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<sup>187</sup> The suggestion was made by G.F. Millar, president of Canadian Vegetable Oils, Limited. Unlike most of the National Government suggestions coming from the business community, Millar wanted a National Government that would not amalgamate the two railway systems. See G.F. Millar to Dunning, 8 January 1935; H.H. Stevens to G.F. Millar, 17 January 1935; Dunning to G.F. Millar, 18 January 1935, file 91, box 10, Dunning Papers, QUA.

<sup>188</sup> “Merger Group Thinks Bennett Ready to Quit,” *Globe*, 12 March 1935, 1; Lambert Diaries, 12 March 1935, QUA; “No Time is Lost in Repudiating Union Cabinet,” *Globe*, 13 March 1935, 1. Jimmy Gardiner claimed that Dunning asked to see “Beatty, [J.W.] McConnell, + one other in Montreal” before responding in writing to the *Globe*’s story, but they were “in the South” and could not be reached. As a result, Dunning decided to respond by telephone. If Gardiner, perhaps not the most reliable source on matters to do with Dunning, was correct in reporting that Dunning had sought to discuss the matter with Beatty and McConnell, one is inclined to wonder whether, in fact, Dunning had been seriously discussing the matter with Beatty and others, though his response in the *Globe* suggests not. In either case, Beatty had been trying to secure support for National Government in Saskatchewan. Norman Lambert received information from Gardiner that “Beatty had seen Judge Peter [?] McKenzie of Saskatoon re Nat’l Govt.” See Lambert Diaries, 17 March 1935, QUA.

week after the *Globe*-National Government episode, that Dunning wanted to be back in government.<sup>189</sup> If so, he would have to travel through traditional party channels.

#### IV

Those channels were certainly open to Dunning once again. The always politically savvy King, who was already assuming victory in the upcoming Dominion election, realized Dunning would be an asset to his cabinet as a signal to the country's business community. Indeed, in April King worried about the prospect of losing J.L. Ralston and Dunning and the resultant weakness it would inflict upon his cabinet.<sup>190</sup> Ralston was in fact King's preference for minister of finance, but it was unclear if he would be willing to join, in which case, Lambert mused, Dunning "would undoubtedly have to face certain pressure to go into the Cabinet."<sup>191</sup> When Ralston expressed his unwillingness to join cabinet, Dunning was next in line. In June, King was discussing "cabinet formation" with him and in the following months Dunning became actively involved in the Liberal campaign, though he did not run in the federal general election, set for 14 October.<sup>192</sup> Indicative of Dunning's high-powered support, former prime minister Robert Borden wrote Quebec premier Louis-Alexandre Taschereau three days after the Liberal electoral victory to press for Dunning's entry in cabinet as minister of finance. Borden was troubled by a recent conversation with Dunning where the latter

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<sup>189</sup> Lambert Diaries, 21 March 1935, QUA.

<sup>190</sup> Lambert Diaries, 14 April 1935, QUA.

<sup>191</sup> Lambert Diaries, 5 May 1935, QUA.

<sup>192</sup> Lambert Diaries, 12 June 1935, QUA.

indicated he did not know if he would receive the appointment. Borden wrote to Taschereau: "May I venture to express the hope that you will write to Dunning and that you will use your powerful influence to see that he does enter the Administration under the conditions indicated." "If he should be invited," Borden went on to explain the conditions, "he would be disposed to put aside his personal interests and undertake the Ministry of Finance if assured that the new Administration will stand for stability, non-interference with legitimate business, sanctity of governmental contracts and prevention of provincial raids upon the Federal Treasury."<sup>193</sup>

King did not need to be pressed or convinced, for his own economic thinking was rather close to Dunning's. Indeed, in the end Dunning ended up basically representing King's views within cabinet and, as a result, received the brunt of a considerable amount of caucus infighting from more leftward leaning colleagues. Dunning was to take many proverbial bullets for King, perhaps poetic justice for Dunning's past transgressions against him, but more a testament to King's wiliness and instinct for self-preservation. That was yet to come. For the moment, as Blair Neatby has observed, "King wanted Dunning as Minister of Finance because he represented fiscal conservatism."<sup>194</sup> As such, Dunning served a double purpose for King: to bolster his own outlook within cabinet and to "reassure industrialists and manufacturers" of the government's conservative intentions.<sup>195</sup>

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<sup>193</sup> R.L. Borden to L.A. Taschereau, 17 October 1935, file 92, box 10, Dunning Papers, QUA.

<sup>194</sup> Neatby, *William Lyon Mackenzie King: The Prism of Unity* (Toronto: University of Toronto Press, 1976), 129.

<sup>195</sup> Neatby, *The Prism of Unity*, 129-30.

Of course, the outcome was not a plain victory for big business, especially for those who had been hanging their political hopes upon National Government possibilities. Still, one is impressed by the non-partisan approval that Dunning's appointment received at the upper levels of the two major parties. After King had handed him the finance portfolio, the next issue became finding an appropriate seat. The West was out. Dunning and party leaders considered seats in Ontario and Quebec, and for a time it looked as if Dunning would run in the Eastern Townships, in J.A. Robb's old riding.<sup>196</sup> Eventually Queens County, Prince Edward Island was chosen as a sufficiently safe riding. J. James Larabee, having won the seat in the recent federal election, vacated the seat in exchange for an appointment as "Inspector of Rents at \$3500." "Got seat arranged for [Dunning] in Queens Co. P.E.I. through Walter Jones," reported Lambert in typical laconic fashion in mid-December.<sup>197</sup> However, local Conservatives who hoped to contest the seat put hopes of Dunning's election by acclamation in jeopardy. Having lost the riding in the recent general election, W. Chester S. McClure wrote to R.B. Bennett to say the seat could be won if the Conservative party wished to contest it. "The general feeling is against an outsider being brought in here," wrote McClure to Bennett, "because he could not get a seat anywhere else. Dunning is not popular."<sup>198</sup> Bennett's secretary, R.D. Finlayson, told Lambert a few days later that McClure seemed set on contesting the

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<sup>196</sup> King Diaries, 22 October 1935 and 23 October 1935, LAC.

<sup>197</sup> Lambert Diaries, 17 December 1935, QUA.

<sup>198</sup> W. Chester S. McClure to R.B. Bennett, 20 December 1935, 52226, Bennett Papers, LAC.

seat and “RB would have to go there + and speak for him.”<sup>199</sup> McClure was advised by an emissary of the Ottawa perspective that “leading Conservatives in Ottawa were not anxious to oppose Dunning,” and that it was in his long-term interests not to contest the seat. Leading members of both parties were “unanimous” in this view. This non-partisan agreement at the upper levels of both parties upset McClure’s partisan sensibilities, and he voiced his protest by reciting the dictum “Liberals are always Liberals.”<sup>200</sup> In the end, the threat of a moneyed Liberal campaign encouraged McClure to accept “the verdict of the higher ups.” McClure lamented that an “advance guard” representing the perspective of the Conservative party’s national leadership turned the tables on local resistance, “and both Liberals and Conservatives banqueted Mr. Dunning.”<sup>201</sup>

The difficulties that surrounded Liberal – and, indeed, Conservative – efforts to assure Dunning’s election is a compelling testament to his diminished popularity. No longer the dynamic westerner, the farmer representative whose appeal defied class division, Dunning was now decidedly aligned with the “big interests.” On the other hand, in leading business circles Dunning was widely regarded as a reliable finance minister sufficiently committed to financial orthodoxy. King, too, was impressed by Dunning’s

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<sup>199</sup> Lambert Diaries, 25 December 1925, QUA.

<sup>200</sup> W. Chester S. McClure to R.B. Bennett, 20 December 1935, 52227-8, Bennett Papers, LAC.

<sup>201</sup> W. Chester S. McClure to R.B. Bennett, 9 January 1936, 52250, Bennett Papers, LAC. Merlyn Brown was the emissary who advised McClure of the Ottawa view and encouraged him not to contest the seat. There is some uncertainty in the sources regarding Brown’s role. Lambert reported on 25 December, “I phoned Dunning + found that Brown was not CAD’s man + hoped he c’d be got rid of.” See Lambert Diaries, 25 December 1935, QUA. In either case, Brown was still pressuring McClure to relent in his resolution to contest the seat.

business expertise and even his acquired social refinement. "I confess, as I talked with him," reflected King, "I realized more than ever the knowledge that he can bring to bear on public matters and his quite exceptional ability. I noticed, too, a considerable improvement in his general style of address and manner, as a result of his associations in Montreal and Toronto."<sup>202</sup>

Dunning was more than a representative of Canada's big bourgeoisie. He was one of its members and, as such, his ideological predispositions reflected a wider social and cultural experience. Only reluctantly and in a limited way did he begin to adapt his ideas. Dunning had even before the election expressed reservations about what King's pronouncements on public policy would cost the treasury; though he admitted they may have been sound politically, Dunning also wondered "how the country is going to stand it all economically." He had nothing against social reform, except that he thought it useless without resting on "a sound economic base." Recent developments in Canada were not sound, to his mind, but were simply making more and more people wards of the state. Dunning realized that such views were unpopular, but he felt them to be no less true.<sup>203</sup> When he did take his views to the public on the campaign trail, he focused his attention on what he perceived to be the path to economic recovery as well as criticism of the other party platforms.

In a national radio address delivered on 25 September in support of the Liberal party, Dunning presented the argument that the economic crisis was rooted in the

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<sup>202</sup> King Diaries, 21 October 1935, LAC.

<sup>203</sup> Dunning to E.M. Macdonald, 15 February 1935, file 91, box 10, Dunning Papers, QUA.

diminished purchasing power of Canada's primary commodity producers who depended upon export markets. The panacea for the crisis rested upon the ability of those producers to find markets for their commodities. In a world divided by economic nationalism, Dunning argued, a free trade policy was impossible. But the "blasting policy" of Bennett had also been destructive. "Liberals believe Canadian unemployment is aggravated by the restrictive trade policies now in force," thundered Dunning. He suggested, alternatively, that friendly diplomacy abroad might open up the channels of trade upon which the Canadian economy depended.<sup>204</sup> No doubt, Dunning's experience in the West and later business activities had been formative in imbuing him with the opinion that Canada was inexorably dependent upon the export of its commodities, since wheat and pulp and paper had been the two main sectors of his business activities.

Dunning also continued to propound a 19<sup>th</sup>-century liberal doctrine that ran counter to the growing body of thought emphasizing the need for economic planning and social reform; indeed, he positively opposed such notions. In Dunning's intellectual universe, no doubt tainted by partisan calculation, only the Liberal party offered to protect the freedom of Canada's citizens. The following quotation, taken from Dunning's September 29 radio address, reveals much:

To me the decision on principle is simple, because Conservatives, Reconstructionists and C.C.F.'s are all standing for various methods of applying socialism and regimentation to the Canadian people and their problems. I do not care whether it is the Fascism of the Conservatives and Reconstructionists or the

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<sup>204</sup> *Radio Address: CFRB Studio, 37 Bloor Street, West, Toronto, 9.30 to 10.00 p.m., Wednesday, 25 September 1935, 4-5, 7, file 294, box 34, Dunning Papers, QUA.* Dunning provided more detail regarding his views on economic policy, especially wheat marketing, in his second radio address, which he delivered on 5 October. *Radio Address: CFRB Studio, 37 Bloor Street, West, Toronto, 10.30 to 11.00 p.m. (Eastern Standard Time), Wednesday, October 9<sup>th</sup>, 1935, file 294, box 34, Dunning Papers, QUA.*

Marxian Socialism of the C.F.F. To me both mean tyranny. They mean the gradual setting up of an army of bureaucrats who would direct ultimately all our actions as individuals, --what we should produce, what we should sell and at what price, what we should buy + at what price, what we should do and how we should live, move and have our being.

The present Government have gone a long way on this road and so far have demonstrated that this form of tyranny, as applied by the Marketing Act for instance, is unsound, inefficient, and contrary to the independent spirit of our people, . . . give them five years more of power and they will create such a bureaucratic tyranny as will take years to overcome. The Reconstructionist Party and the C.C.F. programs mean the same thing but with a different tyrant. Of course, we are told that the tyranny will be good . . . , that it will be beneficial. It would certainly involve jobs for a very large number of us, to regulate and regiment the rest of us.<sup>205</sup>

In this somewhat hyperbolic argument, only “Liberalism” could protect Canadians from bureaucratic tyranny, by which Dunning meant the term in a double sense, referring to both the Liberal party and the classic ideology of the liberal order. Indeed, Dunning went on to argue that the fundamental economic problems of the day were all traceable to the Great War “and its destructive cost in men and material.”<sup>206</sup> The economy was, for Dunning, an organism that had been disrupted by the cataclysmic shock of war. This notion – of economy as organism, most effectively able to recover without “outside” interference – remained the “common sense” of many bourgeois Canadians in this period. In his first budget speech, Dunning proclaimed economic law to be on Canada’s side again, but worried that war might once again disrupt progress.<sup>207</sup>

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<sup>205</sup> *Radio Address . . . 25 September 1935, 1.*

<sup>206</sup> *Radio Address . . . 25 September 1935, 2.*

<sup>207</sup> *Budget Speech Delivered By Hon. Chas. A. Dunning, Minister of Finance, Member for Queens, Prince Edward Island, in the House of Commons, May 1, 1936 (Ottawa, 1936), 92433, vol. 152, Arthur Meighen Papers, MG 26 I, LAC.*

The public policies of the King government have been examined elsewhere in great detail. There is, then, no need to catalogue Dunning's activities as finance minister here. Rather, it is best to pursue two broad observations. One, Dunning failed in his objectives to curb government spending and revitalize free enterprise. "There have been heavy deficits in the public accounts of each year, since we assumed office, and, unfortunately," lamented Dunning in January 1938, "there will be a deficit of a considerable amount for the present fiscal year." He was still hoping that the Liberal administration would be in a future position before the next election to "show a surplus of receipts over expenditures" and to reduce the "present high rate of taxation."<sup>208</sup> Only months after that statement, Dunning suffered a stroke in a cabinet meeting, evidently succumbing to the stress of resisting calls for increased social spending from more left-leaning colleagues. Not coincidentally, that year marked "the first time a government had consciously decided to spend money to counteract a low in the business cycle."<sup>209</sup> Weakened by the stroke, Dunning's influence in cabinet waned and he was forced to accommodate. In his budget speech the following year, Dunning proclaimed that the "old days of complete laissez-faire . . . have gone forever."<sup>210</sup> It was Canada's first truly Keynesian budget.<sup>211</sup> Secondly, in joining cabinet Dunning became involved in a mechanism that imposed a limited range of policy alternatives upon him. A new tension

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<sup>208</sup> Dunning to Mackenzie King, 12 January 1938, 212728, vol. 249, King Papers, LAC.

<sup>209</sup> Neatby, *Politics of Chaos*, 85.

<sup>210</sup> *Budget Speech Delivered by Hon. Chas. A. Dunning, April 25, 1939*, 92662, vol. 152, Meighen Papers, LAC.

<sup>211</sup> Bryce, *Maturing in Hard Times*, 119-21.

between Dunning, as finance minister, and the business community was revealed in his final budget speech. He pointed to the “ironical” position in which he found himself, having to appear “to argue for high debt and high taxes.” He could not but voice disappointment in “the lack of imaginative business leadership in recent years” for having contributed to making the interventionist state a necessity: “When private investment expands, not only will we find our need for Government expenditure less but also our revenue receipts will be so much increased that debts can be reduced and taxes lowered.”<sup>212</sup>

Major realignments had occurred, and the political effectiveness of the Canada’s big bourgeoisie had diminished in significant ways. In bridging the worlds of business and politics during the onset of a social democratic age, Dunning served as a sort of frontline soldier of the country’s bourgeoisie; but, unable to harmonize political life to the outlook and interests of big business, he exited politics physically broken and ideologically compromised. His accomplishments must be viewed in terms of his role in containing radical alternatives: the federal government’s reassertion of authority in banking and finance, evidenced by the disallowance legislation that voided the attempts of William Aberhart’s Social Credit government in Alberta to annul massive amounts of personal debt; its stewardship in the area of public finance, which, having become a major portion of the financial sector’s business since the First World War, had emerged as a major element in the overall structure of Canadian capitalism; and, finally, the

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<sup>212</sup> *Budget Speech Delivered by Hon. Chas. A. Dunning, April 25, 1939*, 92661, vol. 152, Meighen Papers, LAC.

general restraint that Dunning and King imposed upon government spending.<sup>213</sup>

Meanwhile, the contingencies of the ongoing Depression encouraged the federal state's further entry, under Dunning's oversight, into Canada's economic life, in wheat marketing, banking (i.e. the federal government's purchase of all Bank of Canada shares), transportation (i.e. the establishment of Trans-Canada Air Lines and the state's continued control of the CNR), and other areas.<sup>214</sup>

## V

Dunning's progressive style of politics bore considerable fruit in the 1920s, especially during the first half of the decade, when he was widely perceived as a western agrarian representative. His regional identification waned in the 1920s after he moved to Ottawa to become minister of railways and canals; it waned further after he took charge of the finance portfolio; and it was pretty well eclipsed when he became a St. James Street executive, where his efforts as a "physician" to sick businesses never turned out as well as he hoped – though he did succeed in safeguarding the capital of the banks. Dunning and his big business allies worried about increasing government intervention in the economy; it was believed by many influential figures that Dunning's progressive, non-partisan political style could be deployed to shore up the old order through

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<sup>213</sup> For an overview of Dunning's record as minister of finance see Neatby, *Prism of Unity*, 129-31, 157-60, 250-8 and *passim*. Canadian chartered banks had become more heavily invested in provincial and federal government securities with First World War financing; moreover, the banks moved away, in relative terms, from corporate securities after the financial fragility of the railways was revealed during the war. See E.P. Neufeld, *The Financial System of Canada* (Toronto: Macmillan of Canada, 1972), 113.

<sup>214</sup> Alvin Finkel examines the establishment of the Wheat Board and the Bank of Canada in *Business and Social Reform in the Thirties* (Toronto: James Lorimer & Company, 1979), 58-80 and 117-35.

retrenchment and balanced budgets. Dunning's identification with the "big interests" made such a drive politically difficult, if not impossible. Ironically, Dunning, who found the idea of class politics repugnant, became one of its most widely identified practitioners. During the 1930s many Canadians had come to reject the meritocratic ideal which had previously helped to legitimize disparities of wealth and power. Dunning entered King's cabinet as minister of finance after the 1935 general election through the activism of big business figures and because King wished to signal his administration's conservative intentions in those quarters. But Dunning was no longer a popular figure. His hope to succeed King as leader of the Liberal party came to naught, and his tenure as finance minister proved a disappointment.

The *mentalité* that Dunning evinced throughout the 1930s revealed a stubborn attachment to the ideals of classical liberalism. But these ideals were uniquely structured by his social ascent into the upper stratum of Canada's business community. Thus, while Dunning clung fiercely to individualism and economic freedom during the 1930s, he had also come to accept the protective tariff, which, after all, served a fundamental role in protecting the economic interests of St. James Street.<sup>215</sup> The apparent shift in his position on the tariff was a crucial aspect of his political estrangement from the Prairie West. More broadly, Dunning's outlook came to reflect the more general outlook of finance capital in Canada. But, with the onset of the Depression and the concomitant decline of the old economic doctrines, finance capital experienced a political crisis for which its

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<sup>215</sup> This, of course, is not to imply that the tariff was solely a tool of big business. For more on the complex political dimensions of the protective tariff see Paul Craven and Tom Traves, "The Class Politics of the National Policy, 1872-1933," *Journal of Canadian Studies* 14, 3 (Fall 1979), 14-38.

representatives, such as Dunning, had no easy answer. Political failure had to be felt before capital-rich Canadians acquiesced to further accommodation: Dunning's experience was a part of this larger trajectory.

Dunning left a political world in which he had little room to operate. Reflecting the ease with which the bourgeoisie continued to travel between the private sector and the state, after Dunning left government he was recruited by Montreal business mogul J.W. McConnell to serve as president of Ogilvie Flour Mills Company in Montreal, where he acquired directorships with companies such as the CPR, Stelco, Consolidated Paper, and the Bank of Montreal.<sup>216</sup> In 1940 he also became Chancellor of Queen's University, a position once held by CPR president Sir Edward Beatty; and Dunning resumed his activities within the state during the war as chairman of a crown corporation, the Allied War Supplies Corporation.<sup>217</sup> The smooth transition between politics and business was, for some, a model to emulate. "I should like to make some such business connections as Charlie Dunning did when he also was sent about his business"; so wrote Robert J. Manion, former minister of railways after losing his seat in the 1935 general election, to Sir Thomas White, president of the Canadian Imperial Bank of Commerce – and a former

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<sup>216</sup> Lambert reported that McConnell was trying to get Dunning to head Ogilvie as early as 1937. See F.S. Chalmers, "Memorandum of conversation with Hon. Charles A. Dunning," 5 August 1937, file 36, box 3, series 2, Chalmers Papers, AO. In 1939 Dunning was appointed vice-president of the Ogilvie company and in 1940 he succeeded McConnell as president. See Fong, *J.W. McConnell*, 227.

<sup>217</sup> The activities of the Allied War Supplies Corporation are outlined in J. de N. Kennedy, *History of the Department of Munitions and Supply: Canada in the Second World War, vol. I, Production Branches and Crown Companies* (Ottawa, 1950), 290-317.

minister of finance himself.<sup>218</sup> Though they moved between business and government easily, the power Canada's bourgeoisie exercised was increasingly limited by popular opinion in a coming social democratic era, which challenged the political entitlement of big business and doubted its beneficence. As we shall see, business leaders sought to overcome this dilemma by subverting the influence of democratic pressures upon the state.

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<sup>218</sup> R.J. Manion to Sir Thomas White, 15 January 1936, file 17, "Personal Correspondence, White, Sir Thomas 1935-1936," vol. 14, Manion Papers, LAC.

## CHAPTER THREE

### The Dilemma of Democracy: Sir Edward Beatty, the Railway Question, and National Government

On 20 November 1931 the Royal Commission to Inquire Into Railways and Transportation in Canada was established amid widespread concern about the viability of the nation's railway systems and growing worry about Canada's credit after the onset of the Great Depression. More widely known as the Duff Commission, after its Chairman Lyman Duff, commission members were mandated to "inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country."<sup>1</sup> After conducting hearings that included people of varied political stripes across the country, the commissioners – consisting of numerous important business figures – tabled their report in the House of Commons the following year. The report concluded that economical management of the public system required it be insulated "from political interference and community pressure," evidencing a keen

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<sup>1</sup> *Report of the Royal Commission to Inquire into Railways and Transportation in Canada, 1931-2* (Ottawa, 1932), 5.

awareness of – and even an aversion to – the pressures of popular opinion.<sup>2</sup> Additionally, the report made clear that while amalgamation of the two systems under private ownership may have provided a theoretical solution to the financial difficulties of the country's railways, such a solution was a non-starter because of its obvious unpopularity with the public. Edward Wentworth Beatty (1877-1943), president of the privately owned Canadian Pacific Railway (CPR), had argued in favour of amalgamation before the Duff Commission; he was duly disappointed by the report. “[W]hen politics comes in the door,” lamented Beatty, “courage goes out the window.”<sup>3</sup>

Beatty's lament reflected a more general concern among big business figures about the viability of democratic government during the 1930s, a concern that regularly arose in tandem with discussion of the railway question. The historic importance of railways generally and the CPR specifically is hard to deny. Responsible for building a line along an east-west axis, linking the West with Quebec, Ontario and the Maritimes, the CPR built the transportation infrastructure that simultaneously consolidated the Canadian nation-state and expanded the scope of the British Empire. The capitalists represented in the CPR positioned their enterprise at the centre of this imperialist nation-building project during the 19<sup>th</sup> century by cultivating relationships with politicians to profitable ends. This economic elite, operating mostly from a Montreal base, was formed in step with the National Policy, accumulating capital in the process of forging the economic structure of a nation. Westward expansion and settlement, abundant British

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<sup>2</sup> *Report of the Royal Commission*, 63.

<sup>3</sup> Beatty to Gilbert E. Jackson, Department of Political Science, University of Toronto, 19 November 1932, 470, vol. 142, box 23-006, President's Letter-Books, RG 23, Canadian Pacific Railway Archives [CPRA].

capital, large influxes of immigrants and – of immeasurable importance – a close relationship with the Canadian state, all worked to assure the CPR large and continued profits throughout the National Policy period.<sup>4</sup> Beatty, appointed president of the CPR in 1918, was thus cast in a leadership position of an economic elite that had dominated the national scene economically for some time. As he would discover, developments over the next two decades would challenge that dominance; by the 1930s Beatty and moneyed allies had come to argue in favour of the formation of another coalition government, a “National Government,” to address the contingencies of economic crisis.

The storm had been brewing for some time. In the heady days of the “Laurier boom” prior to the First World War, railway competition emerged from the Canadian Northern, which was promoted by the famously optimistic duo William Mackenzie and Donald Mann and supported by Western Canadian political figures interested in lowering freight rates and who shared Mackenzie and Mann’s unbounded expectations of western growth.<sup>5</sup> The Grand Trunk also expanded westwards through the Grand Trunk Pacific to

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<sup>4</sup> The nation-building aspect of the CPR has been most famously written about in Pierre Berton’s two-volume popular history, *The National Dream: The Great Railway, 1871-1881* (Toronto: McClelland and Stewart, 1970) and *The Last Spike: The Great Railway, 1881-1885* (Toronto: McClelland and Stewart, 1971). The counter-point to Berton’s celebratory history is Robert Chodos, *The CPR: A Century of Corporate Welfare* (Toronto: James, Lewis & Samuel, 1973). For an overview of the economic activities of the CPR in the West during the boom years of the National Policy period, see John A. Eagle, *The Canadian Pacific Railway and the Development of Western Canada, 1896-1914* (Montreal: McGill-Queen’s University Press, 1989). Andy A. den Otter’s *Civilizing the West: the Galts and the Development of Western Canada* (Edmonton: University of Alberta Press, 1982) is an important study of the political economy of early development in the West – through the prism of one influential family – which throws light upon the ubiquity of the CPR role.

<sup>5</sup> T.D. Regehr, *The Canadian Northern Railway: Pioneer Road of the Northern Prairies, 1895-1918* (Toronto: Macmillan of Canada, 1976), 462-3.

compete with the CPR.<sup>6</sup> After these competing interests fell into financial disrepair, they were consolidated into a nationalized railway system. The state was thus cast by the 1920s as a competitor to the CPR – the very corporation it had historically nurtured. More than this, the basis of the accumulation regime in which the CPR was entrenched had been eroded since the end of the First World War. Immigration dried up, as did British capital, and railways began to encounter competition from trucking. The Great Depression did even more to upset the situation; the collapse of the wheat economy significantly decreased railway traffic, farmers vacated marginal lands, and overall retrenchment made it difficult to raise the capital necessary for the operation of railway facilities. As this financial strain was placed upon both railway systems, Beatty discovered that “politics,” which had been so skillfully managed by CPR representatives in the past, had become a significant hindrance to the CPR’s aims. Unable to wield the desired influence through the traditional channels of the party system, Beatty sought alternatives.

This chapter offers a case study of Beatty and his activism surrounding the railway question as well as his broader efforts to shape public opinion on important questions concerning the role of the state in society. More broadly, it is a case study of St. James Street’s attempt to shore up the economic order of the National Policy period. It takes us into the smoke-filled rooms of elite social clubs, the at-home meetings between political and business leaders, the luxurious train cars in which Beatty and others of comparable standing traveled: it was in these sites of class exclusion where political

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<sup>6</sup> For an institutional history of the Grand Trunk, see A.W. Currie, *The Grand Trunk Railway of Canada* (Toronto: University of Toronto Press, 1957).

initiatives were hatched to create a world more friendly to private enterprise. The fundamental failure of these initiatives throws light upon the waning political effectiveness of Canada's big bourgeoisie during the Great Depression. Moreover, it was part of a broader political failure that signaled the decline and eventual fall of the old accumulation regime characterized by the dominance of finance capital. Beatty and the CPR most clearly represented the old regime that had emerged from the National Policy period. After the First World War the presidency of the CPR retained a commanding social prestige that came with the virtual assurance of a lordship or knighthood – along with commensurate economic power. Beatty, as one commentator noted in the late 1920s, “was the man with the world's biggest jobs.”<sup>7</sup> In spite of this, Beatty's political efforts during the interwar period failed to come to fruition, and he embraced a *mentalité* that evinced growing ideological isolation and hostility to the prevailing currents of political change. Beatty's political failure, given his commanding position within St. James Street, was of central importance to the restructuring of the nation's big bourgeoisie; the presidency of the CPR would never regain the prestige it lost during these years.

## I

Edward Beatty was born in Thorold, Ontario in 1877. His father, Henry, who emigrated from Northern Ireland to join his brothers in southern Ontario at the age of ten, had made a small fortune in the 1860s while still in his 30s by operating a hardware store in California during the Gold Rush and later staking claim to a gold deposit in Cariboo, British Columbia. Henry Beatty returned to Thorold in 1864 with \$40,000 and joined his

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<sup>7</sup> Leslie Roberts, *These Be Your Gods* (Toronto: Musson Book Company Ltd., 1929), 159-70.

brother's steamship line operating on the Great Lakes and later formed a separate line for himself. In 1869 Henry wed Harriet M. Powell, a relative of the Massey family, already well-known manufacturers of farm implements; three children were born of the couple before Edward, the youngest, arrived. By the time the second CPR syndicate was formed in 1880 Henry Beatty had established himself as the preeminent shipper on Lake Superior and was contracted to ship equipment for the CPR while construction of the railway proceeded. He eventually sold his shipping fleet to the CPR and joined its ranks as manager of lake transportation, gaining 1,000 shares in the process. Some commentators have claimed that Beatty, a lifelong bachelor, married the CPR; but one could just as easily have said that he was born into it.<sup>8</sup>

Accounts of Beatty's early life suggest a rigid, quintessentially Victorian upbringing. Beatty's strict father moved the family to Toronto in 1887 apparently to allow his children access to better educational opportunities. (His sister was one of the University of Toronto's earliest women graduates.) Beatty attended that bastion of educational elitism, Upper Canada College, as well as the Model School, Harbord Collegiate, Parkdale Collegiate Institute, and for a time he studied under the instruction of a private tutor. D.H. Miller-Bartow, author of the only book-length biography on Beatty, published in 1951, wrote that "the variety of schooling was, in at least one instance, encouraged by the polite suggestion from a principal that 'he might do better

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<sup>8</sup> John Murray Gibbon, *Steel of Empire: The Romantic History of the Canadian Pacific, the Northwest Passage of Today* (New York: Bobbs-Merrill Company, 1935), 104 and 246; D.H. Miller-Barstow, *Beatty of the C.P.R.: A Biography* (Toronto: McClelland and Stewart, 1951), 5-6 and 14-16; David Cruise and Allison Griffiths, *Lords of the Line* (Markham, Ontario: Viking, 1988), 296-8. Cruise and Griffiths entitled one of their chapters on Beatty "The Man Who Wed the CPR."

elsewhere.”<sup>9</sup> Fonder of physical play than book reading, Beatty achieved mediocre academic standing at the University of Toronto but managed to graduate with a degree in political science in 1898. Beatty was more at home on the rugby field, where he relished rough-and-tumble competition and the male camaraderie of team play; it was here where Beatty met John Hobbs, who became “his closest friend in life.”<sup>10</sup> His athleticism became more legendary with his later success in the business world, and he admitted in 1939 that it was greatly exaggerated: “Honestly compels me to admit . . . quite frankly that my athletic career at Toronto – when it was in the making – was far from being a distinguished one.”<sup>11</sup> Nonetheless, Beatty continued to devote attention to his physical fitness in later life, running one hour every day, thus paying heed to the physical ideal of the relatively new meritocratic style of the wealthy.<sup>12</sup> Obeying his father’s injunction that he pursue a career in law or medicine, Beatty trained in the eminent Toronto law offices of McCarthy, Osler, Hoskin and Creelman, one of whose major clients was the CPR, and graduated from Osgoode Hall. Called to the bar in 1901, Beatty left Toronto with one of the partners, A.R. Creelman, to work as his assistant in the legal department of the CPR in Montreal. Beatty worked hard and advanced rapidly within the company, becoming:

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<sup>9</sup> Miller-Barstow, *Beatty of the CPR*, 17.

<sup>10</sup> Miller-Barstow, *Beatty of the CPR*, 18.

<sup>11</sup> “Address delivered by Sir Edward Beatty at Hart House on Thursday, March 30, 1939 on the occasion of the Annual Banquet of the University of Toronto Athletic Association,” *University of Toronto Monthly*, file R- 104 – B, vol. 66, R.J. Manion Papers, MG 27 III B 27, Libraries and Archives Canada [LAC].

<sup>12</sup> Donald MacKay, *The Square Mile: Merchant Princes of Montreal* (Vancouver: Douglas & McIntyre, 1987), 194; Jackson Lears, “The Managerial Revitalization of the Rich,” in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005), 183-4.

general solicitor, 1910; general counsel, 1913; vice-president, 1914; and member of the executive committee, 1916. By this time, the aged CPR president Thomas Shaughnessy realized a successor would soon need to be chosen. Passing over general manager and vice-president George Bury, who by seniority and position was the heir apparent, Shaughnessy chose the less senior Beatty, who only a few years earlier was thus described by a friend: “a man who just the other day was a boy, and who still regards life as a game of Rugby.”<sup>13</sup> At 41 years of age Beatty became the youngest president in the CPR’s history.<sup>14</sup>

Beatty’s rise within the CPR, though a snub to Bury, might have been expected. When Beatty sought to leave the CPR in 1912 to become a partner in W.N. Tilley’s prominent Toronto law firm, Shaughnessy asked Beatty into his office. “Beatty,” quipped Shaughnessy, “do you want to be an ordinary lawyer all your life, or do you want to be President of the C.P.R.?”<sup>15</sup> Beatty was persuaded to stay. Though he worked his way up the corporate hierarchy through hard work, the path to the presidency had already been cleared by a privileged upbringing and his father’s connections with the company. Beatty, indeed, was the last CPR president to control a significant holding in the company itself, courtesy of a multi-million dollar estate willed to him by his father.<sup>16</sup> He also became

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<sup>13</sup> Gibbon, *Steel of Empire*, 384.

<sup>14</sup> Biographical information for the paragraph was gleaned from Cruise and Griffiths, *Lords of the Line*, 293-309; Miller-Barstow, *Beatty of the CPR*, 16-30; Gibbon, *Steel of Empire*, 384-5; “Sir E.W. Beatty – Biographical Note n.d.,” Edward Wentworth Beatty Fonds, MG 30 A 57, LAC.; and Charles Vining, “They All Said ‘Poor Beatty!’” *Toronto Star Weekly*, 23 July 1927, file “Press Clipping,” Beatty Fonds, LAC.

<sup>15</sup> Quoted in Miller-Barstow, *Beatty of the CPR*, 23.

<sup>16</sup> Cruise and Griffiths, *Lords of the Line*, 295.

connected with an array of institutions that solidified his leadership role within Montreal's bourgeoisie. He was, of course, a member of elite social clubs, such as the exclusive preserve of Montreal's big bourgeoisie, the Mount Royal Club. Founded in 1899 by leading figures of the Bank of Montreal-CPR group who felt "the St. James Club membership had become too broadly inclusive for their tastes, and desired a new and more selective association," the Mount Royal Club, located on Sherbrooke Street, was near the mansions of its capital-rich members in "Montreal's Square Mile," a well-defined elite enclave.<sup>17</sup> Beatty was also appointed Chancellor of Queen's University in 1919 before being appointed Chancellor of McGill the following year; though he did not perceive a conflict of interest in remaining chancellor of both universities, he resigned from Queen's and would become an unusually active chancellor at McGill, especially in combating academic radicalism during the 1930s.<sup>18</sup> It was ironic that Beatty, who grew disdainful of academics and their pursuits, served as chancellor of two of Canada's most established universities, though certainly this was a testament to his acknowledged role as leader of the capitalists whose money was crucially important to universities such as McGill and Queen's.<sup>19</sup> Ideologically, he was much more at home as president of the Boy

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<sup>17</sup> Kathryn J. Banham, "The Architecture and Painting Collection of the Mount Royal Club, Montreal, 1899-1920" (MA thesis, Concordia University, 2006), 14.

<sup>18</sup> Stanley Brice Frost, *McGill University: For the Advancement of Learning, vol. II, 1895-1971* (Kingston and Montreal: McGill-Queen's University Press, 1984), 187-209; Marlene Shore, *The Science of Social Redemption: McGill, the Chicago School, and the Origins of Social Research in Canada* (Toronto: University of Toronto Press, 1987), 20-1 and passim; Cruise and Griffiths, *Lords of the Line*, 336-44.

<sup>19</sup> McGill was a private university and thus entirely dependent upon private individuals for financial support.

Scouts of Canada, an organization whose sense of empire and martial spirit resonated with Beatty's worldview.

Beatty viewed his rise to prominence through the lens of a worldview that was both meritocratic and elitist. In an interview with journalist Charles Vining in 1927 Beatty reflected upon his rise within the CPR. Claiming he had not entered the CPR with any particular ambition, Beatty explained: "I just kept on working hard at whatever came my way because I liked it. In the first ten years I took ten days' holidays." Failure, Beatty claimed, was most often caused by a negative attitude towards work, a feeling that one's work is not remunerative, "that the men above him are no good": "Grouching." Beatty explained to Vining that success flowed from "intelligent work," but not merely intelligence:

I think personality is more important than brains. A great deal of business in this world depends on personal relations and the man who can meet another man with frankness, and with a personality that the other man likes and trusts has advantage over a man who is merely clever. A man who views business as a poker game is wrong from the start. While poker hands – poker faces – are not lacking in some transactions, the poker days of business generally speaking are past. Big business is done now by laying all the cards on the table, and the more open a man can be the better are his chances of getting what he wants.<sup>20</sup>

One succeeded on the basis of "character," that ill-defined marker of social worth, which spawned a surveillance regime in 19<sup>th</sup>-century North America as credit agencies sought to uncover the "real" character of individuals, "recordable by objective, not subjective, means."<sup>21</sup> Beatty believed success generally – and also his personal success – to be the result of vigorous work and a certain élan indicative of "character," which sorted the

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<sup>20</sup> Vining, "They All Said 'Poor Beatty!'"

<sup>21</sup> Scott A. Sandage, *Born Losers: A History of Failure in America* (Cambridge: Harvard University Press, 2005).

social order according to merit. “The breaks of the game always go to the better team,” Beatty claimed, “and they go also to the better man. Some men seem to start in better circumstances than others, but it is effort which takes advantage of these circumstances, or creates them.”<sup>22</sup> He embraced the meritocratic ideals of the period, which explained merit in ill-defined terms of vigour, action, character and fair-play, casting it more as a style than a particular set of skills, and thus portraying the upper class as deserving but also decidedly exclusive, beyond the reach and capacity of those below. In his portrait of Beatty, Vining wrote of no stodgy plutocrat, but a human dynamo. Vining described entering the CPR’s head office at Windsor Station to meet Beatty:

. . . you go up in the elevator to the second floor and walk along a city block of corridor to the south side until you see a door numbered 215, with “President” printed on it in plain black letters. At a table beside the door is a young man and you explain yourself. . . . [W]hen the clock on the wall ticks the hour of your appointment, the young man takes you through the door into a small room where typewriters are nattering politely. There is a second door, and you walk into a large, long room, with portraits on the walls, high windows, semi-circle big black chairs, [and] thick rug . . . Toward the far end of the room, beside a window, is a wide desk.

. . . [S]tanding out in the middle of the door near the desk when I walked in . . . was a man of medium height with slim legs . . . and heavy shoulders. He was dressed in plain gray suit and plain white shirt, and he was standing with feet apart, hands shoved in his pockets, square chin thrust forward, . . . appraisal in his eyes. He was ready for me. As he watched me come into the room to shake hands I felt him say . . . “Now, what’s this one like?”

Rather than being entrenched behind a desk like most, explained Vining, Beatty is ready and “eager for things. He goes out to meet them”:

Before one gets across the room to him one knows that here is a man intensely alive, supremely on top of whatever he has to do. Anyone who goes inside that door must immediately be aware of it.

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<sup>22</sup> Vining, “They All Said ‘Poor Beatty!’”

Poise of body and challenge of eye are the outward expression of this vitality. Whether standing or sitting there is a curious hint of alertness about Mr. Beatty. He does not move quickly, but one feels always he is ready to do so and in his face is the same readiness and purpose.<sup>23</sup>

Not merely a man, Beatty was emblematic of a new breed of capitalist.<sup>24</sup>

## II

He faced new challenges as well. His career as CPR president coincided with the government's expansion into the railway business. The overbuilt infrastructure of Canada's railway system had been laid before the First World War by aggressive capitalists able to secure financing from mostly British sources. The economic dislocation of the Great War was substantial: immigration dwindled, capital suddenly dried up, and revenues fell.<sup>25</sup> Having already forwarded loans to the financially strapped Canadian Northern and Grand Trunk Pacific systems in 1914, Prime Minister Robert Borden announced the appointment of a Royal Commission to study the problem. The commission's majority report, authored by Henry Drayton of the Board of Railway Commissioners and British railway economist W.M. Acworth, was released in May 1917 and, observed historian Ken Cruikshank, "shaped and legitimated the subsequent railway

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<sup>23</sup> Vining, "They All Said 'Poor Beatty!'"

<sup>24</sup> See Lears, "Managerial Revitalization of the Rich."

<sup>25</sup> Stevens, *History of the Canadian National Railways* (New York: Macmillan Company, 1973), 238-300; Donald MacKay, *The People's Railway: A History of Canadian National* (Vancouver: Douglas & McIntyre, 1992), 5-32; Regehr, *Canadian Northern Railway*, 385-409; Currie, *Grand Trunk*, 432-60.

policy of Prime Minister Borden.”<sup>26</sup> Coming to fruition in the period between 1918 and 1923, the plans implemented by the Canadian government included nationalization of the Canadian Northern, the Grand Trunk, and the Grand Trunk Pacific, consolidating them into a larger system, the CNR, which also included the Intercolonial. Two competing national systems thus remained – one publicly-owned and the other held by private interests.

The creation of the CNR emerged out a context of significant political realignment, which was felt during the war but was prefigured by changes within the Conservative party under Robert Borden, party leader since 1901. As John English has shown, Borden sought to lessen the party’s traditional dependence upon the CPR by courting party outsiders from Toronto’s business elite, including former Liberals who vigorously supported Borden during the decisive “reciprocity election” of 1911.<sup>27</sup> The formation of a Union government in 1917 further disrupted traditional party loyalties, as members of the two main political parties – Conservatives and pro-conscription Liberals – joined hands to form government. Conservative party stalwart Robert Rogers of Winnipeg, skilled-practitioner of “machine politics” and important party organizer, lamented the breakdown of old party loyalties and drew upon his Montreal connections, cultivated “in his long years as principal party organizer,” to oppose Borden; the CPR was an eager ally, its executives already made dyspeptic by Borden’s railway policy. The

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<sup>26</sup> Ken Cruikshank, *Close Ties: Railways, Government, and the Board of Railway Commissioners, 1851-1933* (Montreal and Kingston: McGill-Queen’s University Press, 1991), 130-1.

<sup>27</sup> John English, *The Decline of Politics: The Conservatives and the Party System, 1901-20* (Toronto: University of Toronto Press, 1977), 64-5 and 68.

Canadian Northern Acquisition Bill was introduced on 1 August 1917 amidst objections and threats emanating from CPR quarters; and Lord Shaughnessy reportedly favoured a Liberal victory in the 1917 election.<sup>28</sup> As English has argued, these developments emerged from Borden's broader effort to move Canadian politics beyond localism and slavish partisanship. Furthermore, as John Eagle has shown, Borden's policy of railway nationalization was not merely forced by the contingencies of the time, but had in fact been articulated as early as 1904, and was animated by "progressive" ideas that advocated a more active, efficient and non-partisan state role in the economy.<sup>29</sup> With the contingencies of war pushing Borden forward, the historic link between the Conservative party and the CPR was profoundly disrupted.

Arthur Meighen, who succeeded Borden as Conservative party leader in 1920, had been instrumental in carrying forth the government's railway policy and thus made the rift between the CPR and the Conservative party more lasting.<sup>30</sup> Meighen's "sin" would not be forgiven in Montreal; during the 1921 federal election Lord Atholstan's *Montreal Star* embarked on an anti-Meighen campaign, including false reports that Meighen planned to move CNR headquarters from Montreal to Toronto. The Montreal "tycoons," associated with the CPR and whose views were articulated by the *Montreal Star*, shifted their strategy and, as political historian Roger Graham has noted, "counted on conservative Liberals like [Lomer] Gouin and [Walter G.] Mitchell to dominate the

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<sup>28</sup> English, *Decline of Politics*, 148 and 176 (n. 45).

<sup>29</sup> John A. Eagle, "Sir Robert Borden, Union Government and Railway Nationalization," *Journal of Canadian Studies* 10 (November 1975), 59-66.

<sup>30</sup> See Roger Graham, *Arthur Meighen: The Door of Opportunity*, vol. I (Toronto: Clarke, Irwin & Company Limited, 1960), 253-5 and 260-72.

situation at Ottawa”; Dafoe claimed, following the Liberal victory in the 1921 general election, that Montreal Liberals had worked out a deal with the city’s “corporation interests” to press for a settlement of the railway question favourable to the CPR.<sup>31</sup> Beatty’s involvement in the anti-Meighen campaign remains unclear and Meighen later doubted Beatty’s active involvement.<sup>32</sup> However, Beatty did publicly attack the government’s railway policy at a gathering for British Columbia’s lieutenant governor in Victoria in September 1921, and following the Liberal victory Beatty predictably remained open to working with Prime Minister Mackenzie King.<sup>33</sup>

Conflict over the railway question unfolded during the 1920s, in part, as a conflict between competing fractions within the national bourgeoisie. Lord Shaughnessy had strenuously opposed railway nationalization as CPR president and his objections were publicized in 1921, following his retirement. He advanced a plan – which took his name – that presented a scheme whereby the CPR would pool its railway properties with those of the government, while leaving the Grand Trunk as a separate, privately-owned system, and also leaving the CPR’s non-railway properties (mines, hotels and so on) out of the pooling agreement. In making his case, Shaughnessy claimed the CNR, as a government-run enterprise, would place a grave financial strain upon the public purse and would lend

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<sup>31</sup> Roger Graham, *Arthur Meighen: And Fortune Fled*, vol. II (Toronto: Clarke, Irwin & Company, 1963), 292; J.W. Dafoe to Joseph Flavelle, 9 December 1921, J.W. Dafoe Papers, MG 30 D 45, LAC.

<sup>32</sup> Arthur Meighen to Roger Graham, 2 April 1952, 148520, vol. 226, Arthur Meighen Papers, MG 26 I, LAC.

<sup>33</sup> S.F. Tolmie to Arthur Meighen, 20 September 1921, 26156, vol. 45, Meighen Papers, LAC. On Beatty’s attitude toward King see John Willison to Mackenzie King, 31 October 1922, 39954, vol. 87, William Lyon Mackenzie King Papers, MG 26 J1, LAC.

itself to the perils of “political interference.”<sup>34</sup> Government-appointed chairman of the Grand Trunk and stalwart of Toronto’s business community, Sir Joseph Flavelle, harboured similar concerns regarding “political interference” in railway management and shared Shaughnessy’s general distaste for public enterprise. But the Shaughnessy plan was even less attractive to him; indeed, Flavelle, as his biographer Michael Bliss has written, “agreed with every Western farmer and every radical politician that a CPR monopoly would be a threat to Canadian democracy.”<sup>35</sup> More concretely, Flavelle leveled the criticism that the CPR would inevitably favour its own lines in managing pooled government lines, leaving the government in a perilous situation.<sup>36</sup> In publicly opposing the Shaughnessy plan in 1921, Flavelle was snubbed at the Mount Royal Club and later in the year came under attack from Atholstan in the *Star*’s infamous campaign against Meighen.<sup>37</sup> The attacks were dishonest, rooted in deeper animosities between Montreal and Toronto. In Toronto, figures such as Flavelle and others connected with institutions such as the National Trust Company and the Canadian Bank of Commerce had supported competition to the CPR in the form of the Canadian Northern, which was heavily financed by the Bank of Commerce. Operating within the Cox family of companies, the

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<sup>34</sup> Lord Shaughnessy, Pamphlet, *The Railway Transportation Problem in Canada*, 6 April 1921; Memorandum for Minister of Railways and Canals, R.J. Manion, 4 May 1931, 3-4, file 41, vol. 27, Manion Papers, LAC.

<sup>35</sup> Michael Bliss, *A Canadian Millionaire: The Life and Business Times of Sir Joseph Flavelle, Bart., 1858-1939* (Toronto: Macmillan of Canada, 1978), 405.

<sup>36</sup> While presenting this view to Dafoe, Flavelle reiterated his general suspicion of public enterprise: “Do not misunderstand me. I personally have less, rather than more confidence in public ownership.” See Flavelle to Dafoe, 15 January 1924, Dafoe Papers, LAC.

<sup>37</sup> Bliss, *A Canadian Millionaire*, 409-11.

financial empire established by Senator George Albertus Cox (1840-1914) in Toronto around the turn-of-the-century, Flavelle and his business associates rivaled the political and economic dominance of the older CPR-led group in Montreal. And, indeed, when the Canadian Northern failed and put the Bank of Commerce in a vulnerable situation – due to its holdings of Canadian Northern stock as security – it was the Borden government that rejected the policy of receivership and foreclosure that would have destabilized the bank.

Beatty, aware of this tension, expressed concern to Meighen in 1920 that a portion of the West and Toronto wanted the government to use “every weapon in its power against the Canadian Pacific.”<sup>38</sup> The extent to which Borden cultivated support in Toronto had been an annoyance to Montreal’s business bourgeoisie and had been made tangible with the appointment of Thomas White, of National Trust, to the finance portfolio following the Conservative electoral triumph in 1911.<sup>39</sup> Support for the CNR was much greater in Toronto than in Montreal. That a government-run railway was safeguarding Canada from a private monopoly was not the ideal for many Toronto moguls, but state ownership was not foreign to them either and was, indeed, more advanced in their province, where power generation was government-run, than in Quebec, where Sir Herbert Holt sat atop the field.<sup>40</sup>

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<sup>38</sup> Beatty to Meighen, 4 October 1920, 26390, vol. 45, Meighen Papers, LAC.

<sup>39</sup> English, *Decline of Politics*, 68.

<sup>40</sup> H.V. Nelles, *The Politics of Development: Forests, Mines and Hydro Electric Power in Ontario, 1849-1941*, 2<sup>nd</sup> ed., with intro. by R.A. Young (Montreal and Kingston: McGill Queen’s University Press, 2005 [1974]), 256-306.

With Meighen still leader of the Conservatives and the 1925 general election approaching, St. James Street continued to hope to influence public policy through the Liberals. At Beatty's Montreal home in July, King met with Beatty, Royal Bank president Sir Herbert Holt, and Bank of Montreal president Sir Vincent Meredith. After dinner the group adjourned to the verandah room to discuss "the Rys & when & how to deal with the situation." Beatty and King agreed it best to remain noncommittal on railway matters until after the election, and Beatty suggested the spectre of railway "amalgamation" be avoided in public discussion. Beatty believed King "needed a majority to tackle the subject." King gratified his hosts by asserting his resolve not to allow "cut throat or reckless competition" to persist in the face of mounting deficits. King also agreed that some form of "unified control" might be implemented and seemed to please the powerful Montreal trio. Heading back to his hotel following the meeting, King asked Holt if he could count on their support. King recorded Holt's response: "He said that he could not get into active political arena tho' . . . I had 'sympathy' in full measure. I shall be greatly surprised if the C.P.R., Bank of Montreal & Royal Bank do not use their influence to see we gain a majority."<sup>41</sup> Masterful politicking it was, rich with the carefully deployed ambiguity and subtle misrepresentation that was to make King such an effective politician.

King's administration, however, had not shown any sign of bending much in the CPR's direction. Indeed, his government implemented Borden's railway legislation, passing the Canadian National Railways Act of 1919, and appointed an outstanding executive at the helm of the CNR, Sir Henry Thornton, in 1922. Thornton was an

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<sup>41</sup> William Lyon Mackenzie King Diaries, 28 July 1925, LAC.

American-born railway executive and engineer by background who had moved up the corporate hierarchy of the Pennsylvania Railroad before taking a general manager's position with the Great Eastern Railway in England, at the time the world's largest commuter system. After the outbreak of war, Thornton's technical knowledge was drawn upon in the British war effort as he was cast into the role of inspector-general for the British Expeditionary Forces and made "responsible for operation of the whole intricate system upon which the existence of the British line depended and for its perfect co-operation with the French Chemin de Fer du Nord."<sup>42</sup> Embracing advanced views on unions and labour-relations, Thornton was respected by Great Eastern Railway employees and was a personal friend of J.H. Thomas, an important figure within Britain's national railway union. It was Thomas who mentioned the CNR position to Thornton – a position that had opened up following the resignation of D.B. Hanna, who resigned in protest over "political interference" in CNR affairs exercised by the recently elected Liberal administration of Mackenzie King. Knighted for his war services, the affable Thornton had gained a reputation as a railway "superman," though his position with the Great Eastern had been extinguished after the government passed legislation to reorganize the British railway system. Thornton was quick to charm the Canadian public, as well as CNR employees.<sup>43</sup> Thornton "has quite won the hearts of all who have met

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<sup>42</sup> D'Arcy Marsh, *The Tragedy of Sir Henry Thornton* (Toronto: Macmillan Company of Canada, 1935), 6.

<sup>43</sup> Stevens, *History of the Canadian National Railways*, 306-10. One of Thornton's first acts was to restore the 1910 pension rights of former Grand Trunk employees, a measure that had been strenuously resisted by Flavelle. Bliss, *A Canadian Millionaire*, 412-3.

him,” exclaimed Flavelle.<sup>44</sup> More troubling to Flavelle and “progressives” such as Dafoe, however, were Mackenzie King’s blatant political appointments to the CNR board.<sup>45</sup> This was a departure from Borden’s ideal of non-partisan, business-like operation. Nonetheless, with Thornton at the helm the CNR had behind it a power of incalculable importance: popular opinion.

Beatty and Thornton were quick to develop animosities towards one another: Beatty, no doubt resentful of the popularity Thornton gained in transforming the CNR into a formidable competitor, considered Thornton nothing more than a “showman”; Thornton, for his part, considered Beatty “a lawyer [and] not a railway man.”<sup>46</sup> Throughout the 1920s the two companies engaged in significant competition, seen in line extensions, hotel construction, expansion of shipping fleets and improvements in commuter services. While Beatty advocated consolidation of the two competing systems under private ownership, economic expansion during the 1920s made competition a viable option. Beatty, in fact, voiced public approval of the principle of competition between the two railways in 1926, though amalgamation remained his ideal solution.<sup>47</sup>

Beatty viewed the most significant challenge facing the CPR as public relations, an apt analysis given the unpopularity of the CPR’s position.<sup>48</sup> In private correspondence

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<sup>44</sup> Flavelle to Dafoe, 12 December 1922, Dafoe Papers, LAC.

<sup>45</sup> Flavelle to Dafoe, 13 December 1922; Dafoe to Flavelle, 20 December 1922; Dafoe to Henry Thornton, 11 June 1924, Dafoe Papers, LAC.

<sup>46</sup> Cruise and Griffiths, *Lords of the Line*, 327; King Diaries, 24 August 1925, LAC.

<sup>47</sup> “For Bad Times Only,” *Globe* (Toronto), 9 November 1934, 6.

<sup>48</sup> “Beatty Thinks Biggest Job is Public Relations,” *Financial Post* (Toronto), 31 July 1925, 10.

in 1925 he complained that co-operative schemes being discussed publicly would result in the CPR making “sacrifices, either in traffic or prestige.” He believed the public felt that “unless sacrifices can be forced from the Canadian Pacific their [the public’s] conditions will be worse even than it is now.” “It is an extraordinary reflection on the judgment of the Canadian people,” lamented Beatty, “though it is not unnatural when you consider the extent of political misrepresentation, that all the methods suggested to relieve the present situation, that of putting their own house (the National Railways) in order is rarely mentioned.” Beatty reported that the commencement of institutional advertising campaigns was helping to get across the CPR’s position to the public and, of particular importance in his mind, to other businessmen as well.<sup>49</sup> Indicative of this public relations drive, Dafoe reported in the summer of 1925 that “unfair competition invariably comes up” in discussions with high CPR officials; “[t]hey hope for the Shaughnessy plan or a merger.”<sup>50</sup> In April Clifford Sifton worried that the CPR was trying to unload its railway on the government: “I do not think the Canadian Pacific has ever been as active in propaganda as it is now. Their intrigues and efforts to influence official opinion are in evidence everywhere.” Sifton asked Dafoe to have the *Winnipeg Free Press* “declare war on the scheme and fight it out.”<sup>51</sup> CPR machinations for government ownership involved proposals for continuance of CPR management and guaranteed dividends for its shareholders, though St. James Street remained ideologically

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<sup>49</sup> Edward Beatty to J.A. Macdonell, Alexandria, Ont., 22 October 1925, 737-8, vol. 121, box 23-003, President’s Letter-Books, CPRA.

<sup>50</sup> Dafoe to Clifford Sifton, 29 April 1925, Dafoe Papers, LAC.

<sup>51</sup> Clifford Sifton to Dafoe, 24 April 1925, Dafoe Papers, LAC.

opposed to government intervention, and Beatty never thought it an acceptable solution. In 1923, encouraged by recent public pronouncements from Beatty, Lord Atholstan commenced his “Whisper of Death” campaign in the Montreal *Star*, which forecast an oncoming deluge resulting from a mounting national debt, made intolerable by costs associated with the CNR.<sup>52</sup>

This drive had its effect in Ottawa, where a Senate committee was established to investigate the railway question in 1925. At the committee’s closed-door hearings Beatty and Sir Herbert Holt presented cases for railway amalgamation so similar that a summary of the proceedings described their presentations as one position.<sup>53</sup> The Senate proved particularly responsive to CPR influence, and the committee’s report presented an opinion generally in line with Beatty’s case, which Beatty himself would reference in arguing for railway unification in the future.<sup>54</sup> Beatty and Holt, as we have seen, met with King the same summer to discuss railway policy, and Beatty continued to press King to leave the door open to railway unification later in the year. But the political bagmen who inhabited the Senate found it easier to embrace railway consolidation than the MPs who counted on popular support in their constituencies. This was somewhat stifling to the aspirations of Beatty and his moneyed allies. With neither major political party

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<sup>52</sup> Stevens, *The History of the Canadian National Railways*, 315-6.

<sup>53</sup> Senator W.A. Griesbach to Arthur Meighen, 16 June 1925, 74908, vol. 126, Meighen Papers, LAC.

<sup>54</sup> Leslie T. Fournier. *Railway Nationalization in Canada: The Problem of The Canadian National Railways*. Toronto: Macmillan Company of Canada, 1935), 299; Beatty to Watson Griffin, 16 December 1932, 592, vol. 143, box 23-006, President’s Letter-Books, CPRA.

embracing his position on the railway question, Beatty remained “neutral” in the 1926 federal election, preferring to support favoured individuals in both major parties.<sup>55</sup>

While Beatty finessed his way around Ottawa, much of the railway battle was being waged in direct business competition, made more lucrative by the boom at the end of the 1920s. Indeed, Beatty reported that \$353,346,450 in dividend payments were distributed to common and preferred shareholders during the period from 1918 to 1930, representing 85 per cent of the company’s total earnings “after deducting fixed charges and pension fund appropriations.”<sup>56</sup> Thornton, meanwhile, modernized the CNR and emerged as a national icon of sorts, emblematic of the possibilities of public enterprise and cooperation between the state, capital and labour, culminating in Thornton’s address at the American Federation of Labor’s international convention in 1929 in Toronto, where Thornton proclaimed the beginning of “a new labor era.” The “very particular conjunctures of context, character, and circumstance” that underpinned Thornton’s rise, as Allen Seager has observed, hit a wall with the arrival of the Great Depression.<sup>57</sup> Thornton would be one of its first and most public victims, a public sacrifice encouraged by Beatty as he moved even deeper into political activism.

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<sup>55</sup> Beatty to King, 2 September 1925, 94872-3, vol. 126, King Papers, LAC; King Diaries, 8 July 1926, LAC.

<sup>56</sup> Beatty to J. Buchanan, 15 June 1931, 113, vol. 139, box 23-006, President’s Letter-Books, CPRA.

<sup>57</sup> Allen Seager, “‘A New Labour Era?’ Canadian National Railways and the Railway Worker, 1919-1929.” *Journal of the Canadian Historical Association* 3 (1992), 172-3.

## III

Meighen, Roger Graham has written, “was not spared the intrigues of the Montreal tycoons” as talk that R.B. Bennett would be his successor emerged in early 1926; Bennett was “known to hold more ‘business-like’ opinions about railway matters” than Meighen, whom Bennett once famously described as “the gramophone of Mackenzie and Mann.”<sup>58</sup> Bennett’s election as leader of the Conservative party in 1927 was an encouraging sign and a small victory for Beatty and St. James Street. They respected the independently wealthy Bennett, believing him to be above petty politics; they shared his deep sense of loyalty to the British Empire (which, some ardent imperialists felt, Meighen had violated in his infamous “Hamilton speech” during the recent electoral campaign); and they felt assured about his protectionist tariff policies. “St. James Street favours Bennett because of his protectionist policies,” wrote Prime Minister King pessimistically before the 1930 election. King also learned that “Beatty was favourable to Bennett’s views.”<sup>59</sup> The list of Montreal donors to Bennett’s campaign, observed political scientist Larry Glassford, “read like a Who’s Who of the Montreal financial and industrial establishment.”<sup>60</sup> Formerly the chief western solicitor of the CPR and a major shareholder in the Royal Bank, Bennett’s immersion in business and his history with the CPR certainly helped to make him a more “reliable” candidate for wealthy Montreal residents – but on the campaign trail such connections were a potential

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<sup>58</sup> Graham, *Meighen*, vol. II, 380.

<sup>59</sup> King Diaries, 23 October 1930, LAC.

<sup>60</sup> Larry A. Glassford, *Reaction and Reform: The Politics of the Conservative Party Under R.B. Bennett, 1927-1938* (Toronto: University of Toronto Press, 1992), 88.

liability. With his proclamation “Amalgamation never, competition ever” in a campaign speech, Bennett sounded publicly his independence from Beatty in an attempt to assure western voters that he would not cede a railway monopoly to the CPR.<sup>61</sup> Popular appeal again seemed to trump Beatty’s long-term goals. The seeds of future conflict between Bennett and Beatty were planted even before the electoral triumph of the Bennett Conservatives in 1930. Beatty would in 1934 write Bennett to lament the promises of 1930: “by reason of your pre-election commitments . . . the future of the Canadian Pacific has been prejudiced and the transportation burdens on the country itself increased rather than lessened.”<sup>62</sup>

Canada had more railway mileage per capita than any other nation by the 1930s.<sup>63</sup> The financial strain of maintaining two competing national lines had seemingly resolved itself during the boom years of the late 1920s only to reemerge as a sudden crisis once the economic slump set in. The financial position of the CPR worsened: in the first half of 1931 the CPR reduced dividend payments and soon after suspended payments altogether.<sup>64</sup> Worse still was the position of the CNR, which was already weighed down by an unwieldy capital structure that included old debts accumulated by Mackenzie and

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<sup>61</sup> Marsh, *The Tragedy of Henry Thornton*, 150-1.

<sup>62</sup> Beatty to Bennett, 20 December 1934, 596496-7, vol. 944, R.B. Bennett Papers, MG 26 K, LAC.

<sup>63</sup> *Report of the Royal Commission*, 39.

<sup>64</sup> “Dividend is Reduced for Time at Least By C.P.R. Directors,” *Globe*, 7 May 1931, 1.

Mann and the Grand Trunk. Company earnings fell by \$46,249,000 and Thornton attempted cost-cutting measures without implementing wholesale layoffs.<sup>65</sup>

Philosophically opposed to public enterprise, Bennett viewed Thornton as a creature of the King government and initiated a ruthless campaign against him, in which Thornton's management of the CNR was conflated with his lavish private life. While in London, England in October 1930, Prime Minister Bennett wrote his minister of railways and canals, R.J. Manion, about the shopping activities of Thornton's wife: "President's wife here purchasing furniture. President cabled her improvements would cost eighteen thousand dollars and she must spend less for furniture. She says building requires improvements. Whatever action you take entirely satisfactory. I was only desirous [to] communicate casual information."<sup>66</sup> The CNR directors had approved funds for Lady Thornton to furnish their Pine Avenue home "in a manner appropriate for the residence of a president." But, having received this "casual information" from Bennett, Manion reneged on the agreement. Thereupon Sir Henry perceived that "a concerted plot to ruin his personal reputation" was in the works.<sup>67</sup> He pressed Manion in December to honour the agreement that \$20,000 in CNR funds be made available for renovations to his house, explaining that he was "very hard up, stock losses, etc." Manion did not bend and described his reply to Bennett: "I told him that if the case came up in the House I wanted to be able to say that we had nothing to do with the matter – that the whole arrangement

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<sup>65</sup> Stevens, *The History of the Canadian National Railways*, 348-9.

<sup>66</sup> Bennett (from London, England) to R.J. Manion, 16 October 1930, file 37, vol. 73, Manion Papers, LAC.

<sup>67</sup> Mrs. Henry James (formerly Lady Thornton) to G.R. Stevens, n.d., quoted in Stevens, *The History of the Canadian National Railways*, 347-8.

had been made under the previous administration.”<sup>68</sup> Thornton would serve as a sacrificial lamb for the supposed improprieties of the King administration.

The following year the Railway Committee of the House of Commons provided opportunities to undermine Thornton’s public reputation and associate him with the supposedly spendthrift ways of the Liberals. Manion, R.B. Hanson of New Brunswick, and Dr. Peter McGibbon, MP for Muskoka-Ontario, were among the most active Conservative members to tar Thornton in the House, citing imprudent company expenditures on hotels, suggesting (falsely) exorbitant company salaries, and drawing attention to Thornton’s salary and personal expense account.<sup>69</sup> Though Beatty admitted the unfairness of some of the attacks leveled against Thornton, it also presented Beatty with new political opportunities.<sup>70</sup>

Upon Beatty’s suggestion, a beleaguered Thornton called for the formation of a royal commission to study the railway question.<sup>71</sup> And though Beatty and Holt complained about delays in getting the commission established, the Duff Commission was finally formed in November.<sup>72</sup> Before the commencement of the commission’s hearings, Beatty wrote, “I am very hopeful that something constructive will emerge from the deliberations of the Royal Commission,” and lauded its personnel as “really

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<sup>68</sup> Manion to Bennett, 30 December 1930, file 4-1, vol. 4, Manion Papers, LAC.

<sup>69</sup> Marsh, *Tragedy of Henry Thornton*, 166-84.

<sup>70</sup> Stevens, *The History of the Canadian National Railways*, 352.

<sup>71</sup> D’Arcy Marsh to Dafoe, 12 December 1934, Dafoe Papers, LAC.

<sup>72</sup> Floyd Chalmers, memo, 30 October 1931, file 1, box 6, series 3, Floyd S. Chalmers Papers, F 4153, Archives of Ontario [AO].

outstanding.”<sup>73</sup> Chaired by Supreme Court Judge Lyman Duff, the commission included six other prominent figures with weighty business – and some academic – credentials: Joseph Flavelle; Beaudry Leman of Montreal, general manager of the Banque Canadienne Nationale and president of the Canadian Bankers’ Association; American railway executive Leonor Fresnel Loree, president of the Delaware and Hudson Railway Company; Lord Ashfield, head of London’s underground system, the Metropolitan Railways; Walter Charles Murray, president of the University of Saskatchewan; and the Shediac, New Brunswick physician John Clarence Webster, a respected Conservative, museum patron, and personal friend of Howard P. Robinson. From his office in Winnipeg, Dafoe reflected upon the significance of the commission’s establishment. “Perhaps I am getting too suspicious in my old age,” he wrote *Free Press* correspondent John A. Stevenson, “but I have a most decided ‘hunch’ that this Commission was appointed to do a particular chore, and that with perhaps two exceptions its members know what the chore is to be. I think the linked money powers in Canada and the United States, with all their subordinate and associate interests, have decided that the time is opportune to oblige Canada to remove her desire to own and operate her own railways.” Dafoe believed that – as part of this plot to gut the CNR – the same tactic deployed in England to dislodge the Labour government might be deployed in Canada: “National Government.”<sup>74</sup>

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<sup>73</sup> Beatty to George Bell, 28 December 1931, 484, vol. 141, box 23-006, President’s Letter-books, CPRA; Beatty to Howard P. Robinson, 25 November 1931, 338, vol. 141, box 23-006, President’s Letter-books, CPRA.

<sup>74</sup> Dafoe to John A. Stevenson, 9 December 1931, Dafoe Papers, LAC.

Had Dafoe become “too suspicious” in old age? Not entirely. The ever-domineering Bennett had taken a personal interest in the formation of the commission and appeared to be in closer contact with St. James Street than the responsible minister, Manion. *Winnipeg Free Press* correspondent Grant Dexter reported on 15 November that Manion was in “complete ignorance” about the commission’s personnel, but two weeks earlier a private memorandum written by Floyd Chalmers of the *Financial Post* revealed that Sir Herbert Holt was up-to-date on recent developments in the selection of commission personnel. “I want to take back anything about believing that amalgamation is off,” wrote Dexter.<sup>75</sup> Meanwhile, Thornton’s experience at the hands of the Conservatives had led him to an about-face: in a meeting with Dafoe at Winnipeg’s Fort Garry Hotel on 12 October, Thornton lamented that he had lost faith in the ideal of public enterprise – the CNR, in the interest of its own survival, would have to come under the control of some form of unified management along with the CPR. He told Dafoe that he and Beatty had been working on such a plan together, a fact later confirmed by Lady Thornton.<sup>76</sup> After Thornton’s death, his biographer D’Arcy Marsh would write (in 1934) that Thornton had been made “constitutionally incapable” of opposing Beatty, and Dexter believed that Thornton had sold out to Beatty to save his job.<sup>77</sup> Dafoe, Marsh, and Dexter

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<sup>75</sup> Dexter to Dafoe, 15 November 1931, Dafoe Papers, LAC; Chalmers, memo, 30 October 1931, file 1, box 6, series 3, Chalmers Papers, AO.

<sup>76</sup> Dafoe to Marsh, 16 July 1934; Marsh to Dafoe, 5 September 1934, Dafoe Papers, LAC.

<sup>77</sup> Marsh to Dafoe, 6 July 1934; Dexter to Dafoe, 15 November 1931, Dafoe Papers, LAC.

were overly cynical in assessing Thornton's actions. Dafoe's suspicions had some basis, but he greatly exaggerated the level of coordination between Bennett and Beatty.

The proceedings of the Duff Commission commenced on 4 December 1931 with the commissioners interviewing Sir Henry Thornton in a session closed to the public – as was the testimony of all senior railway and government officials. Thornton proposed the establishment of a ten-person “superboard,” consisting of the presidents of each railway company, two Liberal, two Conservative, and two Progressive representatives, a representative of labour, and a representative of the minister of railways and canals.<sup>78</sup>

Though Dafoe and others, not privy to his testimony at the time, might have considered it something of a “sellout,” or, as Marsh explained, one of several “buffets” in Thornton's heroic image that emerged as he fell from prominence, such judgments are overly harsh.<sup>79</sup> Thornton believed the board, which would oversee both railways and enforce cooperation, would be able to conciliate various interest groups, and his plan thus attempted to establish a mechanism whereby a form of democratic control over the management of the country's railways would obtain. It was Thornton's embrace of the principle of democratic control that set him apart from Beatty – and here Thornton was steadfast. The very goal of exercising democratic control over Canada's railway systems was thought dubious by commission members, however. Commissioner Loree asked CNR vice-president S.J. Hungerford whether “it be a fair statement to make that a democratic form of government is no competent agency to carry on the railroad

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<sup>78</sup> Report of Proceedings, vol. 2, 670, 683-4, 4 January 1932, Royal Commission on Transportation Funds, RG 33, LAC.

<sup>79</sup> Marsh to Dafoe, 6 July 1934, Dafoe Papers, LAC.

business?” To Hungerford’s assertion that “[w]e are seeking to do it,” Loree replied: “But are they doing it? The records do not show they are, because they are going behind every year.”<sup>80</sup>

With the questioning at times threatening to transgress the line of gentlemanly decorum, Thornton stressed that management of the CNR was a matter of public policy and thus did not necessarily need to justify itself on the basis of profits and losses. In response to a statement by Joseph Flavelle that such an enterprise should not be maintained, Thornton asserted that was “a matter for the Canadian people to decide.”<sup>81</sup> Beatty appeared before the commission the next day and presented a case that was ideologically much easier for the commissioners to appreciate. “If, on one hand, the privately owned system finds it is unable to maintain its credit in an unequal struggle with the long purse of the state,” Beatty said before the commission, “a grave injustice will be done to the shareholders of a corporation which has fulfilled its fifty-year old contract with the nation, and which has made its full contribution to the upbuilding [*sic*] of the Dominion. Such a consummation would cause most serious injury to the reputation of this young country as a field for private capital.”<sup>82</sup> The cases of Beatty and Thornton differed at a fundamental level, centering not only on the appropriate role of the state in the nation’s economic life, but on the appropriate role of popular opinion in shaping economic policy. Beatty opposed government intervention, except in a helping role to

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<sup>80</sup> Report of Proceedings, vol. 2, 801, 5 January 1931.

<sup>81</sup> Report of Proceedings, vol. 1, 108, 4 December 1931, RG 33, Royal Commission on Transportation Funds, LAC.

<sup>82</sup> Report of Proceedings, vol. 1, 127, 5 December 1931, LAC.

private capital – steamship subsidies, protective tariffs, loan guarantees (all of which the CPR benefited from). He was also generally dismissive of popular opinion. Thornton, he believed, had succeeded by “showmanship” and “mob appeals.”<sup>83</sup> The deluded public had, in Beatty’s estimation, no place in deciding public policy and, as we shall see, he turned to “educational” work to remedy this social ill. Thornton, by contrast, accepted some degree of “political” interference in economic affairs as inevitable under any democratic government. “After all in any form of popular government it must be accepted as axiomatic that the business of government is politics and,” Thornton stated before the commission on 4 January 1932, “irrespective of whether one likes it or not, politics is something with which a government must reckon in all its activities.”<sup>84</sup>

Though commission members disliked the idea of public influence over railway management, a view that would be plainly expressed in their report, they were at least equally concerned with the prospect of leaving the nation’s railways in the hands of a private monopoly. Beatty proposed a “unification” plan of the two systems under CPR management that would maintain separate ownership: CPR personnel would act as trustees of the government’s property. Commissioners Flavelle and Loree expressed concern over the de facto monopoly that Beatty’s plan would create.<sup>85</sup> (Beatty privately dismissed Flavelle’s business philosophy, which stressed the role of competition, as “the

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<sup>83</sup> Beatty to Manion, 17 May 1934, file 3-9, vol. 3, Manion Papers, LAC; Seager, “A New Era of Labour?” 181.

<sup>84</sup> Report of Proceedings, vol. 2, 668, 4 January 1932, LAC.

<sup>85</sup> Report of Proceedings, vol. 2, 963, 968, 5 January 1931, LAC.

Flavelle school of ruthless business brutality.”<sup>86</sup> Commissioner Webster was somewhat less worried about monopoly. “The fear of monopoly did not terrify me, as it so strongly impressed Sir Joseph,” he wrote to Meighen in November 1932, “nor did I shrink from submitting the responsibility of conducting so great an undertaking to a single management.”<sup>87</sup> Beatty did not try to hide the monopoly implications of his plan but rather defended the principle of monopoly itself, arguing that “some of the most efficient, most widely administered and most public-spirited public corporations on this continent are monopolies.” “They are in the main,” he continued “successful, efficient and progressive, and they are administered by men of high character and great ability.”<sup>88</sup> For Beatty, who believed business enterprise to be a form of public service, the most important factor was the quality of business leadership. Since management would be composed of “business statesmen of the highest type,” he did not believe the “question of autocracy” could arise.<sup>89</sup> Beatty appeared before the commission again on 19 February and presented a memorandum outlining the benefits of unification, where he reiterated the need to impose business-like management over the country’s railways. Asked by commissioner Loree whether a board of directors consisting of CPR and government representatives might successfully manage a unified system, Beatty foresaw two problems. One, the government would be exercising too much active influence in railway

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<sup>86</sup> Floyd Chalmers to John B. Maclean, 30 March 1933, file 31, box 2, series 2, Chalmers Papers, AO.

<sup>87</sup> J.C. Webster to Meighen, 20 November 1932, 93243, vol. 153, Meighen Papers, LAC.

<sup>88</sup> Report of Proceedings, vol. 2, 942, 5 January 1932.

<sup>89</sup> Report of Proceedings, vol. 2, 960, 5 January 1932.

matters; second, government involvement would render “doubtful the type [of individuals] that would be selected for appointment to the Board.”<sup>90</sup> Such an arrangement could only be successful if independence from the government were established; Beatty suggested an independent tribunal might select government representatives from “the Canadian Bankers Association, the Canadian Chamber of Commerce and a Judge of the Supreme Court” and be “certain to get the type of men whose ability would justify the selection.”<sup>91</sup> Beatty’s formulations were latently elitist and anti-democratic: “quality” leadership was presumed to reside in the upper echelons of the business community, and management of the railway system could not be entrusted to any other segment of the population – and, indeed, it was necessary to insulate such leadership from the pressures of popular opinion. According to Beatty’s beliefs, efficient railway policy required that it not be formulated outside the meritocratic order that decided success or failure in private enterprise: “political” interference was unacceptable. Beatty was not unique in this mindset, as the commission’s report echoed similar sentiments.

The commission’s proceedings prefaced Thornton’s final fall from grace in public life. Having been divorced and quickly remarried several years earlier and being suspected of too much enjoying nightlife were not problems while the CNR was operating at a profit, but once that changed Thornton’s personal life was conflated with his management style: he managed the railway the way he lived, his detractors claimed. Called once again before the House of Commons to testify, the gentlemanly decorum of the commission hearings evaporated, Thornton was subjected to a verbal assault by R.B.

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<sup>90</sup> Report of Proceedings, vol. 4, 2459-60, 19 February 1932, Royal Commission on Transportation Funds, LAC.

<sup>91</sup> Report of Proceedings, vol. 4, 2460, 19 February 1932, LAC.

Hanson.<sup>92</sup> Thornton's public tarring eroded his political support in the House of Commons. Teetotaller, opposition leader, and political acrobat Mackenzie King acquiesced to this portrayal of Thornton, writing in his diary: "The truth is Thornton has not measured up of late, has drunk too much – far too self-indulgent."<sup>93</sup> Thornton would later write to King that he had departed from Ottawa under the auspices of a "reign of terror," "always 'shadowed' by a detective."<sup>94</sup> (Manion's personal papers reveal a concerted effort to discredit Thornton that makes such accusations quite plausible.) "The Canadian Pacific Ry. has . . . exercised a sinister influence in Canadian politics – It has never hesitated at bribing + corruption in all its forms and it represents the worst type of predatory capitalism," Thornton wrote to King the following day. "It has ruined men . . . ."<sup>95</sup> Undoubtedly, Thornton counted himself among the "ruined men": "I feel fairly certain I might have remained where I was had I cared to go along with Beatty."<sup>96</sup>

The Conservative party was the real victor, however, and its members were those most active in associating Thornton's supposedly spendthrift ways with King's Liberal administration – although Thornton's reputation was defended publicly by the left-leaning *Canadian Forum*.<sup>97</sup> The Bennett government advanced its solution to the railway question in a private member's bill, put before the Senate by Arthur Meighen in October,

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<sup>92</sup> Marsh, *The Tragedy of Henry Thornton*, 241-73.

<sup>93</sup> King Diaries, 2 August 1932, LAC.

<sup>94</sup> Thornton to King, 11 October 1932, 164824-5, vol. 237, King Papers, LAC.

<sup>95</sup> Thornton to King, 12 October 1932, 164827, vol. 237, King Papers, LAC.

<sup>96</sup> Thornton to Dafoe, 5 November 1932, Dafoe Papers, LAC.

<sup>97</sup> "Sir Henry Resigns," *Canadian Forum* 12, 144 (September 1932), 444.

which incorporated the recommendations of the Duff Commission. Beatty was quick in voicing his disapproval in private correspondence with Prime Minister Bennett. Meighen, whom Bennett had appointed to the Senate in 1932, delivered a speech on behalf of the Railway Bill that Beatty described as “innocuous.” “The Duff Report is nothing more than a futile gesture and the more one visualizes the possibilities of working it out in any justice,” Beatty complained, “the more discouraged he must be.”<sup>98</sup> Criticizing the bill for attempting the logically impossible task of reconciling the principles of competition and cooperation, Beatty’s most emphatic objection centred on the third section of the bill, which sought to establish an arbitral tribunal to enforce cooperation between the railways. Beatty claimed this feature of the bill constituted an attack upon the CPR’s property rights and argued that enforced cooperation could only be established through an agreement with the CPR “by which the company would agree to this form of administration upon receiving protection to the holders of its securities and shares; [and] that consideration be given because of the relinquishment of the control of their property arising during the term of such agreement.”<sup>99</sup> In December, Beatty reiterated this position to Wall Street’s Ernest Iselin, reassuring Iselin that “our Directors are unanimous that we must take all reasonable means to prevent interference by any tribunal, [*sic*] appointed by the Government.” “Of course,” explained Beatty, “the only logical solution is unification, because in no other way can the waste, due to extensive railway duplication in Canada, be adequately reduced. With a little courage on the part of our Government the thing can

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<sup>98</sup> Beatty to Bennett, 31 October 1932, 596415, vol. 944, Bennett Papers, LAC.

<sup>99</sup> “Rights of Railway Endangered by Bill Beatty Considers,” *Globe*, 18 November 1932, 3.

be arranged without undue delay.”<sup>100</sup> Meighen dismissed Beatty’s concern about the prospective violation of CPR property rights, but F.C. Goodenough of Barclays Bank warned Beatty in March 1933 that the prospect of a tribunal intervening in the company’s affairs would reflect poorly upon the CPR “in the eyes of the London Market.”<sup>101</sup> Beatty and the CPR succeeded in exercising enough influence to have Duff’s recommendation for a “statutory duty of cooperation” watered down to a mere recommendation by the time the bill was made into law; but Beatty’s intricate plan to use the Senate to fight for amalgamation was resisted by the leader of the Senate and no favourite of Beatty’s – Arthur Meighen.<sup>102</sup> Former populist Toronto mayor T.L. Church, a Tory MP sympathetic to the CNR, believed the CPR had succeeded in turning the railway board established by the recently passed Railway Bill into a “farce.” “Mr. E. Beatty will do all the regulating necessary,” claimed Church before the Border Cities Chamber of Commerce in Windsor in May 1933.<sup>103</sup> Beatty could only wish he controlled the situation as assuredly as Church suggested.

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<sup>100</sup> Beatty to Ernest Iselin, Wall Street, New York, 9 December 1932, 558, vol. 144, box 23-006, President’s Letter-Books, CPRA.

<sup>101</sup> “Beatty Asks Compensation,” *Globe*, 18 November 1932, 3; F.C. Goodenough, Barclays Bank, to Edward Beatty, 1 March 1933, 375143, vol. 606, Bennett Papers, LAC.

<sup>102</sup> David Ricardo Williams, *Duff: A Life in the Law* (Vancouver: University of British Columbia Press, 1984), 155; Dexter to Dafoe, 25 January 1932, Dafoe Papers, LAC.

<sup>103</sup> “New Railway Bill Looked at Askance By Thomas Church,” *Globe*, 26 May 1933, 3.

## IV

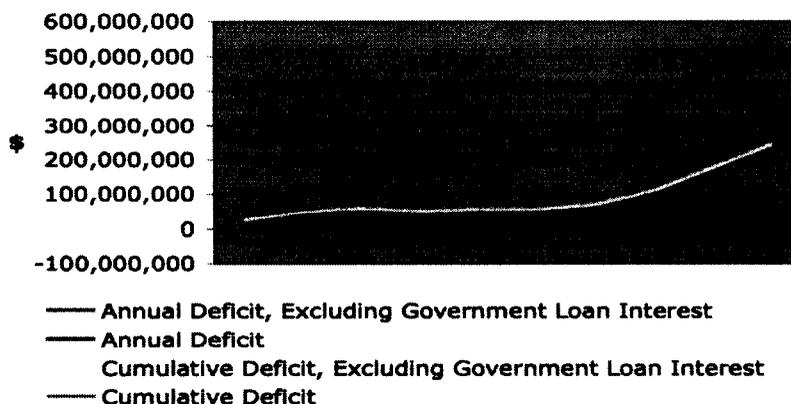
Snow flurries were carried through the streets of Toronto by a crisp northeast wind on 16 January 1933 when a well-to-do crowd gathered in the plush interior of the Royal York Hotel under the auspices of the Canadian Club of Toronto to hear Beatty speak. While the substantial means of audience members assured their physical protection from outside elements, a more profound – yet less tangible and puzzling – sort of storm was making itself felt in the world economy. This was troubling. Beatty proclaimed to his audience that “we . . . are faced with a railway problem more gravely vital to Canada’s future than at any other time.” Not only was the country’s railway system wasteful, it stood to undermine Canada’s credit and dissuade investment (see Table One). Public enterprise and government intervention – with the concomitant increase in taxation – worsened matters further, according to Beatty. Retrenchment, balanced budgets, self-reliance: the old ethics of private enterprise were key to economic recovery. The adjustments necessary with regard to the railway question, Beatty told his audience, could “only be attained if we consolidate our two railways into one system with one management.”<sup>104</sup> Beatty effectively assimilated old liberal ethics to the new demands of monopoly capital – and thus began Beatty’s renewed campaign for railway unification, a campaign that was already transforming into a broader drive for National Government. King noted in his diary four days earlier that Quebec Liberal Premier Louis-Alexandre Taschereau had said in private that Beatty had been “sounding him out on Nat’l

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<sup>104</sup> Edward Beatty, *Canada’s Railway Problem and Its Solution*, Toronto, 16 January 1933, 4, 15, 17.

Government”); on 14 January King addressed the Garrison Club in Montreal, where he spoke out against the principle of National Government.<sup>105</sup>

**TABLE ONE**  
**Canadian National Railways, 1923-32:**  
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Source: *The Canadian Annual Review of Public Affairs, 1933* (Toronto: Canadian Review Company, 1934), 423.

Beatty's Toronto speech, observed the Toronto *Globe* several days later, "has obviously been accepted by leading Canadian newspapers as the opening gun in a Canadian Pacific Railway Campaign to absorb the Canadian National."<sup>106</sup> Editorial commentary across the country was mostly critical of Beatty's speech, though in numerous cases appreciative of his call for economy in government expenditures. The *Globe* criticized Beatty's plan because it would leave the liabilities of the CNR with the government while handing over its assets to the CPR. "It requires no colorful imagination to conceive the public reaction," noted the *Globe*, which deemed Beatty's plan to be

<sup>105</sup> King Diaries, 14 January 1933, LAC.

<sup>106</sup> "The Merger Danger," *Globe*, 20 January 1933, 4.

“politically impossible.” Though perhaps “politically impossible,” the *Globe* suggested that Beatty was garnering formidable support; it reported that “[m]any influential men in and out of Parliament are supporting him with a vigor that suggests the belief that it is ‘now or never.’”<sup>107</sup> Senior Liberal strategist Norman Rogers explained to King on 23 January that “Mr. Beatty is obviously preparing the public mind of Canada for what he is looking forward to during the coming session.” Rogers believed, however, that in view of widespread hatred of the CPR among the public, Beatty’s best bet would be to lay low.<sup>108</sup> But Beatty had already tried that tactic to less than desired effect. He continued to take his message public, to Winnipeg in February. Not only was the public unmoved but the wider business community remained skeptical; sawmill operator John F. MacMillan of Edmonton was unimpressed by both performances, characterizing them as attempts to “camouflage his stock-holders.”<sup>109</sup> The government was also leery. The Minister of Railways and Canals, Manion, expressed the view in late January that “no government could win an election now by supporting the Beatty plan. . . . There were 200,000 railway workers and their families who would vote to save their jobs.” But Manion thought public opinion might shift if the financial situation worsened or was more fully recognized by the public. He also admitted that a National Government might succeed in implementing a “necessary but unpopular” railway plan.<sup>110</sup>

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<sup>107</sup> “Still After the Merger,” *Globe*, 17 January 1933, 4.

<sup>108</sup> Norman Rogers to King, 23 January 1933, 167578, vol. 197, King Papers, LAC.

<sup>109</sup> John F. MacMillan to Senator Meighen, 27 February 1933, 367750, vol. 593, Bennett Papers, LAC.

<sup>110</sup> Floyd Chalmers to J.B. Maclean, 27 January 1933, file 2, box 6, series 3, Chalmers Papers, AO.

Beatty did not neglect his behind-the-scenes political work either. In the byzantine Bennett government the Prime Minister, Beatty recognized, was the centre of power; when Floyd Chalmers asked Manion whether the government had formulated a railway policy, Manion responded that he did not know – because he had not spoken with Bennett about it nor did he know what Bennett really thought.<sup>111</sup> Four days after his Toronto speech, Beatty followed up a telephone conversation with Bennett on the railway situation with a letter explaining his belief “that among the substantial men of Canada, including those who form what we call the business community, the sentiment is rapidly growing that some more drastic remedy than that recommended by the Duff Commission is essential to the wellbeing of the country.” Beatty argued that “drastic” measures might carry political rewards: “if we can evolve something which will effect definite economies in the next two or three years, the public re-action to any such system will be good, and if it is attended by no reduction in essential public services and the saving to the country is apparent, we should expect great public support to the Government’s policies.”<sup>112</sup> Bennett was not convinced; but Beatty remained relatively close to him during this period. Beatty, for example, attempted to help mediate a disagreement between Bennett and the *Montreal Gazette*, which first began when the *Gazette* criticized Bennett’s decision to appoint his brother-in-law, W.D. Herridge, as Canada’s ambassador in Washington. Though the *Gazette*, controlled by Smeaton White and John W. Bassett, “was anxious to carry on the fight,” it was held in check because “[i]mportant financial

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<sup>111</sup> Chalmers to J.B. Maclean, 27 January 1933, file 2, box 6, series 3, Chalmers Papers, AO.

<sup>112</sup> Beatty to Bennett, 20 January 1933, 596422, vol. 944, Bennett Papers, LAC.

interests in Montreal,” upon which the *Gazette* depended, were “friendly” towards Bennett.<sup>113</sup> Later a dispute arose between Beatty and Bennett, but Beatty could not afford an open breach because the CPR’s “directors would not stand for it.”<sup>114</sup> Economic and political ties at the upper stratum of Canadian business and political life helped quiet disputes. Even though Bennett’s policies were not ideal, the consensus on St. James Street was that he was the best of a bad lot.

Though speculation emerged in late 1931 that Bennett was considering the formation of a National Government, nothing came of it, and the evidence suggests that Bennett distanced himself from such propositions over the next couple of years.<sup>115</sup> Beatty and his moneyed friends took the initiative, signaled by his Toronto speech. By this time those favouring a National Government included Beatty (CPR), Sir Charles Gordon (Bank of Montreal), Sir Herbert Holt (Royal Bank of Canada) and Ross McMaster (Stelco): the very apex of economic power in Canada, and all directors of the CPR. H.J. Symington, a CNR executive with experience in both the West and St. James Street, attended a dinner in March with the “mighty” in Montreal; conversation swung towards railway amalgamation and National Government with the likes of Sir Arthur Currie, Ross McMaster, and Jackson Dodds (of the Bank of Montreal) expressing themselves in

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<sup>113</sup> Chalmers to J.B. Maclean, 9 March 1933, file 2, box 6, series 3, Chalmers Papers, AO.

<sup>114</sup> Dexter to Dafoe, 18 January [dated 1930 but more likely from 1935], Dafoe Papers, LAC.

<sup>115</sup> Dafoe to Harry Sifton, 31 December 1931, Dafoe Papers, LAC. Grant Dexter wrote in early 1932: “As to a national government, I gather from more than one source – Dunning for example – that our captains of industry are strongly in favour of one, but that R.B., [sic] has given no encouragement whatever.” Dexter to Dafoe, 25 January 1932, Dafoe Papers, LAC.

favour of the idea. “Some remark was made which aroused the couple cocktails which were under my belt and I opened out on the astonished gentlemen,” explained Symington in private correspondence. He offered prescient advice: “I told the bankers that they had better stop trying to manage everybodys [*sic*] business except their own, or somebody else was going to manage theirs. I told them that amalgamation of the railways was at present impossible and it was time they read the signs; that a national government was extremely unlikely and for railway purposes impossible.”<sup>116</sup>

Sir Arthur Currie, who at the time was serving under Beatty as principal of McGill University, was not dissuaded. He came out in favour of National Government on 1 March in a speech in Hull.<sup>117</sup> Mackenzie King viewed Currie’s speech as “part of a CPR & Bank of Montreal plan, [*sic*] to help in the Railway situation.”<sup>118</sup> Prime Minister Bennett was also not impressed, complaining to party bagman (and former Unionist Liberal) Senator C.C. Ballantyne that Sir Arthur’s speech, published in the *Montreal Gazette*, was being interpreted in the United States as a sign of the inevitability of a Conservative defeat in the next election.<sup>119</sup> Later, in March, Beatty broached the idea with King in a telephone conversation, where he “spoke about building up nat’l govt

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<sup>116</sup> H.J. Symington to J.W. Dafoe, 1[?] March 1933; Dafoe to Symington, 11 March 1933, Dafoe Papers, LAC.

<sup>117</sup> Symington noted, from information gathered at the dinner he attended, that “Sir Arthur is going to Ottawa to work for and to make a speech on ‘Unity in government the same as in England’ which I think was his exact language.” See Symington to Dafoe, 1 [?] March 1933, Dafoe Papers, LAC. It appears, then, that the dinner occurred before Currie gave his speech.

<sup>118</sup> King Diaries, 2 March 1933, LAC.

<sup>119</sup> Bennett to C.C. Ballantyne, 6 March 1933, 418824, vol. 681, Bennett Papers, LAC.

around a few men.” Beatty said to King “financial conditions were such as to make great reduct’ns necessary” and explained “change wd have to come in a year or two.” King responded that combining the two major parties would only make matters worse by immediately giving official opposition status to the recently formed CCF; but Beatty viewed National Government as a bulwark against the unchecked spread of socialism.<sup>120</sup> Beatty worked flexibly between the two parties, though ideologically he was closer to Bennett. Dafoe, no friend of Bennett, hit the mark when he explained: “Bennett is no chore boy of the big interests though the cast of his mind makes him do things which strengthen this estimate of him.”<sup>121</sup>

Beatty became a more strident advocate of railway unification as the CPR’s position worsened and as it became apparent that no political party was willing to embrace the policies he believed were required to solve the nation’s transportation and financial problems. Under his direction, the CPR had continued to attempt to address its public relations problems as well. In February 1930 Beatty had announced a stock-split of four for one in an attempt to attract more Canadians to invest and identify with the CPR. As it was “widely known that the largest holding of [CPR] stock [was] in England, the

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<sup>120</sup> King Diaries, 17 March 1933, LAC. Beatty described the interview with King to Chalmers. Chalmers reported: “Beatty went to see King and tried to argue him into a national government. King said that he would make an offer to the government of complete co-operation in matters of national interest in order to avoid petty political bickering at a time of crisis but that he would not go as far as national government. King said he was afraid that national government would unite the forces of socialism. Beatty and others, of course, feel that a national government is our best guarantee against disruption in Canada but King thinks that to make them the sole opposition would give them a dignity and importance and influence that they could not possibly get in any other way.” See Floyd Chalmers to J.B. Maclean, 30 March 1933, file 31, box 2, series 2, Chalmers Papers, AO.

<sup>121</sup> Dafoe to Henry Thornton, 3 October 1932, Dafoe Papers, LAC.

next largest in the U.S., and the next largest in Canada,” the company’s directors hoped that the increased number of shares would be snatched up by Canadian investors.<sup>122</sup> In spite of such efforts, the social role of the company and its perception in the public eye remained essentially unchanged. When, in September 1933, Bennett provided a government guarantee for a \$60,000,000 loan to the CPR from the five major Canadian banks in order to finance the cash-strapped railway, a great deal of public criticism ensued. It confirmed to many the close relationship between Bennett and the CPR and even the *Financial Post* criticized the arrangement.<sup>123</sup> Beatty’s New Year’s message to Bennett that year encouraged Bennett to disregard such opinions and expressed the view that “drastic actions” necessary to address “the country’s obligations” might be necessary in the future: “There is no gratitude in an easily misled hoi polloi but it may be that the weight of the country’s obligations, for which you are not responsible, will ultimately enable you to take drastic actions with the full support of our sounder citizens.”<sup>124</sup> In a pro-amalgamation speech in Montreal in May 1934, Beatty explained: “Heretofore all our transportation problems have been settled under political or community pressure. The present situation must, I take it, be dealt with from the standpoint of sound national economics and from no other angle.”<sup>125</sup> That “political or community pressure” was inimical to “sound national economics” was self-evident to Beatty. The belief that sound decision-making was beyond the capabilities of the masses was not untypical in North

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<sup>122</sup> “Canadian Pacific Common Split-Up,” *Globe*, 8 February 1930, 8.

<sup>123</sup> *Financial Post*, clipping, 4 November 1933, 375523, vol. 606, Bennett Papers, LAC.

<sup>124</sup> Beatty to Bennett, 29 December 1933, 555839, vol. 891, Bennett Papers, LAC.

<sup>125</sup> Edward Beatty, *The Case for Railway Unification*, 22 May 1934, 2.

America and Western Europe. The propaganda campaigns of the Great War and the ascendance of the advertising industry in the 1920s underscored the belief among political and business leaders in the industrialized world that public opinion was irrational and susceptible to manipulation.<sup>126</sup> Thus – an example specific to the railway question in Canada – George Lynch-Staughton, a pro-CPR senator from Hamilton, could assert in the Senate debates on railways that “I would like to hear someone who would cast light on the subject, and I would not care a straw for popular opinion.”<sup>127</sup> Beatty was a product of his time and his attitude was not particularly exceptional given his position.

Already by this time Beatty had come to the belief that government spending needed to be drastically reduced to meet the economic crisis, in spite of the fact that

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<sup>126</sup> Take, for example, the advice wealthy Montreal jeweler and St. James Street mogul, W.M. Birks, gave R.J. Manion, when Manion was federal Conservative party leader in August 1939. Looking forward to a general election, Birks referred to a recent book published in England on propaganda techniques, although he noted that it may be “thrashing old straw” for Manion. Birks laid out the propaganda principles as contained in the book. He wrote:

The rules laid down are –

1. – Repetition – as the public quickly forgets.
2. – Colour – the mass are not interested in abstractions, but intensely interested in personalities and facts
3. – At least a kernel of truth.
4. Build around a slogan! The slogan is the supreme illustration of the power of brevity in propaganda – a rallying cry – a focusing on the emotions in one vivid phrase. It must be simple, fluid and dramatic!
5. – Directed towards a specific objective.
6. Concealment of motive.
7. Timing – space out the appeals.

See W.M. Birks to R.J. Manion, 21 August 1939, file 7, vol. 4, Manion Papers, LAC. Walter Lippmann famously argued that public opinion was irrational in *Public Opinion* (New York: Macmillan Company, 1922).

<sup>127</sup> “Senators Views on Rail Merger Diverge Widely,” *Globe*, 2 February 1933, 1.

popular opinion was rapidly moving in the opposite direction.<sup>128</sup> Believing quite literally that “what’s good for the C.P.R. is good for Canada,” Beatty’s elitist dismissal of popular opinion was not at all inconsistent with nationalism as he understood it.<sup>129</sup> He regularly used adjectives such as “thinking” and “reliable” to describe Canadians capable of formulating public policy, indicative of the fact that he believed many were not capable of such responsibilities. Beatty pushed for the linked aims of railway amalgamation and National Government to save the nation from itself. National Government would provide the nation with “strong” leadership; a coalition of the two major parties could pass “necessary but unpopular” legislation that no party government interested in re-election would touch. Dunning, as we have seen, thought of a prospective National Government as a sort of suicide pact between eminent citizens, willing to pursue policies that would result in their immediate political deaths, but would secure their glory in the long-term, once the populace came to appreciate the necessity of the actions it formerly dreaded (see Chapter Two). This was the dilemma of democratic governance for an economic elite that felt it knew better than everyone else.

Bennett’s falling popularity, an approaching general election and growing concern about national solvency seemed to renew the political opportunities of National Government advocates. In September 1934 the *Globe* reported the commencement of a National Government campaign led by “Montreal and Toronto financial interests” in

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<sup>128</sup> Chalmers reported: “Beatty is strongly favorable to the appointment of a May Committee for Canada to go into the entire question of public expenses and make recommendations for a ruthless cutting down of expenditures.” See Floyd Chalmers to J.B. Maclean, 30 March 1933, file 31, box 2, series 2, Chalmers Papers, AO.

<sup>129</sup> Quoted in H. Blair Neatby, *William Lyon Mackenzie King: The Lonely Heights, 1924-1932* (Toronto: University of Toronto Press, 1963), 278.

anticipation of next year's election. The unnamed supporters of the movement were said to believe "that only a collation of all the parties in Canada can clean up the railway mess"; but the *Globe* astutely noted "the difficulty of inducing any prominent Liberal to join a Union Government" – made worse by Mackenzie King's certainty of a Liberal triumph in 1935 – was the major obstacle facing National Government supporters. To make matters worse, the demand for railway unification – "largely [coming] from the big interests of Montreal" – would not likely receive any support from the Liberals, who were "opposed to any plan to dispose of the Canadian National Railways."<sup>130</sup> The National Government campaign – if it might warrant that status – was a long shot. It was, nonetheless, beginning to receive more serious consideration in Conservative circles. Bennett and C.C. Ballantyne had been offended by Currie's call for National Government in March 1933; but by November 1934 Bennett had already made inquiries about its viability, and Ballantyne, an influential Montreal businessman himself, had come around to the belief that King and Lapointe might be convinced to join a national administration if Bennett were to "place the cold hard facts" of "Canada's serious financial condition" before them.<sup>131</sup> Beatty wrote Bennett later that month to warn him that the worst of the economic slump might still be on its way and recommended the formation of National Government to meet the impending emergency. "I know, of course," explained Beatty, "that thinking men, forming as they do such a small portion of our population, have little

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<sup>130</sup> "National Government Regarded as Unlikely," *Globe*, 5 September 1934, 2.

<sup>131</sup> C.C. Ballantyne to R.B. Bennett, 7 November 1934, 336749-50, vol. 543, Bennett Papers, LAC.

influence in shaping important national policies, but I feel that at the earliest opportunity I should transmit these views for your consideration.”<sup>132</sup>

The spectre of national insolvency had already been presented to Bennett in the summer of 1934, when he was in London, England participating in the World Economic Conference. Governor of the Bank of England, Montagu Norman, reportedly warned Bennett “that Canada was heading towards national insolvency” and if nothing was done “about the railway problem it would break the country.” Bennett reported his conversation to Ontario’s Conservative lieutenant governor, Herbert A. Bruce, in Toronto upon his return to Canada. Bruce claimed to have replied: “‘why don’t you do something about the railway problem? You know what ought to be done’.” Bennett, according to Bruce’s recollection several years later, agreed that something could be done if a National Government were formed. Bennett authorized Bruce to convey a message to Mackenzie King offering the position of prime minister and selection of half the cabinet in a National Government administration with Bennett, “the understanding to be that the first problem to be tackled would be the railway problem.”<sup>133</sup> The need to solve the railway question did not just press upon wealthy Montrealers, but was also felt in Toronto; and broader political and ideological fault lines created the basis for the promotion of shared goals between the two dominant centres economic power, which would carry into the formation of the Leadership League, spearheaded by *Globe and Mail* president and

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<sup>132</sup> Beatty to Bennett, 29 November 1934, 596494-5, vol. 944, Bennett Papers, LAC.

<sup>133</sup> Chalmers, memo, 13 May 1938, file 7, box 6, series 3, Chalmers Papers, AO.

publisher C. George McCullagh in 1939, with which Bruce was actively associated.<sup>134</sup> In 1934 Bruce approached Liberal organizer Vincent Massey to convey the National Government scheme to King, but Massey refused, explaining “‘King simply would not consider a union government when he sees victory staring him in the face’.”<sup>135</sup> Bennett’s sense of operating within the British Empire seemed to recommend the formation of a National Government: “We are the only part of the Empire without a National Government and it well might be that such an administration would serve a great purpose at this time,” observed Bennett in December. With that said, Bennett asked rhetorically, “is it feasible?” No, Bennett concluded – “with the Liberal Party in its present state of mind.”<sup>136</sup>

As rumblings for National Government began to reach the public, Beatty turned his attention to an uncooperative Mackenzie King. He seemed to hope to ingratiate himself with King. On September 29, aboard the train from Ottawa to Montreal, Beatty spoke with King for a couple of hours. King’s victory in the upcoming election was a foregone conclusion, said Beatty, assuring King that he had the confidence of “the business interests” – the same comment and compliment having been applied by Beatty

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<sup>134</sup> See Brian J. Young, “C. George McCullagh and the Leadership League” (MA thesis, Queen’s University, 1964). Beatty applauded McCullagh’s Leadership League radio broadcasts. See Beatty to C. George McCullagh, 16 January 1939, 181; 30 January 1939, 335, vol. 179 and Beatty to McCullagh, 22 February 1939, 229-31, vol. 180, box 23-011, President’s Letter-Books, CPRA.

<sup>135</sup> Chalmers, memo, 13 May 1938, file 7, box 6, series 3, Chalmers Papers, AO. Massey claimed years later to have had no recollection of the incident, although Bruce repeated the story on at least two separate occasions. See Young, “Leadership League,” 149.

<sup>136</sup> R.B. Bennett to Harvey H. Black, 21 December 1934, 336756, vol. 543, Bennett Papers, LAC.

to Bennett the month before.<sup>137</sup> Beatty made one request: that King make no pre-election commitment on the railway question, an obvious attempt to keep the door open for unification, and the same advice he gave King a decade earlier. Arriving in Montreal, and upon Beatty's invitation, they left Windsor Station to join Bank of Montreal director Fred Meredith and Canadian-born British banker Sir Edward Peacock for lunch. The results must have been somewhat disappointing for Beatty. King denounced the principle of National Government, saying "it only meant two parties doing what one with a majority would not dare to do & therefore was not right." "I spoke out against dictatorship in any form," wrote King. Though Beatty agreed the time for National Government had passed, his later activities would prove his comment disingenuous.<sup>138</sup>

Beatty preferred Bennett anyhow. "Bennett continues to stand out, in my judgment," Beatty wrote to Sir Robert Borden in early 1935, "and were it possible for him to get himself into a position where he could tackle our railway problem, I would look forward with a great deal of confidence to the trends of the next five years."<sup>139</sup> Only a month earlier, Grant Dexter claimed that the Bennett government was "unofficially" behind Beatty. Dexter further observed:

The influence of the whole financial combination – banks, big industrialists like Carlyle [Carlisle?], most of the loan and trust coy's etc., has been thrown, unreservedly, behind the Beatty campaign. My contacts lead me to think that most of these people believe that [railway] amalgamation can only be carried out by

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<sup>137</sup> See Beatty to Bennett, 27 August 1934, 596490-1, vol. 944, Bennett Papers, LAC.

<sup>138</sup> King Diaries, 29 September 1934, LAC.

<sup>139</sup> Beatty to Borden, 3 January 1935, 146650, vol. 261, Robert Laird Borden Papers, MG 26 H, LAC.

some national government. The saner of them realize that a national government cannot be put over now.<sup>140</sup>

The pressures of an oncoming election soon intervened and Bennett was pressured from

within the Conservative party to disassociate himself from Beatty's railway plans.

Conservative MP for Lanark T.A. Thompson warned Bennett in February "that the

majority of the railwaymen have the idea that you are backing Mr. Beatty in his

amalgamation programme" – a belief fostered by Liberal party propaganda – and

encouraged him to make a pronouncement in the House of Commons disassociating

himself and the Conservative party from railway amalgamation.<sup>141</sup> Meanwhile, Manion,

still Minister of Railways and Canals, pledged late in 1934 to an audience at Smiths Falls,

Ontario that the Conservative party was in favour of maintaining the CNR and railway

competition, prompting Beatty to complain to Bennett: "I cannot understand why Dr.

Manion should be permitted to hobble your freedom of action in his treasure hunt for

votes – votes which I doubt if he will secure by his method."<sup>142</sup>

The stresses of the Depression were polarizing the left and right wings of the

Conservative party, and a fissure was exposed in the summer when H.H. Stevens left

Conservative ranks to form the Reconstruction party. On the other side, Meighen – once

viewed as akin to a Bolshevik in Montreal financial circles for his role in establishing the

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<sup>140</sup> Dexter to George V. Ferguson, 7 December 1934, Dafoe Papers, LAC.

<sup>141</sup> T.A. Thompson to Bennett, 22 February 1935, 369080, vol. 593, Bennett Papers, LAC.

<sup>142</sup> Beatty to Bennett, 20 December 1934, 596501, vol. 944, Bennett Papers, LAC.

CNR – was moving towards Beatty’s position.<sup>143</sup> This transformation was also reflected in Borden’s private retrospective admission to Beatty regarding the railway question: “I was not sufficiently in touch with conditions, political, economic and otherwise, to form a correct judgment, but it did seem to me that two or three years ago the situation might have been gripped effectively.”<sup>144</sup> Borden and Meighen – and other more consistently right-leaning Conservatives such as C.H. Cahan – were sufficiently committed to the dictums of liberal economics to privilege balanced budgets over other more popular ideas. The drive to preserve the days of small government was much larger within the Canadian bourgeoisie than has been commonly admitted by Canadian historians. The problem of capital-rich Canadians intent on renewing the halcyon days of the National Policy period was the fundamental unpopularity of their views, views that might have been effective for raising party funds on St. James Street, but nothing which a political party could use to win an election.

Beatty seemed impervious to the widespread unpopularity of railway unification, giving numerous addresses on the subject in 1935. He also continued to express some skepticism regarding the impact of popular opinion and the efficacy of democracy. At an event organized by the Kiwanis Club in Montreal in honour of the recently knighted Sir Charles Lindsay, Beatty defended the dispensation of titles and questioned the spread of democracy. As fascism threatened to spread further in Europe, Beatty oddly explained: “We have a great deal of democracy in the world just now, and some of us are inclined to think we have too much democracy and are losing our sense of dignity and our regard for

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<sup>143</sup> J.L. Granatstein, *The Politics of Survival: The Conservative Party of Canada, 1939-1945* (Toronto: University of Toronto Press, 1967), 85.

<sup>144</sup> Borden to Beatty, 30 April 1935, 157609, vol. 281, Borden Papers, LAC.

those things upon which we have been accustomed to rely for steadying influence throughout this country.” He continued: “We have a way of saying, quite untruthfully, that all men are equal, and that the appreciation of our fellows is the highest honor that can be offered any man, but unfortunately it is not always expressed, and it is no great satisfaction to a man to have a large funeral. I believe that these things must be done to a man while he is still alive and among his fellows.”<sup>145</sup> Months later Beatty also received, upon Bennett’s recommendation, a knighthood.

In 1935 National Government became part of the public discourse. The League for National Government was formed by a group of more than 100 businessmen in Toronto, although at its founding meeting in March the organization explicitly distanced itself from St. James Street and CPR influence. Meanwhile, in Montreal the *Star* and *Gazette* lauded the National Government idea, and Beatty and Sir Herbert Holt reportedly offered H.H. Stevens \$3 million to lead a National Government campaign.<sup>146</sup> Montreal financier Ward Pitfield tried to interest Stevens in heading up a National Government movement in April, and though Stevens expressed some interest, he concluded the movement would not be viable for lack of Liberal support.<sup>147</sup> On 12 March, as we have

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<sup>145</sup> “Favors Honors in Recipient Worthy,” *Montreal Gazette*, 22 February 1935.

<sup>146</sup> Young, “Leadership League,” 150-2. See also Granatstein, *Politics of Survival*, 43.

<sup>147</sup> J.R.H. Wilbur, “H.H. Stevens and the Reconstruction Party,” *Canadian Historical Review* 45, 1 (March 1964), 18. Grant Dexter reported that Pitfield and Canadian Cottons president A.O. Dawson interviewed Bennett regarding the formation of a National Government in June. Dawson denied that such a meeting ever took place but admitted that a coalition government – composed of “the best men of both our great Parties to work for the general good of Canada” – would be a “wise” step. He believed such an outcome unlikely, however: “I am afraid . . . that those who are trying to establish a National Government in Canada are facing a very formidable, if not impossible, task.” See A.O. Dawson to Dafoe, 25 June 1934, Dafoe Papers, LAC.

seen in Chapter Two, the *Globe* published a sensational story announcing plans to have Charles Dunning take over for Bennett to form a National Government. “The architects of a Union Administration to save Canada for the big interests have their headquarters on St. James Street,” claimed the *Globe*.<sup>148</sup> It was the first thing discussed in Liberal caucus the next day. King reported: “I learned that Beatty, Sir Charles Gordon, Molson & one or two other of the financial magnates of Montreal had asked Tom Ahearn (as Director of the Bank of Montreal) to seek to get me to consent to something of the kind. . . . There is no doubt that they (Montreal) have been attempting to effect a press campaign towards that end.” Although King was certain they would accept him as head of a coalition government, he and the Liberal caucus rejected the idea and decided to remain aloof on the question until calls for National Government blew over.<sup>149</sup>

Meanwhile, Toronto railway contractor Vivian T. Bartram had been in contact with Bennett. Writing to Bennett that he had discussed matters with Beatty and Sir Robert Borden, Bartram laid out his conclusion: “It seems to me, although it seems not equally apparent to the man on the street, that what Canada needs in the immediate future is a Cabinet consisting of the best minds in the country – your own included; something similar to that which now exists in England where the dog-fight of political parties has been laid aside for the immediate present in order that the country might benefit (as it is now benefiting) from the untrammelled [*sic*] wisdom of masterminds.” He continued: “I believe that Mr. Beatty agrees with me that the time has now come when I should have a

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<sup>148</sup> “Merger Group Thinks Bennett Ready to Quit,” *Globe*, 12 March 1935, 1.

<sup>149</sup> King Diaries, 13 March 1935, LAC.

talk with you. Certain powerful Liberals with whom I have discussed this are in a receptive mood and can be brought in actively. Possibly you could spare me a few moments to talk the matter over.”<sup>150</sup> Later correspondence revealed Quebec Premier Taschereau and Clifford Sifton (son of Laurier’s minister of the interior) as the “powerful Liberals” referred to by Bartram. On 5 February 1935 Bartram wrote to Bennett to ask for another meeting, writing, “Clifford Sifton has suggested certain moves which I think are well worth your consideration.” Scrolled on the bottom of the note, in different handwriting: “Mr. Bennett would not make an appointment.”<sup>151</sup> Though the exact reasons for Bennett’s decision not to meet with Bartram are unclear, it is clear that businessmen could only exercise limited influence over Bennett in his role as prime minister. Bartram and Beatty remained in contact later in the year, still hopeful of shaping the outcome of the election.<sup>152</sup>

The elitism implied in many calls for National Government ensured that it would be a cause limited to a small base of support, mostly restricted to wealthy businessmen in Montreal and, to some extent, Toronto. There, indeed, hardly existed a National Government movement; it was behind-the-scenes and largely unorganized. This did not mean success was impossible. Unlike working-class initiatives, which require organization and collective action in order to be effective, business elites can at times translate their ownership of capital into effective political influence without much

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<sup>150</sup> Vivian T. Bartram to Bennett, 27 December 1934, 586715, vol. 933, Bennett Papers, LAC.

<sup>151</sup> Bartram to Bennett, 5 February 1935, 586721, vol. 933, Bennett Papers, LAC.

<sup>152</sup> Beatty to Bartram, 1 August 1935, 3, vol. 154, box 23-008, President’s Letter-Books, CPRA.

organized support. Beatty believed “that National Government is never obtained by a deliberate campaign to bring it about,” but that it emerges organically from a nation’s high-minded citizens in a period of crisis: “It comes automatically when men in public life decide that a crisis exists so grave that to exercise the normal type of party rivalry would be treasonous to the nation. All that it means is that leaders decide to place country before party, and to sacrifice personal ambition to a patriotic desire to serve the nation.”<sup>153</sup> This is what Borden succeeded in doing in 1917, but, of course, he opposed the CPR and represented a larger political bloc. In 1935, with Beatty its most public backer, National Government appeared as naked class rule. Mackenzie King continued to stand in the way as well.

It was a moot project so long as King remained aloof. On 13 June Beatty appealed directly to King. Beatty argued that a National Government would help “to fulfill the ideas of a younger generation” and stressed the “impossibility of parliaments discussing important measures, because of details which would be brought out for party purposes.” As in 1933, King disagreed, believing National Government to be the cloak of an incipient dictatorship that would result in the formation of “an extreme radical party, which would capture everything in the face of the so-called union of the old political parties.”<sup>154</sup> A month-and-a-half later King publicly opposed the idea of National Government in a radio address carried nation-wide by the Canadian Radio Broadcasting Commission. His speech, no doubt, was intended to conjure up Beatty’s image in the

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<sup>153</sup> Beatty to John Danner, Esq., Sarnia, 26 September 1935, 225, vol. 154, box 23-008, President’s Letter-Books, CPRA.

<sup>154</sup> King Diaries, 13 June 1935, LAC.

listener's mind in what was a cogent, though somewhat sensational and undoubtedly opportunist, critique of the National Government idea. "I do not doubt the sincerity of many of those who are its advocates," King conceded before delving into the crux of the matter:

but, with all due respect, to those who are advocating it, as undoubtedly some are, from ulterior motives, I do doubt their understanding of government and of the value of freedom of discussion, of argument, and reason, and persuasion, as being of the very essence of our parliamentary system

Traced to its source – the source that is financing the present movement – it will, I believe, be found that the demand for National Government is a last desperate effort on the part of certain persons, enjoying privileges denied to others, to deal with the railways, the tariffs, and taxation, in a manner which will serve to further their own special interests.

Under the guise of submerging partisanship, and gaining political unity for public service, it would seek to do, by combination of parties, things which no single party would dare ask public approval.

In plain English, national government, if established at this time, would sacrifice democracy to serve the ends of plutocracy.<sup>155</sup>

Thus King styled himself as the upholder of Canada's parliamentary tradition, warding off the plutocrats – Beatty, being probably the public figure most associated with the term in Canada during the 1930s – who were intent on having their way.

As Beatty attempted to achieve railway unification through National Government, his opponents recognized that democratic governance was their primary defence. The Mount Royal Division of the Canadian Brotherhood of Railway Employees, for example, proclaimed in March 1935: "Parliament is the chief bulwark of the railway workers and the people of Canada against the proposals which have been made for the amalgamation

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<sup>155</sup> "Whither Are We Tending To-day?" *Maritime Advocate and Busy East* (August 1935), 7.

or unification of the two large railway systems or their component parts.”<sup>156</sup> Numerous labour representatives had already spoken before the Duff Commission of “democratic management” of Canada’s railways. They refused to accept Beatty’s argument that Canada simply could no longer afford such a “luxury.”<sup>157</sup>

During a trip to Vancouver in September, Beatty reported to Senator Smeaton White, owner of the *Montreal Gazette*, that he was pleasantly surprised to find many businessmen hoping for the formation of a National Government.<sup>158</sup> However, Beatty and other likeminded businessmen had largely been reduced to hoping. Beatty continued to believe that Bennett showed promise, despite an argument between the two regarding a statement Beatty made to a reporter while in England that summer that associated Bennett with the policy of unification and claimed his “Competition ever, amalgamation never” speech had been “unfortunate.”<sup>159</sup> In September and earlier, Beatty referred numerous times to his hope that the upcoming election will produce a “strong” government. “I am very hopeful,” Beatty explained privately, “that a strong Government will emerge from the election, and it even may be a National Government formed from

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<sup>156</sup> E.G. Jones to Arthur Meighen, 4 March 1935, 93777, vol. 153, Meighen Papers, LAC.

<sup>157</sup> A digest of the Duff Commission’s proceedings observed: “The views of Organized Labour wherever ascertained in the course of the inquiry were uniformly to the effect that, if there was to be amalgamation or consolidation of services, it should be on the basis of public ownership and what was termed democratic control of transportation facilities.” See Digest of Transcripts of Proceedings, 31, vol. 5, Royal Commission on Transportation Funds, LAC.

<sup>158</sup> Beatty to Smeaton White, 9 September 1935, 154, vol. 154, box 23-008, President’s Letter-Books, CPRA.

<sup>159</sup> “Sir Edward Beatty Looks Ahead,” *Evening Times* (London), 4 July 1935, 596532-3, vol. 944, Bennett Papers, LAC; R.B. Bennett to Beatty, 13 July 1935, 368124, vol. 594, Bennett Papers, LAC.

the more conservative elements in our Parliament.”<sup>160</sup> By October, the month of the election, hope faded into cynicism. Aghast at the campaign speeches of King and Dunning, Beatty despaired over the continued politicization of the railway question, believing the public discourse on the issue to be biased. “I am afraid the results of the elections will be unsatisfactory and that we will have confusion for the next few months at all events,” wrote Beatty in a spirit of resignation just days before the election.<sup>161</sup>

## V

“Without vanity I think that I can say that I am alleged to be an unusually stupid reactionary,” said Beatty in February 1936 before the Canadian Chamber of Commerce in Toronto, “because good or ill fortune has placed me in a business position of some discomfort and some prominence. I am even held up as one of the chief reactionaries.” This was no confession. Beatty believed the public to be largely misled. He asked rhetorically: “How many of the unwise measures adopted by governments in connection with business have been the product of demagogues appealing to ignorant voters?” Beatty encouraged his audience to embrace a greater sense of national citizenship: “To my mind our failures have been rather as citizens than as capitalistic exploiters of the people.” Too often, he argued, local boards of trade and other business associations had played lead roles in encouraging “governments to do things which governments are not well adapted to do.” Local jealousies between business groups had forced government expenditures for

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<sup>160</sup> Beatty to Donald S. Drennan, 26 September 1935, 215, vol. 154, box 23-008, President’s Letter-Books, CPRA.

<sup>161</sup> Beatty to Alex McA. Murphy, 10 October 1935, 284, vol. 154, box 23-008, President’s Letter-Books, CPRA.

the sake of “local conveniences.” Greater discipline and unity within the business community was necessary to the attainment of the sort of national citizenship Beatty encouraged within Canada’s business community. Citing Franklin Delano Roosevelt’s New Deal as evidence of the failings of government intervention, Beatty sought to shore up the classic liberal order.<sup>162</sup>

For Beatty, like Charles Dunning and Howard Robinson, freedom and democracy were rooted in the free-market system that was being challenged by increasing levels of government intervention. “The possible alternatives are fascism and socialism,” claimed Beatty later in the year, which he claimed were “both based on the theory of a government which ‘runs the country.’” He dismissed both theories without comment because he was convinced “that the people of this country are not seeking to change their historic form of government.”<sup>163</sup> For Beatty, society was an organism with which one should not meddle. “To those who hold that some mechanism exists in this country known as the present system of society, and that all that is necessary to move us forward on a path of grater wealth and greater happiness is some tinkering with this machine,” Beatty said in a convocation address at Queen’s University in 1937, “I venture to offer the thought that human society is not a machine but an organism [and] that it[s] improvement is by slow process – not rash remodeling of the system.”<sup>164</sup> This language,

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<sup>162</sup> Edward Beatty, *Obligations of Business* (an address delivered before a joint meeting of the Canadian Chamber of Commerce and the Kiwanis Club of Toronto), 5 February 1936, 5 February 1936, 3, 9 and 11.

<sup>163</sup> Edward Beatty, *Citizen Obligation in Democratic Government*, Calgary, 2 September 1936.

<sup>164</sup> Edward Beatty, “Freedom and the Universities,” *Queen’s Quarterly* 44 (Winter 1937), 471.

reminiscent of Herbert Spencer, was conveyed on another occasion that same year as follows: “Human society is a human entity – as truly organic as is a plant or an animal. As with plants and animals, we can stimulate, and, to a very limited extent, control the amount of direction of the growth of society. We cannot alter its rate or type by substituting a larger gear for a smaller one, or by any other simple mechanical device. Organisms are not machines.”<sup>165</sup>

Ignorance, bias, and emotional appeals all, however, continued to move the populace towards actions that threatened Canada’s “historic form of government.” Beatty’s invocations of freedom and democracy were always abstractions, which dissipated once brought down to the material world of living individuals, whom Beatty generally felt to be incapable of responsible action. They needed guidance – “education,” in Beatty’s idiom – from a beneficent elite. That elite was, in Beatty’s mind, a business elite, not the Liberal politicians in power in Ottawa who helped perpetuate troubling national trends.

Some of the most troubling trends were occurring in Beatty’s bailiwick, McGill University, where he continued to serve as chancellor. Young McGill professors became a particular problem, in their research, public commentary and political activity. Beatty believed McGill and Canadian universities as a whole had failed in their role of providing national leadership, contributing nothing to solving the pressing political, social and economic problems of the day. In universities only “radical professors,” Beatty

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<sup>165</sup> Edward Beatty, *The Ideals of a Business Man* (delivered before the United States Chamber of Commerce, Washington), 20 April 1937, 9-10.

complained, articulated their views to the wider public.<sup>166</sup> At McGill Leonard Marsh, Eugene Forsey, and F.R. Scott were among the most prominent of the left-wing professoriate who gained the attention of the university's conservative board of governors, which was composed exclusively of Montreal businessmen who felt a deep sense of proprietorship over the university and its direction. Beatty articulated this feeling when, in delivering a convocation address at Queen's in 1937, he complained: "There has been exhibited from time to time a certain inclination of at least a few academic officers of universities to take the stand that all that is necessary is for someone to raise the money and then leave them free to spend it as they see fit. That theory is contrary to facts as they exist, and an attempt to follow it would almost inevitably lead to a general unwillingness to support these institutions."<sup>167</sup> The point was clear: those who control the purse strings should, naturally, have a considerable hand in directing university affairs.

The Social Science Research Project, as historian Marlene Shore has written, "became the object of the administration's attacks on political radicalism in the 1930s," even though its funding came from an outside source, the Rockefeller Foundation.<sup>168</sup> Headed by Leonard Marsh, a graduate of the London School of Economics, the project produced studies that were critical of the social consequences of unfettered capitalism; worse still, Marsh and others associated with the project were also associated with the League for Social Reconstruction (LSR), an organization consisting mostly of academics,

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<sup>166</sup> Chalmers, memo, Montreal, 6 January 1938, file 7, box 6, series 3, Chalmers Papers, AO.

<sup>167</sup> Beatty, "Freedom and the Universities," 468.

<sup>168</sup> Shore, *The Science of Social Redemption*, xviii.

established in 1931, that advocated the implementation of a planned economy and later became closely associated with the CCF. Beatty was suspected in criticism of one of the project's studies. *The British Immigrant* (1935), written by McGill graduate student Lloyd Reynolds, was critical of the Canadian government's past "indiscriminate encouragement" of immigration and recommended a more restrictive policy; this was, of course, contrary to Beatty's view as president of a company deeply interested in the business of immigration and settlement. When P.C. Armstrong, "an economic advisor on the staff of the CPR," penned a scathing criticism of the book in 1936, McGill faculty reasonably suspected Beatty's involvement.<sup>169</sup>

Beatty was hands-on in his role as chancellor. When Principal Sir Arthur Currie died in November 1933, Beatty took over the administration of the university, as he had previously done when Currie was ill.<sup>170</sup> In 1935 Arthur Eustace Morgan was appointed principal. But Morgan, an Englishman whose personal disposition alienated many and whose political sympathies and vision of academic freedom antagonized the board of governors, did not last long. Refusing to police the McGill faculty to Beatty's liking, Morgan was forced out over the issue of budgetary control in 1937.<sup>171</sup> Beatty selected

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<sup>169</sup> Shore, *The Science of Social Redemption*, 233-43.

<sup>170</sup> Frost, *McGill University*, 190.

<sup>171</sup> Frost, *McGill University*, 190-7. Carleton Stanley had been assistant to the principal at McGill, and would have been slated to take over as principal at McGill following Currie's death had he, Stanley, not left in 1931 to become president of Dalhousie University. But, as Barry Cahill writes, "Stanley's left-liberalism and his contemptuous attitude towards the vested interests inevitably made him enemies," most notably the influential Halifax businessman James McGregor Stewart, a member of Dalhousie's board of governors since 1929. Stewart worked within Dalhousie's board to orchestrate Stanley's removal as president – and succeeded in 1945. Cahill observes, "The Morgan affair at McGill was eerily anticipatory of the Stanley affair at Dalhousie some eight

Lewis Williams Douglas as Morgan's replacement. Douglas was an American with experience in business, politics and academia, an FDR cabinet member-turned-New Deal opponent. Appointed principal and vice-chancellor on 1 January 1938, Douglas was quick to implement economies and, together with Beatty, devised a strategy to counter perceived radicalism within the professoriate. The Douglas-Beatty program, as Stanley Brice Frost has described it in the university's official history, redefined tenure "whereby junior staff were clearly seen not to possess it"; it implemented selective promotion so that "socialist-minded" junior academics "were to be pressured out and replaced by less doctrinaire, 'more competent' exponents of the social sciences"; and it sought to counter "radicals" already too senior to force out by creating new professorships to be filled with prominent conservative scholars. The plan was implemented in its entirety – although the last part of the program ran into some difficulty when Douglas offended the chair of the economics and political science department by making an appointment to a three-year visiting professorship without consultation.<sup>172</sup>

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years later." See Barry Cahill, "Dismissal of a President: The Ordeal of Carleton Stanley at Dalhousie University, 1943-1935," *Acadiensis* 31, 1 (Autumn 2001), 76-102.

<sup>172</sup> Frost, *McGill University*, 200-3. In 1941 Conservative party stalwart and Montreal corporation lawyer C.H. Cahan asked Beatty to use his influence at McGill to effect reconsideration of Eugene Forsey's impending dismissal. Cahan had known Forsey since he was a child. His father had worked under Cahan as a translator and manager of the operating staff of the Mexican Light & Power Company in Mexico City in the early 20<sup>th</sup> century, but, suffering from ill-health, the elder Forsey died of a hemorrhage on the train in Mexico City. Cahan explained: "I arranged to send the mother and child home to Ottawa, where she secured employment as librarian in one of the government departments; and ever since, because of my warm friendship for his father, and the circumstances of his sudden death, I have taken an interest in the lad's welfare and advancement." Pleading Forsey's professional competence, Cahan asked Beatty to exercise his influence on Forsey's behalf. Beatty, whose active involvement in university affairs had halted since having fallen ill in 1939, was unmoved and delivered what can only be described a lie: "I can assure you that Mr. Forsey's personal opinions on political

While Beatty proclaimed a belief in freedom of speech, those principles buckled somewhat when it came to radicalism. “I have always felt that our professors should keep clear of discussing publicly questions involving atheism, communism and sovietism,” explained Beatty to a concerned investment banker in 1932, “all of them being fundamentally antagonistic to the views of the people of this country.”<sup>173</sup> Beatty attacked “socialist” and “communist” theories as lacking basis in fact, guided by emotion and inaccurate readings of history and thus inappropriate for the university setting.<sup>174</sup> It was a simplistic and tautological formulation, but nonetheless it animated his general view of education, which held that true education would square with his own worldview. Socialists were beyond the realm of legitimate education – and even, in specific instances, beyond legitimate participation in civil society. Beatty defended Maurice Duplessis’s draconian Padlock Law (1937), which made possession of any literature deemed “communist” illegal, by arguing that it was well-suited to a province whose population, being overwhelming “French-Canadian and Roman Catholic,” was illiberal: “The padlock law may be a foolish law in the minds of liberals who do not think that freedom can ever be abused, but the overwhelming sentiment of the people of Quebec is

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and social questions have no influence on the action which the University authorities contemplate taking.” C.H. Cahan to E.W. Beatty, 11 March 1941, and E.W. Beatty to C.H. Cahan, 14 March 1941, 517-20, vol. 2, Charles Hazlitt Cahan Papers, MG 27 B1, LAC.

<sup>173</sup> Beatty to A.J. Nesbitt, 25 November 1932, 490, vol. 43, box 23-006, President’s Letter-Books, CPRA.

<sup>174</sup> Beatty, “Freedom and the Universities”, 470-1; Edward Beatty, *University Education and Economics* (on the occasion of receiving honorary degree at the University of Western Ontario, London, Ontario), 25 October 1935.

against Communism, and the present Government is only reflecting that sentiment.”<sup>175</sup>

Abstract principles of freedom were not, in Beatty’s mind, easily transferable to the material world.

In public speeches during the last half of the 1930s Beatty often referred to his faith in democracy and the ability of the ordinary individuals to choose wisely. One must conclude that Beatty held to these beliefs tenuously; and that they were made anticipating that the public would come around to embrace “sound” views. Before the United States Chamber of Commerce in 1937 Beatty proclaimed: “The business world cannot defend itself against demagoguery or reform by trickery, or by conspiracy. The hope of survival of capitalism lies, not in repression, but in education.”<sup>176</sup> Here, again, Beatty recognized the problem of public relations. He argued for increased activism before his esteemed American colleagues: “It will not do for us to take refuge in the assertion that economic law is on our side and that economic truth is great and will prevail. Truth will prevail, but before now it has gone into eclipse for long periods. . . . I appeal to you to realize that it

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<sup>175</sup> Beatty to George Drew, 25 February 1938, file 88, vol. 12, George Drew Papers, MG 32 C 3, LAC.

<sup>176</sup> Beatty, *Ideals of a Business Man*, 14-15. See also Edward Beatty, *The Average Citizen*, Ottawa, 27 November 1937, an address that touches upon what Beatty perceived as the obstacles hinder the “Forgotten Man’s” or “average citizen’s” ability to embrace a truly national outlook. Made afraid by demagogues who scare him and politicians who appeal to his sectional interest, the potential of the “average citizen” is, Beatty maintains limited. Beatty claimed to have faith in the future: “It is precisely because I believe in democracy, and in ability of the average citizen so see the fallacies and weaknesses of our present public policies that I assert the coming of a change. I believe in all sincerity that the time is near at hand when the average citizen will demand the adoption of those policies which will give him a chance to reap fuller rewards from his industry and thrift than now are possible.” See Beatty, *Average Citizen*, 11. Taken with his other addresses, one must conclude that the ability of the “average citizen” to find such a path depended upon the guidance of individuals such as Beatty.

is not enough for business men to be right – they must also prove to the public that they are right.”<sup>177</sup> Beatty practised what he preached, continuing to speak out about the railway question. By 1938 he seemed to have convinced himself that railway unification was inevitable.<sup>178</sup> Perhaps it was a public relations strategy, but more likely it was evidence that Beatty was, as Floyd Chalmers observed in a private memorandum, “building up for himself a castle of delusions.”<sup>179</sup> Believing that he could sway popular opinion, that democracy was on his side, was a supreme delusion, especially for an individual who privately disparaged “the intellectual level of the masses.”<sup>180</sup>

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<sup>177</sup> Beatty, *Ideals of a Business Man*, 11. American big business was well aware of the importance of public relations by this time, and major corporations had invested considerable resources in public relations in an effort to counter the New Deal and reinstate confidence in capitalist enterprise. See Roland Marchand, *Creating the Corporate Soul: The Rise of Public Relations and Corporate Imagery in American Business* (Berkeley: University of California Press, 1998), 202-48.

<sup>178</sup> See Beatty, *After Unification* (delivered before the Woodstock Board of Trade, Woodstock, Ontario), 6 April 1938.

<sup>179</sup> Chalmers, memo, Montreal, 6 January 1938, file 7, box 6, series 3, Chalmers Papers, AO.

<sup>180</sup> This quotation comes from a memo written by Floyd Chalmers that reported a conversation with Beatty, where Beatty expressed concern regarding Franklin Roosevelt’s decision to publicly broadcast his message to Congress. Beatty, as Chalmers reported, believed the decision “meant inevitably that the message would be written for its effect upon the larger audience outside and this meant that the White House executive message to Congress would inevitably stoop lower and lower to get down to the ~~democratic~~ [intellectual – written in pencil] level of the masses.” Chalmers, memo, Montreal, 6 January 1938, file 7, box 6, series 3, Chalmers Papers, AO.

Beatty argued that those who believed railway unification impossible were, in fact, admitting the failure of democracy, which reveals Beatty’s fragile – perhaps opportunist – commitment to democracy. See Beatty, *The Inevitable Way to Lower Transportation Costs*, Windsor, Ontario, 8 December 1937, 15. On another occasion Beatty claimed: “The time is past to play political tricks with railways. Rationalization of an intolerable situation is inevitable. I, for one, deny that it cannot be brought about safely under democratic Government.” Beatty, *After Unification*, 16.

## VI

Democracy was not on Beatty's side and would prove insurmountable for the success of his political aims. Nonetheless, as we shall see, the National Government drive lived on in new forms and Beatty and likeminded businessmen continued to exert considerable influence in political life. Their vision for society was becoming less and less viable, however. Beatty operated in an "imagined community" that was imperial in its scope and, indeed, still rooted in economic relations established by the British Empire. The majority of the shares of the CPR continued to be held in Britain, and Beatty and the CPR appear to have tried to appeal to Britain to whip the recalcitrant Dominion government in line. CNR officials reported in 1936 that CPR agents were carrying out an organized campaign to damage Canadian credit in London "on the ground of the railway situation in the hope that the Government can thus be intimidated into yielding to Sir Edward Beatty's demands."<sup>181</sup> At almost the exact same time King Edward VIII, a personal friend of Beatty (and a notorious Nazi sympathizer), expressed himself in favour of railway unification to Prime Minister Mackenzie King.<sup>182</sup> This was no basis upon which popular approval could be won in Canada in the late 1930s. Beatty fell ill in December 1939, suffered a severe stroke in 1941, and passed away in 1943; his health permitted him to do relatively little after the onset of the Second World War.

Beatty had embraced a losing political strategy to shore up a crumbling accumulation regime. Failure does not imply unimportance, however. In the open-ended

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<sup>181</sup> Dafoe to Dexter, 30 October 1936, Dafoe Papers, LAC.

<sup>182</sup> King Diaries, 27 October 1936, LAC.

political context of the times, the failure of railway amalgamation and National Government while Bennett was in office was hardly inevitable. And, as James Overton has shown, economic crisis in Newfoundland did in fact spell “the end of democracy” for a period with the implementation of commission government.<sup>183</sup> Prime Minister Bennett had, indeed, come to seriously consider the formation of a National Government. But, differing from the Union government formed in 1917, the prospective National Government circa 1935 was pretty much exclusively aligned with big business and, as a result, failed to gain a significantly broader base of support. Its failure attested to the way in which parliamentary democracy provided a framework within which the public could resist the influence of big business during a period of economic crisis. In the political context of an oncoming social democratic era political parties could not afford to become too closely associated with the “big interests.” Bennett and Charles Dunning suffered for it, even though St. James Street viewed their political activities with some disappointment.

Moreover, this political failure also signaled the waning legitimacy of meritocratic discourses in the context of the Depression. Beatty had been cast as a dynamic business leader, capable in both cerebral and athletic pursuits, evincing the broader meritocratic ideal that emerged in North America during the early 20<sup>th</sup> century to revitalize the image of the upper class. Beatty himself understood his social position, and society generally, within this broader worldview. As such, he saw little problem in promoting the political influence of big business; after all, according to his outlook, the

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<sup>183</sup> James Overton, “Economic Crisis and the End of Democracy: Politics in Newfoundland during the Great Depression,” *Labour/Le Travail* 26 (Fall 1990), 85–124.

country's business executives represented Canada's best and brightest. The antidemocratic implications of this outlook became obvious once popular opinion began to push public policy in directions that Beatty believed unwise. Contrary to the dominant scholarly view emphasizing the business elite's smooth adaptation to a social democratic era, Beatty advanced radical solutions in response to the persisting economic crisis and growing political ferment of the 1930s. Beatty's adaptation was far from smooth, and his political influence was far from effective – a striking condition for a man who occupied what was widely considered to be the most important position in the Canadian business world, the presidency of the CPR.

As we shall see in the next chapter, the CPR's relative decline within the nation's political economy was related to expansion in other areas. Nothing more clearly signaled this transition during the interwar period than the expansion of the automobile industry. But the automobile industry's expansion came with its own contradictions, made especially apparent with the rise of labour militancy among Canadian autoworkers. Conflict with workers provided the basis for renewed political and social cohesion within a changing Canadian bourgeoisie, just as it signaled the beginning of change in the broader relationship between capital and labour. As Beatty and the age of finance capital faded, we shall witness the emergence of a new accumulation regime in the coming chapters. This accumulation regime, which emerged in the 1930s and 1940s, was more continental in its geographic nexus, managerial in its ethos, and more intermeshed with the state.

## CHAPTER FOUR

### Stewardship and Dependency: Sam McLaughlin, General Motors, and the Labour Question

In early April 1937 all eyes were on Oshawa. Workers picketed the General Motors plant, while armed forces including the Royal Canadian Mounted Police (RCMP), the Ontario Provincial Police (OPP), and a special force recruited by Ontario Premier Mitch Hepburn, derisively labeled “Sons of Mitch’s” and “Hepburn’s Hussars,” waited only a few miles away in Toronto. The mood was tense and the threat of violence palpable. Oshawa autoworkers had affiliated with the Committee for Industrial Organization (CIO), drawing inspiration from that organization’s recent success south of the border at the General Motors operations in Flint, Michigan and other centres, where workers had occupied plants in a wave of sit-down strikes that resulted in recognition of their union. A near hysterical Hepburn, ostensibly worried about the spread of communism, declared his resolve to keep the CIO out of Canada. He had recently applauded vigilantism at a foundry near Sarnia, where armed thugs had halted a CIO sit-down strike by breaking through the picket and beating the strikers inside before turning them over to the authorities. As soon as the General Motors strike commenced on 8 April

Hepburn wrote to the Dominion Minister of Justice, Ernest Lapointe, that the situation in Oshawa had become very “acute” and violence was “anticipated any minute.”<sup>1</sup>

The conflict was dramatic evidence of how the political economy of the automobile industry had transformed Oshawa in recent years. Only a decade earlier, the Oshawa Chamber of Commerce had described local labour conditions as “happy” and “pleasant”; “80% of the residents of Oshawa own their own homes. The workers are conservative, productive and permanent.”<sup>2</sup> The 1937 strike represented a clear break from that past. Oshawa was the Canadian headquarters of General Motors, and recent transformations there mirrored the stunning rise of the auto industry in Canada generally. From an array of small factories producing a plethora of brands in the early 1900s, the auto industry expanded in Canada after the First World War to become one of the country’s most important industries during the 1920s. By the close of the decade the corporate contours of the modern industry were well in place: centralized in southern Ontario, Canada’s auto industry was a branch of the American industry, dominated by the Big Three – Ford, Chrysler, and General Motors.<sup>3</sup> As the emergent industry of the interwar period in North America, the auto sector became a decisive site of class conflict. Semi-skilled and unskilled workers employed in auto plants across the continent fought vigorously for union recognition, challenging at once both the industry grandees as well as the conservative trade unions affiliated with the American Federation of Labor (AFL).

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<sup>1</sup> Mitch Hepburn to Ernest Lapointe, 8 April 1937, file “Strike at Oshawa: General (Folder 1),” box 282, Mitchell F. Hepburn Papers, RG 3-10, Archives of Ontario [AO].

<sup>2</sup> *Handbook of Oshawa* (Oshawa Chamber of Commerce, 1928), 17.

<sup>3</sup> Dimitry Anastakis, *Car Nation: An Illustrated History of Canada’s Transformation Behind the Wheel* (Toronto: James Lorimer & Company, Ltd., 2008), 24.

As the drama unfolded in Oshawa, General Motors of Canada president Colonel R.S. McLaughlin was caught off-guard vacationing in Bermuda. Several decades earlier McLaughlin, or “Mr. Sam” as he was often called, had worked as an upholsterer alongside skilled workers in his father’s carriage factory; he was now decidedly distanced from the workforce, and the “cocoon of welfare capitalism,” as historian John Manley has described it, that he had helped deploy seemed broken.<sup>4</sup> This chapter examines Sam McLaughlin (1871-1972), the McLaughlin family, and the development of General Motors of Canada and industrial Oshawa, in a broader effort to describe and analyze the changing structure and behaviour of the big bourgeoisie in Canada.

McLaughlin embodied an emergent variety of capital in Canada – that of corporate America. His trajectory reflected the transition in Canada’s economic life during the early 20<sup>th</sup> century from an economy whose foreign investment came primarily from British portfolio investment and was tied to imperial expansion and nation-building through, as we have seen, corporations such as the CPR, to an economy whose principal foreign investment came from the United States and was represented mostly in branch plants. The carriage manufacturing business of his father, begun in 1867, had sprung from local capital in small-town Ontario and by the turn of the century had purportedly become the largest manufacturer of carriages in the British Empire. Sam McLaughlin and an elder brother, George, joined their father in the growing carriage concern. The McLaughlin Carriage Company still retained aspects of its artisanal origins when Sam joined the firm in the late 1880s as an apprentice upholsterer. Sam and his father

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<sup>4</sup> John Manley, “Communists and Autoworkers: The Struggle for Industrial Unionism in the Canadian Automobile Industry, 1925-1936,” *Labour/Le Travail* 17 (Spring 1986), 108.

socialized easily with the workers, as paternalism and quality craftsmanship imbued the McLaughlin works with its unique identity. But, as Sam McLaughlin perceived, the future was with the car. The McLaughlin brothers briefly attempted to manufacture their own car before buying the rights to manufacture the Buick in Canada in 1907. A decade later they relinquished control of their business in order to become the Canadian subsidiary of General Motors. It was a profitable arrangement. Always interested in other investments, Sam and George McLaughlin exercised relatively little entrepreneurial initiative within General Motors, and in 1924 George retired and Sam assumed a more hands-off role with the appointment of a general manager to the Oshawa operations. As a result, they became *rentier* capitalists of sorts. Through the interwar period Sam McLaughlin became entrenched within the Canadian bourgeoisie, gaining directorships in important companies such as the CPR and the International Nickel Company of Canada, engaging in the typically upper-class pursuits of horse racing and art collecting, and playing a very active role in the social life of the nation's big bourgeoisie – joining elite social clubs such as the Mount Royal Club, St. James Street's choicest club. This process of integration was important to class consolidation, since McLaughlin and the auto industry generally had largely stood outside the social and economic institutions of the big bourgeoisie after the First World War. Furthermore, during the 1920s numerous businessmen and politicians questioned the importance of the auto industry within the Canadian economy, in spite of the fact that it had become one of the nation's leading sectors of economic activity. As McLaughlin's place within the upper-stratum of Canada's economic and social life expanded during the 1920s and 1930s, the place of

General Motors of Canada – and the auto industry as a whole – within the new Canadian economy was further established.

As McLaughlin confirmed his position within the Canadian bourgeoisie, paradoxically he and his family lost influence in Oshawa. In the 1920s McLaughlin's paternalism remained effective, consolidated around a shared belief in high tariffs and an ethos of community stewardship: Oshawa residents organized a protest against tariff reductions in 1926 and two years later McLaughlin and General Motors of Canada officials helped resolve a strike with conciliatory tactics. When the economic slump of the 1930s ravaged the auto industry and Oshawa generally, however, the city's workers discovered the tenuousness of working-class respectability, as bank foreclosures and hunger assailed the community. The McLaughlin discourse of community stewardship became less convincing in this context, as General Motors of Canada implemented massive layoffs and as Sam's brother George tightened the purse strings controlling local relief. Sam McLaughlin's estrangement from the local working class was revealed when he sent out Christmas turkeys to the homes of workers, some of whom did not own ovens; a few of those turkeys were given back, thrown on McLaughlin's lawn.<sup>5</sup> This symbolic gesture of resistance prefigured the 1937 strike, which represented a culmination of McLaughlin's estrangement from a more independent and militant working class. By 1937 the challenge from a reinvigorated left, prominently exemplified by the growing popularity of the CIO among workers in Oshawa and beyond, gave the

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<sup>5</sup> Christine McLaughlin, "The McLaughlin Legacy and the Struggle for Labour Organization: Community, Class, and Oshawa's UAW Local 222, 1944-49" (MA thesis, Trent University, 2007), 43-4; Heather Robertson, *Driving Force: The McLaughlin Family and the Age of the Car* (Toronto: McClelland and Stewart, 1995), 250.

Canadian bourgeoisie a renewed basis for collective action. McLaughlin himself came to embrace the idea of National Government, like Beatty and Dunning, just as Hepburn, C. George McCullagh, and Conservative party organizer George Drew plotted to form a coalition government in Ontario to fight the CIO. Although the Mackenzie King government assumed a conciliatory role during the strike, McLaughlin's private opposition to the CIO mounted and General Motors of Canada refused to recognize the union, contrary to Irving Abella's suggestion, in his classic account of the 1937 strike, that GM had been conciliatory before Mitch Hepburn stiffened their resolve to fight the union.<sup>6</sup> During the 1920s and 1930s McLaughlin grew into a changing Canadian bourgeoisie that was able to unite politically around certain key issues – railways, public debt, industrial unionism. Though McLaughlin's small-town origins and self-styled folksiness have caused some observers to view him as an outsider, never truly able to gain acceptance in high society, such views not only underestimate McLaughlin's social success but fail to appreciate the common political and ideological outlook that united McLaughlin and other leading capitalists, which was of far greater political import than high society cliquishness.<sup>7</sup> As autoworkers picketed the General Motors plant in Oshawa, businessmen, politicians, professionals and others worked to halt the CIO's "invasion" into Canada.

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<sup>6</sup> See Irving Abella, "Oshawa, 1937," in *On Strike: Six Key Labour Struggles in Canada, 1919-1949*, ed., Irving Abella (Toronto: James Lewis & Samuel, 1974), 93-128, and discussion below.

<sup>7</sup> This view is presented in Robertson, *Driving Force*, 209.

## I

In the first half of the 1910s, before the First World War, the automobile still remained a “sideline” to the carriage business that Robert McLaughlin, Sam’s father, had founded four decades earlier. And, indeed, the shape of the auto industry itself remained highly fluid and uncertain.<sup>8</sup> One observer in 1911 marveled at the carriage factory in the northeast section of Oshawa, a bustling industrial centre of more than 7,000 residents, which had come to call itself the “Manchester of Canada”: “Their factory . . . is the largest of its kind under the British flag. . . . They employ from six to seven hundred men, most of whom are well-to-do, contented artizans who make their employer’s interest their own.” The output of the factory was impressive. One carriage was completed for every 10 minutes of production. Sam devoted most of his time to the more modest automobile operation, assembling Buicks.<sup>9</sup>

The rise of the automobile in North America changed business conditions in Canada within a few short years. The automobile industry represented capital investments of \$1.7 million in Canada in 1910; that figure rose over eightfold by 1915, reaching \$14 million.<sup>10</sup> “By 1915 carriage sales were declining steadily,” Sam reflected in 1954, “[and]

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<sup>8</sup> Though Sam McLaughlin years later claimed that his father wanted nothing to do with the manufacture of automobiles, Heather Robertson has shown that Robert McLaughlin played a role in drafting the original agreement with Durant and felt the automobile business a good “sideline” to carriages. See Robertson, *Driving Force*, 107. O.J. McDiarmid, “Some Aspects of the Canadian Automobile Industry,” *Canadian Journal of Economics and Political Science* 6, 2 (May 1940), 259.

<sup>9</sup> *The Manchester of Canada: Oshawa* (Oshawa: Reformer Printing and Publishing Company, Limited, 1911), 21; *Canada Year Book, 1911* (Ottawa, 1912), 8.

<sup>10</sup> C. Howard Aikman, *The Automobile Industry of Canada* (Toronto: The Macmillan Company of Canada, Limited, 1926), 10.

automobile sales were rocketing. I calculated that there would only be three or four years in which carriage production would show a profit.”<sup>11</sup> McLaughlin had a fortuitous encounter with William C. (“Billy”) Durant while visiting New York City that year. Durant had established General Motors in 1908 but in two years he lost control as the company became dependent upon financial backers who believed his methods too reckless. The Boston and New York bankers appointed five trustees on the GM board, forcing Durant’s supporters to retire. Sam McLaughlin was among the Durant allies removed from GM’s board.<sup>12</sup> Durant mounted a comeback by having an expert mechanic named Louis Chevrolet design a car for him; though Chevrolet quit the company in 1913, the following year the Chevrolet Motor Company came out with two models that achieved instant success.<sup>13</sup> By the time he met McLaughlin at Pabst’s Restaurant in 1915, Chevrolet was a successful enterprise with a very saleable product – and looking to expand into Canada. Durant offered the rights to manufacture the Chevrolet in Canada to the McLaughlins, who by that time were already familiar and trusted business partners. McLaughlin was able to secure the go-ahead from General Motors to continue to make Buicks in Canada should he sign a contract with Chevrolet, and his brother, George, traveled to New York to join in negotiations with Durant. A tentative agreement was made, and the McLaughlin brothers traveled back to Oshawa to convince their father,

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<sup>11</sup> R.S. McLaughlin as told to Eric Hutton, “My Eighty Years on Wheels – Conclusion: The Men Cars Made Famous,” *Maclean’s* (15 October 1954), 65.

<sup>12</sup> Bernhard A. Weisberger, *The Dream Maker: William C. Durant, Founder of General Motors* (Boston: Little, Brown and Company, 1979), 151.

<sup>13</sup> Weisberger, *Dream Maker*, 167-8.

Robert, whom they affectionately referred to as “the Governor” out of continued respect for his patriarchal stature in the family enterprise.<sup>14</sup>

If the McLaughlins wanted the Chevrolet contract, the manufacture of automobiles would consume their factory; they would be forced to sell the carriage business. As historian David Roberts has noted, Robert McLaughlin had been carefully following the decline of the carriage business during the past three years as well as “Sam’s ongoing pains to attract the attention and respect of kingpins in the fast-moving American auto industry.”<sup>15</sup> Robert agreed to abide by the decision of his sons, accepting the passing of an era.<sup>16</sup> A 1924 article in *Maclean’s* described Sam as “the impulsive type, the business-builder, always ‘on his toes,’ as modern sales managers want men under them to be. Sam is a typical go-getter. George is his brother’s antithesis,

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<sup>14</sup> McLaughlin, “My Eighty Years on Wheels – Conclusion,” 65-6; Axel Madsen’s *The Deal Maker: How William C. Durant Made General Motors* (New York: John Wiley & Sons, Inc., 1999), 155, indicates the restaurant in which McLaughlin and Durant met. Madsen’s account claims that Sam explained during the meeting that lack of factory space and his father’s reticence to admit the passing of the horse-and-buggy era might stop the deal from being made. Durant, so this account claims, phoned the “Governor” and convinced him to end the carriage business. The account seems less likely than the one provided by McLaughlin himself and, indeed, it refers to Sam’s father as “‘Governor’ George McLaughlin,” thus combining elder brother and father in one personage. The older Durant biography by Weisberger, *Dream Maker*, 172-3, provides an account that squares up with McLaughlin’s telling.

<sup>15</sup> David Roberts, “Robert McLaughlin,” *Dictionary of Canadian Biography* 15 (Toronto: University of Toronto Press, 2005), 675.

<sup>16</sup> Sam’s portrayal of his father’s attitude changed over time somewhat. In a speech delivered in Oshawa on 18 September 1944, which later served as the basis of the 1954 article in *Maclean’s*, Sam emphasized his father’s resignation: “Sam, I am about through. . . . Do what you please.” In an earlier rendition Sam simply stated: “Father, who was a very elderly man, was quite agreeable.” See “Hobbies and Health,” *News and Views* (July 1929), 12. *News and Views* was a company publication; this specific issue can be consulted at the Museum and Archives of Oshawa [MAO]: file 3: “General Motors, ‘News and Views,’” box 18, S 3.

conservative, slow, perhaps, to decision – a balance wheel.” Sam, “the talker and ‘mixer’ of the brothers,” steered the McLaughlins into the automobile business: “It was Sam’s intuition, optimism, or whatever you would call it, Sam’s never-failing enthusiasm and aggression, which first sensed the trend of motor car development. Sam’s business mind . . . is like that of an up-and-doing realtor, who, opening a subdivision upon bald prairie, has unfolded before him the mental picture of a city of to-morrow.”<sup>17</sup> The McLaughlins sold the carriage business to a provincial competitor, the Carriage Company Limited of Orillia, three days after the Chevrolet agreement was settled. They converted operations for the sole purpose of manufacturing automobiles, and the first Chevrolet rolled off the assembly line within two months.<sup>18</sup>

Before the end of 1918 the McLaughlins formalized this dependent but profitable relationship by selling their Canadian operations to General Motors, which, again, had come under the control of Billy Durant, with the aid of interested Wall Street moguls Pierre S. du Pont, of the famed explosive-making company, and Louis G. Kaufman.<sup>19</sup> George, as Sam recalled, was looking forward to retirement, Sam had no male heirs to eventually take the reins, and the expiration of the Buick contract was approaching. On 1 November 1918 the McLaughlins agreed to sell their automobile business to General Motors, thus becoming a subsidiary of the American auto giant. Sam McLaughlin would later justify the sale in terms of community stewardship: “I had in mind the fact that

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<sup>17</sup> J. Herbert Hodgins, “Making Motor Dreams Come True,” *Maclean’s Magazine* 37, 17 (1 September 1924), 18.

<sup>18</sup> Hodgins, “Making Motor Dreams Come True,” 45-6; Weisberger, *Dream Maker*, 173.

<sup>19</sup> Weisberger, *Dream Maker*, 193-201.

Oshawa had to carry on and our best workmen had to have jobs. This was the best way to get jobs for them.’<sup>20</sup> Though Sam would also claim years later that he approached GM about the sale, the reality was that GM had approached the McLaughlins. General Motors bought out the McLaughlins as part of a general expansion program, which the company’s chairman Jacob J. Raskob, a trusted lieutenant of Pierre du Pont, presented to the board of directors on 12 December 1918. An expansionary project in the amount of \$52.8 million was proposed; GM would offer \$6.5 million in stock for the McLaughlin-Buick properties.<sup>21</sup> Durant along with du Pont and Raskob – who, together, were the new masters of GM – imposed one condition upon the sale: the McLaughlins would continue to run the business.<sup>22</sup> Sam was appointed president of General Motors of Canada and regained his directorship with the parent company, and George became vice-president of the Canadian subsidiary. Durant had been the American connection for their previous car-making contracts, with Buick in 1907 and Chevrolet in 1915, and thus the sale to GM signaled the continuation of a familiar and friendly cross-border business relationship.

The negotiations had been going on for some time and the evidence reveals that the McLaughlins had bargained vigorously. On 4 July 1918 George wrote Sam a memo cataloguing the inadequacies of GM’s offer. The proposals, to George’s mind, were not sufficient compensation for future profits, nor was sufficient remuneration being offered

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<sup>20</sup> R.S. McLaughlin, *75 Years of Progress* (1944), 32.

<sup>21</sup> J.J. Raskob to General Motors Finance Committee, 12 December 1918, Du Pont-General Motors Anti-trust Case, Government Trial Exhibit, no. 134, reproduced in Alfred D. Chandler, Jr., ed., *Giant Enterprise: Ford, General Motors and the Automobile Industry: Sources and Readings* (New York: Harcourt, Brace & World, Inc., 1964), 68-9.

<sup>22</sup> McLaughlin, “My Eighty Years on Wheels – Conclusion,” 66.

for the reputation of the McLaughlin name, “which stands for the square deal” and undoubtedly was “worth a whole lot of money to any new corporation taking over the assets of the old concerns.” George pressed Sam to look at the deal “from a business point of view” before bringing “sentiment” and “the finer and more subtle elements of human engineering” into play. George, nonetheless, was in accord with the goals that motivated GM: “consolidation for the purpose of economy” to meet future competition.<sup>23</sup> Sam went to GM insisting they be paid in cash, not stock. An arrangement was worked out whereby the Du Pont Company purchased the 50,000 GM shares offered for the Canadian properties at a price of \$130 each.<sup>24</sup> The settlement was a favourable one, and even before receiving the cash payment for the GM shares, the McLaughlins were mailed a cheque in December for nearly \$1.5 million in payment for the Oshawa real estate transferred in the agreement.<sup>25</sup> George was more than placated and thanked Durant for his “fair and liberal minded” treatment. “This is the final chapter and closes the book on probably what has been the most important business transaction that Sam and myself have ever made,” wrote George.<sup>26</sup>

In two years Durant, an affable capitalist buccaneer more successful at creating companies than administering them, would be forced to resign from the board of General

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<sup>23</sup> Memorandum, George W. McLaughlin to Sam McLaughlin, 4 July 1918, file 28, box 1, George W. McLaughlin Papers, 5127, Queen’s University Archives [QUA].

<sup>24</sup> Alfred D. Chandler, Jr., and Stephen Salsbury, *Pierre S. Du Pont and the Making of the Modern Corporation* (New York: Harper & Row, 1971), 462-4.

<sup>25</sup> A.B.C. Hardy to W.C. Durant, 27 November 1918, file 8, box 1, George McLaughlin Papers, QUA.

<sup>26</sup> George W. McLaughlin to W.C. Durant, 22 December 1918, file 8, box 1, George McLaughlin Papers, QUA.

Motors. Durant's decline had, in some respects, already begun by the time Sam and George sold their Canadian operations to General Motors. The company's finance committee had, as Bernard Weisberger has written, already become "more or less become a Du Pont organ."<sup>27</sup> Durant proved himself out of step with the procedures of the modern corporation; he made decisions arbitrarily with little appreciation for oversight or organized planning, and his refusal to delegate responsibility caused the resignation of one of the company's most competent executives, Walter P. Chrysler, and generally made the functioning of the business inexpedient. But, ultimately, it was the onset of an international economic recession in 1920 that caused Durant's downfall; having independently begun to purchase large amounts of stock with borrowed money, Durant sought to counteract plummeting valuations by purchasing even more GM stock. In the end, the financial giant J.P. Morgan & Company became involved, with the encouragement of du Pont, and bought up Durant's stock and underwrote a new offering through a new holding company. A potential financial catastrophe was thus avoided, but with the departure of Durant, the McLaughlins lost their most important connection to the parent company.<sup>28</sup>

"When you permitted your controlling interest to pass from your hands," wrote C.W. Nash of the Nash Motors Company in 1924 to George McLaughlin, "I said then that I was sure the McLaughlin boys would never be happy again." Nash had served as president of GM during the interlude between the years of Durant – and Durant-Du Pont

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<sup>27</sup> Weisberger, *Dream Maker*, 231. See also Chandler and Salsbury, *Pierre S. Dupont*, 450-7.

<sup>28</sup> Weisberger, *Dream Maker*, 237 and 243-74; Chandler and Salsbury, *Pierre S. Dupont*, 482-91.

– control and counted himself among the McLaughlins’s friends. Though he perhaps made a somewhat overstated assertion, George appeared unhappy with GM when he retired in 1924 and Sam exercised little influence over the grand policies of the company, never serving on the all-important finance and executive committees.<sup>29</sup>

Within this corporate structure, Sam McLaughlin became the public face of General Motors of Canada, imbuing it with a potent brand of paternalism, rooted in notions of Britishness and community boosterism. Robert McLaughlin, too, remained an important figure in shaping the company’s image, as his motto, “one grade only, and that the best,” continued to be used by Sam and other company officials in advertising automobiles that rolled off Oshawa’s assembly lines, even after his death in 1921 as he “underwent a kind of corporate sanctification.”<sup>30</sup> While still alive, an elderly Robert McLaughlin expressed the opinion that the Canadian consumer embraced “old British ideas” of quality production differing from American consumers who tended to “buy anything so long as it was a low cost.”<sup>31</sup> Before a gathering celebrating the company’s long-serving employees in 1928, Sam McLaughlin argued a similar thesis, stating that the devotion of General Motors of Canada workers made true another company motto: “It’s

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<sup>29</sup> C.W. Nash to George McLaughlin, 10 July 1924, file 28, box 1, George McLaughlin Papers, QUA. Nash described George’s decision to retire from GM as “wise.” He explained: “My reason for saying this is that I was positive, when I visited you a year or so ago, and we had a little chat, that you were not at all happy in your position. As a matter of fact it has been a quandary in my mind for some time how you and Sam could stand the proposition at all.”

<sup>30</sup> Roberts, “Robert McLaughlin,” 675.

<sup>31</sup> “Fine Romance in the Career of Auto Maker,” *Globe* (Toronto), 25 November 1919, 13.

better because it's Canadian."<sup>32</sup> Though a wholly-owned subsidiary of one of the world's largest corporations, firmly within the grasp of Wall Street grandees, the corporate image of General Motors of Canada remained tightly tied to the McLaughlin family and their ideas concerning the unique nature of the Canadian market and Oshawa workforce. Sam McLaughlin had ceded his business autonomy but had ensured the survival of the Oshawa factory. Increasingly, his power was symbolic.

## II

The McLaughlin carriage business that was eventually to become General Motors of Canada had emerged out of the transition to industrial capitalism in the Ontario countryside during the 19<sup>th</sup> century. Robert Samuel McLaughlin was born in the tiny village of Enniskillen, Ontario on 8 September 1871. Robert McLaughlin, his father, had built a shop there two years earlier, where he designed and painted wagons and sleighs, known as "cutters," constructed by a small staff, which had been expanded to eight around the time Sam was born.<sup>33</sup> Having wed Mary Scott, a neighbour of Scots descent, Robert built a family home on a plot of land purchased from his father near Tyrone, Ontario and constructed an accompanying driving shed and workshop, where he began to construct sleighs and buggies in 1867. He had been fond of mechanical pursuits since his youth, and though he had acquired the "protestant ethic" of his Irish Presbyterian father, spurning alcohol and finding fulfillment in work, he was not particularly enthusiastic

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<sup>32</sup> "Long Service Employees of General Motors Are Honored By Company," *Oshawa Daily Times*, 19 June 1928, 8, file 1 "General Motors, General Information," box 11, S 3, MAO.

<sup>33</sup> *A Great Canadian Industry and Its Founder* (1919).

about farming, the vocation his father expected him to follow. Declining available farmland and the concomitant rise in land prices blocked this path, in any event. Gladly turning to making sleighs and buggies, Robert's skill as a craftsman soon established a market for his products.<sup>34</sup>

Initial production in the Tyrone shop was dependent upon journeymen whose work habits reflected the rhythm of pre-industrial society. It was an arrangement typical of "the dozens of small carriage shops in Ontario," explained Sam McLaughlin in 1954, "which used visiting journeyman artisans for important roles in carriage building, with resulting limited production and dependence on the whims of a very independent bunch of men." Robert nearly failed to deliver on his first contract because of the tardiness of a blacksmith, and soon after he built his own blacksmith shop to alleviate this dependency. Within two years the Tyrone shop had become too small and Robert moved his nascent enterprise and family to Enniskillen, where he and his small coterie of employees produced 15 carriages in the first year, beginning the journey from artisanal to industrial production, a path that was also being pursued nearby, in Newcastle, by the Masseys, whose famed agricultural implements company had already reached a formidable level of industrial maturity.<sup>35</sup>

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<sup>34</sup> Indicative of his inclination for woodworking, as a youth Robert would, after a day's work on the farm, fashion "whiffletrees, neck-yokes and whipstocks" from felled timber and sell the handcrafted products to neighbours. In particular, he developed "quite a business" making and selling axe handles. Adelaide McLaughlin, "Notes on the Life of the Late Mr. Robert McLaughlin," 28 January 1932; M. McIntyre Hood, *Oshawa: "The Crossing between the Waters"* (Oshawa: McLaughlin Public Library, 1968), 116-8; "Fine Romance in the Career of Automaker," 13.

<sup>35</sup> R.S. McLaughlin, as told to Eric Hutton, "My Eighty Years on Wheels, Part I," *Maclean's* (15 September 1954), 90; *The Manchester of Canada* (Toronto: The Canadian

After his wife fell ill and died of tuberculosis, Robert moved his business and family, including five children, to Oshawa, encouraged perhaps by painful memories and a quick remarriage to Sarah Jane Parr, “apparently an employee in their household.”<sup>36</sup> Robert established operations in Oshawa by 1878, bringing with him some of the artisans from the Enniskillen shop, \$6,000 in capital, as well as a reputation for quality.<sup>37</sup> Located on the main line of the Grand Trunk Railway, over 30 miles east of Toronto on the shore of Lake Ontario, Oshawa was a small commercial and industrial centre at the time, not unlike a dozen other aspirant towns in the southern Ontario countryside, but with the banking and transportation facilities that Enniskillen lacked. Nonetheless, Robert’s aspirations remained limited by an artisanal mentality. As Sam later reminisced, his father “brought no great ambition for expansion to Oshawa.” He inspected everything, and none of his workmen dared produce rushed, shoddy work.<sup>38</sup> An assistant later hired by Sam and George remembered the “grand old man.” “Johnny,” Robert would say to the enthusiastic factory assistant, “don’t take those steps three at a time. When you want to hurry, hurry on the level, so you’ll live a decent age.”<sup>39</sup> His outlook combined the

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Souvenir Publishing Co., 1898), 13; David Roberts, “Hart Almerrin Massey,” *Dictionary of Canadian Biography* 12 (Toronto: University of Toronto Press, 1990), 700-2.

<sup>36</sup> David Roberts, “Robert McLaughlin,” 672. Sarah Jane Parr did not get along well with the McLaughlin children. She was no longer living with the family when she died in 1899. Robertson, *Driving Force*, 60-1, 75, 88-90.

<sup>37</sup> Robertson, *Driving Force*, 61-2; “Fine Romance in the Career of Automaker,” 13; McLaughlin, *75 Years of Progress*, 6; Robert McLaughlin, “Established in Enniskillen – 1869,” n.d., file 2, box 2, George McLaughlin Papers, QUA.

<sup>38</sup> McLaughlin, “My Eighty Years on Wheels, Part I,” 13 and 90.

<sup>39</sup> Dorothy McLaughlin Henderson, *Robert McLaughlin – Carriage Builder* (The Alger Press Limited, 1968), 20.

sensibilities of craft production with a “mechanical turn” that would soon advance the McLaughlin Carriage Company towards industrial production.

In the early 1880s Robert McLaughlin invented a gear that made carriages more steady and maneuverable. The invention, which Robert patented, came at a fortuitous moment.<sup>40</sup> Manufacturers found new protection from the upward tariff revisions and the program of western expansion implemented by the Dominion government under the National Policy after 1878. The popularity of the McLaughlin gear spread and, as Robert McLaughlin later recalled, “brought the name ‘McLaughlin’ before the many carriage builders . . . and before the general buggy-using public.” Some carriage manufacturers became sales agents for the entire McLaughlin carriage. Hitherto sales had been “almost entirely local.” Orders for the McLaughlin gear and carriage now poured in from “far beyond Ontario in eastern and western Canada.” Robert hired traveling salesmen to peddle his wares across the country as the McLaughlin Carriage Company emerged as a success story of National Policy industrialization.<sup>41</sup>

Though Sam’s brother, George, had already been apprenticed in the carriage works, Sam was not particularly interested in entering the family business. In 1887 Sam graduated from high school and worked five months in a local hardware store. He was contemplating the possibility of becoming a lawyer and was also an avid cyclist. An

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<sup>40</sup> Chris Kloepfer, a Guelph merchant, heard about the device from one of his traveling salesmen and made the trip to Oshawa to inspect it, eventually offering \$10,000 for the patent. Robert refused the deal and instead offered Kloepfer exclusive rights to sell the gear in Canada. Kloepfer agreed to purchase a minimum of 1,000 gears over a two-year period.

<sup>41</sup> McLaughlin, “My Eighty Years of Wheels, Part I,” 90 and 92; Henderson, *Robert McLaughlin*, 14-16; Robert McLaughlin, “Established in Enniskillen.”

apprenticeship under his father's direction would surely limit his opportunities to cycle. His eldest brother, Jack, convinced him otherwise, however.<sup>42</sup> Sam began a three-year apprenticeship in the upholstery shop that year.<sup>43</sup> An adventurer of sorts, Sam left the McLaughlin works at the end of his apprenticeship in 1890 to prove himself as a journeyman upholsterer in New York State; Robertson has described the adventure as a "reconnaissance trip." In Watertown, Sam gained a position with the firm of H.H. Babcock, where the factory superintendent hailed from the village of Brooklin, Ontario, near Enniskillen. Sam was given the run of the plant: "I absorbed a lot of ideas about plant management, design and quality control. I stayed with the Babcock Company for two months and was sorry to leave." Working briefly in Syracuse and Binghamton, McLaughlin ended the trip in New York City, where he spent his savings and "did the town."<sup>44</sup> He returned to Oshawa to become foreman in the upholstery shop and carriage designer. In 1892 Sam and George were made partners in the firm; Sam's work would centre on factory operations, while George's efforts would focus upon sales. Sam McLaughlin was barely in his 20s.

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<sup>42</sup> John James ("Jack") McLaughlin became a successful businessman himself. He attended the Ontario College of Pharmacy and engaged in the manufacture of soda water in Toronto, developing the formula for Canada Dry Ginger Ale. When he died of a heart attack in 1914 at the age of 48, he was described as "one of Toronto's leading business men." In the late 1880s, Jack lived in Brooklyn, New York, where he managed one of its largest pharmacies and took a postgraduate course. See "Death Summons Leading Citizen," n.d., Family Scrapbook, 1908-1971, reel 1 MS 674, C. Ewart McLaughlin Collection, C 88-3, AO; M. Patricia Bishop, "John James McLaughlin," *Dictionary of Canadian Biography* 14 (Toronto: University of Toronto Press, 1998), 720-1.

<sup>43</sup> He swept the floors and performed other menial tasks for three dollars a week, all but 50 cents of which went towards his room and board. McLaughlin, "My Eighty Years on Wheels, Part I," 92-3.

<sup>44</sup> McLaughlin, "My Eighty Years on Wheels, Part I," 93; Robertson, *Driving Force*, 81.

Sam briefly dabbled in politics too, becoming a town councilor in 1897. But the experiment proved unfulfilling. "I really wasn't interested in politics, municipal or any other kind," reminisced Sam.<sup>45</sup> His father continued to fulfill the more weighty tasks of business and political leadership. Robert's reputation as a solid, religious man secured credit for the company locally, and when the carriage works was destroyed by fire in December 1899, Robert turned apparent disaster to his advantage.<sup>46</sup> Renegotiating better terms on freight rates from the Grand Trunk, he stepped down as mayor to secure a \$50,000 interest-free loan from town council.<sup>47</sup> Sam moved the carriage works to

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<sup>45</sup> McLaughlin, "My Eighty Years on Wheels: How the Auto beat the Horse, Part II," *Maclean's* (1 October 1954), 38.

<sup>46</sup> Robert secured credit from Oshawa's leading bank, the Dominion Bank, which made possible the expansion of the carriage business. And before long Robert accepted expanded credit from the Western Bank, a local bank established in 1882. In 1899 his daughter would marry J.P. Owens, a clerk and later manager at the bank, and Robert later joined the bank's board of directors, in 1907. McLaughlin, "My Eighty Years on Wheels, Part II," 22-3; Roberts, "Robert McLaughlin," 672 and 674. The Western Bank was taken over by the Standard Bank of Toronto in 1908. R.T. Naylor has claimed: "not only did local control vanish, but all activities towards promoting local industrialization reputedly stopped." See R.T. Naylor, *The History of Canadian Business, 1867-1914*, vol. I (Toronto: James Lorimer & Company, 1975), 102. It was true that Robert McLaughlin remained a director of the bank only "up to the date that it was merged into the Standard." See "Oshawa's Grand Old Man Passes to His Reward," *Oshawa Telegram*, 29 November 1921, file 4, C. Ewart McLaughlin Collection, C 88-3, AO. McLaughlin reported that after the merger the family resumed connections with the Dominion Bank, dividing their business between the Dominion and the Standard. See McLaughlin, "My Eighty Years on Wheels, Part II," 22-3. Naylor's conclusion is too categorical, since the McLaughlins were about to spearhead a new phase of industrialization.

<sup>47</sup> The town raised the money for the loan by issuing bonds at four per cent interest. See By-Law No. 480, of the Corporation of the Town of Oshawa to grant \$50,000.00 by way of Loan to The McLaughlin Carriage Company, file 14 "McLaughlin Carriage Co. documents," reel 1, MS 674, C. Ewart McLaughlin Collection, C 88-3, AO. For the agreement with the Grand Trunk see Memo. of Agreement Between Messrs McLaughlin Carriage Co., Oshawa, White and Loud, in Reference to Mr. McLaughlin Rebuilding Works as Oshawa, file 14 "McLaughlin Carriage Co. documents," reel 1, MS 674, C. Ewart McLaughlin Collection, AO. The agreement gave the McLaughlin company some

Gananoque while the Oshawa factory was being rebuilt in order to fulfill the company's "most urgent orders" and maintain a foothold in the market. Consisting of two large buildings, "the new plant was the last word in modernity." The firm was also changed to a limited liability company in 1901, and Sam and George both hired assistants. As the "Laurier Boom" set in, output at the McLaughlin Carriage Company Limited increased to 14,000 units per annum in 1904.<sup>48</sup>

As production soared at the McLaughlin factory, a Walkerville carriage manufacturer, Gordon M. McGregor, convinced Henry Ford to extend his modest auto manufacturing business to Canada. Licensing and patent agreements were signed, and Ford Motors was incorporated in Canada in August 1904; the parent company in Michigan retained a controlling interest in the Canadian branch.<sup>49</sup> Sam McLaughlin soon became interested in establishing an agreement with an American automaker as well. Automakers, like carriage manufacturers, received tariff protection of 35 per cent in Canada, and thus American firms were encouraged to establish branch plants in Canada

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of the freight rate advantages accorded to Toronto manufacturers and promised "that the Grand Trunk System will at all times see that Oshawa is kept on an equitable basis with the other points manufacturing the same product."

<sup>48</sup> McLaughlin, "My Eighty Years on Wheels, Part II," 39-40; Roberts, "Robert McLaughlin," 673.

<sup>49</sup> Mira Wilkins and Frank Ernest Hill, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University, 1964), 14-19. For a biographical treatment of McGregor and the early history of Ford in Canada see David Roberts, *In the Shadow of Detroit: Gordon M. McGregor, Ford of Canada, and Motoropolis* (Detroit: Wayne State University Press, 2006).

in order to jump the protective tariff.<sup>50</sup> Sam visited with numerous American automakers in 1905 before entering negotiations in 1907 with Billy Durant, a friend of 10 years whom he knew from the carriage business.<sup>51</sup> Durant had taken over a fledgling automaker, the Buick Motor Car Company, in 1904. Within a few years he had helped turn it into a successful enterprise based in Flint, Michigan, where he benefited from his close association with the local elite.<sup>52</sup> McLaughlin was impressed by the Buick engine and wanted to use it on a Canadian-made chassis, but he could not reach an agreement with Durant. Returning to Oshawa, Sam conferred with his father and brother and the decision was made to build an engine in Oshawa, but McLaughlin, as he later explained in 1933, “discovered the futility of trying to manufacture automobiles upon a small scale.” McLaughlin was soon again in touch with Durant.<sup>53</sup> The McLaughlins

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<sup>50</sup> This aspect of the tariff is emphasized by Michael Bliss in “Canadianizing American Business: the Roots of the Branch Plant,” in *Close the 49<sup>th</sup> Parallel etc: The Americanization of Canada* (Toronto: University of Toronto Press, 1970), 27-42.

<sup>51</sup> McLaughlin, “My Eighty Years on Wheels, Part II,” 41.

<sup>52</sup> Weisberger, *The Dream Maker*, 83-116.

<sup>53</sup> C.W. Stollery, “Robert McLaughlin’s ‘Go Ahead’ Started General Motors,” *Financial Post*, 23 September 1933, General Motors of Canada clippings, 1922-1949, vol. 21, Financial Post Fonds, MG 28 III 21, LAC. Years after, McLaughlin claimed that they abandoned the idea of trying to market their own car, the McLaughlin Model A, because their engineer, a man from Milwaukee named Arthur Milbraith, came down with pleurisy. McLaughlin, so the story goes, was in a bind and asked Durant if he could spare an engineer; however, Durant instead traveled to Oshawa and convinced McLaughlin to produce Buicks – even though the factory was tooled and near ready to begin production. For this version see McLaughlin, “My Eighty Years on Wheels, Part II,” 42 and “My Eighty Years on Wheels – Conclusion,” 28-9. Writers familiar with the episode such as Robertson and Richard White have been skeptical of McLaughlin’s story. Rather than an engineer’s illness causing the end of the project, Robertson and White have suggested that the Model A endeavour was a disaster and made the alliance with Durant an attractive alternative. Certainly, Robertson and White present the more persuasive case, especially since McLaughlin’s earlier account does not mention anything about an

experienced significant financial pressure when they first entered the automobile business, and Sam and George spoke with the Oshawa manager of the Dominion Bank, Clarence E. Bogart, to describe a “tale of woe as to [their] poverty and desire for financial help.” Bogart proved sympathetic.<sup>54</sup> Durant, too, was likely encouraged to reach an accommodation in order to obtain an injection of capital in a tightening financial environment.<sup>55</sup> On 20 November 1907 the McLaughlin Motor Car Company was created to assemble Buicks in Canada. Nearly everything, except the wooden bodies, was shipped from the United States and assembled in Oshawa.<sup>56</sup>

Carriage manufacturers or dealers established 11 of 25 automobile companies initiated by Canadian capital that succeeded in making more than 25 cars.<sup>57</sup> Sam McLaughlin’s early path in the auto industry revealed another familiar pattern: the

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engineer failing ill. See Robertson, *Driving Force*, 109-12; Richard White, *Making Cars in Canada, A Brief History of the Canadian Automobile Industry, 1900-1980* (Ottawa: Canada Science and Technology Museum, 2007), 14.

<sup>54</sup> George W. McLaughlin to Clarence E. Bogart, 31 December 1936, and Bogart to George McLaughlin, 4 January 1937, file 2, box 1, George McLaughlin Papers, QUA.

<sup>55</sup> Robertson, *Driving Force*, 111.

<sup>56</sup> Robertson, *Driving Force*, 112-4.

<sup>57</sup> Donald F. Davis, “Dependent Motorization: Canada and the Automobile to the 1930s,” *Journal of Canadian Studies* 21, 3 (Fall 1986), 114. Davis notes that Robert Ankli and Fred Fredericksen attributed the technological dependence of the Canadian auto industry to its connection to carriage makers who “refused to give motor cars their undivided attention as long as carriage sales held up”; more importantly, the manufacture of carriages did not demand the precision required in making of automobiles. Ankli and Fredericksen observe: “Metal-working in the carriage-building industry was at a rudimentary level and tolerances were more likely to be in sixteenths of an inch rather than thousandths.” Robert E. Ankli and Fred Fredericksen, “The Influence of American Manufacturers on the Canadian Automotive Industry,” *Business and Economic History*, 2<sup>nd</sup> series, 9 (1981), 101, quoted in Davis, “Dependent Motorization,” 114.

industry's striking dependency upon American technology. Canadian manufacturers such as the Canada Cycle and Motor Company (CCM) had some early success manufacturing automobiles, and 35 automobile firms began production in Canada between 1908 and 1915 – but only two survived.<sup>58</sup> Historian of the automobile industry Donald Davis has suggested that Canadian automobile entrepreneurs did not embrace the mass-production ethos and thus failed develop the technological know-how that gave rise to the automobile industry in the United States. Emphasizing the role of mechanic-entrepreneurs in leading the way towards the production of inexpensive, mass-produced cars in the United States that came to dominate the industry's production, Davis claims that Canada's more rigid class structure stifled the rise of this sort of entrepreneurial initiative. This seems an overstated – and perhaps even unlikely – argument.<sup>59</sup> American automakers were quick to develop marketing strategies and financial controls, which solidified American hegemony over the industry and revealed some of the structural factors – a larger population base and capital market, a more mature industrial structure, as well as a national state that was committed to domestic industrialization – that worked against the success of independent Canadian firms. Indeed, Durant and McLaughlin were similar in many ways: both had begun in the carriage business and both sought to partake in the automobile business by harnessing technologies developed by others. Indeed, they became close friends and business allies. All things considered, no one explanation can account for why the Canadian automobile industry developed as it did. Most obvious,

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<sup>58</sup> White, *Making Cars in Canada*, 7 and 12.

<sup>59</sup> Davis, "Dependent Motorization," 109-116.

however, was the role of the tariff in encouraging the migration of American operations to Canada.

Sam had also established a family by this time. In 1899 he married Adelaide Mowbray, a woman of a respectable middle-class family who had attended normal school with his younger sister. Adelaide gave birth to their fifth and last child in 1908. All five children were girls, and Sam insisted on calling Eleanor, the fifth child, "Billie."

In 1915 he contracted Canada's most prominent architectural firm of the day, Darling and Pearson of Toronto, to coordinate the design of a family home in Oshawa. It was a mansion of the most ostentatious proportions to be built on a 12-acre property, formerly the site of a public park. Darling and Pearson had designed "Holwood," Joseph Flavelle's Toronto mansion; one senses that McLaughlin's "Parkwood" was an attempt to buy his way past or into Toronto's establishment. Blueprints for the 55-room mansion were completed in March 1916, and by the following year the mansion was completed for a sum of \$1 million. It was the most expensive house in Canada. Adorned with intricate wood paneling and marble, containing a bowling alley, heated pool, and built-in organ, and staffed by a veritable army of live-in servants, the mansion made a commanding statement about the wealth of "Mr. Sam" and would provide a venue for continued displays of conspicuous consumption in the future.<sup>60</sup>

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<sup>60</sup> Stephanie Beatty and Susan Gale Hall, *Parkwood* (Erin, Ontario: Boston Mills Press, 1999), 14; Roberston, *Driving Force*, 165 and 191-6; Robert Hunter, "The Design Work of H.B. and L.A. Dunnington-Grubb at Parkwood, Oshawa," *Canadian Horticultural History* 2, 3 (1990), 135-6; Marilyn Litvak, "A Tour Through 'Parkwood' Oshawa," *City & Country Home* (Fall 1982), 66 and 68; *Colonel R.S. McLaughlin*, 2<sup>nd</sup> ed. (Oshawa: McLaughlin-Parkwood Research Project, 1980), 11.

Not everyone was impressed with Sam's achievements. Indeed, McLaughlin's political sway remained tenuous outside of Oshawa. He felt slighted when Joseph Flavelle failed to deliver the munitions contracts he expected during the war: "we didn't have much chance to do very much in the First War," explained McLaughlin in laconic fashion years later.<sup>61</sup> McLaughlin was just beginning to truly emerge as a figure of national importance in business, being elected director of the Toronto-based Dominion Bank in 1917. Flavelle, of course, was associated with a different group of capitalists, concentrated on the boards of the Bank of Commerce and National Trust and remained involved in an array of national business enterprises. Furthermore, as director of the Imperial Munitions Board, Flavelle controlled a direct link to the British market and patronage. By contrast, McLaughlin's early and most important business associations flowed through a north-south axis. McLaughlin's American connections were important for other investments too. A considerable portion of McLaughlin's wealth came not, as one source reported, from carriages or automobiles but originated from a nest egg passed down from his father, which McLaughlin used to invest in "sundry successful speculative ventures in the United States, made possible by his wide connections with industrial enterprises in that country."<sup>62</sup> McLaughlin's accumulation strategy was thus tied in numerous ways to the United States, even though he espoused an unabashed commitment

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<sup>61</sup> "Arts and Science . . . McLaughlin Special," n.d., file "McLaughlin, R.S. – Correspondence – General," box LH S 100 BIO, McLaughlin Library. See also Robertson, *Driving Force*, 163-4; Hugh Durnford and Glenn Baechler, *Cars in Canada* (Toronto: McClelland and Stewart Limited, 1973), 22 and 314.

<sup>62</sup> "New Senator Motor Magnate," 15 September 1917, newspaper clipping, file "Scrapbooks/Album, 1920-1941," reel 1, MS 674, C. Ewart McLaughlin Collection, AO.

to the British Empire – a contradiction, as we have seen, not unusual among capital-rich Canadians.

More interested in status than politics, McLaughlin was not a business leader in the manner of Beatty or Flavelle, individuals who regularly articulated views on pressing issues of the day and engaged in political activism. As he acknowledged himself, McLaughlin was not interested in politics.<sup>63</sup> Before having reached the age of 50, he had already stamped himself as a man of leisure. One contemporary observer wrote in 1917:

Keen as Mr. McLaughlin is as a business man, he is by no means a slave to work. As a matter of fact, there are few, if any, among Canadian business men who enjoy life more than he does. Motoring is a keen pastime of his. But it is by no means his only one. In the summer time he is frequently to be seen on the links of one or other of the three clubs of which he is a member. In the fall he spends a week or two deer-hunting, and in the winter, when the ice permits, he will be found curling with his home club. Consequently he is all the time ‘as fit as a fiddle.’<sup>64</sup>

Though McLaughlin’s lifestyle reflected in many ways the “leisure class” that Thorstein Veblen critiqued in the United States, McLaughlin represented a sleeker version of wealth than the widely lampooned “plutocrat.”<sup>65</sup> Writing to his daughter Isabel in 1924, McLaughlin reported that he was on a diet and had lost about five to six pounds. He hoped to take off 12 pounds in order to achieve, as he explained, “what physicians call a

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<sup>63</sup> He was, however, interested in political rewards and appears to have been willing to support Laurier during the conscription crisis in exchange for a place in the Senate. McLaughlin must have miscalculated, since Laurier lost the election. See Robertson, *Driving Force*, 164. Robertson incorrectly attributed the story entitled “New Senator Motor Magnate,” cited above, to the *Toronto Globe*. A search of the 15 September 1917 issue of the *Globe* revealed no story by that title.

<sup>64</sup> “New Senator Motor Magnate.”

<sup>65</sup> Thorstein Veblen, *The Theory of the Leisure Class*, intro. by John Kenneth Galbraith (Boston: Houghton Mifflin Company, 1973 [1899]).

‘perfect figure’ – not that I have bulged in any one spot, no, no, but I have been just a little too fat.”<sup>66</sup> He paid close attention to physical fitness, was at ease among workers on the shop floor, and had achieved success in business – all of which enabled him to project a meritocratic élan, a projection that emphasized McLaughlin’s individual agency and achievement. It was a social projection that combined the illusion and reality of meritocratic achievement and worked to revitalize and renew the entitlement of the super-rich.<sup>67</sup> In McLaughlin’s case, legitimacy was also tied tightly to his paternalism as an employer and Oshawa booster, as he masterfully invoked the artisanal legacy of the McLaughlin Carriage Company after the business was sold to GM in 1918.<sup>68</sup>

### III

As the long-established political and economic power of the CPR began to dissipate after the First World War, the rise of the automobile helped refashion Canada’s political economy and signaled the ascent of southern Ontario vis-à-vis Montreal, where the automobile industry had very little impact. More broadly, the industry’s rise was part of Canada’s “Second Industrial Revolution” during the first three decades of the 20<sup>th</sup>

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<sup>66</sup> Sam McLaughlin to Isabel McLaughlin, 26 March 1924, file 8, box 12, Isabel McLaughlin Papers, 2303.37, QUA.

<sup>67</sup> Jackson Lears, “The Managerial Revitalization of the Rich,” in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle. (Cambridge: Harvard University Press, 2005), especially 181-93. Indeed, as Lears observes, Veblen’s rhetoric against the stodgy plutocrats of the 19<sup>th</sup> century mold helped to legitimize a revitalized ruling class in the United States, one that was sleeker, healthier, and more aggressive than the older version. The present analysis views McLaughlin within the framework of these broader cultural tendencies.

<sup>68</sup> The creed of paternalistic responsibility was, according to Lears, another aspect of elite revitalization. See Lears, “Managerial Revitalization,” 182.

century, which witnessed dramatic corporate consolidation and centralization, the growth of American branch plants, and the rise of other mass production and consumer goods industries. Moreover, the expansion of American corporations into the Canadian economy during this period meant that new ideas of “scientific” management and welfare capitalism were further introduced into factories.<sup>69</sup> General Motors of Canada well reflected these broader developments, just as it demonstrated the peculiar nature of Canada’s industrial development in the 20<sup>th</sup> century: as American influence expanded during the interwar period, economic historians William Marr and Donald Paterson have written, “the fundamental switch took place as manufacturing became a more important source of income than primary production.”<sup>70</sup>

Left-nationalist political economists have tended to view the growth of American branch plants in terms of the growth of Canadian dependency and faltering national business leadership. The rise of the auto industry suggests a more complicated picture. Though the industry certainly showed various forms of dependency, it also revealed the effective workings of a state policy designed to lure industrial investment to Canada. In the 1920s Canada became the world’s second largest automobile producer – well behind the United States, of course, which was the source of 93 per cent of the world’s automobile production in 1926. American manufacturers were encouraged to locate facilities in Canada not merely to gain access to the country’s domestic market, but also

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<sup>69</sup> Craig Heron, “The Second Industrial Revolution in Canada, 1890-1930,” in *Class, Community and the Labour Movement: Wales and Canada, 1850-1930*, eds., Deian R. Hopkin and Gregory S. Kealey (St. John’s: Llafur / Canadian Committee on Labour History, 1989), 48-66.

<sup>70</sup> William L. Marr and Donald G. Paterson, *Canada: An Economic History* (Toronto: Macmillan of Canada, 1980), 390.

to gain access to the British Empire market. The Canadian government refunded duties for components used in cars made in Canadian factories destined for other parts of the British Empire, so as to allow Canadian factories to take full advantage of imperial preference. The effect of the policy was readily apparent. In 1924, for example, the number of automobiles exported from Canada represented 31 per cent of the American total exports, even though American makers produced nearly 24 times as many automobiles as their Canadian counterparts. General Motors of Canada was a significant beneficiary of this policy; 40 per cent of its production was destined for the export market. The initial growth of the Canadian industry was, therefore, very much connected to Canada's place within the British Empire, as the Dominion served as middleman between American producers and empire consumers, sending more than 72 per cent of all its exports to within the British Empire.<sup>71</sup> Historian Tom Traves has correctly observed: "By the 1920s the automobile industry was a creature of the tariff."<sup>72</sup>

Under these conditions, General Motors of Canada expanded considerably. Already by 1918 over 20,000 units were produced by GM in Canada. The recession of the early 1920s made itself felt as production dipped to 15,544 in 1921 before quickly accelerating again. By 1925 production reached nearly 45,000.<sup>73</sup> At the end of the year,

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<sup>71</sup> White, *Making Cars in Canada*, 35; Aikman, *Automobile Industry of Canada*, 8, 31 and 36.

<sup>72</sup> Tom Traves, *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* (Toronto: University of Toronto Press, 1979), 101.

<sup>73</sup> *GM in Canada: The Early Years, Story and photos courtesy of the Public Relations Department, General Motors of Canada Limited, Oshawa, Ontario*, n.d., 10, see table entitled "General Motors of Canada Limited, Domestic and Export Production 1908 - December 31, 1973 (Calendar Years)."

rumblings of downward tariff revisions began to reach the press. As we have seen, the pressure for tariff reduction was most concentrated in the West among farmers who protested having to pay for manufactured goods made more expensive by the tariff while raising crops that received no such protection. The discussion of downward tariff revisions emerged as the King Liberals courted western Liberals with progressive sympathies – most notably, Charles Dunning (see Chapter Two). Industrial Oshawa was another world. Sam McLaughlin wrote Minister of Finance J.A. Robb to ask for clarification, pointing to the unsettled atmosphere that had been created by public speculation.<sup>74</sup> The community of Oshawa, McLaughlin suggested, was under grave threat.

In his public pronouncements, McLaughlin highlighted the flowering mutual relationship between the company, its employees, and Oshawa generally. At his brother's retirement celebration in 1924, he "declared himself a worker not as he did one time in the factory, but as an executive," and he "wished he could spend time in the trimming shops where he learned his trade, hammering in the tacks."<sup>75</sup> McLaughlin's work as an executive was further reduced that year, nonetheless. With the view of "easing off," before George's retirement he asked head office to appoint K.T. Keller, "formerly connected with the Buick and Chevrolet Company in the United States," as general manager of the Oshawa operations. The request was approved by the new president, Alfred Sloan Jr. An archetypical corporate administrator, Sloan played an important role

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<sup>74</sup> R.S. McLaughlin to J.A. Robb, 30 December 1925, 101189, vol. 136, King Papers, LAC.

<sup>75</sup> "Mr. G.W. McLaughlin Retires from Active Local Business Life," *Oshawa Daily Telegram*, 3 June 1924, 1.

in forging the company's administrative apparatus before Pierre S. du Pont retired to hand him the reins of the presidency in May 1923.<sup>76</sup> Though Sloan introduced innovative marketing strategies, George believed he was paying insufficient attention to the quality of the cars – contrary, of course, to the stated business philosophy of the McLaughlin family.<sup>77</sup> Sam, meanwhile, remained distant from the centres of power at GM after Durant's departure, and appears to have been unenthusiastic about active involvement in the corporation's affairs; when he reported that Oshawa would be assuming responsibility for GM's entire export business in 1921, he described it as an imposition.<sup>78</sup> By 1929, McLaughlin's working day was quite short. "I get down in the morning about nine," he

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<sup>76</sup> McLaughlin, *75 Years of Progress*, 35-6; Sam McLaughlin to Isabel McLaughlin, 17 April 1924, file 8, box 12, Isabel McLaughlin Papers, QUA. For General Motors during du Pont's time as president see Chandler and Salsbury, *Pierre S. du Pont*, 492-536.

<sup>77</sup> George wrote to C.W. Nash: "The fancy systems of intensive advertising, schools of instruction, and the hundred and one intensive methods that are now being employed through Sales Departments are in the main alright, but, during the last few years of my association with General Motors Corporation I became more thoroughly grounded in the belief, and upon every occasion where I felt I had influence, I did not hesitate to take the stand that all these things were as "The Mist on the Mountain" unless the man at the head of the institution gave first and principal heed to the fact that no matter what class of product they were offering to the public that it had to be built just as well and just as conscientiously, or even a little better [*sic*] than that of any competitor." George McLaughlin to C.W. Nash, 15 January 1924, file 28, box 1, George McLaughlin Papers, QUA.

<sup>78</sup> McLaughlin explained that the work "will give me added responsibilities – not that I want them or like them, but one has to do his duty." See Sam McLaughlin to Isabel McLaughlin, 7 October 1921, file 5, box 12, Isabel McLaughlin Papers, QUA. Although, McLaughlin admitted that the work "will be very interesting. We have already shipped quite a few cars, and a recent shipment comprised two beautiful Oldsmobile Sedans which went to one of those wealthy Princes in India." Donald Davis has suggested that this elitist mentality – focusing on making cars for one's social peers – held back indigenous car manufacturing in Canada. See Davis, "Dependent Motorization," 116-7. McLaughlin made a car for the Prince of Wales in 1927 and a limousine in 1936, just before the prince was to become King Edward VIII.

reported, “leave about twelve thirty for lunch, back about two and leave about four thirty. Then I go riding – ride in the afternoon, not the morning.”<sup>79</sup> This did not diminish his political importance within Oshawa, however. Like their father, Sam and George acted as community leaders, filling lead positions in a plethora of local organizations, from the Rotary Club to the Oshawa Curling Club, the Masonic temple and local hospital, St. Andrew’s Church and the local military regiment. In 1920, in fact, McLaughlin gained the title of “Lieutenant-Colonel,” an honorary position in the Ontario Regiment, which was improved to “Colonel” in 1936. Sam was a much-appreciated patron. “During the difficult days of peace when the parsimony of successive governments almost crippled the Militia, Col. McLaughlin was a tower of strength,” wrote Lex Schragg in the regiment’s official history.<sup>80</sup> Sam McLaughlin cast a large net in the community’s social, political and cultural life, well beyond the parameters of General Motors of Canada alone.

Protected by the tariff, in the 1920s Oshawa developed as a unique outpost of Britishness within the North American auto industry wherein McLaughlin’s discourse of mutuality remained plausible. Differing from the ethnically diverse workforce at the Ford plant in Windsor, in Oshawa GM recruited its workers from the surrounding countryside, resulting in a relatively homogeneous workforce, which was reinforced by the company’s practice of hiring relatives of employees.<sup>81</sup> McLaughlin proudly advertised the

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<sup>79</sup> “Hobbies and Health,” 12.

<sup>80</sup> Lex Schragg, *History of the Ontario Regiment, 1866-1951* (Oshawa: Ontario Regimental Association, 1951), 31.

<sup>81</sup> Manley, “Communists and Autoworkers,” 113; Robertson, *Driving Force*, 261-2.

homogeneity of the Oshawa workforce, asking an interviewer in 1928 to “please mark this – over 98 per cent of our men are British.”<sup>82</sup> Like other bourgeois Canadians, he was particularly distrustful of eastern Europeans. He felt compelled to warn his daughter Isabel, who befriended a group of Russians abroad in 1922, to “not allow these people to make too great an impression on you.” Russians, McLaughlin explained to his daughter, “are a very peculiar race” and “not to be trusted”: “As a rule they are very thriftless and impecunious.”<sup>83</sup> Luckily for Sam, Oshawa remained overwhelmingly British.<sup>84</sup>

To McLaughlin’s mind, downward tariff revisions were scandalous, threatening General Motors of Canada and the sturdy, home-owning British subjects it sustained. Oshawa’s Dr. T.E. Kaiser, Conservative MP, argued at length in the House of Commons against proposed reductions to the automobile tariff early in April 1926, emphasizing how the whole fabric of Oshawa’s economic life would be affected. Having witnessed Oshawa grow from a “village of 3,500 people to a city of 20,000,” Kaiser also pointed to the municipality’s large investment in infrastructure to meet the requirements created by the city’s recent industrial expansion: Oshawa’s bond debt had expanded from just over \$600,000 in 1918 to nearly \$3.5 million by 1925. “Let me say that in Oshawa we are undertaking greater obligations to-day in maintaining this industry than the assistance

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<sup>82</sup> “Mr. Sam,” *News and Views* (New York) 7, 3 (September 1928), 3-4.

<sup>83</sup> Sam McLaughlin to Isabel McLaughlin, 7 January 1922, file 5, box 12, Isabel McLaughlin Papers, QUA.

<sup>84</sup> The 1921 census categorizes 10,673 of 11,940 Oshawa residents as belonging to the “British races.” The figures for the 1931 census are 19,219 of 23,439. Thus, as a percentage of the local population, the relative decline of the “British” population was only seven per cent during the period from 1921 to 1931, moving from 89 per cent to 82 per cent of the total population. See *Sixth Census of Canada, 1921*, vol. I (Ottawa, 1924), 472-3; *Seventh Census of Canada, 1931*, vol. II (Ottawa, 1933), 416-7.

that is being asked to complete the Hudson Bay railway,” thundered Kaiser, in a backhanded attack upon the Progressives who were assailing the tariff. Much was at stake.<sup>85</sup>

The King Liberals revealed their western sympathies within a few weeks. On 15 April, Robb announced tariff reductions of 15 per cent on automobiles selling at \$1,200 or less. The reduction was 7½ per cent for automobiles over \$1,200.<sup>86</sup> McLaughlin responded immediately the following day by shutting down the Oshawa plant and within two days the *Oshawa Daily Reformer*'s headline proclaimed: “AUTO INDUSTRY WRECKED.”<sup>87</sup> McLaughlin claimed the shutdown was necessary in order for company officials to calculate the implications of the tariff revision, but it was undoubtedly motivated by political aims. The plant, McLaughlin explained, would reopen in a few days to clear inventories and fulfill agreements with suppliers, which, he lamely claimed, would go on for about two months “at a heavy loss to ourselves.” After two months, McLaughlin forecast, the plant would likely be significantly reduced.<sup>88</sup> Protest was also led by T.A. Russell of Automotive Industries of Canada (AIC), a trade organization in which McLaughlin exercised considerable influence. AIC directors met with motor

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<sup>85</sup> “Tariff Reduction Would Be Ruinous To Oshawa, States Dr. T.E. Kaiser M.P.,” *Oshawa Daily Reformer*, 3 April 1926, 1 and 6.

<sup>86</sup> “Tariff Low Priced Cars Reduced to 20 Percent; Over \$1,200 Value, 27 ½,” *Oshawa Daily Reformer*, 15 April 1926, 1.

<sup>87</sup> See *Oshawa Daily Reformer*, 17 April 1926, 1.

<sup>88</sup> “Official Statement is Issued,” *Oshawa Daily Reformer*, 16 April 1926, 1.

manufacturers and parts makers in order to voice their collective opposition to the tariff revisions.<sup>89</sup>

As Tom Traves has observed, Robb's reduction of the automobile tariff revealed the industry's political weakness. Canadian automakers were, Traves has suggested, "isolated from the country's major centres of political power" because "politically powerful financiers, brokers, and bankers had no significant stake in [the industry's] fortunes." Leading financiers such as J.H. Gundy, Liberal bagman W.E. Rundle of National Trust, and Sir Clifford Sifton were all in favour of a lower automobile tariff.<sup>90</sup> Indeed, in May the provincial treasurer of Ontario, William H. Price, prepared a memorandum for Conservative Premier Howard Ferguson based on interviews with a number of life-long Conservative businessmen. The memo reported "a total lack of sympathy with auto manufacturers," although it also stated that those interviewed tended to be sympathetic to parts makers. The opposition to automakers was based on two beliefs: one, automakers were using the tariff to put "illegitimate profits in their pockets"; second, the industry "was sucking the lifeblood of every other industry" by absorbing huge amounts of consumer spending, made possible by installment payment plans, which allowed individuals to purchase automobiles, who, "on a true economic basis, could not afford to do so." That said, the memo actually advocated increased duties on imported automobiles and parts, so as to stimulate the manufacture of car parts while curtailing the mass marketing of inexpensive automobiles, which were thought to be beyond the real

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<sup>89</sup> "Budget is Disastrous to Motor Car Industry Domestic and Export," *Oshawa Daily Reformer*, 16 April 1916, 1; Roberts, *In the Shadow of Detroit*, 200.

<sup>90</sup> Traves, *The State and Enterprise*, 107.

means of many Canadians.<sup>91</sup> In the 1920s, then, numerous capital-rich Canadians did not acknowledge the auto industry as a cornerstone of the Canadian economy, reflecting the fact that the industry – though already a leading sector by the mid 1920s – was still young and not politically entrenched. However, as the memo revealed, businessmen who opposed automakers did not necessarily embrace lower tariffs.

Moreover, automakers were not completely isolated from the banks. McLaughlin, of course, had been a director of the Dominion Bank for a decade by 1926. Also, for example, the Prosperity League of Canada, a business organization that counted an array of powerful financiers and industrialists on its board of directors, railed against the tariff reduction. Among the directors of the Prosperity League were Bank of Montreal president Sir Charles Gordon, Montreal jeweler William Birks, textile mogul A.O. Dawson, and brewer Colonel Herbert Molson – all leading figures of St. James Street.<sup>92</sup> Indeed, McLaughlin became a member of St. James Street's most exclusive social club, the Mount Royal Club, in 1926. Thus, the auto industry was not without powerful allies, and McLaughlin's connections with St. James Street would expand over the next decade. Nonetheless, Traves's argument can stand: numerous capital-rich Canadians, some connected to the leading financial institutions of "Old Toronto" (the Cox family of

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<sup>91</sup> Hon. William H. Price, Ontario Provincial Treasurer, memo, "Increased Duty on Automobile and Parts Levy Luxury," 14 May 1926, file: "Automobile Industry," reel MS 1700, Province of Ontario, Office of the Premier, Howard Ferguson Papers, RG 3-6-0-360, AO.

<sup>92</sup> W.R. Morson, President, the Prosperity League of Canada, to Howard Ferguson, 18 August 1926, as well as Morson to Ferguson, 20 August 1926, file "Automobile Industry," Office of the Premier, Howard Ferguson, RG 3-6-0-360, AO. For a contemporary biographical portrait of Dawson see "Years of Experience Behind Dawson's Success in Textiles," *Financial Post*, 27 March 1925, 10.

companies, including the Bank of Commerce and National Trust), rejected the political claims of automakers.

As the Oshawa plant reopened on 19 April, community leaders made plans to send a delegation to Ottawa to protest the tariff revision. In an address before the Rotary Club, prominent Oshawa barrister and former mayor Gordon D. Conant criticized the King government for having failed to consult with automakers, while McLaughlin maintained that the closure had been no bluff.<sup>93</sup> Various members of the Oshawa business community came forward to oppose the tariff, from parts makers to piano makers.<sup>94</sup> The following day, McLaughlin, Conant and others addressed an audience of 2,000 people at the Armories.<sup>95</sup> “Never in the history of many of the old timers of this city have so many crowded into the Armories,” reported the *Oshawa Daily Reformer*. Addressing the audience as “fellow citizens and fellow workers,” McLaughlin launched into an attack of the tariff revisions and emphasized his desire to provide local employment. Pointing to the reductions on finished bodies and tops, McLaughlin boomed: “I say to them we don’t want any finished bodies. . . . We want to give you men work.” Along similar lines of community stewardship, McLaughlin worried aloud about the company’s local suppliers. The tariff board, he argued, might be capable of working out an adjustment to everyone’s satisfaction so as to “give employment to the finest men God ever produced.” He then

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<sup>93</sup> “Too Much Attention Paid to Who Shall Govern,” *Oshawa Daily Reformer*, 19 April 1926, 3; “Gloom Generally Pervades Motor Car Industry,” *Oshawa Daily Reformer*, 19 April 1926, 1.

<sup>94</sup> “All Classes View With Alarm Government Action in Tariff Changes,” *Oshawa Daily Reformer*, 19 April 1926, 5.

<sup>95</sup> “Two Thousand Veterans Endorse Pilgrimage To Ottawa To Lodge Protest,” *Oshawa Daily Reformer*, 20 April 1926, 1 and 4.

turned to the themes of economic nationalism and British fair play: “We want to see them increase in opportunity and not go across the line. All we want is a chance and that is British fair play.”<sup>96</sup> McLaughlin thus styled himself the defender of local workers, interested in the expansion of local employment and economic growth. By the end of the day a group of local businessmen had organized committees to arrange the Oshawa delegation’s trip to Ottawa.<sup>97</sup>

In Ottawa, Mackenzie King was unconvinced, describing the two-day shutdown in his diaries as “all a bluff.”<sup>98</sup> King did not have much regard for the general aura and style of car makers, once describing a deputation from Windsor as “the hardest looking lot of manufacturers’ promoters I have seen, a genuinely brute force gang from Fords and other concerns.”<sup>99</sup> McLaughlin’s comportment was similarly crude. Indeed, in a meeting with Robb and other automakers in 1925, McLaughlin reportedly “flew off the handle” when Robb requested to see the financial statements of General Motors of Canada – which would have revealed massive profits. Even worse, McLaughlin “practically challenged the Government to alter the tariff.” Robb responded by saying that “he would shew [*sic*] him.” J.A. McGibbon, a member of the Oshawa delegation to Ottawa, had received this information from, as he explained, “one of our leading Liberals” who spoke with Robb while in Ottawa. Surely the government’s tariff policy had not become a

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<sup>96</sup> “G.M.C. Head Convinces Monster Mass Meeting Situation is Serious,” *Oshawa Daily Reformer*, 21 April 1926, 1 and 3.

<sup>97</sup> “Name Committees for Delegation,” *Oshawa Daily Reformer*, 22 April 1926, 1.

<sup>98</sup> King Diaries, 16 April 1926, LAC.

<sup>99</sup> King Diaries, 13 April 1923, LAC, quoted in Traves, *State and Enterprise*, 108.

matter of “[s]pite pure and simple,” as McGibbon believed.<sup>100</sup> But it may have played a role. Robb’s statement that “we will stand by our guns” before the Oshawa delegation at Keith’s Theatre in Ottawa revealed, perhaps, the articulation of male bravado rooted in a dispute with a gruff and arrogant opponent insufficiently schooled in the diplomatic niceties of the inner chambers of political power.<sup>101</sup>

Publicly, McLaughlin styled himself an observer, claiming to have had nothing to do with organizing the delegation that arrived in Ottawa on 23 April. It was, he called the *Toronto Globe* to explain, a “spontaneous” expression “and altogether independent of any impetus from the company.”<sup>102</sup> Though perhaps technically correct, the ubiquity of McLaughlin and GM in Oshawa was well known, and the signal sent by the plant closure well understood. Discussion had taken place in city council the day before over a proposal to spend \$3,000 in order to send 200 workingmen to Ottawa for the protest. Though one dissenting councilor argued that the employers should pay for the trip, describing the proposal as a “misappropriation of civic funds” and a “capitalistic move to continue the princely margins enjoyed by the manufacturers,” the motion passed.<sup>103</sup> This protest went unrecorded in the local paper, which claimed 1,700 people had left Oshawa as part of the delegation to Ottawa, 70 to 80 per cent of whom were reportedly ex-

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<sup>100</sup> J.A. McGibbon to Arthur Meighen, 28 April 1926, 80762-3, vol. 134, Meighen Papers, LAC.

<sup>101</sup> “‘I Intend to Stand By My Guns’ Hon. J.A. Robb Tells Deputation in no Unmistakable Language,” *Oshawa Daily Reformer*, 23 April 1926, 3; King Diaries, 23 April 1926, LAC.

<sup>102</sup> “General Motors Not Active in Protest to Ottawa,” *Globe*, 22 April 1926, 9.

<sup>103</sup> “Council Votes \$3,000 to Send Deputation to Protest Tariff,” *Globe*, 22 April 1926, 9.

soldiers.<sup>104</sup> Of course, McLaughlin was one of the paper's principal shareholders; his presence was felt, even where it was not apparent.

The "on-to-Ottawa delegation," as it was dubbed, invoked patriotism and brought considerable military pomp to Ottawa as ex-servicemen paraded through the streets, carrying banners with slogans such as "Our Home and Our Living are at Stake," following a route mapped out by Colonel Frank Chappell, the company's assistant factory manager who served as chief marshal for the occasion.<sup>105</sup> The delegation numbered in total about 3,000 – just under half had come from other centres, particularly Toronto.<sup>106</sup> Of the delegation, 500 met with cabinet in the railway committee room, where several representatives of the delegation delivered addresses. Oshawa's mayor R.D. Preston referred to McLaughlin in all but name: "In our city we have some manufacturers whom we know and trust, who have suffered with us in our sorrows and rejoiced with us in our joys. We have found them not to be bluffers and when it was announced that these industries would have to close their doors and cease to operate we feel that they are perfectly sincere."<sup>107</sup> Kaiser was later more direct in the House of Commons: "The people at the head of General Motors have never deceived the people of

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<sup>104</sup> "Three Thousand in Delegation to Wait on Cabinet," *Oshawa Daily Reformer*, 22 April 1926, 1; "Many Veterans Ready for Oshawa," *Oshawa Daily Reformer*, 22 April 1926, section 2, 1.

<sup>105</sup> "I Intend to Stand By My Guns," 1; "Cabinet Ministers Attitude Scored," *Oshawa Daily Reformer*, 30 April 1926, 2 and 8.

<sup>106</sup> "Three Thousand in Delegation to Wait on Cabinet," 1.

<sup>107</sup> "I Intend to Stand By My Guns," 1.

Oshawa in their lives.”<sup>108</sup> King viewed the demonstration in partisan terms, as a Tory exercise, and congratulated himself with the way he handled the crowd, preempting the gathering at Parliament Hill by unexpectedly meeting the delegation beforehand at Keith’s Theatre, where he and Robb addressed the crowd.<sup>109</sup> Whatever King’s imagined or real successes, it was a display that revealed the extent to which McLaughlin’s interests had come to represent the greater good in Oshawa.

Sam McLaughlin tended to remain aloof from partisanship, typical of the political tendencies of large corporations operating above the limited realm of political partisanship. The McLaughlins remained close to local Liberals such as Gordon D. Conant and supported a Liberal candidate in the 1925 federal election, but George also shared a platform with Conservative leader Arthur Meighen.<sup>110</sup> Obviously, however, their influence within the federal Liberal party was tenuous.

Regardless, the Liberal administration negotiated a settlement with automakers. The excise tax base was adjusted to give the industry additional protection, provided that a quota of 50 per cent Canadian content was met. King and the Progressives accepted this adjustment after automakers publicly promised to pass the tax reductions on to the consumer – five per cent on cars priced up to \$1,200 and 10 per cent for those above that

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<sup>108</sup> “Government Did Not Keep Promises, Dr. Kaiser Tells House,” *Oshawa Daily Reformer*, 24 April 1923, 1.

<sup>109</sup> King Diaries, 23 April 1923, LAC.

<sup>110</sup> Memorandum, T.H. Blalock to Arthur Meighen, 12 September 1925, 40349, vol. 72, Meighen Papers, LAC; Robertson, *Driving Force*, 229.

figure.<sup>111</sup> The policy encouraged the expansion of Canadian parts-making and encouraged General Motors of Canada to increase the Canadian content in its automobiles. Though the Oshawa operations maintained parts-making operations locally as well as in Windsor, the major components were mostly imported from the United States, including motors, transmissions and some bodies. This was typical of the Canadian industry, which assembled rather than manufactured automobiles. The most important exception was Ford, which manufactured the entire automobile except for the carburetor.<sup>112</sup> McLaughlin and Ford agreed to the adjustments before other dissenting manufacturers succeeded in having the content requirement reduced to 40 per cent until April 1927, when the 50 per cent requirement would come into effect.<sup>113</sup> General Motors of Canada turned out over 91,000 units in 1927, having captured a larger share of the market than its chief competitor, Ford.<sup>114</sup>

#### IV

The Ford Model T was introduced in 1908, and the Ford Highland Park plant was completed two years later. In 1908, 425 workmen produced 10,607 automobiles at Ford. Six years later the Highland Park plant employed nearly 13,000 workers and churned out nearly 250,000 Model Ts. The technical and managerial innovations that underpinned

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<sup>111</sup> McDiarmid, "Aspects of the Canadian Automobile Industry," 262; Traves, *State and Enterprise*, 111.

<sup>112</sup> Aikman, *Automobile Industry of Canada*, 16-17.

<sup>113</sup> Traves, *State and Enterprise*, 111-2.

<sup>114</sup> *GM in Canada*, 10; Traves, *State and Enterprise*, 114.

Ford's expanding production revolutionized the automobile industry and factory production generally. With standardized designs, the implementation of recent machine-tool technology and progressive assembly, as well as the rationalization and reorganization of work tasks, following the ideas of "scientific management" guru Frederick W. Taylor, Ford engineers and managers realized the explosive potential of mass-production techniques. Henry Ford offered workers higher wages in exchange for obedience at the factory and sobriety and thrift at home. By the end of the First World War, Ford's paternalism had failed, as the company retreated to the coercive and corrupt labour management techniques for which Highland Park became famous.<sup>115</sup> Though General Motors was slower to fully develop mass-production techniques, by the 1920s it wed mass production with innovative marketing strategies to fully exploit the business opportunities of a flowering mass consumer society. GM introduced yearly models, numerous makes, and financing plans that made car ownership a possibility for a larger cross-section of the population. In 1927, the Model T having become anachronistic, Highland Park was shut down and retooled to produce the new Model A.<sup>116</sup>

GM also implemented a "progressive" industrial relations program after the First World War, introducing group insurance, home financing, and savings plans, which encouraged GM employees to invest in the company's stock and thus, as company executive John J. Raskob argued, allow every employee the opportunity to become a

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<sup>115</sup> Stephen Meyer, III, *The Five Dollar Day: Labor Management and Social Control in the Ford Motor Company, 1908-1921* (Albany: State University of New York Press, 1981), 2, 10 and 169-94.

<sup>116</sup> Walter A. Friedman, *Birth of a Salesman: The Transformation of Selling in America* (Cambridge: Harvard University Press, 2004), 218-24; Durnford and Bachler, *Cars in Canada*, 262.

“partner.”<sup>117</sup> In Oshawa, H.L. Broomfield served as director of the Industrial Relations Department, which administered the company’s paternalist initiatives. Wages were deposited directly into workers’ savings accounts so as to “stimulate thrift,” and employees could bank up to \$300 per year with the company at 30 per cent interest – a “thrift bonus.” The company also initiated a housing scheme, which housed 100 workers by 1927, and an employees’ association was established to handle “petty grievance” and provide workers a forum to express views on production matters. This industrial relations work also percolated down to sporting activities, including company hockey and softball teams, and the sponsorship of choir, an orchestra, and theatre. Thus the company strove “to bring added happiness and prosperity to all members of the General Motors family.”<sup>118</sup>

McLaughlin family lore was combined with these carefully planned industrial relations strategies to give General Motors of Canada a particularly strong paternalist tone in Oshawa. Sam McLaughlin liked to emphasize the loyalty of long-serving employees, and dinners were organized periodically to acknowledge the contributions of veteran workers. “There never was a happier industrial family than ours,” claimed McLaughlin in 1928. Linking the modern Oshawa plant with an older artisanal tradition, he continued: “It’s the old employes that keep me here. You ask Jack Gibson. I used to go and gaze with boyish wonder at the sparks in Jack’s blacksmith shop. He’s been with

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<sup>117</sup> John J. Raskob, “Management is Major Factor in Industry,” *Financial Post*, 16 September 1927, file “General Motors of Canada clippings (part 1), 1922-1949,” vol. 21, Financial Post Fonds, LAC.

<sup>118</sup> “Company and Staff Closely Co-operate,” *Oshawa Daily Reformer*, 30 June 1927, 66, file 1 “General Motors, General Information,” box 11, S 3, MAO.

us 43 years. Ask Jack how we get along.”<sup>119</sup> McLaughlin enacted his symbolic authority at annual company picnics held at Lakeview Park, which had been donated to Oshawa by his father. At the 1926 picnic McLaughlin climbed atop the bandstand to announce that, with the passing of the recent instability, GM would “with the hearty co-operation of [its] loyal staff” enter a “new era.” The local press claimed that 12,000 people attended the day-long picnic; two years later the press reported an attendance of over 30,000.<sup>120</sup> McLaughlin partook in the planned events, presenting awards to prizewinners with his wife and in 1928 making an appearance as a softball pitcher.<sup>121</sup> That year, employees attending a company reception for individuals who had served over ten years sang “for he’s a jolly good fellow” after McLaughlin’s address.<sup>122</sup>

McLaughlin’s paternalism, however, was little felt at the point of production. Though associating General Motors of Canada with a tradition of craft production and quality in his public pronouncements, McLaughlin encouraged a quickened pace in the Oshawa factory, which transgressed the norms of craft production and offended the

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<sup>119</sup> “Mr. Sam,” 3. A booklet was produced to commemorate the event. See *A Tribute to those who have been in the service of General Motors of Canada, Limited for ten years upward* (1928).

<sup>120</sup> “More Than 12,000 People Enjoy Greatest Picnic In The History of This City,” *Oshawa Daily Reformer*, 16 August 1926, file 4: “General Motors, Picnics,” box 11, S 3, MAO; “G.M. Picnic Largest Ever Held in Canada,” *Oshawa Daily Times*, 13 August 1928, 1.

<sup>121</sup> “More Than 12,000 People Enjoy Greatest Picnic”; “Diving Display Proved Fine Picnic Attraction,” *Oshawa Daily Times*, 13 August 1928, file 1: “General Motors, General Information,” box 11, S 3, MAO.

<sup>122</sup> “Long Service Employees of General Motors Are Honored by Company,” *Oshawa Daily Times*, 19 June 1928, file 1: “General Motors, General Information,” box 11, S 3, MAO.

sensibilities of workers.<sup>123</sup> McLaughlin reminisced years later about an episode that caused several local workers to leave Oshawa for Detroit: “Old man Keddie and the Coady boys made the tops until I brought in an outside man from Brockville. He could make five tops a day whereas the Coadys and Mr. Keddie would average about one and a half. He was so disgusted they could not keep up with him that they left us and went over to Detroit.”<sup>124</sup> Beneath the public rhetoric, then, a different picture existed within the General Motors Oshawa operations. In March 1928, shortly after GM shares had achieved stunning gains, Oshawa trimmers working on the Chevrolet and Pontiac lines were handed a 30 per cent wage reduction, the third reduction in six months. In response, on 26 March 300 trimmers walked off the job.<sup>125</sup>

By the following day the remaining trimmers, the entire Chevrolet and Pontiac assembly lines and many from the Buick assembly line joined the strike. H.A. Brown, plant general manager, responded sternly to the outbreak of the strike, which had created a bottleneck in production, declaring the ease with which striking workers could be replaced. Indeed, management’s refusal to bargain with a delegation representing the

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<sup>123</sup> Tom Traves has observed, for example: “in contrast to Ford’s glorification of the assembly line, GM stressed the traditional artisanship and craft skills that its employees brought to the job – although the progressive degradation of job skills was just as obvious in Oshawa as it was in Windsor.” See Tom Traves, “The Development of the Ontario Automobile Industry to 1939,” in Ian Drummond, *Progress Without Planning: The Economic History of Ontario from Confederation to the Second World War* (Toronto: University of Toronto Press, 1987), 222.

<sup>124</sup> R.S. McLaughlin to W.H. Perryman, 26 February 1959, file 11, box 13, S 13, MAO.

<sup>125</sup> James Alexander Pendergest, “Labour and Politics in Oshawa and its District, 1928-1943” (MA thesis, Queen’s University, 1973), 18-19; “Walkout is Protest Against Cut in Chev. and Pontiac Depts.,” *Oshawa Daily Times*, 26 March 1928, 1.

trimmers – which had offered to accept half the pay-cut announced by management – had sparked the walkout. By 28 March, 80 replacement workers had been hired, but the number of strikers rose to 1,800, including 100 women sewing machine operators from the trimming room. H.A. Brown published the rates paid trimmers, apparently with the hope of capturing sympathy for the company; Robert McLaughlin had successfully disarmed a strike over 20 years earlier by using exactly such a tactic. Brown claimed the workers already had representation through the employees' association, and pointed to the company's employee programs in claiming "there is not a plant in Canada which surrounds its employees with more ideal working conditions than exists in our institution." A parade of 3,000 strikers and strike supporters through the streets of Oshawa on 29 March dramatically suggested otherwise, as workers voiced displeasure with recent production speed-ups and protested treatment meted out by particular superintendents and foremen.<sup>126</sup>

McLaughlin was vacationing in Florida when the strike broke out, but, as Heather Robertson has observed, he appears to have forced Brown to back down and thus "reinforced his personal authority at the plant."<sup>127</sup> Brown's public rhetoric was quieted as

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<sup>126</sup> "Walkout is Protest Against Cut in Chev. and Pontiac Depts.," 1; "Refuse to Accept Men's Proposals at Meeting this Afternoon," *Oshawa Daily Times*, 27 March 1928, 1; "Men Engaged to Replace Strikers Will be Kept on in Announcement Today," *Oshawa Daily Times*, 28 March 1928, 1; "General Manager Also Gives 1927 Statistics for Trimming Depts.," *Oshawa Daily Times*, 28 March 1928, 3; "Strikers Repudiate All Connection with Communist Principles," *Oshawa Daily Times*, 30 March 1928, 3; Pendergest, "Labour and Politics in Oshawa," 15; Roberts, "Robert McLaughlin," 673. Manley had observed that the plant committee – the company union – was exposed as fraudulent during the course of the strike. See Manley, "Communists and Auto Workers," 114.

<sup>127</sup> Robertson, *Driving Force*, 127.

he attributed the dispute “to the lack of understanding between employees and certain Superintendents and Foremen,” in contrast to his earlier statement that the workers had “been influenced by a small group who have rather radical ideas.”<sup>128</sup> McLaughlin, nonetheless, also attributed the trouble to “agitators” – from the United States. M.S. Campbell, chief conciliation officer of the federal Department of Labour, met with the strike committee and company on 29 March, and within two days the strike was ended, both sides having agreed to arbitration. “Oshawa has seen the last of the worst industrial crisis in its history,” reported the *Oshawa Daily Times*.<sup>129</sup>

However, a larger contest was initiated when the striking workers declared their intention to form a union on 30 March. A.C. (“Slim”) Phillips was appointed chairman of a committee charged with the task of arranging union affiliation. Though Phillips favoured affiliation with the All-Canadian Congress of Labour (ACCL), at a strike meeting at the Armouries the veteran Trades and Labour Congress (TLC) spokesman from Toronto, James Simpson, claimed it would “not last a minute.” Autoworkers favoured affiliation with the more-established international organization as well, which, they had been promised by union representatives, would organize the plant along industrial lines, not according to craft; James Simpson was appointed to represent the workers on the conciliation board and the new union was granted a charter from the American Federation of Labor (AFL).<sup>130</sup> Communist leader Jack MacDonald and organizer L.R.

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<sup>128</sup> “Company’s Offer to Hon. Peter Heenan Accepted by Men,” *Oshawa Daily Times*, 30 March 1928, 1; “Walkout is Protest Against Cut in Chev. and Pontiac Depts.,” 1.

<sup>129</sup> “City Quiet After Settlement,” *Oshawa Daily Times*, 31 March 1928, 1.

<sup>130</sup> “Strikers Decide to Form Union Passing a Strong Resolution,” *Oshawa Daily Times*, 30 March 1928, 1 and 3; Pendergest, “Labour and Politics in Oshawa,” 24 and 30.

Menzies also traveled to Oshawa during the strike but failed to gain many followers, causing the *Daily Times* to editorialize: “The heart of Oshawa is too loyal to British traditions to be carried away by the red element.”<sup>131</sup> The dispute was finally settled a month later. The company agreed to pay wages in effect prior to the March reduction until 1929 models were introduced and also agreed not to discriminate against union members; however, the agreement stated that efforts would be made to close the gap between the Oshawa plant and GM operations in the United States with higher production ratios.<sup>132</sup> McLaughlin, now back in Oshawa, described the dispute as a “misunderstanding” and reiterated the company’s intention to operate its plants “on the principle of the Open Shop, which,” he argued, “is . . . the only practical method under which our particular business can operate.”<sup>133</sup>

Emerging tenuously, the union’s effectiveness was quickly eroded. “Slim” Phillips relinquished the leadership of the local in order to become a foreman, financial troubles surfaced amid evidence that the secretary had committed fraud, and by the end of the year a competing industrial union affiliated with the ACCL, the Automobile Workers’ Industrial Union of Canada (AWIUC), was formed. Meanwhile, the TLC-AFL organizers proved too wedded to craft-based organization, and support for their union collapsed by the end of the year. The AWIUC, too, achieved limited success; in early

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<sup>131</sup> “A Wise Decision,” *Oshawa Daily Times*, 31 March 1928, 4.

<sup>132</sup> “Amicable and Fair Settlement Made Between General Motors Employees and the Company,” *Oshawa Daily Times*, 7 May 1928, 1.

<sup>133</sup> “R.S. McLaughlin Pleased Settlement is Reached,” *Oshawa Daily Times*, 7 May 1928, 1.

1929 spies had been uncovered in the union's Windsor branch, resulting in the discharge of 15 union supporters from the Ford plant, and by the end of 1929 the union was no longer functioning. Thus, autoworkers' efforts to organize the Oshawa plant were cannibalized by the AFL-TLC's rigid adherence to craft distinction and the organizational frailty of the industrial union drive. Of course, the widely attended company picnic in the summer of 1928 demonstrated that, under the auspices of a beneficent Sam McLaughlin, General Motors of Canada continued to play a large role in the life of Oshawa autoworkers; indeed, James Pendergest has written that "the company killed the union with kindness."<sup>134</sup> Conflict at the workplace persisted, nonetheless, and in 1929 Winnipeg Labour MP A.A. Heaps read correspondence in Parliament from GM workers claiming that wage-cuts, speed-ups, and intimidation had returned to the Oshawa plant.<sup>135</sup>

## V

Autoworkers in Oshawa during the late 1920s perceived the striking contradiction between GM's windfall profits and rising stock prices on the one hand, and production speed-ups and wage cuts on the other.<sup>136</sup> They often worked at a breakneck pace to a monotonous, deadening rhythm. And the strains of the job exacted a heavy toll, aging

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<sup>134</sup> Pendergest, "Labour and Politics in Oshawa," 32. For more on the unions see also John Manley, "Communism and the Canadian Working-Class During the Great Depression: The Workers' Unity League, 1930-1936" (PhD thesis, Dalhousie University, 1984), 414-24.

<sup>135</sup> Pendergest, "Labour and Politics in Oshawa," 33-42.

<sup>136</sup> "Refuse to Accept Men's Proposals," 1 and 3.

workers quickly. Often by the age of 40 an autoworker was deemed too old for employment by plant management.<sup>137</sup> Though management paid lip service to its “partnership” with labour, workers who raised concerns about unfair or unsafe work practices “were either let go or forgotten at the start of a new production season.” Favouritism was also rampant, as employees were forced to “look after the boss” in order to secure their place in the factory. One GM employee from the 1920s reported that workers brought baskets of vegetables for the foreman and cut lawns and performed household chores for the bosses. For women, as Pamela Sugiman has observed, “favouritism had a sexual undercurrent.”<sup>138</sup> Moreover, workers’ yearly earnings were drastically reduced by the seasonal nature of the industry, which picked up in the spring and tapered off again in the fall. The shell of paternalism and community stewardship obscured various forms of exploitation structuring day-to-day plant operations.

The Great Depression of the 1930s put a decisive end to the automobile industry’s spectacular phase of development. The industry’s contraction was particularly severe. It has been estimated that the auto industry was running at only 15 per cent capacity in Canada in 1932; and, indeed, the output of General Motors of Canada that year was less than 20 per cent of its 1929 total.<sup>139</sup> Not unlike in the rest of the country, unemployment struck hard in Oshawa; the immediate effect was to make autoworkers even more

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<sup>137</sup> Pendergest, “Labour and Politics in Oshawa,” 12; Pamela Sugiman, *Labour’s Dilemma: The Gender Politics of Auto Workers in Canada, 1937-1979* (Toronto: University of Toronto Press, 1994), 12.

<sup>138</sup> Sugiman, *Gender Politics of Auto Workers*, 12 and 14.

<sup>139</sup> Sun Life Assurance Company of Canada, *The Canadian Automobile Industry* (Royal Commission on Economic Prospects, September 1956), 7-8; *GM in Canada*, 10.

dependent upon GM, as workers competed for a precious few jobs. Municipal revenues also declined as taxes went unpaid, and more and more Oshawa residents were driven to the relief rolls. Oral testimony collected by Christine McLaughlin, in her community study of Oshawa, indicates that working-class Oshawa residents not only resented having to request relief, but were often angered by demeaning treatment received at the hands of the city's welfare agencies.<sup>140</sup>

Members of the local elite headed these agencies. Sam McLaughlin's wife and brother were particularly active in relief and other philanthropic work. Adelaide had helped found the Oshawa Women's Hospital Auxiliary in 1907, served as national president of the Canadian Federation of Home and School Associations throughout the 1930s, and held membership in many other organizations, including the Girl Guides, the Canadian Red Cross, and the Young Women's Christian Association.<sup>141</sup> George exercised considerable control over the administration of relief locally during the 1930s, serving as first chairman of Oshawa's welfare board and playing an active role in raising money for Oshawa's Welfare Fund. Oshawa's Associated Welfare Societies doled out the funds carefully. As social worker Grace McKinnon explained before a Welfare Fund drive in 1931, charity was intended to "eliminate the disease."<sup>142</sup>

That disease was poverty; and it was a growing epidemic in Oshawa. After retiring from General Motors of Canada, George McLaughlin had become involved in

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<sup>140</sup> McLaughlin, "The McLaughlin Legacy," 58-62.

<sup>141</sup> *Colonel R.S. McLaughlin*, 8-9; McLaughlin, "The McLaughlin Legacy," 62-3.

<sup>142</sup> "Workers Start Fund At Dinner By Making Their Own Donations," *Oshawa Daily Times*, 17 November 1931, 1.

farming and developed a reputation as a skilled stockbreeder and proponent of “progressive” agricultural practices.<sup>143</sup> His civic-mindedness drove him back to the city, nonetheless, where poverty and municipal debt threatened to overwhelm the community. As the Depression worsened, the city’s local elite sought to gain tighter control of civic affairs; in 1932, a representative of the unemployed, Eddie McDonald, came close to being elected mayor, finishing second.<sup>144</sup> George McLaughlin was one of a handful of prominent Oshawa residents to stand for municipal election in 1933 under the banner of the newly formed Civic Improvement League. Benefiting from the recent elimination of the ward system, the better-organized, capital-rich candidates promised to bring municipal finances under control, as the threat of bankruptcy loomed, and succeeded in sweeping out the old administration, except for two council members. George McLaughlin was the leading vote-getter of the new council, which consisted of “three lawyers, three industrialists, three retail merchants, and a physician.”<sup>145</sup>

George McLaughlin’s responsibilities in municipal affairs included not only the chairmanship of the welfare board, but also the chairmanship of the finance committee. Under his oversight, “council made drastic cuts in civic expenditure.”<sup>146</sup> By 1935 he had

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<sup>143</sup> “Motor Trade Leader Dies in Oshawa,” n.d., file 2, box 2, George McLaughlin Papers, QUA.

<sup>144</sup> Hood, *Oshawa*, 286.

<sup>145</sup> Pendergest, “Labour and Politics in Oshawa,” 90-3; “Motor Trade Leader Dies in Oshawa.”

<sup>146</sup> Hood, *Oshawa*, 284.

succeeded in cutting Oshawa's liabilities by \$1,127,207 since taking office.<sup>147</sup> Though bankruptcy – the main concern of the Civic Improvement League – was averted, the stringency of the council's policies sparked unrest “and meetings of the public Welfare Board more than once required police protection.”<sup>148</sup> Political opponents charged that George McLaughlin was only interested in looking after the interests of the municipal bondholders, as small businessmen, workers, and the unemployed assailed the policies of council.<sup>149</sup> Public support for the Civic Improvement League declined, and after the 1935 municipal election its members in council were left in a minority position.<sup>150</sup> George McLaughlin, as he bitterly commented, finished the 1935 electoral contest “as a tail-ender with the ‘Also Rans.’” When Prime Minister R.B. Bennett tried to attract him to run locally as a Conservative candidate in the upcoming federal election, George refused. “Some time ago I might have made a showing at the polls,” he explained. “To-day I couldn't be elected as a pound-keeper for this burg and if I made application for the

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<sup>147</sup> “Ald. McLaughlin Denies Election Criticisms,” n.d., file “Scrapbooks/Album, 1920-1942,” reel 2, ms 674, C. Ewart McLaughlin Collection, C 88-3, AO.

<sup>148</sup> Hood, *Oshawa*, 283.

<sup>149</sup> Under McLaughlin's tenure, changes made to the food voucher system were extremely unpopular. In order to save money, the city established its own system, separate from the relief system, wherein families on relief were given food vouchers or cash. The new system required recipients to select food items at a city-run depot. Though the city saved money by purchasing food at wholesale prices, it without doubt would have taken considerable business away from retail grocers. See Hood, *Oshawa*, 282-3.

<sup>150</sup> Pendergest, “Labour and Politics in Oshawa,” 110-1.

office of poll-tax collector I would not get it.” “Such, too often,” he concluded, “are the rewards of public service.”<sup>151</sup>

The utterance invoked a sentiment reminiscent of Beatty’s lamentations on the railway question (see Chapter Three). More and more, the political initiatives of the country’s economic elite encountered resistance from a public unconvinced of the beneficence of elite-led “public service.” As unemployment mounted, the claims of Sam McLaughlin and General Motors of Canada to community stewardship appeared less and less convincing. After all, McLaughlin had promised local employment. The Great Depression proved the limits of his paternalism, as collapsing markets forced General Motors of Canada to dramatically cut back its operations. Of course, Oshawa itself had undergone a sustained transformation with the industry’s expansion; and the city’s working class became an increasingly unknown entity for McLaughlin as Oshawa, the town, grew into a city. Workers arrived from beyond the surrounding countryside, bringing with them politics and union traditions learned in mature industrial societies, particularly Britain. Meanwhile, Communist party organizers made inroads, as the persisting crisis radicalized many unemployed as well as some autoworkers. The old mutuality was being undermined, evidenced by George’s political unpopularity.

Sam McLaughlin remained aloof from the active political work of his brother. His world was more about entertaining, leisure and displays of wealth. McLaughlin’s social reach extended well beyond the institutions of the local elite – such as the “Thirty Club,” the Oshawa Golf Club, and the Oshawa Curling Club – but he nonetheless remained a

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<sup>151</sup> George McLaughlin to R.B. Bennett, 23 July 1935, file 2, box 1, George McLaughlin Papers, QUA.

stalwart of local high society. Beginning in the late 1920s, the McLaughlins hosted an annual “chrysanthemum tea” every fall, where their prize-winning chrysanthemums were displayed in Parkwood’s greenhouse before as many as 800 guests.<sup>152</sup> “Sam recognized everyone as they came in,” later reported Floyd Chalmers, “he put his arms warmly around all the ladies and shook hands so vigorously with the men that their fingers ached for the next week or two.”<sup>153</sup> Local Oshawans might also run into Sam McLaughlin at the Masonic hall or at a Rotary Club meeting. Other events, such as the marriage of his youngest daughter, provided a venue for McLaughlin to display his family’s prominence: *Mayfair* and the *Toronto Globe* covered the lavish celebrations surrounding the marriage of Eleanor (“Billie”), an accomplished equestrian, to Lieutenant Churchill Mann in 1930.<sup>154</sup>

His daughters were, indeed, all accomplished riders and had helped capture many awards for Parkwood stables, and McLaughlin himself had begun to learn to ride in the early 1920s.<sup>155</sup> McLaughlin’s horses went on to win the King’s Plate in 1934, and later again in 1946 and 1947 – reflective of the fact that McLaughlin was said to have spent

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<sup>152</sup> *Colonel R.S. McLaughlin*, 12-13.

<sup>153</sup> Floyd S. Chalmers to McLaughlin-Parkwood Research Project, 18 June 1979 quoted in *Colonel R.S. McLaughlin*, 12-13.

<sup>154</sup> “Parkwood’s Brilliant Wedding,” *Mayfair* (October 1930), 28-9; “Hundreds Attend Fashionable Wedding at Parkwood, Oshawa, the Home of R.S. McLaughlin,” *Globe*, City News Section, 1 September 1930, 1.

<sup>155</sup> In March 1924 McLaughlin wrote to Isabel of his plans to take riding lessons in Toronto. He explained: “I am quite serious about making up my mind to do considerable riding and believe it will be the best kind of exercise I can take.” See Sam McLaughlin to Isabel McLaughlin, 26 March 1924, file 8, box 12, Isabel McLaughlin Papers, QUA.

more money on horseracing than charity during the Great Depression.<sup>156</sup> McLaughlin's taste for quasi-aristocratic pursuits was also evidenced in his yachting endeavours. In 1926 his yacht – "Eleanor," named after his daughter – represented the Royal Canadian Yacht Club at the Richardson's Cup in Toledo and beat out the Chicago Yacht Club's entry by just over two minutes to take the title. With this feat accomplished, McLaughlin sold "Eleanor" the following year.<sup>157</sup> Art also provided a quick route through which McLaughlin could purchase cultural capital. Whenever time was permitting in New York City, so McLaughlin claimed in 1924, he sought out the city's art galleries. He also benefited from some familial guidance. His daughter, Isabel – who became associated with the Group of Seven, studying under Arthur Lismer in the 1920s, and was a founding member of the Canadian Group of Painters in 1933 – helped advise her father on art purchases; Group of Seven paintings were mounted on the wall beside the bowling alley in Parkwood. From the murals that McLaughlin commissioned to be painted on the walls of his mansion in the 1920s, to the boiserie reportedly shipped in from a war-ruined French chateau to adorn the mansion's French Salon, to the gardens built upon the grounds of Parkwood in the 1930s, McLaughlin commissioned leading artists, architects, and artisans to make Parkwood beautiful; he also collected an array of things – valuable furniture, a rare Steinway piano and a rare snooker table – which projected an opulence

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<sup>156</sup> Virginia Brass, "The Squire of Oshawa," *Mayfair* (August 1948), 94; McLaughlin, "The McLaughlin Legacy," 58.

<sup>157</sup> "Canada Captures Lake Yacht Prize," *New York Times*, 11 September 1926, 11; Robertson, *Driving Force*, 212.

fitting an aristocrat.<sup>158</sup> He did, indeed, seem to want to transform himself into an aristocrat of sorts, presiding gloriously over Oshawa society.

His social world, of course, in many ways had little to do with Oshawa. In the 1920s and early 1930s McLaughlin and his wife began to travel to Aiken, South Carolina for part of the winter; and in 1936 he bought a summer home, “Cedar Lodge,” in Bermuda, formerly owned by the late Senator Nathaniel Curry, following other moneyed Canadians to winter in the West Indies.<sup>159</sup> Hunting and fishing were among McLaughlin’s favoured fair weather pastimes. He maintained a trout preserve 20 minutes from his office, and in the early 1920s he began to lease a 39-mile stretch of river at Cap Chat, on the Gaspé Peninsula.<sup>160</sup> In 1932 McLaughlin became a member of the Long Point Company, an exclusive hunting club established “by a small group of wealthy Canadian and American businessmen” in 1866, maintaining a privately owned hunting preserve on a spit of land extending out into Lake Erie, near Port Rowan, Ontario.<sup>161</sup> Here, McLaughlin was able to hobnob with Wall Street moguls such as Junius S. Morgan II and Harry Morgan as well as royalty. The Duke of Windsor, who had relinquished the British Crown in 1936 to marry the American divorcee Wallace Simpson, appears to have

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<sup>158</sup> Sam McLaughlin to Isabel McLaughlin, 30 April 1924, file 8, box 12, Isabel McLaughlin Papers, QUA; Beatty and Hall, *Parkwood*, passim; Litvak, “A Tour Through ‘Parkwood’ Canada,” 68, 71 and 75. For the concept of cultural capital, see Pierre Bourdieu, *A Social Critique of the Judgement of Taste*, trans. Richard Nice (Cambridge: Harvard University Press, 1984).

<sup>159</sup> *Colonel R.S. McLaughlin*, 12-13; J. Herbert Hodgins, “Cedar Lodge: The Bermuda Estate of Col. R.S. McLaughlin,” *Canadian Homes and Gardens* (July 1938), 18 and 39.

<sup>160</sup> *Colonel R.S. McLaughlin*, 47-8; Brass, “The Squire of Oshawa,” 95.

<sup>161</sup> Duncan McLeod, “They Shoot Canada’s Most Expensive Ducks,” *Star Weekly* (Toronto), 18 September 1965, 37-39; *Colonel R.S. McLaughlin*, 48-9.

visited Long Point with Sam in 1944. “His Excellency is most agreeable to the camp,” reported McLaughlin.<sup>162</sup> Clearly he was delighted to belong to a transnational social network that helped solidify business contacts and boost his personal status.<sup>163</sup>

McLaughlin’s business connections grew increasingly dense during the 1930s. In 1931 he joined the board of Famous Players Canadian Corporation; in 1932 he became a director of the CPR; he was elected director of the CPR’s mining company, Consolidated Mining and Smelting of Canada, the year following, when he also became a director of the International Nickel Company of Canada (INCO); in 1934 he gained a directorship with General Electric of Canada; and in 1935 he became a director of the Royal Trust

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<sup>162</sup> Sam McLaughlin to Isabel McLaughlin, 30 October 1934, file 5, box 12, Isabel McLaughlin fonds, QUA; Sam McLaughlin to Isabel McLaughlin, 23 October 1944, file 4, box 11, Isabel McLaughlin Papers, QUA. The 1934 correspondence lists a “Mr. Howe” among the group that went to Long Point. It is unclear whether McLaughlin was referring to C.D. Howe, the future “minister of everything,” who at that time remained a relatively unknown. In later years, Howe would become a regular visitor at McLaughlin’s camp at Cap Chat (see Chapter Five).

McLaughlin built a car for the Duke, when the Duke was the Prince of Wales, in 1927, and in 1936, when he was about to assume the throne early in 1936 as Edward VIII, McLaughlin completed a custom-made limousine for the soon-to-be King. See Robertson, *Driving Force*, 257-8. McLaughlin had Junius and Harry Morgan at his camp in Cap Chat in 1934. It should be noted, the 1944 correspondence above does not name the Duke of Windsor specifically, but other evidence almost definitively suggests that McLaughlin was referring to the Duke of Windsor. The Duke and Duchess were visiting the United States during that period so that the Duchess could receive an appendectomy in New York; they arrived in July and departed in early November. The Lieutenant Governor of Ontario, meanwhile, was visiting the Dunlap Observatory in Richmond Hill on 23 October 1944. “Windsors Leave City,” *New York Times*, 6 November 1944, 21; “Personal Notes,” *Globe and Mail*, 24 October 1944, 12.

<sup>163</sup> Indicative of the pace and travel involved in McLaughlin’s social world, he wrote Isabel in 1938: “I have been skidding around to New York, Montreal and Toronto to the Horse Show, and all that sort of thing, so have not had time to settle down to write.” See Sam McLaughlin to Isabel McLaughlin, 24 November 1938, file 5, box 11, Isabel McLaughlin Papers, QUA.

Company.<sup>164</sup> McLaughlin was gravitating towards St. James Street: General Motors of Canada was maintaining an account with the Bank of Montreal in the mid-1930s and McLaughlin was serving as Governor of the Seignior Club, having been invited to join early in the club's existence, near the beginning of the decade.<sup>165</sup> In 1934 and 1935 McLaughlin went on excursions to western Canada with CPR president Edward Beatty and other Canadian business moguls, including Sir Charles Gordon (Bank of Montreal), C.F. Sise (Bell Telephone of Canada), Ross H. McMaster (Stelco), and Norman Dawes (National Breweries).<sup>166</sup> As McLaughlin's business and social life extended further into the traditional bastions of Canadian economic power on St. James Street, and as he became associated with massive corporate empires south of the border, such as INCO and General Electric, he also developed a keen interest in northern Ontario mining generally and became associated with the capitalist buccaneers in Toronto who promoted upstart

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<sup>164</sup> "Canadian Famous Players Elects," *New York Times*, 30 April 1931, 35; *Colonel R.S. McLaughlin*, Appendix I; *New York Times*, 18 December 1934, 36; "Increase in Gold Mined in Ontario," *New York Times*, 17 September 1933, N9.

<sup>165</sup> See Accounts Books, file 19, box 4, George McLaughlin Papers, QUA; B.M. Greene, ed., *Who's Who in Canada, 1934-35* (Toronto: International Press Limited, 1935), 169; Edward Beatty to Ross H. McMaster, 30 January 1931, 247, vol. 136, box 23-005, President's Letter-Books, Canadian Pacific Railway Archives [CPRA]. Another example of the deepening integration of General Motors in Canada's business world, in 1933 the *Financial Post* reported that Canadian Industries Limited was "understood to hold a substantial block" of General Motors stock, although Canadian Industries announced that it had sold some of its GM holdings in its 1929 annual report. See "General Motors Cut Affects Income of C.I.L.," *Financial Post*, 14 May 1932, 2.

<sup>166</sup> Edward Beatty to S.C. Mewburn, 15 August 1934, 518, vol. 149, box 23-007, President's Letter-Books, CPRA; Edward Beatty to James A. Richardson, 30 July 1935, 280, vol. 153, box 23-008, President's Letter-Books, CPRA.

mining enterprises, such as J.P. Bickell. In 1937 McLaughlin assumed a seat on Bickell's company, McIntyre Porcupine Mines Ltd.<sup>167</sup>

McLaughlin was notable for embracing a continental accumulation strategy that defied the old rivalries between Montreal and Toronto. This signaled a more general trend towards consolidation and cooperation in Canadian big business. Investment banker J.H. Gundy, for example, had received his start in the Cox family of companies, centred around Senator George Cox in the early 20<sup>th</sup> century, representing Toronto's most powerful financial group and an emerging challenger to Montreal's hegemony. By the late 1920s Gundy's investment bank was working with Royal Bank of Canada president Sir Herbert Holt in promoting Canada Power and Paper (see Chapter Two). *Nouveau riche* St. James Street moguls such as J.W. McConnell also operated above the inter-city rivalry of years past.<sup>168</sup> McLaughlin's free movement between Montreal and Toronto business circles demonstrated the coalescence of Montreal and Toronto capital; but, of course, his business world also embraced Detroit and New York. McLaughlin, if his brother's portfolio can serve as an indicator, invested in many different companies during the 1930s: George owned over 100,000 shares in the Chrysler Corporation, over 50,000 in Goodyear Tire, and held lesser amounts in a long list of companies, including shares in numerous northern Ontario mining operations, such as McIntyre Mines, Sherritt Gordon Mines, and Kirkland Lake Gold Mines.<sup>169</sup> Sam, meanwhile, was one of the larger holders

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<sup>167</sup> *Colonel R.S. McLaughlin*, Appendix I.

<sup>168</sup> Fong, *J.W. McConnell*, 181-240.

<sup>169</sup> Financial Statement, 31 December 1932, file 9, box 1, George McLaughlin Papers, QUA.

of INCO stock, which was publicly revealed in accordance with the American Securities Exchange Act of 1934.<sup>170</sup> Correspondence during the Second World War between McLaughlin and longtime friend and GM director, C.S. Mott, indicates McLaughlin's considerable interest in Canadian mining companies; Mott sent McLaughlin his portfolio to get his opinion. "Your list is a very good one on the whole and I do not think you will have to worry unduly about its future provided, of course," wrote McLaughlin in 1944, "one believes in Gold Stocks. I am a heavy holder of some of the mines in which you are interested, particularly – of course – McIntyre. I think there is a future for these mines. At any rate, I am going to bank on it and trust to what the future may hold."<sup>171</sup> McLaughlin's economic interests extended into various branches of the North American economy, revealing, as American historian Martin Sklar has observed, the extent to which corporate concentration helped socialize risk among leading capitalists.<sup>172</sup>

McLaughlin had gravitated towards the centre of the Canadian bourgeoisie during the interwar period. Immediately after the First World War, McLaughlin had been relatively isolated from Canada's leading business centres. Heading up an American branch, he may have also appeared – and have been – politically vulnerable against Canadian financiers unconvinced of the auto industry's importance and western farmers

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<sup>170</sup> "More Holding Detailed," *New York Times*, 1 February 1935, 29; "Big Share Holdings Summarized by SEC," *New York Times*, 17 September 1936, 23.

<sup>171</sup> Sam McLaughlin to C.S. Mott, 13 April 1944, and see also Sam McLaughlin to C.S. Mott, 24 September 1943, file "R.S. McLaughlin – Correspondence – General," box LH S 100 BIO, "McLaughlin Family, Murphy Family," McLaughlin Library.

<sup>172</sup> Martin J. Sklar, *The Corporate Reconstruction of American Capitalism, 1890-1916* (Cambridge: Cambridge University Press, 1988), 27-8.

angry about the higher price of Canadian automobiles. By the middle of the 1930s much had changed. McLaughlin had become socially and economically integrated within Canada's economic elite – from the board of directors of the CPR to the elite social clubs of Toronto and Montreal – but he also operated within a larger North American business environment. The importance of the auto industry, too, was now beyond question in Canada. The rise of the parts industry during the 1930s placed the Big Three in Canada at the centre of a vast industrial complex. In 1929 the manufacture of parts comprised 18 per cent of the value of all vehicle production in Canada; in 1932 that figure had risen to 32 per cent, and by 1939 it reached 36 per cent.<sup>173</sup> By 1938 General Motors was extensively engaged in the manufacture of parts in Canada, making components such as engines, transmissions, generators, spark plugs, gears, axles, electrical equipment, wheel casings, radiators and fenders, while purchasing products such as tires, floor mats, car radios and bumpers from other Canadian operations. General Motors of Canada cars achieved a Canadian content as high as 75 per cent, proclaimed the *Financial Post*.<sup>174</sup> And while the sharp rebound of the auto industry in the mid-1930s attested to the industry's dynamism – as production rose nearly threefold at General Motors of Canada between 1933 and 1936 – it also prefigured a new confrontation between capital and labour.<sup>175</sup> McLaughlin's main political opponents were no longer outsiders – politicians,

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<sup>173</sup> White, *Making Cars in Canada*, 47.

<sup>174</sup> “General Motors of Canada – ‘a good neighbor,’” *Financial Post*, 9 July 1938, file “General Motors of Canada Clippings (Part 1), 1922-1949,” Financial Post Fonds, LAC.

<sup>175</sup> *GM in Canada*, 10. The auto industry experienced a greater decline than manufacturing as a whole between 1929 and 1933: employment declined 54 per cent and value of production declined 76 per cent in the auto industry, where as manufacturing as a whole experienced declines of 31 per cent and 50 per cent respectively. By contract,

businessmen, and farmers – threatening to meddle with the tariff: it was an increasingly militant working class in Oshawa, a force which he little knew or understood.

## VI

The General Motors strike in Oshawa in April 1937 has long been acknowledged as a watershed moment. McLaughlin's understanding of the events of that month reflected the broader concerns of the business community in Canada about American industrial unionism: the strike, from this perspective, was not a contest between capital and labour, but one of British law and order against the lawlessness of American labour bosses. Oshawa's working class had been hoodwinked by slick outsiders, so this interpretation ran. "I didn't think they would do it," McLaughlin lamented: "They must have been promised the moon." Indeed, at the strike's conclusion, McLaughlin suggested that the union did not command the true support of the autoworkers: "We have a list of 1,200 signatures of men who did not want to go on strike. We have letters from dozens who were threatened into joining the union and of others who did so because they didn't want to be bothered any more."<sup>176</sup> GM management reluctantly recognized the workers' chosen representatives as union heads when an agreement was reached 22 April and ratified by vote the following day, thus ending the strike of some 3,700 workers. Ontario Premier Mitch Hepburn, who strenuously opposed the CIO, claimed that the CIO had

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between 1933 and 1937, the value of automobile production rose 220 per cent, compared to 85 per cent for manufacturing as a whole. See *Canadian Automotive Industry*, 8.

<sup>176</sup> "R.S. McLaughlin, "Back in Oshawa, Happy At Result," *Ottawa Morning Citizen*, 24 April 1937, and "Oshawa Celebrates End of Automobile Strike," *Ottawa Evening Citizen*, 24 April 1937, file 68, vol. 383, Strikes and Lockouts file, RG 27, LAC.

been defeated in Canada, since the agreement only acknowledged the local union, not the CIO. Meanwhile, United Automobile Workers of America (UAW) Local 222 president C.H. Millard claimed victory. It remained an ambiguous conclusion. The Oshawa settlement became, as labour historian Laurel Sefton MacDowell has observed, “a model for corporations, whereby managements granted de facto recognition to a union, dealt with a local union committee, but withheld formal recognition.”<sup>177</sup> A new entente had been achieved, but the future of industrial unionism was far from assured. As Oshawa autoworkers exercised newfound political effectiveness, the strike imbued many wealthy Canadians, including McLaughlin, worried about the spread of industrial unionism and what they perceived as “communism,” with a heightened sense of political purpose. Though McLaughlin’s meritocratic worldview denied the political importance of class divisions, the 1937 strike revealed the culmination of a new stage of class conflict and encouraged the political consolidation of Canada’s big bourgeoisie.

The Oshawa strike was also part of a transnational conflict. In November and December 1936 workers at GM plants in Kansas City and Atlanta engaged in sit-down strikes before the sit-down wave touched more important GM operations in Cleveland and Flint near the end of December. This grass-roots strike wave flowed from recent developments in the American labour movement. In 1935 John L. Lewis, president of the United Mine Workers of America, had left the AFL to spearhead the formation of the Committee for Industrial Organization, a breakaway organization of affiliated unions

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<sup>177</sup> Laurel Sefton MacDowell, *Renegade Lawyer: The Life of J.L. Cohen* (Toronto: University of Toronto Press, 2002), 89.

committed to industrial unionism.<sup>178</sup> Opposing the craft-based unionism of the AFL, which had proven inadequate in the auto industry and other sites of mass-production which were characterized by a wide range of crafts and by large numbers of semi-skilled and unskilled labour, the CIO was deeply involved with the UAW organizing drive launched in the middle of 1936. At a meeting of CIO leaders in Pittsburgh in early November, also attended by UAW president Homer Martin, a decision was reached to step up the organizing campaign in the auto industry in order to take advantage of the favourable political climate created by the recent electoral victories of President Franklin D. Roosevelt and of the populist and pro-labour governor of Michigan, Frank Murphy, who was to assume office 1 January 1937.<sup>179</sup> The organizing drive, meanwhile, also benefited from the Communist party's embrace of "united front" tactics in 1935, which advocated Communist participation in non-Communist labour organizations and encouraged, more broadly, cooperation with social democrats in an anti-fascist and anti-capitalist coalition. Advocating collaboration with communists, Lewis asked rhetorically: "Who gets the bird, the hunter or the dog?"<sup>180</sup> Union recognition was central to the strikers' demands; and on 11 February 1937, in an agreement between UAW

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<sup>178</sup> See Melvyn Dubofsky and Warren Van Tine, *John L. Lewis: A Biography* (New York: Quandrangle, 1977), 222-47.

<sup>179</sup> For more background see Sidney Fine, *Sit-Down: the General Motors Strike of 1936-1937* (Ann Arbor: University of Michigan Press, 1969), 63-99 and 121-55.

<sup>180</sup> Quoted in John T. Saywell, *'Just call me Mitch': The Life of Mitchell F. Hepburn* (Toronto: University of Toronto Press, 1991), 303.

representatives and GM officials, the colossal corporation “for the first time agreed to recognize an international union as a party to the collective-bargaining process.”<sup>181</sup>

Within two weeks, CIO organizer Hugh Thompson was addressing Oshawa body-shop workers who had downed tools in response to a recent speed-up. Thompson had come up from Detroit likely in response to an invitation from William Gelech, a communist and member of a cell operating clandestinely in the body shop, consisting mostly of Scottish and Welsh immigrants whose political education had been learned in the epic class struggles of Britain’s coal mines.<sup>182</sup> Thompson delivered a short address outlining the success of the UAW in the United States. All the men in the room voted to join the UAW and returned to work on Thompson’s advice. The following day, Thompson established a headquarters for UAW Local 222 in a downtown office.<sup>183</sup>

The UAW-CIO victory in the United States was a source of inspiration for Oshawa autoworkers. But, in Ontario, Hepburn was proving to be a particularly strenuous opponent. When vigilantes violently suppressed a CIO sit-down at the Holmes Foundry near Sarnia, Hepburn unequivocally supported the action, thundering in the Ontario Legislature: “There will be no sit-downs in Ontario!”<sup>184</sup> Hepburn not only considered the sit-down tactic an illegal trespass on private property, but he also viewed the CIO in

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<sup>181</sup> Fine, *Sit-Down*, 309. The strikers had acted independently of John L. Lewis, who had expected to organize steel before the auto industry. See Dubofsky and Van Tine, *John L. Lewis*, 255 and 272-3.

<sup>182</sup> Pendergest, “Labour and Politics in Oshawa,” 136. Communist leader Tim Buck claimed that Joe Salsberg, the party’s union strategist, made the call to Thompson. See Saywell, ‘*Just call me Mitch*,’ 580-1 (n. 5).

<sup>183</sup> Abella, “Oshawa 1937,” 95-6.

<sup>184</sup> Quoted in Abella, “Oshawa 1937,” 99.

terms of a communist scheme designed to subvert social order. Hepburn was also closely aligned with a coterie of Toronto mining magnates who were worried about the possibility of the CIO making inroads in northern Ontario mines. McLaughlin was not a regular at the King Edward Hotel, the watering hole of Hepburn and his mining associates, but he was certainly associated economically – through J.P. Bickell and McIntyre-Porcupine, as well as INCO. As negotiations between union and company representatives broke down over the question of union recognition in late March, the possibility of a strike loomed. On the morning of 8 April, upon Thompson's direction, the shop stewards ordered the plant vacated. The strike had begun. At the time, McLaughlin was resting in Bermuda, enjoying the salty sea breezes of Hamilton Harbour.

Hepburn too had been away but arrived in Toronto from Florida the day before the strike broke out. In his 1974 article on the Oshawa strike, Irving Abella claims that GM had agreed to recognize Local 222 shortly before the strike only to resume its refusal to recognize the CIO upon the urging of Hepburn, who promised total support from the government.<sup>185</sup> John T. Saywell, in his 1991 biography of Mitch Hepburn, points out that such an account is not sustained by the contemporary evidence and argues that Abella relied too heavily upon the unreliable remembrances of David Croll, Ontario minister of labour at the time, and Croll's secretary, Roger Irwin. Heather Robertson, who had access to GM's archives in Oshawa, presents an account that not only tends to confirm Saywell's assertion, but claims that General Motors of Canada had anticipated a strike since the beginning of 1937, stockpiling cars since January. Robertson also speculates that GM may have thought it possible to weaken the UAW in the United States by

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<sup>185</sup> Abella, "Oshawa 1937," 102.

beating the union in Canada. In addition to this, McLaughlin's private and public pronouncements consistently indicated that he remained set in the belief that the CIO was not a legitimate labour organization.<sup>186</sup> All of this suggests, of course, that the Ontario government did not exercise as much autonomy during the strike as previously presumed. Becoming the most vocal public opponent of the CIO during the strike, Hepburn backed up GM's refusal to recognize the CIO in Oshawa – but he was by no means the author of the company's policy.

Hepburn quickly sought to ready a police force to suppress anticipated “disorder,” cabling Dominion Minister of Justice Ernest Lapointe to request reinforcements from the RCMP. That day, 8 April, Hepburn's initial request was granted: “100 men are being dispatched today to Toronto to support the Ontario Provincial Police,” reported RCMP commissioner J.H. MacBrien.<sup>187</sup> However, Mackenzie King instructed the RCMP to act as support to provincial and municipal forces should violence arise; they were not to “initiate” action but should be “kept in the background as much as possible.”<sup>188</sup> Furthermore, Hepburn later in the afternoon requested another 100 RCMP officers to ready for the “main crisis,” which he expected in two or three days.<sup>189</sup> No more were sent. All the same, Hepburn put the OPP on 24-hour alert and mobilized 100 officers in

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<sup>186</sup> See Abella, “Oshawa 1937,” 102; Saywell, *Just call me Mitch*, 582-3 (ns. 16 and 18); Robertson, *Driving Robertson*, 276-9.

<sup>187</sup> J.H. MacBrien to Ernest Lapointe, 8 April 1937, file 115, vol. 28, Ernest Lapointe Papers, MG 27 III B 10, LAC.

<sup>188</sup> MacBrien to Lapointe, 9 April 1937, MacBrien to Officer Commanding, Toronto, 9 April 1937, file 115, vol. 28, Lapointe Papers, LAC.

<sup>189</sup> MacBrien to Lapointe, 8 April 1937, file 115, vol. 28, Lapointe Papers, LAC.

the Oshawa area, while also ordering the department of welfare to deny relief to strikers.<sup>190</sup> At a press conference on the day of the strike's outbreak, Hepburn lamented that GM workers had followed the lead of "CIO-paid propagandists from the USA to desert their posts at a time when both employees and the industry itself were in a position to enjoy a prosperity not known since 1929."<sup>191</sup> The *Globe and Mail*, meanwhile, under the direction of mining magnate-turned-newspaperman C. George McCullagh, the paper's president and publisher, railed against the CIO and hit a similar chord as Hepburn – which might not be surprising considering McCullagh's later boast suggesting that he was the brains behind Hepburn's anti-CIO crusade.<sup>192</sup> "Time will show that the trouble at Oshawa has been engineered from the United States to serve the purpose of the Lewis program," editorialized the *Globe and Mail* on 13 April, "and did not originate with the workers in that city." The paper suggested a Bolshevik conspiracy.<sup>193</sup>

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<sup>190</sup> Hepburn's refusal to grant striking GM relief pay was thus explained by his secretary: "The Prime Minister feels that these employees are rejecting the opportunity of work at fair wages and fair hours and that, as a result, they need not look the Government for relief assistance." See Roger Elmhirst to Miss N.H. Wark, Assistant Deputy Minister, Department of Public Welfare, Unemployment Relief Branch, 8 April 1937, file 1, "Oshawa Strike: General," box 282, Hepburn Papers, RG 3-10, AO.

<sup>191</sup> Quoted in Abella, "Oshawa 1937," 103.

<sup>192</sup> McCullagh claimed in 1943: "I alone fought the C.I.O. in this province in 1937. Whatever Mr. Hepburn did as a government leader, was only as a result of information I placed before him in regard to government and trade unionism, a subject on which I have some knowledge." McCullagh to R.H. McMaster, 18 January 1943 quoted in Young, "C. George McCullagh and the Leadership League" (MA thesis, Queen's University, 1964), 47.

<sup>193</sup> "Mr. Hepburn Helping Labour," *Globe and Mail*, 13 April 1937, file 68, vol. 383, Strikes and Lockouts files, LAC.

The views of Hepburn and McCullagh sharply contrasted with the realities in Oshawa. The strikers conducted an orderly picket outside the plant. When picketers began to rock company trucks attempting to move through the plant gates on 10 April, Hugh Thompson arrived on the scene and warned the strikers that GM was looking for an excuse to call in the Mounties. The trucks, after being checked for machine guns, were allowed to pass. Contrasting with this discipline, Hepburn's unrestrained public blustering and vacillating attitude during negotiations with union representatives seemed to anticipate and welcome confrontation. After meeting with union representative C.H. Millard on 9 April, Hepburn expressed hope that the strike could be concluded, but soon after descended into a rage, pointing to CIO organizing initiatives in northern Ontario and promising to, if necessary, raise an army to fight the CIO. On 16 April Hepburn again proved volatile, ending negotiations with union representative and labour lawyer J.L. Cohen. Hepburn abruptly ended negotiations after Cohen made a long-distance call to UAW president Martin, claiming that he would not submit to negotiations by "remote control." Cohen was perplexed. Hepburn had agreed to Cohen's consultations with Martin beforehand. His "remote control" allegation was an excuse to halt negotiations. While Hepburn engaged in theatrics at Queen's Park, union officials enforced public order in Oshawa with the help of local police. Striking workers received bread, meat and cheese from local grocers and fuel from coal dealers – and provincial liquor vendors remained closed, with the consent of the union. Mayor Alex Hall attested to the orderliness of local affairs and protested Hepburn's efforts to bring in outside police.<sup>194</sup>

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<sup>194</sup> Abella, "Oshawa 1937," 105-7; J.L. Cohen's statement to the press, which gives his account of the 16 April meeting with Hepburn, can be found in file 2609, vol. 8, J.L. Cohen Papers, MG 30 A 94, LAC; "Strikers Ask Dominion Help in Mediation," *Ottawa*

On 13 April, 200 special constables were sworn in “for possible emergency duty,” joining a combined force of 165 RCMP and OPP officers stationed in Toronto. And Hepburn looked to the Dominion government again for another 100 RCMP officers, but his request was refused on 14 April. The refusal reflected mounting tensions between the Dominion government and Hepburn. Norman Rogers, King’s minister of labour, had upset Hepburn when he offered to mediate the dispute. Mayor Hall had invited Rogers’s intervention and the union was also agreeable to mediation by Dominion government officials. However, GM released a statement at midnight on 12 April rejecting the offer. The following day, Hepburn publicly blamed the federal government for letting CIO organizers into Canada over his objections six weeks earlier. He also issued a statement calling for unity within his own cabinet in the Ontario government’s “fight against the forces of John L. Lewis and Communism which are now marching hand-in-hand”; the next day he secured the resignations of two dissenting cabinet ministers, attorney-general Arthur Roebuck and David Croll, who held the public welfare, labour, and municipal affairs portfolios. Hepburn received encouragement early, on 9 April, from Noranda Mines president James Y. Murdoch, who congratulated him on his “brave and splendid action in immediately stepping into the strike situation in Oshawa.” And after further hardening his stance, Hepburn was congratulated by Robert H. Bryce, president of Macassa Mines, for his “constructive actions.” Hepburn received many such words of encouragement from capital-rich Canadians, but he also captured broader support based

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*Morning Journal*, 13 April 1937, “Oshawa Citizens to Assist Auto Strikers,” *Toronto Clarion*, 13 April 1937, file 68, vol. 383, Strikes and Lockouts files, LAC; Alex Hall to Mitch Hepburn, 13 April 1937, file 1, “Strike at Oshawa: General,” box 282, Hepburn Papers, AO.

on concerns about outside influence and the spread of communism. At a meeting of former military officers in Simcoe on 12 April, for example, a resolution was passed supporting Hepburn's actions and urging the government to deport all "foreign agitators." Those at the meeting pledged to offer their active services in such an action, and Lieutenant-Colonel A.C. Pratt "declared that if this is to be the beginning of a reign of terror and a dictatorship is to be set up by the strike leaders, then a little bloodshed immediately might be a good thing."<sup>195</sup>

A radically different understanding was voiced in the streets of Oshawa. On the morning of 14 April, war veterans met at Memorial Park to protest Hepburn's efforts to recruit veterans into his special police force. Dr. T.E. Kaiser addressed the crowd of 500 veterans and as many spectators. Kaiser had, as the local Conservative MP, supported McLaughlin in 1926 when much of Oshawa had rallied behind GM in protesting the King government's auto-tariff revisions. Now, he voiced opposition to the company: "Insofar as citizens of Oshawa are concerned, what I am complaining of and what I think men have a right to protest against was the first invasion of Americanism into the city in the

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<sup>195</sup> "Queen's Park Enrolls 200 Special Officers for Emergency Duty," *Toronto Star*, 13 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC; Hepburn to Lapointe, 13 April 1937 and Lapointe to Hepburn, 14 April 1937, file "Strike at Oshawa: General (Folder #1)," box 282, Hepburn Papers, AO; "Strikers Ask Dominion Help in Mediation," 13 April 1937, *Ottawa Morning Journal*, "Ottawa Fears to Take Hand in G.M. Strike," *Toronto Telegram*, 14 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC; Mackenzie King to Hepburn, 13 April 1937, file "Strike at Oshawa: General (Folder #1)," box 282, Hepburn Papers, AO; "Determined Labor Won't be Hoodwinked – Premier," *Toronto Star*, 13 April 1937, "Hepburn Will Ask For Resignations of Croll, Roebuck," *Montreal Gazette*, 14 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC; James Y. Murdoch to Hepburn, 9 April 1937, Robert H. Bryce to Hepburn, 14 April 1937, file "(Oshawa Strike) Favourable Comments on Government Action," box 283, Hepburn Papers, AO; "Hepburn Given Fullest Support of War Veterans," *Hamilton Spectator*, 14 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC.

nature of what is called 'efficiency'. The poison of efficiency is that a man shouldn't have a job after the age of 45. I oppose it emphatically." The crowd roared with approval. "Where a poison goes," the doctor continued, "and where a poison spreads, there is nearly always close by an antidote. If American organizers come in as antidote to oppose American efficiency, I'm not going to oppose their coming here." He concluded by aligning the strike with loyalty to the British Crown: "I'm not worried about us becoming Bolsheviks. We're loyal British subjects and loyal to our King, but we can eradicate the sins of industrialism."<sup>196</sup> Such views indicated that public opinion was shifting, and that Oshawa residents no longer felt their interests to be the same as those of GM and Sam McLaughlin. Indeed, local UAW leader C.H. Millard was a veteran of the First World War and a prominent layman in the King Street United Church; he may have seemed a natural ideological ally of McLaughlin during the 1920s as a budding small businessman, but the harsh experience of the Great Depression changed his outlook and caused his transformation into a labour activist.<sup>197</sup> McLaughlin's local base of political support had been drastically eroded by the economic crisis.

Hepburn's call for police reinforcements coincided with the arrival of OPP reports that indicated the effectiveness of the pickets. On 12 April OPP constable Alex Wilson reported that the picket line had tightened up and appeared to be having the desired

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<sup>196</sup> "Veterans Protest Premier's Actions – Pass Resolution," *Oshawa Daily Times*, 14 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC. Colonel Fraser Hunter, Liberal member of Toronto-St. Patrick, was appointed by Hepburn to recruit for the special force. See "Queen's Park Enrolls 200 Special Officers for Emergency Duty," *Toronto Star*, 13 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC.

<sup>197</sup> See Laurel Sefton MacDowell, "The Career of a Canadian Trade Union Leader," *Relations Industrielles* 43, 3 (1988), 610-11.

effect, “that is to shame those who are working into quitting.”<sup>198</sup> The union insured that the strike remained orderly throughout its duration, as workers well understood that an outbreak of violence would benefit the company; indeed, Millard claimed to have “definite proof” of a GM attempt to incite disorder.<sup>199</sup> Eric Havelock, a Victoria College classics professor who voiced his public support for the workers at a strike meeting, years later recalled the nightly mass meetings of strikers held in the auditorium of the local collegiate institute – Sam McLaughlin owned shares in the local arena and thus that site was not available for the meetings. A contingent of war veterans filled the first four rows and enforced order at the meetings:

Quite a few were wearing medals and wound stripes; many were accompanied by wives; the whole assembly had something of the atmosphere of a huge family party; the auditorium was jammed; more veterans parading the aisles, keeping watchful order; the balconies overflowing with men young and old, the feet of those in front hanging through the balustrade; the whole assembly tense but attentive. At the first sign of any disturbance, however minor, even a question asked of some small movement or interruption, the ushers swiftly closed in on the culprit and escorted him from the hall. There was a good reason for these precautions.<sup>200</sup>

In spite of Hepburn’s consistently provocative rhetoric, J.L. Cohen succeeded in negotiating a settlement with GM officials and Hepburn on 22 April, which provided for recognition of the local union without any reference to the CIO. It was a timely agreement for the union, since rank-and-file support waned as it became apparent that no

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<sup>198</sup> Memo, OPP Staff Inspector, 12 April 1937, file “Strike at Oshawa: General” (Folder #1), box 282, Hepburn Papers, AO.

<sup>199</sup> “Charges Company Tried to Incite Plant Disorders,” *Ottawa Morning Citizen*, 19 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC.

<sup>200</sup> Eric Havelock, “Forty-Five Years Ago: The Oshawa Strike: Part One,” *Labour/Le Travail 11* (Spring 1983), 120.

immediate support – in the form of strike pay or a solidarity strike – would be coming from UAW members south of the border, contrary to earlier promises.<sup>201</sup> Both sides claimed victory. The *Financial Post* claimed the C.I.O. had been “fended off,” but union representatives argued that recognition, in effect, had been achieved – and some businessmen, indeed, worried that this was true.<sup>202</sup> In the end, Hepburn and GM were brought to the negotiation table because the community of Oshawa was firmly behind the workers.<sup>203</sup>

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<sup>201</sup> A memo in the Hepburn papers dated 22 April indicates that some workers felt “Thompson and Martin had not kept faith with the men.” Certainly, the morale of the workers had been strained. On 17 April, Hepburn received the following report, based on information from OPP constable Alex Wilson: “The pickets are half-hearted. Many members left last night’s meeting long before the meeting was finished.” On 20 April, GM workers having voted against terms of settlement offered by GM the day before, Mitch Hepburn met with a dozen strikers, “many of whom were unionists,” who “claimed to represent from 1,000 to 1,500 of the strikers who were ready to accept General Motors’ terms of settlement.” Hepburn appears to have tried to exploit this discord. He wired Sam McLaughlin the same day: “Would urgently request that you advise Carmichael to suspend any negotiations with strikers until your return Thursday morning. Would also ask you to give no statements regarding situation until I have had chance to confer with you. Confidential reports indicate total collapse of strike imminent.” Memo on Oshawa Strike Situation, 22 April 1937, file 1: “Strike at Oshawa: General,” box 282, Hepburn Papers, AO; “Strikers See Hepburn,” *Ottawa Morning Citizen*, 21 April 1937, file 68, vol. 383, Strikes and Lockouts files, LAC; R.H. Elmhirst to Hepburn, 17 April 1937, and Hepburn to R.S. McLaughlin, 20 April 1937, file 1, “Strike at Oshawa: General,” box 282, Hepburn Papers, AO.

<sup>202</sup> “C.I.O. Fended Off,” *Financial Post*, 1 May 1937, 12.

<sup>203</sup> Pressure from the United States may have also helped encourage a settlement, at least if one is to accept George McCullagh’s later lament that the CIO would be defeated more decisively “had it not been for prominent industrial leaders in the United States.” See Young, “Leadership League,” 44.

On 12 April, as tensions mounted in Oshawa, Sam McLaughlin said that he had no plans to return to Oshawa and no comment to make on the strike.<sup>204</sup> This aloofness was a great contrast from the 1928 strike, when McLaughlin supposedly rushed back immediately to Oshawa to help resolve the dispute. As the stewardship associated with the McLaughlin Carriage Company morphed into dependency with GM and combined with the economic crisis of the 1930s, McLaughlin's claims to community leadership became compromised. Sam arrived back in Oshawa on 23 April and expressed his approval of Hepburn's attitude during the strike, as well as Ernest Lapointe's public pronouncements against the sit-down tactic. "I'm glad they would not tolerate the iniquitous condition that exists in the United States where they step right in and take possession of your property and will not move out even at the request of the state police," explained Sam. "If such a condition ever developed here I would move right out of the country. But I don't think it can ever happen in Canada."<sup>205</sup> These barely veiled threats revealed his frustration.

George was also bitter. On 24 April, the day after the settlement was ratified, he addressed a harsh letter to Mayor Hall, asking that he clear up a bank loan, which George had guaranteed. "I sincerely trust your business acumen sufficiently assertive to enable you to get the fees you should be entitled to for the immense amount of work you have

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<sup>204</sup> "McLaughlin in Bermuda Silent About Strike," *Toronto Telegram*, 12 April 1937, file 68, vol. 383, Strikes and Lockouts files, LAC.

<sup>205</sup> "R.S. McLaughlin, Back in Oshawa, Happy At Result," *Ottawa Morning Citizen*, 24 April 1937, file 68, vol. 383, Strikes and Lockouts file, LAC.

done for the Union,” stated George in his letter to Hall.<sup>206</sup> George also refused to aid a Victoria College fundraising campaign, given professor Havelock’s public support of the strike. He complained that four ministers and Havelock had addressed a strike meeting. Some, George claimed, made “unwarranted, unethical and untrue statements,” but Havelock was particularly “bitter” and “biased.” He refused to support professors and “alleged evangelical church workers” who, he believed, supported the “foreign agitators of the type of the C.I.O. Lewis gang” and “whose salaries are being paid in a large measure by the very people whom they attack.”<sup>207</sup> Indeed, after Reverend John Coburn, secretary of evangelism and social work of the United Church, publicly criticized Hepburn’s handling of the Oshawa strike, George wrote him to question his conclusion,

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<sup>206</sup> George McLaughlin to Alec C. Hall, 24 April 1937, file 14, box 1, George McLaughlin Papers, QUA. During the strike, Hepburn also tried to collect a debt that Hall owed the Ontario government from money he had received for serving as crown attorney in 1934 – before Hepburn dismissed him. Hall was a Tory and partisan considerations factored in his relationship with Hepburn. In February 1937 Gordon D. Conant advised that the debt be written off, since Hall was “quite without assets other than his professional earnings and such allowance as he may receive from the city of Oshawa as Mayor to which office he was recently elected.” Hepburn learned about the debt during the strike and on 14 April instructed W.W. Denison to pursue collection. In 1937 the debt amounted to \$219. In a public statement Hall explained that the debt was created when the Hepburn government, after having dismissed him, claimed that Hall had only been entitled to three-quarters of the compensation he received. “For two years,” Hall continued, “the Government has abandoned its preposterous claim. I leave it to any fair-minded person as to why it is revived now.” Hall stated that he was going to refrain from commenting further on the matter during the strike but, afterwards, would teach Hepburn “what it is to fight”: “I hope I will be able to follow this policy, for when I see the acute distress that Hepburn’s contemptible action is bringing my father and mother (both in poor health) for the first time in my life, [*sic*] I regret the existence of the law which makes it impossible for me to give Hepburn the worst threshing any man ever received to teach him the first rudiments of decency.” G.D. Conant to W.W. Denison, 5 February 1937, Hepburn to Denison, 14 April 1937, Statement of Mr. Alex Hall at Oshawa, n.d., file “A.C. Hall,” box 271, Hepburn Papers, RG 3-10, AO.

<sup>207</sup> George McLaughlin to John A. Rowland, 17 April 1937, file 29, box 1, George McLaughlin fonds, QUA.

reminding Coburn: "I am a member of the Church which you seek to serve and have the privilege of contributing funds, some of which doubtless have helped to pay your salary."<sup>208</sup>

The rule of money and its apparent influence in the Hepburn government had only limited effect upon events in Oshawa. The UAW's success in Flint was made possible, as labour historian Nelson Lichtenstein has observed, "because General Motors was temporarily denied recourse to the police power of the state."<sup>209</sup> In Ontario, Hepburn was only too eager to deploy the police in Oshawa, though Mackenzie King was not willing to throw the Dominion government behind Hepburn's crusade. Had a sit-down been attempted, perhaps another outcome would have resulted. As it was, there was no need for a sit-down in Oshawa: unlike Flint, there was not a hostile local police force and veritable army of company police to assault picketing workers in Oshawa – one considerable advantage of the sit-down, after all, was the fact that it physically insulated strikers from these threats. No such insulation was needed in Oshawa, where local support was decidedly behind the workers and where the union had considerably displaced Sam McLaughlin as the source of working-class loyalties.

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<sup>208</sup> George McLaughlin to John Coburn, 17 April 1937, file 3, box 1, George McLaughlin fonds, QUA. Although, after Coburn accused McLaughlin of trying to censor him by pointing to Coburn's financially dependent situation, McLaughlin claimed that he had no such intention but was merely trying to convey the fact that his letter was "not the idle talk of a man on the street." Also, McLaughlin argued that, in his official capacity with the United Church, Coburn did not have the right to express personal beliefs. See Coburn to George McLaughlin, 21 April 1937 and George McLaughlin to Coburn, 22 April 1937, file 3, box 1, George McLaughlin Papers, QUA.

<sup>209</sup> Nelson Lichtenstein, *Walter Reuther: The Most Dangerous Man in Detroit* (Urbana and Chicago: University of Illinois Press, 1995), 75.

McLaughlin did not view these developments with equanimity. After the strike, he came to believe that national political efforts should be concentrated on battling the CIO. The issue, McLaughlin believed, crossed party lines: "It is about time the people in this country waked up and instead of squabbling as to whether they are Liberals or Conservatives, they should have a National Government in order to fight the almost intolerable conditions which are about to arise is something is not done to stop the progress of the communistic C.I.O."<sup>210</sup> Years later, George McCullagh reminded McLaughlin of their early opposition to the CIO: "I saw it early and, in company with you, took the bold step of opposing the C.I.O."<sup>211</sup> Bold steps, indeed, had been attempted.

Hepburn and McCullagh had tried to orchestrate an anti-CIO coalition government in Ontario during and after the strike, and McLaughlin was undoubtedly sympathetic to this effort. Hepburn first raised the possibility of a coalition with the Conservatives on 12 April, when he approached Conservative leader Earl Rowe with the offer. On 16 April Rowe mentioned Hepburn's offer to Conservative party organizer George Drew, who became a strong advocate for the coalition. While Rowe remained aloof, George McCullagh made contact with Drew on behalf of Hepburn on 23 April, at a St. George's Society dinner at which Drew gave a speech. Agreeing to meet with McCullagh, Drew found in McCullagh someone who presented "a definite vision for the

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<sup>210</sup> Sam McLaughlin to Isabel McLaughlin, 9 June 1937, file 5, box 12, Isabel McLaughlin papers, QUA. McLaughlin again mentioned the possibility of leaving Canada, should the political climate worsen. "If conditions get much worse here," he worried, "I will probably get through my work and retire to Bermuda or something like that."

<sup>211</sup> McCullagh to McLaughlin, 26 January 1945, quoted in Young, "Leadership League," 47.

future” and who “could speak his own language.” McCullagh thus presented Hepburn’s offer: a 50-50 split in cabinet postings, six Liberals and six Conservatives; the position of attorney-general for Drew; and, if Drew and Rowe wished, Hepburn would step down as premier. Drew sounded out Lieutenant-Governor Dr. Herbert A. Bruce on the CIO two days later; the following day, Hepburn approached Bruce to discuss the coalition. Both Bruce and Drew tried to convince Rowe to accept Hepburn’s offer, but Rowe, viewing Hepburn’s anti-CIO campaign as alarmist and contrary to liberal principles, refused. On 30 April, Drew offered his resignation as Conservative party organizer to Rowe, in an apparent effort to pressure Rowe into entering the coalition government with Hepburn. Rowe refused again and accepted Drew’s resignation. On 1 May the coalition proposal was aired publicly in the press – both Hepburn and Rowe denied it.<sup>212</sup> “The great ‘putsch’ for the establishment of an anti-C.I.O. Government in Ontario has come to a somewhat inglorious end,” reported *Saturday Night* on May 13.<sup>213</sup>

Following the strike, McLaughlin was also associated with the group who sought to use imperial loyalty and the mounting threat of Nazi aggression as a rallying point upon which to shore up the old order. Claims later emerged in the press that the group centred around Hepburn, Drew, Bruce and McCullagh also hoped to achieve railway

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<sup>212</sup> George Drew to Earl Rowe, 26 April 1937 and 30 April 1937, file 1256, vol. 123, George Drew Papers, MG 32 C 3, LAC; Saywell, ‘*Just call me Mitch*,’ 329; “Memorandum C.I.O. Issue,” [This memo is dated 23 April at the top, but 9 May at the bottom. It was obviously not completed until 9 May. Though no author is indicated, internal evidence indicates that the memo was written by George Drew’s wife, Fiorenza Johnson Drew. She apparently sent a copy of the memo along with a letter to her father, Edward Johnson, famed Canadian operatic tenor.], file 33, vol. 303, Drew Papers, LAC; Rowe to Drew, 2 May 1937, file 1256, vol. 123, Drew Papers, LAC.

<sup>213</sup> *Saturday Night*, 13 May 1937, clipping, in file “CIO #4,” box 267, Hepburn Papers, AO.

unification. It was a plausible claim. Strident British imperialists committed to fighting the growing scope of government intervention, these wealthy individuals coalesced around broad ideological goals as the threats of increasing government debt and government interventionism mounted. After the Oshawa strike, the CIO was another issue around which these individuals rallied. This sentiment was to culminate in the emergence of George McCullagh's Leadership League in 1939 and Arthur Meighen's failed attempt to lead the Conservative party in 1941-42. Mackenzie King reported a conversation with Governor General Lord Tweedsmuir in February 1939, shortly after the Leadership League was formed: King said to Tweedsmuir that McCullagh and John Bassett of the *Montreal Gazette* were "trying to work out a Fascist party in Canada" and "were prepared to use Hepburn, Drew and others, to further their ends." King named McLaughlin as one of the plotters, stating that he wanted to "protect his millions against the C.I.O." Shortly after war was declared on Germany, King worried about McLaughlin, McCullagh and others – whom he collectively described as "a body of gangsters" – "who have been using the Canadian Army Corps . . . seeking to get possession of the Government of Canada at this period of war."<sup>214</sup> Allowing for the hyperbole of King's diary entries, these statements confirm a perceived drift to the right among a number of the country's big business moguls at this time.

McLaughlin's visceral reaction to the CIO and the political associations he cultivated seem to refute Heather Robertson's conclusion that he was relatively uninterested in ideology or politics. McLaughlin and his vice-president H.J. Carmichael insisted that the company not re-hire William Gelech, the employee who had originally

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<sup>214</sup> King Diaries, 27 February 1939, LAC.

contacted the CIO and had been dismissed by the company prior to the strike. Meeting with a union deputation arguing on Gelech's behalf, personnel manager J.B. Highfield admitted that nothing was wrong with Gelech's work, but he noted that Gelech had broken a "solemn promise" not to engage in agitation or radical activities. Highfield then produced an RCMP file on Gelech's political activities prior to arriving at General Motors.<sup>215</sup> Though McLaughlin's ideological formulations were perhaps crude or even naïve – "I don't know what is wrong with conscription," he publicly stated in 1939, "it is only doing right by country and I think it is the right thing to do" – he most assuredly embraced a particular brand of politics and ideology.<sup>216</sup> The aura of beneficence was now gone, however, as the stewardship of the McLaughlin family was overwhelmed in the 1930s by economic crisis and Sam McLaughlin's dependent accumulation strategy, which not only introduced a new form of industrial development to Oshawa, but also introduced a new level of conflict between employer and employee. As Reverend Coburn wrote George McLaughlin during the strike,

[W]e have reached a new era in human history [where] machine mass production has created an entirely new situation which cannot be met by old worn out forms of organization. The name "McLaughlin" is an honoured one in Canadian life and Canadian industry. I presume it was your honored [*sic*] father who began and carried on for years the McLaughlin Carriage Works in Oshawa, which is now a part of General Motors. In those early days the making of carriages was largely a matter of individual and skillful craftsmanship. The head of the firm was in close personal touch with all his employees. He understood them and was able to sympathize with them in all their difficulties. So far as I am able to gather the relations between the employer and his men was very fine.

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<sup>215</sup> C.H. Millard to J.L. Cohen, 11 June 1937, file 2611, vol. 8, J.L. Cohen Papers, LAC.

<sup>216</sup> "G.M. Facilities Handed Nation if War Comes," *Globe and Mail*, 13 May 1939, file 989A, vol. 101, Drew papers, LAC.

The whole situation now is changed. Machines have taken the place of skillful craftsmanship, and the mass production with remote control has taken the place of the kindly employer. This makes inevitable changes in industrial and in labor organization. It is absolutely futile to oppose the forward sweep of forces that are making for a new and better order of society.<sup>217</sup>

Though the transition Coburn suggested was overly crass, it nonetheless accurately depicted the general trend. Needless to say, Sam and George did not think the outcome Coburn suggested desirable or inevitable.

## VIII

“What about the future?” asked journalist Gordon Sinclair in 1943. McLaughlin had entered his father’s business when he was just “a gaffer in short pants and the business had eight workers”; now he presided over a business with 14,000 workers. “Could a young man starting out now,” probed Sinclair, “in these days of restrictions, ever get where you have got?” Yes, McLaughlin believed. Success required the conquest of obstacles, and though the managed wartime economy had created new “fences,” opportunities for ambitious young men – as he was 50 years earlier – still existed. “I agree with Mr. Churchill that the nation which destroys initiative can’t live,” McLaughlin concluded. “I believe that with all my heart and I see no prospect of the country going backward. It will forever go forward.”<sup>218</sup> Initiative and enterprise were, naturally, the cornerstones of society to McLaughlin’s mind; he looked forward to their flowering in the postwar world. Though the older paternalism with which he had grown up had been

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<sup>217</sup> Coburn to George McLaughlin, 17 April 1937, file 3, box 1, George McLaughlin Papers, QUA.

<sup>218</sup> Gordon Sinclair, “Mr. R.S. . . .,” in *Achievement* (General Motors of Canada: Oshawa, 1943), 35.

dissolved by new conditions, including the rise of labour unionism, and although the political initiatives with which he became associated in the 1930s did not succeed as he would have liked, he expected “enterprise” to flower in the postwar world in new forms, and that General Motors of Canada would assume an even more central position in the nation’s political economy. Sir Edward Beatty dismissed the preaching of, as he called him in a private letter, the “Reverend Sam McLaughlin” on the demise of the steam engine.<sup>219</sup> But McLaughlin was essentially correct; the political economy of the automobile would shape and reshape Canada – touching business life and politics, culture and social life – while railways assumed a position of lesser importance.

As we have seen, the story of General Motors of Canada and Sam McLaughlin reflected broader trends of growing American involvement in the Canadian economy and the related shift in economic orientation among the country’s big bourgeoisie towards the emerging continental political economy. Since the auto industry was centred almost entirely in southern Ontario, it also reflects the rise of southern Ontario during the Second Industrial Revolution. And underlying these conceptual and spatial changes was a trend towards heightened class struggle.

During the interwar period Oshawa autoworkers acquired a political consciousness that was no longer dependent on Sam McLaughlin and General Motors of Canada. McLaughlin continued to exercise an indirect form of political leadership in the community during the 1920s, based upon community stewardship and protectionist politics. Continued exploitation at the workplace combined with the political, economic

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<sup>219</sup> Beatty to J.W. McConnell, 17 November 1938, 224, vol. 165, box 23-008, President’s Letter-Books, CPRA.

and social effects of capitalist crisis during the 1930s, however, severed the sense of mutuality that formerly united McLaughlin with his workers. In step with these changes, McLaughlin acquired new directorships that solidified his position within Canadian big business, as the auto industry itself gained a more central position in the nation's economic and political life. McLaughlin's estrangement from Oshawa's working class found its most dramatic expression in the 1937 strike, which also signaled the newfound political effectiveness of the city's autoworkers. In important ways he was no longer a player on this stage, and this perhaps helps explain why he remained in Bermuda during the most decisive weeks of the conflict. And though McLaughlin refrained from public activity against the union, his private and public utterances reveal his political and ideological association with right-wing business and political leaders in Ontario, such as George McCullagh, Herbert Bruce and George Drew. On the shop floor, too, McLaughlin appeared to oppose concessions. A few months after the strike, he and Carmichael apparently vetoed a wage increase for tool and die makers that J.B. Highfield had agreed to.<sup>220</sup> More broadly, McLaughlin became a participant in a new phase of class conflict, which Mackenzie King's Liberal administration struggled to manage as the Hepburn Liberals encouraged outright confrontation; Hepburn appointed Gordon D. Conant, a close McLaughlin ally and former mayor of Oshawa, as attorney-general later in 1937. Some capitalists hoped to use Hepburn's escalating political battle with the King government as a path towards national power, but they would be disappointed. The Canadian bourgeoisie would accommodate to political and economic change during the

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<sup>220</sup> C.H. Millard to J.L. Cohen, 26 July 1937, file 2611, vol. 8, Cohen papers, LAC.

1930s and 1940s from within King's cabinet, as the brash engineering contractor-turned-politician, C.D. Howe, paved the path towards a new, but similar, postwar society.

McLaughlin was a transitional figure. His accumulation strategy helped lay the framework of Canada's increasingly continental economy during the 20<sup>th</sup> century, but his sentimental attachment to the British Empire remained strong. He strived to gain social status through the traditional avenues of bourgeois culture, such as art collecting; but he also embraced the emergent meritocratic style of the wealthy, and, like Beatty, he projected an image of vitality and sought to stay physically fit. Though C.D. Howe displayed his own ambiguities, in the 1930s and 1940s Howe would point even more clearly to the new direction of Canadian capitalism and would play a more direct role in the transformation of the nation's big bourgeoisie. We turn to him next.

## CHAPTER FIVE

### Engineering Canada: The Changing World of C.D. Howe

In late December 1946 Canada's minister of reconstruction, Clarence Decatur Howe, left Montreal with a party of distinguished gentlemen. Humming through the sky on a Trans-Canada Air Lines (TCA) plane bound for Nassau, the small party looked forward to golf, bridge, and male camaraderie in comfortable surroundings. Howe had secured use of the plane from TCA president H.J. Symington, or, as he called him, "Herbie." The men joining Howe in the crown corporation plane were a distinguished group: Dr. T.H. Hogg of Ontario Hydro; C.F. Sise, president of Bell Telephone; Senator and former National Liberal Federation president Norman Lambert; and Nova Scotia Premier Angus Macdonald, a fellow cabinet minister with Howe during the war. Howe's good friend, R.E. Powell, or "Rip," as Howe affectionately called him, was also invited, but his responsibilities as president of the Aluminum Company of Canada Limited required he forego the trip (but perhaps "Rip" consoled himself with memories of the stunning golf game he played, in the company of the Duke of Windsor, on a similar trip with Howe two years earlier). Although C.D. Howe (1886-1960) presided over unprecedented state intervention into the economy,

he did so in the context of a social world that was much wider than the formal chambers of political and economic activity, and included social forays such as leisurely trips to Nassau or fishing at Sam McLaughlin's lodge at Cap Chat, Quebec. As the use of names such as "Herbie" and "Rip" suggest, Howe cultivated relationships within the business community that were of more than a professional or formal character, relationships which by the end of the Second World War had helped him win considerable support among the nation's business elite. "Beyond the formalized channels of interaction," observed business historian Duncan McDowall, "the real crucible of new industrial strategies was the system of personal friendships centred around Howe himself."<sup>1</sup>

This might be viewed as a considerable feat for a man who only five years earlier had accused the nation's leading business journal, the *Financial Post*, of being the "number one saboteur in Canada" of the war effort. Indeed, not long after he became a member of Mackenzie King's cabinet following the 1935 federal election, Howe, as minister of transport, made powerful enemies, most notably Sir Edward Beatty of the Canadian Pacific Railway. Howe entered the House of Commons and King's cabinet a wealthy man, the proprietor of a successful Port Arthur engineering firm, especially noted for construction of terminal grain elevators in Western Canada. But unlike Charles Dunning, who also joined the King administration, Howe could not be considered a member of the national bourgeoisie at the time. And where Dunning sought to guide the government towards balanced budgets and fiscal prudence in an attempt to restore

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<sup>1</sup> C.D. Howe to E.P. Murphy, 10 December 1946; C.F. Sise to Howe, 6 December 1946; Howe to C.F. Sise, 28 November 1946; Howe to E.K. Davis, 30 January 1945; vol. 189, C.D. Howe Papers, MG 27 III B 20, Libraries and Archives Canada [LAC]; Eric Hutton, "What You Don't Know About Howe," *Maclean's* (21 July 1942), 57; Duncan McDowall, *Steel at the Sault: Francis Clergue, Sir James Dunn, and the Algoma Steel Corporation 1901-1956* (Toronto: University of Toronto Press, 1984), 234.

financial order and limit government expansion, Howe guided the government towards new activities and responsibilities. Howe would stand at the centre of a new accommodation between government and business; he would also emerge at the centre of a changing national bourgeoisie whose boundaries, more than ever before, integrated private enterprise with the state. This outcome was made possible by developments that were beyond Howe's control, including the decline of the Conservative party and the related decline of the old, free enterprise outlook. In analyzing the manner in which Howe ascended to the commanding heights of the Canadian economy, this chapter sheds light upon archetypal developments within the Canadian bourgeoisie during the period of the Great Depression and the Second World War.

Scholarly biographical treatments of Howe and his career are not plentiful in number. But character portraits of Howe written by his contemporaries abound, as do commentaries on Howe's legacy written in the decades after his death in 1960. This fact has given Howe's image within the historical record a certain superficial tint. The gruff politician, the friend of big business, the proto-dictator, and the Yankee-born politician who sold out Canada: these stock images were conjured up by writers of various political stripes, often with the intent of expressing discontent with Canada's direction in the postwar period. Though these images are not necessarily incorrect, they oversimplify Howe. The few scholarly biographical treatments that exist have offered more nuanced understandings of Howe, but they tend to lay too heavy an emphasis upon his personality. Indeed, a peculiar feature of the scholarly literature is the view that Howe operated basically without an ideology. In their substantial 1979 biography of Howe, Robert Bothwell and William Kilbourn concluded that "Howe's essence was power; his spirit

was action; his style was rough and ready, but effective.” Uncommitted to any particular ideology, they suggest, Howe was primarily interested in making things work.<sup>2</sup> That conclusion echoed one made two years earlier in a PhD thesis by Stanley Howe, who considered Howe – in line with Howe’s estimation of himself – to be a “builder” above all else.<sup>3</sup>

The literature, predictable of the type of political history it tends to represent, seldom considers the ways in which Howe’s experience illustrated a broader social process. Although Bothwell and Kilbourn cite David Noble’s influential analysis of the engineering profession and the rise of corporate capitalism in the United States, they were apparently unconvinced of its applicability to the Canadian context. However, Noble’s thesis, that engineering provided the logic for the emergence of corporate capitalism as well as for the reproduction of capitalist social relations, offers a framework that can be used to understand Howe and appreciate the uniqueness of the Canadian context.<sup>4</sup> Howe was trained as an engineer at the Massachusetts Institute of Technology (MIT), taught civil engineering at Dalhousie University, worked as a contracting engineer, and continued to ascribe considerable importance to his own professional credentials throughout his political career; Howe’s hostility to labour unions and his domineering style, accompanied by his willingness to defer to experts in specific fields, all bespeak

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<sup>2</sup> Robert Bothwell and William Kilbourn, *C.D. Howe: A Biography* (Toronto: McClelland and Stewart, 1979), 349.

<sup>3</sup> Stanley Russell Howe, “C.D. Howe and the Americans: 1940-1957” (PhD thesis, University of Maine, 1977), 26.

<sup>4</sup> David F. Noble, *America By Design: Science, Technology, and the Rise of Corporate Capitalism* (Oxford: Oxford University Press, 1977).

characteristics that synchronize closely with the ideological developments within professional engineering circles described by Noble. By drawing upon Noble one can begin to appreciate the ideological nature of Howe's beliefs and actions. In so doing, class assumptions and a consciousness of purpose based on those become readily apparent in Howe's worldview, and we can begin to historicize Howe within a unique and historically contingent social formation. Furthermore, drawing upon – but also adapting – Alfred D. Chandler's view of the transition from “financial” to managerial capitalism, we can begin to see Howe's role in ushering in a new capitalist order in Canada.<sup>5</sup> That he exercised the influence he did as a cabinet minister also speaks to the relative importance of the state in Canada, at least compared with the United States, in transforming the economy and shaping the ideology of big business.

Howe introduced a new form of managerialism to Canadian capitalism and promoted a more active role for the state in the nation's economic life, but his break from the past should not be exaggerated. Free market ideals remained strongly embedded in his worldview. And similar to the other figures examined in this study, Howe subscribed to meritocratic ideals – and helped reinstate those ideals in the postwar period. He also evinced a masculine ideal that approximated closely to what Christopher Dummitt has described as the “manly modern.”<sup>6</sup> In this sense, Howe represented part of a continuing transition within Canada's big bourgeoisie. Nonetheless, he embraced the basis of an emergent worldview that encouraged capital-rich Canadians to adapt to the changes of

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<sup>5</sup> Alfred D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Belknap Press, 1977), 9-10, 490-3, and passim.

<sup>6</sup> See Christopher Dummitt, *The Manly Modern: Masculinity in Postwar Canada* (Vancouver: UBC Press, 2007), passim.

the 1930s and 1940s. And whereas figures such as Howard Robinson and Colonel Sam McLaughlin were deeply wedded to the British Empire and the idea of Canada as a British nation, even while pursuing accumulation strategies that contradicted those ideals, Howe was far less ambiguous in his embrace of continentalism. In this way, Howe's *mentalité* did indeed signal transition. More broadly, Howe's ascent moved in step with the political crisis and eventual collapse of finance capital, which was especially apparent in his successful confrontation with the CPR as minister of transport, and signaled the eclipse of the political economy of the National Policy period.

## I

Born in Waltham, Massachusetts in 1886, Clarence Decatur Howe grew up in prosperous middle-class circumstances. His father, a carpenter, built houses, served on the local board of aldermen, and spent one term in Congress as a Republican member of the House of Representatives. His mother was a beacon of middle-class respectability, active in hospital and charity work. He had one sibling, a younger sister, with whom he got along well. The family lived in a Victorian bungalow on a large and well-treed lot along the Charles River. The neighborhood consisted mainly of skilled factory workers and craftsmen; the Howes were better off than their neighbors, but not ostentatiously so. Howe spent his summers at his grandfather's homestead in Maine until he left for Boston to attend MIT. Propertied respectability and the ideal of social mobility were everywhere apparent in Howe's upbringing. An avid reader in his youth, Howe was particularly fond of the rags-to-riches Horatio Alger books. As a boy, Howe was always near the top of his class, a focused, but not brilliant, student. He was also a sports enthusiast who loved

baseball and was an oarsman of considerable quality. His was an upbringing of relative comfort and contentment.<sup>7</sup>

He began his studies at MIT in 1903, where he achieved high grades, joined a fraternity, managed the baseball team, and in 1907 received a degree in civil engineering.<sup>8</sup> During the summers he apprenticed as a draftsman for Joseph Worcester's engineering firm, noted for its important role in planning the construction of Boston's subway system. MIT was an academically and socially successful endeavour for Howe. He would return to the United States to wed his ex-boss's daughter, Alice Worcester, in 1915. Upon graduation, however, he found employment prospects were poor because of a brief recession. Howe remained at MIT as a teaching assistant until the summer of 1908, when he left for Halifax to teach civil engineering at Dalhousie University. Nova Scotia's historical connections with New England made Howe's transition to life in Halifax fairly smooth. Only a couple of years older than most of his students, Howe was assigned heavy teaching responsibilities, but nonetheless succeeded in gaining the respect of his students. He particularly liked fieldwork. On trips outside Halifax he and his students would plan the construction of imaginary railways – an ironically appropriate activity for Howe, who, as E.R. Forbes has shown, would do little to promote industrial development in the Maritimes during and after the Second World War.<sup>9</sup>

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<sup>7</sup> Bothwell and Kilbourn, *C.D. Howe*, 15-19; Howe, "C.D. Howe and the Americans," 12-14; Grant Dexter, "Minister of Supply," *Macleans*, 15 May 1942, 57-8.

<sup>8</sup> Howe, "C.D. Howe and the Americans," 15-16.

<sup>9</sup> See E.R. Forbes, "Consolidating Disparity: The Maritimes and the Industrialization of Canada during the Second World War," *Acadiensis* 15, 2 (Spring 1986), 3-27.

In 1913 Howe left Dalhousie to take up a position as Chief Engineer of the Board of Grain Commissioners. A former colleague of Howe at Dalhousie, Robert Magill, a professor of philosophy, had been appointed chairman of the young agency headquartered in Fort William, Ontario. Magill decided the board should construct grain terminal elevators of its own and he needed someone with engineering expertise to advise on construction; he asked Howe. Howe applied to become a British subject and arrived in northern Ontario to begin a 20-year odyssey in western business; Canada had become his adopted country. Magill chose to build the first elevator in Port Arthur, Fort William's twin city, but the Board of Grain Commissioners would build many more across the West. Howe was able to get in on the ground floor of this business, forming a consulting engineering firm in 1916, and maintaining an important friendship with the ambitious general manager of the Saskatchewan Cooperative Elevator Company (SCEC) – Charles Dunning.<sup>10</sup> The success of Howe's firm, unimaginatively named C.D. Howe & Company, hung in the balance early on, when in 1916 gale force winds destroyed a terminal being built by Howe's company for the SCEC. As a result, Howe's ability to complete the contract on time was called into question, but he worked out arrangements to complete the elevator on schedule and succeeded in completing it in time to receive the 1917 crop. As Howe had lost money on the contract, the SCEC voted to cover his losses, which totaled \$400,000.<sup>11</sup> His company would plan the construction of 85 per cent of Western

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<sup>10</sup> Dunning claimed that he had given Howe an "early start on some things," while Howe "had shown Dunning where much money could be saved on public works." William Lyon Mackenzie King Diaries, 21 October 1935, LAC.

<sup>11</sup> Charles F. Wilson, "C.D. Howe: An Optimist's Response to a Surfeit of Grain" (Ottawa: Grains Group, October 1980), 11; Anthony W. Rasporich, "A Boston Yankee in

Canada's terminal grain elevators, as well as designing bridges, docks, flour mills, and industrial buildings across the West and the United States. Howe also developed a method of concrete pouring that drastically reduced construction costs and time, and built elevators designed to save time in the loading and unloading of grain. He operated with the understanding that the ledger book was at the end of every engineering equation. Having developed an international reputation as an expert in the construction of terminal grain elevators, in 1932 Howe was hired by the Baring Brothers, the storied London financial firm, to oversee the construction of massive grain elevators on the Buenos Aires waterfront. Howe spent 18 months in Argentina, reportedly picking up some facility in Spanish and Italian. One estimate put the cumulative business transactions of C.D. Howe & Company at somewhere in the order of \$100 million between 1916 and 1935. Howe was reportedly a millionaire by the time he was 40, though he later dismissed the claim. Domestic life was similarly fruitful. By the end of the 1920s Alice Howe had borne five children. Howe lived with his family in a three-storey house in a "comfortable middle-class neighborhood" in Port Arthur, completing a trajectory reminiscent of the Horatio Alger books of his youth.<sup>12</sup>

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Prince Arthur's Landing: C.D. Howe and His Constituency," *Canada* 1, 2 (Winter 1973), 23-4.

<sup>12</sup> William Stephenson, "A Yankee Alger in Canada," *Coronet Magazine* (February 1949), 125; "Canada: The Indispensable Ally," *Time*, 4 February 1952, 27, 30; "Beta Gamma Alumnus is a King's Minister," *The Palm (of Alpha Tau Omega)* (February 1938), 7; Bothwell and Kilbourn, *C.D. Howe*, 29-51.

## II

Howe believed an engineer's line of work to be "wholly inconsistent with political partisanship," and, moreover, that partisanship put the engineer's livelihood in jeopardy.<sup>13</sup> This conclusion was born out of the nature of Howe's own experience. The business he received from the cooperative grain companies was substantial, yet he did not receive one contract from the private dealers for elevator construction at the Lakehead between 1917 and 1931: Howe's business appeared to be intertwined with politics and thus raised the stakes for his own political activity.<sup>14</sup> However, Howe's nonpartisanship was also rooted in his sense of professional ethics, which privileged expertise and efficiency above political favouritism. During his term as chairman of the Port Arthur board of education in 1924-5, Howe, as historian Anthony Rasporich has written, introduced "[m]odern management techniques and progressive innovations." Under Howe's watch, the board resolved to take advantage of provincial grants for technical education, centralized school records, initiated a building program to cope with population growth, and transferred the responsibility for personnel decisions from the school board to principals. The last reform was a response to an earlier conflict between female teachers and the school board. The teachers protested low pay, harassment received from the board supervisor, and threatened mass resignation in response to the unfair dismissal of a schoolmistress. Pro-labour board members defended the Women Teachers' Association, but Howe was among the conservative trustees and "openly

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<sup>13</sup> "An Engineer in the Cabinet," *The Canadian Engineer*, 17 December 1935.

<sup>14</sup> Bothwell and Kilbourn, *C.D. Howe*, 42.

demonstrated his contempt both for the issues raised and the way in which they were exploited by the women teachers, who crowded into the board meeting, hissing and hurling insults at their employers.” By removing personnel decisions from the hands of elected board members, Howe clearly hoped that future confrontations would be unnecessary.<sup>15</sup> An early example of Howe’s management of public affairs, his time in the school board reveals not only his belief in administrative efficiency, but also his hostility towards labour unionism as well as his gendered vision of professionalism, which marginalized female teachers.

Norman Lambert knew Howe through his involvement in the grain business, and both men had experienced business setbacks as the economic slump devastated the grain trade. Lambert moved into politics, taking up the presidency of the National Liberal Federation in 1932, and encouraged Howe to make a similar move. Following a Liberal gathering at Chateau Laurier, Howe told Lambert “he would consider running in Port Arthur.”<sup>16</sup> Though interested, Howe remained aloof. He impressed Mackenzie King in a meeting the following year, but, again, no firm commitment was forthcoming, causing Lambert to think Howe was holding out for a guaranteed cabinet position.<sup>17</sup> Prospects of a snap election in late 1934 brought the matter to a head, and Howe accepted the nomination to stand as the candidate for Port Arthur. The story was often later repeated

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<sup>15</sup> Rasporich, “A Boston Yankee,” 27.

<sup>16</sup> Norman Lambert Diaries, 30 April 1933, box 9, Norman Lambert Papers, 2130, Queen’s University Archives [QUA].

<sup>17</sup> Bothwell and Kilbourn, *C.D. Howe*, 55.

that Mackenzie King secured Howe by convincing Alice that her husband would be able to spend more time at home if he left business for politics.<sup>18</sup>

Nearly six-feet tall, stocky, olive-skinned, thin grayish-black hair and a thick brow, Howe wore suits seldom properly pressed and as old as they looked. He did not carry himself with the polish of a Charles Dunning, nor did he possess Dunning's oratorical abilities. Nonetheless, Howe's reputation as an upstanding local businessman carried him far in Port Arthur, and his victory in the fall federal election of 1935 was as decisive as the Liberal Party's overall national triumph. Even the Liberal candidate in Fort William, Dan McIvor, whom Howe helped to put in place, was elected in an upset over the Conservative minister of railways and canals, R.J. Manion. Once elected, King gave Manion's portfolio to Howe. This displeased Ontario's Liberal premier, Mitch Hepburn, and would help generate the King-Hepburn feud that would boil over a few years later. Hepburn felt slighted that a greenhorn politician such as Howe should receive a cabinet appointment while his seasoned ally, Arthur Slaight, was left out of the shuffle. Howe was, in King's estimation, a better pick: superior in character, familiar with the West, and more independent from narrow political and business interests than Slaight, who, King believed, "would really be a Toronto minister representing Algoma." This was made all the worse since Howe helped pry control of the Fort William Liberal Association from a small group of Hepburn Liberals in order to secure McIvor's candidacy. The moneyed provincial Liberal machine, moreover, had helped in the federal

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<sup>18</sup> See, for example, Hutton, "What You Don't Know About Howe," 60.

election. While Hepburn chafed at the ingratitude, King felt justified in the belief that “we owe Toronto very little.”<sup>19</sup>

Much later in his career, Howe admitted that he could have just as easily have become a Conservative as a Liberal.<sup>20</sup> He did not embrace any particular tradition or ideological commitment that would guide him into either the Conservative and Liberal camp. Having grown up outside the British Empire, he did not have a visceral attachment to things British; and, having prospered in a line of business significantly bolstered by government intervention, he was not rendered dyspeptic by the presence of state intervention. Lacking these ideological fetters, Howe introduced a new form of business-like efficiency to the operation of government. From the beginning of his political career, Howe was primarily identified as a businessman, progressive in spirit, and above partisan excess.<sup>21</sup> Even the *Tory Mail and Empire* of Toronto observed “a good augury of [Howe’s] non-political intentions by the appointment of J.H. MacDougall – a Maritime Conservative – to the C.N.R. board.”<sup>22</sup> Howe’s pragmatism and apparently apolitical style were not the result of any special ability to overcome ideology, but were evidence of Howe’s efforts to apply a managerial ethic to the operation of the state, which privileged efficiency within the framework of a capitalist economy and followed the trends of

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<sup>19</sup> Howe, Memo, “Federal Situation in Fort William Riding,” n.d., 177884-8, vol. 207, William Lyon Mackenzie King Papers, MG 26 J1, LAC; Bothwell and Kilbourn, *C.D. Howe*, 58-9; King Diaries, 19 October 1935, LAC; J.W. Pickersgill, *The Mackenzie King Record, 1939-1944*, vol. I (Toronto: University of Toronto Press, 1960), 34.

<sup>20</sup> Eric Hutton, “What You Don’t Know About Howe,” *Macleans*, 21 July 1956, 57.

<sup>21</sup> “Mr. Howe’s Fine Record,” *Globe and Mail*, 5 December 1936.

<sup>22</sup> Norman M. MacLeod, “Ottawa Day By Day,” *Mail and Empire*, 3 November 1936.

modern business enterprise, especially in the United States, where the new business bureaucracies of giant corporations administered long-term corporate strategies in what Alfred Chandler has described as “the managerial revolution in American business.”<sup>23</sup>

Howe answered the call for a more business-like administration of government affairs, but in a manner that ran against some widely held assumptions among moneyed Canadians, who were also demanding the application of business principles to government. Early on, Howe made clear his intent to make government operations more efficient, but, significantly, for Howe this did not imply retrenchment. One area in which Howe’s eye for efficiency became apparent was in the amalgamation of the Marine Department with the Department of Railways and Canals. The idea of amalgamating the two departments had emerged from the Bennett administration, but Howe pressed further, arguing that sought after efficiencies required the drafting departments be amalgamated under one roof into a “space properly laid out”; Howe suggested the department be located in the newly constructed building on Wellington Street and the decision be made early enough for architects to properly design the space.<sup>24</sup> Howe did not hesitate to bring engineering principles to bear upon the functioning of government departments and enterprises. Lauding his administrative efforts with the newly formed Department of Transport, the *Globe and Mail* claimed that Howe “proved the value and the need of practical business methods in the changing functions of government.”<sup>25</sup> As cabinet

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<sup>23</sup> This quotation comes from the subtitle of Chandler’s *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Belknap Press, 1977).

<sup>24</sup> C.D. Howe to Mackenzie King, 13 December 1935, 177269-70, vol. 206, King Papers, LAC.

<sup>25</sup> “Mr. Howe’s Fine Record,” *Globe and Mail*, 5 December 1936.

colleague Charles Gavin (“Chubby”) Power recalled, Howe “emerged quickly as a good administrator.”<sup>26</sup>

Howe’s attempts to apply these methods were apparent on several fronts. First, there were the Harbours Commissions, which Howe came very quickly to view as “perfect sink holes of waste of public money.”<sup>27</sup> Created in 1927, the system provided Dominion government funds for seven boards to administer their respective local ports. The set-up allowed for a degree of local control in port administration, but a government-commissioned report, completed by Sir Alexander Gibb in 1932, concluded that this was wasteful. The Gibb Report argued for centralized control in order to overcome the administrative problems of the commission system. Howe proposed legislation to abolish the local boards and to replace them with one centralized harbours board. “The best interests of Canada seem to have been lost sight of in favour of purely sectional view,” argued Howe, believing “cut-throat” competition between Canadian ports should be put to an end.<sup>28</sup> The Harbours Board Bill was given royal assent on 19 June 1936 after considerable debate in the House. That resistance to the bill surprised Howe said something of his political naiveté; stripping local elites of control over patronage was no easy task, and opposition was voiced by both Liberal and Conservative members whose constituencies were being affected by the legislation: Saint John, Trois-Rivières,

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<sup>26</sup> Interview with Chubby Power, n.d., 4, file: “IV Memoirs, Queen’s Professor F.W. Gibson (2),” box 86, Charles Gavin Power Papers, 2150, QUA.

<sup>27</sup> King Diaries, 28 October 1935, LAC.

<sup>28</sup> C.D. Howe, Memo, “Harbours Commission,” 29 October 1935, 177267-8, vol. 206, King Papers, LAC; “To Do Away With Cut-Throat Rates Between Harbors,” *Financial Times*, 31 January 1936.

Montreal, Vancouver, and so on. Conservatives also voiced concern that too much authority was being vested in one body, and C.H. Cahan argued that Howe was creating a patronage monster. Howe saw no merit in these charges, pointing out that the creation of a centralized board in Ottawa would produce long-term savings and better engineering work.<sup>29</sup> Howe had earlier voiced his displeasure with the squandering of engineering expertise in Ottawa, noting that some of “the most important problems” were being handled by “small local staffs.” At a dinner held in his honour by the Canadian Engineers’ Institute, in December 1935, Howe expressed his intention to confine local offices to maintenance problems, leaving new projects to be handled by a central staff in Ottawa, thus insuring “the best engineering skill and experience of public service can be brought to bear on each problem.”<sup>30</sup> Administrative centralization became a theme of Howe’s record in government and caused one of his early biographers in the late 1950s to wonder whether demands for administrative efficiency would eventually compromise the functioning of democratic institutions.<sup>31</sup>

Such worries about Howe’s tendencies were not as widespread in the 1930s, particularly on the left, where his willingness to advance state enterprise was a welcome change from the Bennett administration’s policies of retrenchment. Indeed, it was the citadel of big business that was most troubled by Howe’s policies: St. James Street and particularly Sir Edward Beatty. Howe was a relative unknown on the national stage in

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<sup>29</sup> “Howe Sees End of C.N. Deficits,” *Montreal Gazette*, 3 November 1936.

<sup>30</sup> “Central Staff to Handle All New Port Projects At Canadian Ports,” *Shipping Register and World Ports*, 7 December 1935.

<sup>31</sup> Leslie Roberts, *C.D.: The Life and Times of Clarence Decatur Howe* (Toronto: Clarke, Irwin & Company Limited, 1957), 181, 240-3, and passim.

1935, and Beatty was anxious to meet him. "As I have never had the privilege of meeting you," Beatty wrote the recently-minted cabinet minister, "and am anxious to do so and pay my respects to you, I would like very much to have a short chat with you." Beatty claimed to have no particular business to take up with Howe, but merely wanted to shake hands.<sup>32</sup> He had succeeded with past ministers of railways and canals in cultivating social niceties and a general mood of cooperation; he hoped to do the same with Howe.<sup>33</sup> And, indeed, within a year Mackenzie King complained that Howe was talking too much to Beatty about railway matters.<sup>34</sup> Howe was different than past ministers, however, unfamiliar with and uninterested in the politician's skills at ingratiation, as well as committed to a worldview that was not limited by dogmatic resistance to government intervention.

As minister of transport, Howe set out to run the CNR on a basis more akin to a functioning private business. One of his first moves was to abolish the board of trustees

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<sup>32</sup> Edward Beatty to C.D. Howe, 1 November 1935, 3, vol. 155, President's Letter-Books, RG 23, Canadian Pacific Railway Archives [CPRA].

<sup>33</sup> For the relationship between Beatty and Dunning, as minister of railways and canals, see Chapter Two. Beatty also had an amicable relationship with Bennett's minister of railways and canals, R.J. Manion. After Manion took up the portfolio, Beatty wrote him: "I have known you for so long and so well that I am going to presume upon my acquaintance to the extent of saying that I hope you will always permit me to discuss railway matters with you with the utmost frankness. The interests of the [CPR] in Canada are so varied and so extensive that I feel the Minister of Railways is entitled to know our point of view so that he may give it such consideration as he thinks it merits." See Edward Beatty to R.J. Manion, 14 August 1930, file 9, vol. 3, R.J. Manion Papers, MG 27 III B 27, LAC. Though Beatty was encouraged by Manion's criticism of Sir Henry Thornton's management of the CNR around the time of the Duff Commission, by 1934 Beatty was exasperated by Manion's refusal to consider the policy of railway amalgamation under CPR ownership. See Chapter Three. As we shall see, this conflict became even more heated after Manion became leader of the Conservative party in 1938.

<sup>34</sup> King Diaries, 12 August 1936, LAC.

established by the Bennett administration to oversee the CNR. The board had been established on the basis of the Duff Commission's findings in an attempt to impose more strict financial oversight – to remove it from spendthrift political pressures – and to bring about savings through increased cooperation with the CPR. Howe believed the cooperative savings hitherto achieved could have just as easily been achieved without the board of trustees. But, more importantly, the Bennett government had vested “supreme authority” in the chairman of trustees, C.P. Fullerton, “inexperienced in railway operation and management,” giving him the authority to interfere with public policy and overrule the experienced railway official below him. In so subordinating the company's seasoned officials to an inexperienced board of trustees, contended Howe, the Bennett government had compromised “executive authority and the esprit du [*sic*] corps of the workers.” In a telling analogy, Howe argued that the CNR needed the same unity of leadership that was required on the battlefield:

The field service regulations of the Canadian Army contain with somewhat appropriate reference, at this time entirely applicable to the Canadian National situation, so far as direction and management are concerned:

Unity of control is essential to unity of effort. This condition can be assured only by providing him with the means of exerting the required influence over the work and action of every individual.

The same might well be said of a railway organization such as the Canadian National.<sup>35</sup>

The experts needed the autonomy to exercise managerial authority in order to influence the “work and action of every individual.” Fullerton was no expert.

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<sup>35</sup> C.D. Howe, Memo, “Canadian National Management,” 31 January 1936, 187788, vol. 218, King Papers, LAC.

Howe also thought Bennett's attempt to remove the CNR from government interference ill advised, resulting in a form of "absentee landlordism." "We cannot escape the fact that the railway is owned by the people of Canada, that taxes collected from the people of Canada pay its deficit, and that the prosperity of every citizen in thousands of communities from coast to coast can be affected by its managerial policies," Howe stated before the Toronto Railway Club's annual dinner in December 1935.<sup>36</sup> With the government being both the owner and creditor of the railway, the principle of trusteeship applied to bankrupt private firms – which the Conservatives had applied to the CNR – was unjustified.<sup>37</sup> Howe insisted his role as the responsible minister be more than a rubber stamp, making clear that he had "no objection to accepting complete responsibility for ministerial and departmental policies in the making of which I have a voice."<sup>38</sup> Howe put the legislation before the House in March 1936 to replace the trustee board with a regular board of directors, arguing his case before the House in the following months. Some fireworks naturally ensued, as Bennett sought to defend his policy in an effort to save face. The bill passed in the summer and Howe urged it be proclaimed effective "July 1<sup>st</sup> in order to dispose of the present Board of Trustees before they can do harm."<sup>39</sup> His recommendations for the new board included both Liberals and Conservatives and,

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<sup>36</sup> "Minister of Transport Speaks," *Canadian Railway and Marine World* (January 1936).

<sup>37</sup> C.D. Howe, Memo, "Canadian National Management," 31 January 1936, 187784, vol. 218, King Papers, LAC.

<sup>38</sup> "Minister of Transport Speaks."

<sup>39</sup> Howe to King, 20 June 1936, 187862, vol. 218, King Papers, LAC.

consisting mainly of big-business figures, signaled his intention to avoid partisan controversy and his faith in businessmen.

In line with his effort to transform the executive set-up of the company, Howe set out to revamp the CNR's capital structure in order to place it on a more business-like foundation. Since its formation in 1922, the CNR had been saddled with the debts of the defunct private roads it took over. Interest charges accumulated on ancient debts – from the Canadian Northern and Grand Trunk – were carried over into the CNR books as net losses. These debts would have been wiped out by bankruptcy proceedings had the government not intervened first. Sir Henry Thornton had earlier pointed to the unfairness of including such charges and pressed the government “to provide a balance sheet which will accurately reflect conditions.”<sup>40</sup> Moreover, following Thornton's departure, the accounting firm of Touche & Company completed an audit of the CNR's books and reached a conclusion similar to Thornton's. In a report submitted to government, they advised that Grand Trunk debt be written off and Canadian Northern debt be cut to a fraction of its former amount; they further advised that government advances to service the CNR debt prior to 1931 also be written off – “because it represents nothing but a contribution by shareholders to replace their impaired capital.” These and other reforms to the capital structure were necessary to correct the Dominion government's consolidated financial position, Touche & Company concluded, which, if not corrected, might lead to “weakening of Canada's credit in foreign financial markets.”<sup>41</sup> Bennett

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<sup>40</sup> Sir Henry Thornton, memo, n.d., file 1, volume 22, Manion Papers, LAC.

<sup>41</sup> Report by George A. Touche & Company, “Canadian National Railways System: Tentative Outline Covering Dominion of Canada – As Controlling Shareholder,” n.d., 2, file 12, vol. 22, Manion Papers, LAC.

refused to accept the recommendations, describing the report's findings as "wholly at variance with the views entertained by the Government." "As representing proprietors of the undertaking," Bennett told CNR trustee C.P. Fullerton, "we must insist that the Railway Company's reports shall give a true picture of the real situation and that the annual report as issued will enable anyone pursuing it to understand exactly what the Dominion of Canada has invested in its railway enterprises." Bennett believed the public of Canada needed a true picture of what it was spending on railways.<sup>42</sup> Howe signaled his intention to reverse Bennett's policy, and Beatty took notice.

The Bennett administration had emphasized retrenchment and cost-cutting in the affairs of the CNR by placing the railway under the control of a board of trustees to oversee expenditures. Though not fulfilling Beatty's wish for amalgamation, this was at least an indication that government policy was moving – however stubbornly – in Beatty's direction. Bennett's insistence that the CNR carry debts on its books originally created by the follies of overly zealous railway entrepreneurs seemed to indicate a decided hostility towards the CNR, if not public enterprise generally. Bennett broadly shared Beatty's general sentiment that the state's role was to encourage private enterprise without interfering directly in the economy. Howe was more willing to engage the state itself as a capitalist and, as such, adopted the Touche & Company report rejected by Bennett. Beatty was quick to protest, arguing the CPR would suffer from unfair competition. Beatty objected to the proposed accounting scheme for defining interest-bearing loans, secured through public credit, as working capital, and argued that the

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<sup>42</sup> Bennett to C.P. Fullerton, 15 May 1934, file 12, vol. 22, Manion Papers, LAC.

CNR's ability to raise money through the Dominion government would give the company an unfair advantage in securing low-interest loans.<sup>43</sup> Beatty engaged the services of a different accounting company, Price, Waterhouse & Company of New York, and sent their analysis of the CNR picture – much more commensurate with his own views – to Howe. Howe heard Beatty out. Believing he had come close to reaching an understanding with Howe, Beatty was aghast when he received a draft copy of the proposed legislation; Howe had gone further than even the Touche & Company report. Beatty asked St. James Street's inside man, Dunning, for help in the matter.<sup>44</sup> When that failed he went to King himself, but to no avail. King showed Howe the vituperative letter he had received from Beatty; Howe composed a response for King's consideration. Beatty, try as he might, could not sidestep Howe.<sup>45</sup> Moreover, as Beatty toured Canada to raise concerns over what the CNR was costing taxpayers and to make his case for unification under CPR control, Howe dispatched a team of speakers to counter Beatty's claims.<sup>46</sup> They would soon be fighting to control the sky.

Howe became minister of transport at a decisive moment in the development of civil aviation. Following the First World War civil aviation was carried out by numerous small enterprises, one-man companies better known for aeronautical daring than profitability: there were 22 companies operating aircraft in 1922. The entry of prominent

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<sup>43</sup> Beatty to Howe, 30 November 1936, 453, vol. 160, President's Letter-Books, CPRA.

<sup>44</sup> Beatty to Dunning, 20 January 1937, 387, vol. 161, President's Letter-Books, CPRA.

<sup>45</sup> Howe to King, 31 March 1937, 202313, vol. 235, King Papers, LAC.

<sup>46</sup> G.R. Stevens, *History of the Canadian National Railways* (New York: Macmillan Company, 1973), 368.

Winnipeg grain dealer and financier, James A. Richardson, into the aviation business in 1926 signaled the beginning of change. As was the case with others in the field, Richardson's interest in aviation emerged initially from his desire to "open up" the mineral wealth of the Canadian Shield. His company, Western Canadian Airways, could transport prospectors, engineers, and geologists by plane to remote locations – that formerly took weeks to reach – in hours. By the time the Depression hit, his company controlled 80 per cent of the nation's commercial air transport, and in 1930 won a lucrative contract with the post office. Meanwhile, the railways became interested in the firm, whose name was changed to Canadian Airways Limited (CAL). Sir Henry Thornton approached Richardson to invest in the company in 1929, and, wanting to avoid the ruinous competition that had plagued the railways, Richardson asked Beatty to come on board as well. Beatty agreed. Both railways invested \$250,000 in CAL, and Beatty and Thornton served as vice-presidents under Richardson.<sup>47</sup>

The hope – indeed, expectation – of Richardson and Beatty was that civil aviation would remain in the hands of private enterprise. The government funded the Trans Canada Airway in 1929, a series of stations linking up airports from Toronto to Vancouver by radio, and in 1933 a committee appointed by Bennett recommended that CAL be made the airway's sole operator. When Bennett, looking to reduce government expenditures, cancelled CAL's mail contracts in March 1932, the company quickly

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<sup>47</sup> C.A. Ashley, *A Study of Trans-Canada Airlines: The First Twenty-Five Years* (Toronto: Macmillan Company of Canada Limited, 1963), 1-2; Peter Pigott, *National Treasure: The History of Trans Canada Airlines* (Madeira Park, BC: Harbour Publishing, 2001), 3-5; Bothwell and Kilbourn, *C.D. Howe*, 104; James A. Richardson, "Canadian Airways Limited: Memorandum," 7 April 1934, 1-6, file 21, volume 17, Financial Post Fonds, MG 28 III 121, LAC.

became unprofitable. Richardson explained in 1934 that the company's decision to remain in business was made in the hopes "that ultimately we would be accorded some recognition for our accomplishments in opening up the country."<sup>48</sup> When Howe took office, the Trans Canada Airway was near completion. Important decisions would soon have to be made; and, with aviation moved from the Department of Defence to Transport, it all fell into Howe's lap.

As the King government moved to consider the direction of civil aviation, intense lobbying ensued. Richardson as well as a group of Toronto capitalists centred around financier J.H. Gundy competed for the government blessing to run the national airline. Howe assured Richardson early in 1936 that Canadian Airways would form the "backbone" of the national aviation system, but he also sent encouraging signals to the Toronto group. Howe's assurances to Richardson seemed to come into further question that fall. Richardson observed in November that the aviation situation had changed since Dunning began "playing with the Toronto group." Later in the month Howe and King met with a cabinet committee – consisting of Dunning, Lapointe, Ilsley, and Crerar – to determine the government's general direction in the matter. It was decided that legislation should be enacted at the upcoming parliamentary session to establish a national airline as a joint venture with private capital. Howe told Beatty in the new year that 10 per cent of the company would "go to Gundy's group composed of J.H. Gundy; R. Lawson, Gen. Odium, F. Cameron, Geo McCullagh, Chas. Burns, J.L. Ralston; + this was to offset too much C.P.R. interest." Beatty believed Howe was simply trying to save face with the Toronto group and did not expect them to enter on the proposed basis. This belief was

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<sup>48</sup> Pigott, *National Treasure*, 4-6; Richardson, "Canadian Airways Limited," 7.

proven correct less than two weeks later, when Howe suggested to Richardson that “Beatty get everybody together + rule distribution to others on a basis which will be refused.” Richardson himself, by that time, had come to feel he would not be part of the airways set-up. On 1 February Howe was approached by one of Gundy’s emissaries, but it was already too late: a draft bill had been completed. Howe had grown tired of all the lobbying.<sup>49</sup> The bill provided for the two railway companies to subscribe equally to the aviation company’s \$5 million in shares, each investing \$2.5 million.<sup>50</sup>

Howe and Beatty had different ideas about how the prospective company should be run. The draft bill was unusual in that it effectively made the company’s general manager also its chief executive officer. Moreover, it included provisions designed to allow the direct intervention by the minister in the case of stock transactions deemed to

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<sup>49</sup> King Diaries, 19 November 1936, LAC. The intensity of the lobbying was later made clear by Howe in the House of Commons: “The question now arises: Have we invited the private interests to participate? That question was asked. May I say we did not need to invite them. They came from every part of Canada and the United States, and put on the most persistent lobby in Ottawa that I have every seen. The only way we could make progress was to absolutely refuse to talk to them. We said, ‘Go back home. We will write our bill, and when we get it written and bring it down you will see it. If you then want any part in it we will give you the chance to discuss the matter.’ How could we make a deal on the one hand with perhaps a dozen clamouring aviation companies, or with one of two of them, and on the other hand bring down a bill which the government or parliament would approve? The thing was absolutely impossible. Someone had to make up his mind as to the proper set-up, pick out the responsible people to take care of the initial financing, and after that sit down and see what these services had to offer in the way of experienced personnel, trained operators, and so on; and then decide whether one, two, four or some other number of private companies should be associated in the new organization, whether each would give it strength or otherwise, and then determine the final set-up accordingly. I do not see how any other method could have been used, and I may say I have been living with this problem for several months.” *Debates of House of Commons*, volume III, 1937, 2216-6.

<sup>50</sup> Lambert Diaries, 17 November 1936, 4 January 1937; 16 January 1937; 1 February 1937, QUA.

be unscrupulous, and it included a stipulation that would allow the government to buy up all shares at book value. The proposed bill, as such, restricted the authority of the board of directors and regulated their autonomy, closing avenues of financial inducement normally available through the buying and selling of stock. Put another way, the administrative stratum of the company was given more power, while its owners were stripped of their normal prerogatives. Representation on the board of directors – that is, effective control of the company – was the most fundamental point of disagreement. The board was to consist of nine directors: the railway companies were allowed to nominate four each, with one place remaining for a ministerial representative. Since, Beatty reasoned, the CNR was essentially a department of government, the CPR would be placed in the position of minority shareholder, but owner of half the stock. Beatty believed “the two interests represented should have an equal voice in determining policies,” and assumed the most desirable course of action for the government was for it to minimize its own responsibilities; “otherwise,” pontificated Beatty in what seemed a bluff, “it would seem logical that the Government should undertake to conduct the services directly, without intervention from third parties or corporations.”<sup>51</sup>

Howe called Beatty’s bluff. In a provocative move, which Howe certainly expected would cause Beatty to back out of the undertaking, the bill was changed in cabinet to reduce the CPR’s seats on the board from four of nine to three of nine, with the remaining seats going to the CNR and the government. In addition, a provision was added to allow unsubscribed shares to be sold to other parties, clearly in anticipation of the CPR withdrawal. The revised bill made clear that the CPR would be nothing more

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<sup>51</sup> Beatty to Howe, 12 March 1937, 391, vol. 162, President’s Letter-Books, CPRA.

than a junior partner. Beatty, clearly aggravated, responded to Howe on 16 March; he asked that their communication on the matter cease and reference to the CPR in the bill be deleted.<sup>52</sup>

The Trans-Canada Air Lines Bill was put before the house on 22 March. It proposed to establish a private aviation company, wholly run by the CNR. “The set-up is such that the company will be protected against loss,” explained Howe, “but its profits will be very strictly limited.”<sup>53</sup> Three days later the bill went through a second reading. The Conservative member from Vancouver South and future minister of external affairs for John Diefenbaker, Howard Green, argued that the government should instead subsidize a private aviation firm already in operation, and complained that “there is small incentive to a privately owned air company to furnish capital for the new company.”<sup>54</sup> On the other hand, the “grim experience” of the railways caused R.B. Bennett to support the principle of government control of aviation; indeed, he said Howe did not go far enough, and argued in favour of direct government control, as opposed to indirect control through the CNR.<sup>55</sup> “I think we are getting the best features of government ownership without the obligation of direct government operation,” later rebutted Howe.<sup>56</sup> Ideological

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<sup>52</sup> Beatty to Richardson, 10 March 1937, 369, and Beatty to Howe, 16 March 1937, 423, vol. 162, President’s Letter-Books, CPRA.

<sup>53</sup> *Debates of House of Commons*, volume II, 1937, 2042.

<sup>54</sup> *Debates of House of Commons*, volume III, 1937, 2205-7.

<sup>55</sup> *Debates of House of Commons*, volume III, 1937, 2208-12.

<sup>56</sup> *Debates of House of Commons*, volume III, 1937, 2217.

consistency thrown thus into confusion, the bill, which ensured CNR ownership of no less than 51 per cent of Trans-Canada Air Lines, passed on 2 April.

Private capital was still in the picture and Howe persisted in trying to bring James Richardson into the company. Richardson proposed CAL be contracted to run the trans-Canada route from Winnipeg to Vancouver, but this was too much for Howe, and Richardson refused to become a TCA director. Richardson's aviation firm was taken over by the CPR after his death in 1939. The main point of contention throughout was the issue of control. Howe invited capitalists to invest in TCA as junior partners. Beatty and Richardson rejected this relationship; however, under Howe, it would become a more common relationship between the state and the private sector. The onset of the Second World War was decisive in shaping this outcome, which would result in Howe exercising hitherto unimagined control over the Canadian economy.

Howe and Beatty represented different priorities and different capitalist logics. Beatty, of course, represented the more narrow interests of the CPR and embraced an outlook that represented the logic and limitations of finance capital. Incubated in the world of ledger books and stock valuations, Beatty's view of economic activity tended towards the realm of abstraction and was based upon the assumption of a self-correcting free-market economy – even though the CPR itself operated contrary to that ideal. Howe, by contrast, was an engineer trained to address problems of the material world: he was interested in the efficient – though also profitable – functioning of organizations and willing to limit the standard rights of shareholders in order to ensure that stock speculation and the such not interfere with efficiency and growth. Howe believed in strategic government intervention, viewing the economy more like a machine, subject to

manipulation, than as a perfect organism. As Howe declared in December 1936, he intended to develop air services “along sound lines unhampered by competitive activities and duplications which have marked the older form of transport,” namely railways.<sup>57</sup> Of course, fundamentally, he and Beatty were both believers in the free market and the profit motive, and thus their ideological differences should not be exaggerated. J.W. Dafoe observed as early as 1937, for example, that “Howe is at heart a private ownership man.”<sup>58</sup> As a representative of the state, however, Howe’s outlook was not limited to the interests of a specific corporation; indeed, at its root, the dispute can be read as the competition between representatives of two different blocs of property.

### III

Many business grandees of Montreal and Toronto remained significantly opposed to Howe during the late 1930s and early years of the war. The railway question persisted as a central issue in the politics of big business. Indeed, its importance expanded further in Toronto, where it became enmeshed in George McCullagh’s sweeping arguments about the need for lowered taxation and less government, which were especially apparent in his radio addresses in early 1939 that prefigured the formation of the Leadership League. Arthur Meighen, too, who had been widely perceived as favouring Toronto over CPR interests in the 1920s, became one of the loudest spokesmen for railway unification as Conservative leader of the Senate. This coalescence of conservative forces was further

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<sup>57</sup> “Aviation Stock Warning Given,” *Montreal Gazette*, 5 December 1936, clipping, file 18, vol. 206, Howe Papers, LAC.

<sup>58</sup> J.W. Dafoe to Grant Dexter, 23 January 1937, file 2, box 1, Grant Dexter Papers, 2142, QUA.

encouraged by the growth of imperialist sentiment as the threat of war loomed.

Conservative political and business leaders such as McCullagh and Sam McLaughlin were troubled by what they perceived as Mackenzie King's overly partisan response to German aggression and questionable loyalty to the British Empire. And, as we have seen in the previous chapter, the challenge of industrial unionism had already helped to consolidate this conservative bloc of opinion.

In explaining the political ascendance of the Liberals during the 1940s and, our main concern, C.D. Howe's emergence as a leader of Canadian big business, the continued decline of the Conservative party must be considered a major factor. The split between the Conservative party and the CPR, which first began in the early 20<sup>th</sup> century under Borden, and was continued under Meighen before being shored up somewhat by Bennett during the 1930s, became wider than ever after R.J. Manion, Bennett's minister of railways and canals, was elected party leader in the summer of 1938. On railways, empire, and radicalism, Manion was out of step with the big-business wing of the party: Manion was Catholic, married to a French-Canadian, and willing to accommodate nationalist sentiment in Quebec, compromising on imperial solidarity in foreign relations; he was against railway unification; and he was critical of Mitch Hepburn's hysterical anti-CIO rhetoric. Moreover, some may have suspected his Conservative credentials; after all, he had been a Liberal before joining the Unionists in the First World War and eventually finding his way into the Conservative party.<sup>59</sup> Collectively, these policies ran counter to the outlook of the party's moneyed patrons, resulting in in-fighting and fund-

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<sup>59</sup> Brian J. Young, "C. George McCullagh and the Leadership League" (MA thesis, Queen's University, 1964), 66; Harold A. Naugler, "R.J. Manion and the Conservative Party, 1938-1940" (MA thesis, Queen's University, 1966), 82 and 97.

raising problems before eventually clearing the way for Arthur Meighen's failed comeback as party leader in 1941-2.

The 1938 Conservative convention, at which Manion was selected leader, revealed the CPR's faltering political influence. Beatty had discussed with former Reconstruction party leader H.H. Stevens, who was one of the leadership candidates at the convention, the possibility of forming an alliance in the weeks leading up to the convention, but apparently nothing was worked out. And, during the convention, it was rumoured that the CPR favoured anti-CIO crusader George Drew and University of Manitoba president Sidney Smith. But the company's influence was limited, and even though the CPR worked behind the scenes to promote railway unification and oppose Manion, Manion was elected leader and a resolution was passed which made opposition to railway unification an official policy of the Conservative party.<sup>60</sup> Upon Manion's selection as party leader, Beatty wrote him a letter to express his displeasure about the party's attitude towards railway unification. Beatty claimed, "yesterday and today I have

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<sup>60</sup> Young, "Leadership League," 67-8, 74-5, and 77-8. Naugler in "Manion and the Conservative Party," 100-4, goes into Beatty's flirtations with Stevens in detail. R.B. Hanson acted as chairman of the resolutions committee at the Conservative convention. (Although, the sub-committee that formulated the resolution was chaired by F.B. Bagshaw, K.C., of Regina, whom Hanson described as "a man of standing and ability in his community, and he made an admirable chairman.") Hanson, as he remembered, was "careful to put up both sides of the argument" in the sub-committee meeting, but the only delegates in favour of unification were from Montreal "and they were drowned out by a chorus of nays." When Hanson presented the resolution to the rest of the convention, "a Toronto delegate," whom Hanson remembered to be Kelso Robertson, "rose to protest and was brought to the platform and . . . offered an amendment which was in effect a proposal to commit the Party to Unification and he was literally howled down by the great mass of delegates in the body of the Convention." Hanson recalled that the amendment was "decisively defeated." See Hanson to Manion, 11 July 1938, 46296-7 and Hanson to Manion, 22 July 1938, 46345-6, vol. 62, R.B. Hanson Papers, MG 27 III B 22, LAC.

talked with many Conservatives who are now – much against their inclinations – Liberals.”<sup>61</sup> In late August and early September, they exchanged sharply written letters. “Quite frankly,” Manion wrote Beatty in apparent exasperation, “though I have looked around very widely for it, I have found almost no public opinion favourable to the unification idea, except among businessmen whom you have convinced.” Manion explained that, when the resolution opposing unification was passed at the party convention, out of 80 delegates, “representing a fair cross-section from all over Canada, only some three or four were favourable to unification, and that those could be termed your own delegates.”<sup>62</sup> Claiming to approach the railway question “as a national problem,” Beatty accused Manion of viewing it “as a political question not be viewed from the angle of the national interest but from that of assumed political expediency.” In a telling passage, he also questioned Manion’s assessment of public opinion. “When you say there is no public opinion of unification or indeed – it may be inferred – of doing anything constructive,” asserted Beatty, “you are obviously excluding the enormous majority of thinking citizens, including business men and those who pay the major portion of our visible taxes, as well as the majority of the press.”<sup>63</sup> The propertied and so-called “thinking citizens” were, according to Beatty’s logic, entitled to an especially important role in influencing public policy; Manion was too willing to court popular opinion for political gain.

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<sup>61</sup> Beatty to Manion, 8 July 1938, file 9, vol. 3, Manion Papers, LAC.

<sup>62</sup> Manion to Beatty, 25 August 1938, file 9, vol. 3, Manion Papers, LAC.

<sup>63</sup> Beatty to Manion, 1 September 1938, file 9, vol. 3, Manion Papers, LAC.

George McCullagh, for a time, flirted with the idea of supporting Manion. Indeed, as Brian Young suggested in his 1964 MA thesis on George McCullagh and the Leadership League, the Manion Conservatives had perhaps hoped to capture support from the mining industry in order to make up for lost railway backing. But by September McCullagh's *Globe and Mail* had backed away, having previously defended Manion against attacks from the *Montreal Star* and *Montreal Gazette* in August.<sup>64</sup> Young has argued that the Munich Crisis was the last straw in McCullagh's disillusionment with both parties and eventually led to McCullagh's radio broadcasts in early 1939 and the formation of the short-lived Leadership League, a group formed to promote McCullagh's non-partisan political program. In his radio broadcasts, McCullagh pressed for lowered taxes, smaller and more efficient government, an end to political partisanship and patronage, and a greater sense of national unity – “[i]nstead of Mr. King and Dr. Manion engaging in a lot of political gymnastics to see who could offend Quebec less.” In his third address, broadcast on 29 January, McCullagh pressed for the necessity of solving the railway question and called for the formation of a National Government “to deal with the extraordinary problems which will not wait.”<sup>65</sup> “I listened yesterday to the third of

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<sup>64</sup> Young, “Leadership League,” 81-6. The *Gazette* and *Star* were hostile to Manion upon his selection as Conservative party leader. Manion reported in August 1939: “since my election as Leader, the comments throughout the country have been more than complimentary about most of my statements, the two outstanding exceptions have been the two Montreal papers, which, after all, are speaking for the same crowd that tried to defeat me by wrecking the Convention and both these papers have been taken to task by at least half a dozen journals in other cities.” Manion to R.B. Hanson, 22 August 1938, 22 August 1938, 46304-5, vol. 62, Hanson Papers, LAC.

<sup>65</sup> “National Government Called for in Canada,” *Globe and Mail*, 30 January 1939, 9.

your broadcasts,” wrote Beatty to McCullagh, “and, if I may say so, the best, because the most directly constructive.”<sup>66</sup>

Though McCullagh stressed his independence from CPR influence and stated his uncertainty as to whether the “so-called unification plan” was the best for solving the railway situation, he and Beatty both agreed broadly about the nature of the country’s economic and political woes.<sup>67</sup> Indeed, Beatty seems to have encouraged the radio broadcasts over two weeks before the first one aired. In a letter dated 30 December 1938, Beatty applauded McCullagh’s example in public life, writing “it is chaps like you who revivify our confidence in our own country and its possibilities as a developer of men.” He hoped that McCullagh would continue his “fearless advocacy,” but expressed concern about the quality of the nation’s leadership. Nonetheless, Beatty – articulating meritocratic beliefs – felt “men of ability” were capable of devising workable solutions to the nation’s pressing problems:

The only time I feel in any way discouraged about Canada is when I consider the general mediocrity of the character of our public leaders and their extremely parochial approach to national problems. A half dozen men of ability and goodwill, sitting around a table, could, I think, find the solution to several of our important national problems if they had the power to do so. Indeed, if half a dozen men in whom the country had some confidence could sit down and produce and publish policies in respect of half a dozen of our major problems, I think the public, when they digested them, would be inclined to get behind the political party which gave them support. Our first requisite is leadership which will first set the people thinking of what we can ourselves do to expedite recovery.

Thus hitting upon the theme of leadership, Beatty wrote,

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<sup>66</sup> Beatty to McCullagh, 30 January 1939, 335, vol. 179, President’s Letter-Books, CPRA.

<sup>67</sup> “National Government Called for in Canada,” 8.

I am reading all your articles on taxation and they are good. I wish it were possible to cover this and other questions in a series of radio broadcasts of a non-political character, in order that public sentiment in respect of them should be crystallized.

McCullagh's first radio broadcast, on 16 January, was on taxation. It is unclear as to the importance of Beatty's encouragement. Both men, nonetheless, had come to share similar beliefs about how to deal with the continued economic slump – lowered taxes, government retrenchment, and National Government. Beatty assured McCullagh, “you are doing your share in moulding public opinion along proper lines, and I and your numerous friends here are just about as proud of your achievements as you could possibly be yourself.”<sup>68</sup>

Support was also forthcoming from former Ontario lieutenant governor Dr. Herbert A. Bruce and Dr. Frederick Banting, the famed discoverer of insulin, both of whom were handed the reins of the League by McCullagh in March 1939. Meanwhile, George McLaughlin, brother of the General Motors of Canada president, and Mrs. Wallace Campbell, the wife of the president of Ford Motors of Canada, sat on the League's advisory board. Led by McCullagh and Bruce, and with apparent support coming from George McLaughlin, the League, in many ways, represented an attempted political movement of the anti-CIO crowd (see Chapter Four). This association was further evidenced by the fact that George Drew moved his office to Leadership League

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<sup>68</sup> Beatty to McCullagh, 30 December 1938, 513, vol. 178, President's Letter-Books, CPRA.

headquarters; moreover, James Y. Murdoch, Noranda Mines president, was also connected to the League.<sup>69</sup>

Murdoch's drift towards the Leadership League coincided with his disenchantment as a director of the CNR. C.D. Howe had appointed him on the company's board in 1936.<sup>70</sup> But, by early 1939, Murdoch had become disillusioned by what he viewed as the sluggish leadership of the company's septuagenarian president, S.J. Hungerford. More specifically, Murdoch's attitude likely stemmed from the recent announcement, in late 1938, that the CNR intended to recommence plans to build a terminal station in Montreal, which had been scrapped earlier in the decade under Manion and Bennett. Murdoch believed more should be done to introduce savings to CNR operations, but it is important to note that he was not siding with Beatty's unification proposal; in fact, one of Murdoch's complaints was that the government was not doing enough to counter Beatty's propaganda. When the CNR directors met on 10 February, the majority did not agree with Murdoch's belief that Hungerford should be relieved from his duties as president. Howe offered to talk with the directors individually or collectively on Murdoch's behalf, but Howe refused to directly intervene, citing 1933 legislation that gave the directors the power to select the president.<sup>71</sup> Murdoch tendered his resignation on 15 February. "His grounds for resignation are not good enough," later complained

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<sup>69</sup> Young, "Leadership League," 153, 157, 186-7; Michael Bliss, *Banting: A Biography* (Toronto: McClelland and Stewart, 1984), 251-2.

<sup>70</sup> Howe to Mackenzie King, 20 June 1936, 187862, vol. 218, King Papers, LAC.

<sup>71</sup> Howe to Murdoch, 6 February 1939, 232989-9, and 14 February 1939, 232995; Murdoch to Howe, 14 February 1939, 232995, and 15 February 1939, 232997; vol. 275, King Papers, LAC; Young, "Leadership League," 153.

Beatty, who obviously hoped the event would give the CPR more political traction.<sup>72</sup>

Nonetheless, Murdoch shared the more general concern about the state's growing role in Canadian society; McCullagh reported in April that Murdoch "would work with the League in a very active capacity" since "he believes we are heading for state socialism."<sup>73</sup>

As the responsible minister in charge of the Canadian Broadcasting Corporation (CBC), Howe also became embroiled in controversy with McCullagh when the broadcasting corporation refused to sell him time to broadcast his addresses on the government-owned network. Howe defended the CBC's autonomy to decide the matter, and he accepted the company's explanation that it was only following its mandate in not selling airtime to McCullagh or others wishing to propound personal views.<sup>74</sup> In his final radio address, in which he announced the formation of the Leadership League, McCullagh attacked the administration of the CBC as "a dangerously irresponsible and bureaucratic method of conducting any free country's affairs."<sup>75</sup> Soon after the outbreak of war, Howe and the CBC's general manager, Gladstone Murray, brokered a "truce" with McCullagh by allowing him to deliver a series of radio addresses on the CBC. Typifying Howe's penchant for personal dealings and willingness to make decisions quickly and beyond the bureaucratic structures of government, Howe and Murray made

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<sup>72</sup> Beatty to George McCullagh, 22 February 1939, vol. 180, President's Letter-Books, CPRA.

<sup>73</sup> Quoted in Young, "Leadership League," 153.

<sup>74</sup> See *House of Commons Debates, 1939*, vol. I, 12-14, 186 and 189.

<sup>75</sup> George McCullagh, *The Leadership League: Fifth in Series of Five Radio Addresses*, 12 February 1939, 3.

the deal without consulting the CBC's board of governors.<sup>76</sup> Howe would establish his reputation and capture the respect of big business through such decisive methods, but he remained substantially on the outside at the time.

With Manion as leader of the Conservative party, however, there existed no party to adopt the conservative business agenda of Beatty, McCullagh and their allies.<sup>77</sup>

Nonetheless, well-connected Conservatives such as C.H. Cahan and Toronto businessman J.M. Macdonnell privately urged Manion to back away from his anti-unification stance, while Arthur Meighen emerged as a lead voice in the railway debate from within the Senate, where concerns about government finances were heightened and

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<sup>76</sup> Grant Dexter to Victor Sifton, 9 October 1939, file 16, box 2, Dexter Papers, QUA. Dexter was rendered apoplectic by one of McCullagh's addresses, claiming that "McCullagh, himself, has done more damage to the cause than any other damn man I know of. His speeches assuredly will be reproduced in Germany and this kind of thing, if anything, constitutes sabotage. He is a God damned bull head and he absolutely infuriates me." Dexter to George Ferguson, 22 November 1939, file 16, box 2, Dexter Papers, QUA.

<sup>77</sup> Indicative of his willingness to embrace unorthodox economic doctrine "to capture the imagination of the people" and hasten economic recovery, in 1933 Manion proposed to Bennett the initiation of a public works program akin to those devised by Franklin Roosevelt. See Manion to Bennett, 24 August 1933, file 2, vol. 4, Manion Papers, LAC. H. Napier Moore of the *Financial Post* reported that during a trip to western Canada he "encountered a very strong feeling against Mackenzie King," but neither did he meet "a single person having much faith in Manion." He further explained: "The reasoning of most business men with whom I talked was something like this – 'We certainly haven't any use for Mackenzie King. On the other hand, Manion has given no indications whatever that he is a capable leader. It's a choice between one of the other as against the leader of some newer and untried party. Of the two, perhaps we would be safer in voting for King again, though we certainly don't think he has done much for this country.'" See Moore to Colonel J.B. Maclean, 12 June 1939, file 8, box 6, series 3, Floyd S. Chalmers Papers, F 4153, Archives of Ontario [AO].

old loyalties to the CPR appeared to stand firm.<sup>78</sup> With Beatty's encouragement, Meighen authored a Senate committee report recommending railway unification, which was supported by all but six Conservative members of the Senate in the summer, but opposed by all the voting Liberal members.<sup>79</sup> The pro-unification sentiment expressed by Conservative Senators advertised the division within the Conservative party and, as Manion recognized, undermined his ability to lead the party. "One of our problems," Manion observed in January 1939, "is that some of our members of the Senate have been talking favourably to the unification idea and the ordinary man on the street does not realize that they are speaking entirely for themselves and not the Party."<sup>80</sup> The open breach between Manion and Meighen in the summer made matters even worse.<sup>81</sup> Exploiting this division, Howe emphasized that the Liberal party was committed to preserving two railway systems in an address delivered at a Liberal picnic at Silver Lake, Ontario on 23 July, and pointed to the recent Senate vote, in which all 25 pro-unification votes had come from Conservative Senators, as evidence that Conservative parliamentarians opposed Manion's position on the railway question.<sup>82</sup> Manion's past was also coming back to haunt him politically: he had, as Bennett's minister of railways

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<sup>78</sup> Cahan to Manion, 25 October 1938, and Manion to Cahan, 27 October 1938, file 12, vol. 65, Manion Papers, LAC; J.M. Macdonnell to Manion, 3 August 1939 and Manion to Macdonnell, 10 August 1939, file 13, vol. 17, Manion Papers, LAC.

<sup>79</sup> Beatty to Meighen, 29 May 1939, 119786-8, vol. 188, Arthur Meighen Papers, MG 26 I, LAC; Naugler, "Manion and the Conservative Party," 212.

<sup>80</sup> Manion to Errick F. Willis, 23 January 1939, file 12, vol. 65, Manion Papers LAC.

<sup>81</sup> Willam H. Price to Manion, 14 June 1939, file 13, vol. 17, Manion Papers, LAC.

<sup>82</sup> "Liberals Want Two Railways Kept Separate," *Ottawa Journal*, 24 July 1939, file 20, vol. 207, Howe Papers, LAC.

and canals, wielded a hatchet against the beleaguered but still popular CNR president, Sir Henry Thornton. This was great fodder for Liberal propagandists intent on raising concerns about Manion's character and commitment to the CNR.<sup>83</sup>

That said, though the political power of St. James Street had diminished, it could not be ignored, and Manion continued to try to establish a "working arrangement" with Montreal.<sup>84</sup> "None of these people trust King," reported New Brunswick Conservative R.B. Hanson in July 1939, "but so long as Dunning is there they have a man to whom they can go. He is in fact their only important friend in the present Government." With an upcoming election and Dunning's retirement from politics expected soon, Hanson saw an opportunity to court St. James Street, since "they will want friends in any new administration."<sup>85</sup> Hanson proposed an ambiguous softening on the railway question: "We are opposed to stringent Amalgamation or Unification," wrote Hanson to Manion in early August, "but are we opposed to Unified Management?"<sup>86</sup> Manion was impressed by the idea, but wished to steer clear of going into detail about what unified management

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<sup>83</sup> See, for example, George R. Gardiner to Manion, 14 February 1939, with clipping enclosed from the *Windsor Daily Star*, 13 February 1939, file 3, vol. 66, Manion Papers, LAC. Manion also complained in August 1939 of a Liberal "whispering campaign" being carried out against him among railway workers: "My railway policy is the only one that is before the people outside of unification and if the railway men were wise they would back someone who has been friendly to them but, quite frankly, I do not think the C.N. men as a whole are too friendly, largely because of this type of whispering campaign that is being carried on." See Manion to C.D.H. MacAlpine, August 1939, file 6, vol. 16, Manion Papers, LAC.

<sup>84</sup> Manion to Hanson, 3 August 1939, 46377, vol. 62, Hanson Papers, LAC.

<sup>85</sup> Hanson to Manion, 31 July 1939, 46367, vol. 62, Hanson Papers, LAC.

<sup>86</sup> Hanson to Manion, n.d., [internal evidence indicates this letter was written in between August 4 and 8, 1939], 46381-2, vol. 62, Hanson Papers, LAC.

would entail: “If we get into power we can use our best judgment.”<sup>87</sup> In late August, Hanson met with Jackson Dodds of the Bank of Montreal and suggested unified management as an alternative to outright amalgamation or unification.<sup>88</sup> The political outlook would change dramatically in a few days.

#### IV

Neville Chamberlain and Mackenzie King were proven wrong on 1 September 1939, as German tanks rolled into Poland. Hitler, they had earlier believed, could be bargained with. Having already acquiesced to the Nazi takeover of Czechoslovakia in 1938, Chamberlain’s policy of “appeasement” was immediately discredited.<sup>89</sup> And in Canada figures such as McCullagh were far removed from the memories of 1938, when they had supported Chamberlain’s policy.<sup>90</sup> Britain would have to fight and – in a deft political move – Mackenzie King secured Canada’s declaration of war with the consent

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<sup>87</sup> Manion to Hanson, 8 August 1939, 46387, and Manion to Hanson, 15 August 1939, 46388, vol. 62, Hanson Papers, LAC.

<sup>88</sup> Hanson to Manion, 30 August 1939, 46399-400, vol. 62, Hanson Papers, LAC.

<sup>89</sup> Clement Leibovitz and Alvin Finkel argue in their monograph *In Our Time: The Chamberlain-Hitler Collusion* (New York: Monthly Review Press, 1997) that Chamberlain’s policy represented an attempt to collaborate with Hitler in a broader strategy designed to crush communism. They argue that appeasement is a myth.

<sup>90</sup> Young, “Leadership League,” 25. See also, for example, the editorial “Duff Cooper’s Resignation,” *Montreal Star*, 3 October 1938, 10. Preference for accommodation with Hitler and Mussolini was assumed in Sir James Dunn’s correspondence with R.B. Bennett in 1938. Dunn, the president of Algoma Steel, wrote to Bennett: “I find myself very pessimistic on the European outlook but I am glad to say that Max [Lord Beaverbrook] with much better information and finer judgement [*sic*] on these matters does not agree with me. He thinks Chamberlain will find a way to friendship with both Germany and Italy.” See Sir James Dunn to R.B. Bennett, 11 March 1938, file “A-C, January 1, 1937 to May 1938,” vol. 179, James Hamet Dunn Papers, MG 30 A 51, LAC.

of Parliament on 12 September. Monuments commemorating soldiers of the First World War had been recently erected; the societal consciousness of the previous war's price was still fresh, and so too were reports of great sums amassed through profiteering. It was later reported that, in the first of month of Second World War, sales of cigars and champagne at the Chateau Laurier outstripped total sales of the previous twelve months, as company representatives positioned themselves to win lucrative government contracts. Howe ignored them, so the story goes, and put out a press release stating that many contracts would be tendered – but the government would initiate contact.<sup>91</sup> With Howe as minister of munitions and supply, wartime production was tightly controlled by the government, profits were regulated, and, where private capital did not or could not invest, crown corporations were formed, resulting in the formation of 28 such government-owned companies. The capacity of the state to intervene in the economy had expanded significantly since the First World War, when Joseph Flavelle headed the Imperial Munitions Board.<sup>92</sup>

However, before these developments were to unfold, the war gave newfound life to the National Government idea among Conservatives and others who felt the King Liberals too partisan an administration to conduct the war on its own.<sup>93</sup> On the train from

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<sup>91</sup> Arthur Bartlett, "A Yank Bosses Canada's War Effort," *Boston Herald*, Magazine Section, 23 November 1941, 18.

<sup>92</sup> For an overview of the crown corporations established during the war see J. de N. Kennedy, *History of the Department of Munitions and Supply: Canada in the Second World War, vol. I, Production Branches and Crown Companies* (Ottawa, 1950), 287-520.

<sup>93</sup> The *Globe and Mail* called for the establishment of a National Government almost immediately after the outbreak of war. See "Canada's Paramount Duty," *Globe and Mail*, 5 September 1939, file 294, vol. 32, George A. Drew Papers, MG 32 C 3, LAC. Manion wrote to Hanson on 20 September 1939: "There is a good deal of talk of a National

Montreal to Saint John in late October 1939, R.B. Hanson dined with John Bassett of the *Montreal Gazette* and Howard P. Robinson of the Saint John *Telegraph-Journal*, and discovered that National Government had been a major, but informal, topic of discussion at a recent meeting of the Canadian Press.<sup>94</sup> When, on 25 January 1940, Mackenzie King unexpectedly announced an election for 26 March, Manion was quick to adopt it as part of the Conservative platform: Conservatives would run as National Government candidates.<sup>95</sup> The big-business wing of the party, nonetheless, remained unsatisfied with Manion's leadership.

Indications of this were quick to emerge. On 2 February Manion received a letter from mining magnate and important Tory operator Don Hogarth in which was enclosed a memo authored by Arthur Meighen. The memo suggested a course of action that had been recently recommended by Wes Gordon, who had served as minister of mines under Bennett: "I had another letter from Don today incorporating that damn fool suggestion about my retiring in a memo from Arthur," complained Manion.<sup>96</sup> The crux of the memo

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Government and quite a few people are insisting that King should immediately propose such." But Manion and Hanson were reticent about the idea, feeling that it might destroy the party. See Manion to Hanson, 20 September, 46411, and Hanson to Manion, 24 September 1939, 46412, vol. 62, Hanson Papers, LAC.

<sup>94</sup> Hanson to Manion, 30 October 1939, 46420, vol. 62, Hanson Papers, LAC.

<sup>95</sup> Days before King announced the election, Manion stated that he not expect King to call an election until July. See Manion to D.M. Hogarth, 20 January 1940, file 9, vol. 17, Manion Papers, LAC. Manion had been contemplating adopting the National Government platform since the fall. See Naugler, "R.J. Manion and the Conservative Party," 244-8.

<sup>96</sup> Manion to Harry Price, 2 February 1940, file 10, vol. 16, Manion Papers, LAC. Manion wrote: "I may say that Wes Gordon mentioned it to me first and I was so emphatic and rough in my refusal that he didn't push it very far." See Manion to D.M. Hogarth, 2 February 1940, file 9, vol. 17, Manion Papers, LAC.

argued that Manion should remain leader during the election but leave the actual leadership to be determined by some type of caucus of National Government representatives after the election. The proposal, to Manion's mind, was amazingly ill conceived, but it appears to have gained more than a few high-powered proponents in Toronto. Its ostensible political intent was to pursue a vigorous prosecution of the war; since Manion did not favour the immediate implementation of conscription for overseas service, the suggestion that Manion step down after winning a general election was almost certainly a strategy to bring in conscription through the back door. Regardless, Manion disregarded these machinations.<sup>97</sup> His National Government platform aroused

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<sup>97</sup> For accounts of this episode see clipping, Politicus [Lou Golden], "Now It Can Be Told," *Saturday Night*, 4 May 1940 and R.A. Bell to Lou Golden, 7 May 1940, file 9, vol. 16, Manion Papers, LAC. Bell served as secretary of the Conservative party under Manion and his 7 May letter to Lou Golden generally confirms the truth of Golden's piece published in *Saturday Night*. Bell wrote Golden: "I am at liberty to tell you with a few exceptions of minor nature – such as time and place – the latter part of your article is substantially correct. A proposal was made to the effect that Dr. Manion should announce that he was ready, after the election, to retire in favour of someone else to lead a National Government – by whom such person would be chosen was not mentioned. The proposal amounted to this – Dr. Manion was to run the election and then step aside in favour of someone else." Manion's response to the proposal can be found in the same file in "Memorandum," n.d.; though the name of the author is not on the document, internal evidence reveals that it was Manion. This same file also contains a statement that was obviously intended for Manion to sign, which would have committed Manion to the Hogarth-Meighen plan. The statement declared: "when the coming election brings into being a National Government Party with a majority from which the Cabinet is to be chosen, the leadership of that majority will be as open as the Conventions of my own party now are; my leadership will be confirmed or another will be chosen by the caucus of the National Government Party members elected to the House of Commons." The statement may have been enclosed with the memo Manion received from Hogarth, but it also may have derived since another source, since numerous individuals approached Manion with the proposal in the first half of February. In particular, Manion identifies Colonel C.E. Reynolds, president of the Canadian Corps Association, as being at the centre of an effort to have Manion step down after winning the election. Manion wrote Mitch Hepburn on 7 February to alert him to Reynolds' activities:

limited support within the Toronto business community and the *Financial Post* formulated an editorial policy during the campaign opposing “union or national governments.”<sup>98</sup>

Manion also refused to accommodate Montreal sugar mogul J.W. McConnell, the proprietor of the *Montreal Star* and a close associate of Sir Edward Beatty.<sup>99</sup>

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I have just had a long visit from our mutual friend, Colonel Reynolds. He is a decent chap, and I have no doubt he means well, but he has had about as much political experience as one of those little children of yours.

Probably you know his proposal [“I doubt it – Bob” is written in pencil above this section of the text] because he states that you agree with him, namely, the proposal to the effect that I should on some platform in the near future make a statement to the effect that if I win the election I will immediately offer my resignation in order that the elected representatives may choose someone else if they desire.

In the following paragraph Manion describes his earlier interactions with Hogarth, but without using names, and provides more evidence to suggest that Meighen was behind the memo attached with Hogarth’s correspondence. Manion describes the author of the memo as “someone whom you know but for whose political opinion none of us has much regard.” See Manion to Hepburn, 7 February 1940, file 9, vol. 17, Manion Papers, LAC. On 12 February, Manion again referred to the activities of Reynolds and the earlier proposal received through Hogarth. He wrote C.O. Knowles, editor of the *Toronto Telegram*: “there is a very stupid play being attempted – inspired, I think, by that chap, Colonel Reynolds of the Corps, but supported by a few.” Manion considered the movement to be ill-conceived but worried that some of its supporters harboured “ulterior motives.” “The thing is so silly, to my mind,” continued Manion, “that it is more than stupid. One man sent me a memo about it which he said was made up by A.M.” Manion to Knowles, 12 February 1940, file 9, vol. 17, Manion Papers, LAC. This episode has also been examined in Naugler, “R.J. Manion and the Conservative Party,” 269-74.

<sup>98</sup> Memo, “Post Policy,” 1 March 1940, file 8, box 6, series 3, Chalmers Papers, AO.

<sup>99</sup> Allan Ross of Toronto wrote to Manion: “[Harry Price] told me in great confidence about how you handled Jack McConnell yesterday in Montreal. Jack is an old friend of mine. We were on the War Trading Board in the Great War together. I completely endorse your firm stand against him. We don’t need the *Montreal Star* or anyone else unless Jack wants to completely co-operate. Next time I see you I will tell you a lot about the sugar industry and which I have not felt was pertinent just yet. I cannot prove that

McConnell's biographer, William Fong, has observed that "the CPR, the Bank of Montreal, and others in Montreal had contributed \$500,000 to the Conservative campaign in the election of 1930, but in 1940 they gave the Conservatives absolutely nothing."<sup>100</sup> St. James Street, as Reginald Whitaker has noted, sided with the Liberals in the 1940 contest, including McConnell.<sup>101</sup> And not unexpectedly, former finance minister Charles Dunning remained a supporter of the Liberal party when he moved back to Montreal to succeed McConnell as president of the Ogilvie Flour Mills Company and become the director of major business institutions such as the Bank of Montreal and Consolidated Paper.<sup>102</sup> Manion's efforts ended in the worst of both worlds: his National Government policy aroused popular suspicion of a moneyed campaign designed to place a trojan horse in parliament, but, of course, it did not benefit from the actual money and high-powered support. On the campaign trail, Howe attacked Manion's "ghost government," which promised to bring the "so-called best brains" into government rather than "the elected

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there is an understanding with the present government, but every sign points to it." Allan Ross to Manion, 12 March 1940, file 9, vol. 16, Manion Papers, LAC.

<sup>100</sup> William Fong, *J.W. McConnell: Financier, Philanthropist, Patriot* (Montreal and Kingston: McGill-Queen's University Press, 2008), 398.

<sup>101</sup> Reginald Whitaker speculates that the Liberals succeeded in raising more money from St. James Street because of Manion's unpopularity in those circles. "Certain big interests which had deserted the Tories over R.J. Manion's alleged 'radicalism' on the railway unification issue – the CPR, the Bank of Montreal, and the McConnell Montreal Star interests – appear to have positively supported the Liberal cause this time out, although in what amounts one can speculate." Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-58* (Toronto: University of Toronto Press, 1977), 126 and 197.

<sup>102</sup> Dexter, memo, 11 and 27 January 1940 in *Ottawa at War: The Grant Dexter Memoranda, 1939-1945*, ed. Gibson, Frederick W. Gibson and Barbara Robertson (Winnipeg: Manitoba Record Society, 1994), 36 and 41-2.

representatives of the people.” He suggested that a small group angered by the current administration’s “determination to remove profiteering and favouritism from Canada’s war effort” was backing Manion: “These men believe that, by a campaign of misrepresentation, they can seize the reins of office and restore the conditions that prevailed during the last war.”<sup>103</sup> This seemed to belie the truth, since St. James Street had shifted towards the Liberals. The Conservatives were decisively defeated at the polls on 26 March, and Manion again, as in 1935, lost his own seat in Port Arthur.

Shortly after the election the need for “greater freedom of action and authority” resulted in the establishment of the Department of Munitions and Supply, on 9 April 1940.<sup>104</sup> German forces had invaded Denmark and Norway that morning. The predecessor to Munitions and Supply was the War Supply Board, which had achieved only limited success under the direction of Ford Motors of Canada president Wallace R. Campbell. The domineering Campbell had alienated his colleagues and, though a specialist in his field, he reportedly did “not know Canadian industry.”<sup>105</sup> Worse still, Campbell had not been particularly loyal to Howe or the government, and Howe had worked behind the scenes to secure his resignation.<sup>106</sup> With the election decisively won,

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<sup>103</sup> “Says Manion Threatens National Radio,” *Ottawa Journal*, 11 March 1940, file 21, vol. 207, Howe Papers, LAC.

<sup>104</sup> Kennedy, *History of the Department of Munitions and Supply*, 5.

<sup>105</sup> W.C. Clark, memo, 30 November 1939, in *Ottawa at War*, 21. Campbell’s personality is touched upon in Mira Wilkins and Frank Ernest Hill, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University, 1964), 118.

<sup>106</sup> F.S. Chalmers, memo, 2 June 1940, file 9, box 6, series 3, Chalmers Papers, AO. Campbell aired his criticism of the government early on, in an October 1939 interview with Chalmers of the *Financial Post*, a consistent critic of the government’s war planning. See F.S. Chalmers, memo, 26 October 1939, file 8, box 6, series 3, Chalmers

Howe was able to move Campbell out of the picture by eliminating the War Supply Board and taking charge of the new department himself. As minister of munitions and supply Howe acquired broad authority that would be expanded even further in later amendments, allowing him to set prices, compel manufacturers and contractors to engage in work deemed necessary for war production, and impose rationing, along with many other powers. Howe also recruited new talent to his team of business executives-turned-government administrators, the “dollar-a-year-men,” including a young and wealthy financier from Toronto, E.P. Taylor, who was given command of Canada’s war purchasing in the United States. Howe also recruited a dutiful deputy minister, G.K. Sheils. He would carry out the paper work that Howe tended to shirk, but Sheils would operate without any real power.<sup>107</sup> Howe’s position in government put him at the centre of the Canadian economy, but many members of the business community were uncertain about his new role as industrial czar.

Indeed, a persistent criticism was that the Department of Munitions and Supply required a non-partisan general manager, a business executive of high standing who could devise Canada’s overall war production program. The argument, essentially, was that as a cabinet minister in a Liberal government Howe was too immersed in politics to function effectively as the head of Canadian war production. The deposed Wallace Campbell spoke highly of Howe’s “aggressiveness,” but believed control should rest in the hands of a “non-political chief.” Arthur B. Purvis, the president of Canadian

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Papers, AO. Indeed, Campbell was known to have “gossiped freely with visitors about his experiences and unburdened himself in the Rideau Club and elsewhere.” See Chalmers, memo, 2 June 1940.

<sup>107</sup> Bothwell and Kilbourn, *C.D. Howe*, 129-30.

Industries Limited (CIL) and head of the Anglo-French War Supply Board in the United States, was impressed with Howe as “a man of action,” but argued that “a first-class industrialist” was needed to take over all of Canada’s war buying. Even Sir Edward Beatty admitted that Howe had “done a very able job”; however, like the others, Beatty too called for a non-political figure to take charge of war purchases, arguing that one of the “able men in the country . . . should be selected to head up something like an Imperial Munitions Board and be given full authority to get results in his own way.”<sup>108</sup> This, too, was the idea propagated publicly by the Canadian Manufacturers’ Association and the *Financial Post*.<sup>109</sup> But the *Post* was forced to quiet its criticism of the government prior to the 1940 federal election because its readers and advertisers – influential businessmen – believed it had gone too far in criticizing the government and had descended to the level of a political sheet. For instance, Thurston B. Weatherbee, Montreal general manager of the Bank of Commerce, reported to the paper’s editor, Floyd Chalmers, that though “Montreal business leaders had for years regarded The Post as the one paper that stood for their interests in matters of taxation, sound monetary policy, etc.,” they now thought the paper too sensational, and some had even become sympathetic to Mackenzie King. The government, they believed, was doing a reasonable job. “[Weatherbee] said he knew this from innumerable conversations with the very top men in that city,” reported Chalmers. A few days earlier, on 27 February, Chalmers reported that the *Financial Post*’s relationship with “many loyal followers of the Liberal party who are outside the

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<sup>108</sup> Chalmers, memos, 21 June 1940, 7 June 1940 and 15 August 1940, file 9, box 6, series 3, Chalmers Papers, AO.

<sup>109</sup> “One-man Co-ordinator Needed For Supply,” *Financial Post*, 8 June 1940; “Mr. Howe is No Superman,” *Financial Post*, file 38, vol. 214, Howe Papers, LAC.

arena of actual political campaigning had become acute.” Chalmers acted to remedy the problem.<sup>110</sup>

The contingencies of the war allowed Howe to use the state more aggressively than would have been imaginable in peacetime, and especially as the Phony War came to an end with the German invasion of France on 10 May; France was out of the war before the end of June and Britain’s prospects appeared gloomy. On 24 June the War Industries Control Board was established to secure and regulate the flow of vital supplies: Hugh Scully, the Commissioner of Customs, was placed in charge of steel and also served as chairman; H.R. MacMillan, the British Columbia lumber baron was appointed Timber Controller; George Cottrelle, a banker, was made Oil Controller; George Bateman, a mining engineer, was appointed Metals Controller; and, finally, TCA director Herbie Symington was placed in charge of power.<sup>111</sup> Furthermore, in a time of war jurisdiction over resources was assumed by the federal government, and this meant a considerable shift for resource capitalists who had cultivated friendly relationships with the provincial governments; they would now have to deal with Howe. The government’s war production set-up temporarily abolished the free market system, which had been

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<sup>110</sup> Chalmers, memo, to H.T. Hunter, 3 March 1940 and Chalmers, memo, 27 February 1940, file 9, box 6, series 3, Chalmers Papers, AO. H.D. Burns, assistant manger of the Bank of Nova Scotia, and James S. Duncan, general manager of Massey-Harris, also told Chalmers that the *Financial Post* had become too political, among others. Chalmers also reported that the Canadian Chamber of Commerce had been discussing the idea of establishing another business journal, which would compete with the *Financial Post*. Chalmers argued that the *Post* needed to temper its tone so as to “make sure we are carrying the business community along with us and really getting our story over to the public.” See Chalmers, memo, 21 February 1940, file 9, box 6, series 3, Chalmers Papers, AO.

<sup>111</sup> Bothwell and Kilbourn, *C.D. Howe*, 135.

regulated by provincial jurisdictions; in its place, as Bothwell and Kilbourn have observed, was established “a centrally directed economy regulated by the government’s perception of the needs of the war.”<sup>112</sup> With the old economic system effectively supplanted, Howe pointed to the exceptional circumstances that war had imposed on the nation. Advertising the sale of war bonds before the Canadian and Empire Clubs in Toronto, Howe noted: “In this time of war . . . the emphasis has shifted from the individual to the nation and our whole task of helping to win the war.”<sup>113</sup> Old notions about individualism, property and the free market had to be abandoned, at least temporarily, so that maximum production could be achieved for a national war effort.

Problems, of course, continued to arise. Howe departed for England aboard the *Western Prince* on 6 December 1940 to visit British officials to discuss and better coordinate future production, but on 14 December the ship was torpedoed 300 miles off the coast of Iceland. Howe and two of his party survived, E.P. Taylor and W.C. Woodward. But Montreal financier Gordon Scott did not. Having escaped this ordeal and having made progress with the British, Howe arrived back in January only to encounter unwanted interference. The Minister of Finance, J.L. Ilsley, and his advisors had appointed H.R. MacMillan to head up the War Requirements Board in November 1940 to examine costing within the Department of Munitions of Supply; Howe was notoriously haphazard with contracts, relying often upon spoken agreements, and the projected spending of his department was elusive. But MacMillan interpreted his responsibilities

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<sup>112</sup> Bothwell and Kilbourn, *C.D. Howe*, 134-5.

<sup>113</sup> “Work and Pay in Race to Win, Howe Exhorts,” *Globe and Mail*, 5 September 1940, file 21, vol. 207, Howe Papers, LAC.

broadly, and undertook a general study of the department's efficiency, which he presented to Howe upon his return. Howe did nothing with the report, and a showdown was brewing.<sup>114</sup>

Even before his appointment with the War Requirements Board, MacMillan had anticipated a crisis in war production in about six months because of poor coordination within Munitions and Supply. In private discussion with Chalmers of the *Financial Post* in October 1940, MacMillan argued the necessity of appointing a big industrialist to oversee and coordinate all the department's activities. He also complained that too many of Howe's dollar-a-year men only had experience with small businesses "of the coasts," such as W.C. Woodward (Vancouver) and Howe's president at the Federal Aircraft Company, Ralph P. Bell (Halifax): "the government has to get more of the first-class industrial brains of Ontario and Quebec factories working for it." "His views are almost identical with ours on the matter," concluded Chalmers.<sup>115</sup> By the time Howe arrived back from Britain, not only did he receive the report from MacMillan, but the *Financial Post* was clamouring for the appointment of an "industrial statesman." Howe refused to implement the personnel overhaul that MacMillan wanted, including the removal from

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<sup>114</sup> Gibson and Robertson, *Ottawa at War*, 62-3.

<sup>115</sup> Chalmers, memo, 15 October 1940, file 9, box 6, series 3, Chalmers Papers, AO. Howe's deputy minister, G.K. Sheils, had, of course, no actual power; and thus MacMillan believed someone with experience in big industry could assume the position and be delegated real power. W.E. Scully, the Steel Controller, favoured the more drastic solution of the appointment of an industrial "boss." Scully, too, was troubled by the department's lack of organization. Howe, Scully complained, was too casual and operated by addressing problems through informal talks. Scully also complained about the department's "1929" mood in regards to spending. Scully quoted one dollar-a-year man as having said "What's half a million dollars?" Interestingly, Howe would be tarred for having uttered a similar phrase, which in fact he never said – "What's a million?" – during an exchange in the House of Commons in the 1950s.

command of aircraft production of Ray Lawson and Ralph Bell, who, believed MacMillan, “should be replaced by manufacturers with experience in producing aircraft.”<sup>116</sup> Disgruntled, MacMillan publicized the report in the 8 February issue of the *Financial Post*. Also, Horace T. Hunter, the paper’s president, purchased advertising space in other papers to propagate MacMillan’s allegations of disorganization and inefficiency in order “to arouse national sentiment for a ‘total war’ effort.” The revelations contained in the report did not materialize into the political dynamite that MacMillan believed he wielded. When parliament convened on 26 February, Howe declared: “The number one saboteur in Canada since the beginning of the war is the *Financial Post*.”<sup>117</sup> It was a coup for the Liberals.

The episode revealed several things. First, it revealed Howe’s rather domineering style of management. Campbell had challenged his authority and next it was MacMillan. Howe’s impulse was to get rid of them both, even though they thought rather highly of him personally. He wanted to dismiss MacMillan “out of hand,” reported Herbie Symington, who claimed to have talked Howe away from such a rash action.<sup>118</sup> (MacMillan became the Director-General of Shipbuilding in Montreal and resumed

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<sup>116</sup> See R.A. Farquharson, memo, 21 January 1941, 257254, vol. 304, King Papers, LAC. MacMillan also believed that E.P. Taylor, Frank Ross, Director-General of Naval Armaments, and W.F. Drysdale, Director-General of Munitions Production, should be replaced. MacMillan also brought in General Motors of Canada vice-president Harry J. Carmichael to assist him at the War Requirements Board, and he believed Carmichael could be of use to Munitions and Supply; Howe held a similar view and appointed Carmichael to help with gun production.

<sup>117</sup> Bothwell and Kilbourn, *C.D. Howe*, 142-8; “Tirade in Parliament Accomplishes Nothing,” *Toronto Telegram*, 28 February 1941, file 22, vol. 207, Howe Papers, LAC.

<sup>118</sup> Dexter, memo, 2 April 1941, file 19, box 2, Dexter Papers, LAC.

cordial relations with Howe.)<sup>119</sup> Secondly, the episode revealed persisting tensions within the Canadian business community about the organization of war production and the general prosecution of the war. And while Howe and the Liberals remained firmly ensconced in Ottawa, Meighen's resurrection as leader of the Conservative party became a small, but ultimately unsuccessful, revival of ultra-imperialism and old free-market ideals. The "total war" campaign that Meighen championed attracted support from the old anti-CIO, Leadership League crowd in Toronto – McCullagh, Drew, and Bruce, for example – but it was even less effective at mobilizing popular support than the League had been. Meighen's campaign was abysmally unpopular and he was widely assailed as a stooge of big business. Beatty had encouraged Meighen to contest a by-election to re-enter the House of Commons in the spring of 1940, but only, Beatty maintained, if he was able to run unopposed.<sup>120</sup> This condition was not achieved when Meighen ran in York South in the spring of 1942; the CCF candidate defeated him. His son, Max, served in the war as a colonel and embraced his father's belief in small government and free enterprise; according to an interview with journalist Peter Newman, Max concluded in 1944 that class war would result in dictatorships worldwide.<sup>121</sup> Though Max Meighen embraced an unusually bleak view of the future, those clinging to the older *mentalité*

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<sup>119</sup> Bothwell and Kilbourn, *C.D. Howe*, 148.

<sup>120</sup> Beatty to Meighen, 22 May 1940, 95086, vol. 156, Meighen Papers, LAC.

<sup>121</sup> Newman, *The Canadian Establishment*, vol. I (Toronto: McClelland and Stewart, 1975), 290-1. Max Meighen did not use the term "class war," but it nonetheless captures his meaning: "I wrote my father in 1944 that in my normal life expectancy all western nations would be under dictatorship and the form in the United States would be military. My nephew accused me of advocating dictatorship. I said, 'I don't advocate it at all. I say it's just bound to occur. There are more have-nots than there are haves, and you're going to end up in a German post-first-war type of inflation.'"

descended into pessimism as their ideas continued to decline in popularity and as the force of events continued to work against their ends. Howe's vision was different. And, increasingly, the business elite was coming to appreciate and embrace it.

## V

Addressing the Reform Club in Montreal in November 1943, Howe promised his listeners that the problems of peace could be solved by the solutions utilized during the war. The conservative *Montreal Gazette* was troubled by this apparent endorsement of continued state intervention: "we . . . think he should be little more cautious in his statements," editorialized the paper.<sup>122</sup> The *Montreal Gazette*, however, was not necessarily his intended audience in this instance. A Gallup Poll in September found the CCF to be Canada's most popular national party; Howe's boasts signaled the Liberal party's reformist intentions in response to the perceived threat of socialism in Canada. Just as Howe promised a postwar future of public enterprise and full employment, he also alerted Canadians to the supposed dangers of the more radical alternative. "We all learn by experience," Howe declared before the Reform Club, "and I am confident that, when the time comes, the people of this country will choose a government with experience rather than a Government dependent on unproven theories and revolutionary proposals."<sup>123</sup>

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<sup>122</sup> "The Optimistic Mr. Howe," *Montreal Gazette*, 20 November 1943, file 25, vol. 209, Howe Papers, LAC.

<sup>123</sup> "War Against Japan Aids Conversion: Howe," *Globe and Mail*, 29 November 1943, file 25, vol. 209, Howe Papers, LAC.

Of course, elite opinion within the Conservative party too had come to recognize the need to adapt, as ultra-imperialist political theatrics became unconvincing to even some of its sympathizers.<sup>124</sup> Grant Dexter, the Ottawa correspondent of the *Winnipeg Free Press*, reported in 1942 that moneyed interests supported the ascension of former Manitoba Progressive premier John Bracken to party leader and the party's rechristening as the Progressive Conservative Party; at first Arthur Meighen, George McCullagh, and Howard P. Robinson hoped Bracken would lead yet another National Government drive, but a few days later the plan was sunk. Still, they reportedly gave considerable amounts of money to support him, including the CPR. J.W. Dafoe reported Bracken's wealthy supporters – “who think they own the party because they put up the money” – will “want him to put the power at their disposal”; it was a cynical campaign.<sup>125</sup> Of course, the more consequential developments were closer to Howe, who was fast becoming a new leader of Canadian big business.

Howe literally commanded a powerful group of business executives in the dollar-a-year men who served in his department. And he publicly tipped his hat to private enterprise, thanking it for placing “its knowledge of management, technical skills and

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<sup>124</sup> New Brunswick lumberman J. Leonard O'Brien approved of Bracken's straightforward style and derided the “flag waving, drum thumping, fainting politicians and what not” at the Winnipeg convention at which Bracken was nominated leader. He continued: “No wonder Howard keeled over. It was one of the most sensible things he could have done; others should have done likewise.” O'Brien's reference to “Howard” was perhaps a reference to Howard P. Robinson, examined in Chapter One. O'Brien to R.A. Bell, 26 December 1942, file “Convention 1942 Correspondence,” vol. 242, Progressive Conservative Party Papers, MG 28 IV 2, LAC.

<sup>125</sup> Grant Dexter, memo, 29 October 1942, 388; J.W. Dafoe to Grant Dexter, 28 November 1942, 391; J.W. Dafoe to Grant Dexter, 15 September 1943, 441, in *Ottawa at War*.

secret processes at the disposal of the Government and giving freely of its topmost personnel.”<sup>126</sup> The business community and the shape of the Canadian economy, too, were changing decisively during the war, as Howe further integrated Canada into the continental economy. While the interwar period witnessed considerable expansion of American business in Canada, most notably in the rise of the automobile industry, during the war this tendency became official state policy. After Howe returned from his harrowing trip to England in January 1941, he announced the government’s intention to integrate Canadian war production with the United States in order to avoid “unnecessary duplication of facilities by either country,” and by April Howe was on his way to Washington with E.P. Taylor, now his executive assistant, to set up “the new economic co-operation between Canada and the United States,” which had been recently made official in the Hyde Park Declaration.<sup>127</sup> This signaled a change from the early phase of the war, when Canadian production was synched with British production. In Howe’s opinion, cooperation with the Americans was the quickest road to greater efficiency and output, although, as Stanley Russell Howe has observed in his study of Howe’s relationship with American business, Howe “was apparently unconcerned with the consequences of this decision.”<sup>128</sup> Lacking the reverence for the British Empire maintained by many of his colleagues, and applying an engineer’s outlook to the pressing

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<sup>126</sup> “Postwar Unemployment Needn’t Be Feared, View Of Minister of Munitions,” *Globe and Mail*, 14 December 1943, file 16, vol. 209, Howe Papers, LAC.

<sup>127</sup> R.A. Farquharson, “Howe Plans Three Steps in Industry,” *Globe and Mail*, 27 January 1941, file 22, vol. 207, Howe Papers, LAC; “Send Munitions Chief to Aid U.S.-Canada Economic Plan,” *Windsor Daily Star*, 24 April 1941, file 23, vol. 208, Howe Papers, LAC.

<sup>128</sup> Howe, “C.D. Howe and the Americans,” 65-6.

goal of achieving maximum production during a time of war, cooperation and integration with American industry was logical according to Howe's mind.<sup>129</sup>

Howe's influence, nonetheless, should not be overemphasized, for Canada's integration into the North American economy stemmed from broader economic forces related to the general decline of British power abroad and the rise of American economic hegemony. For example, Britain's attempts to monetarily reintegrate Canada under its influence in the 1930s not only failed – along with Beaverbrook's Empire Free Trade campaign – but was quickly reversed as a cash-strapped British government struggled to pay the costs of waging war. The Lend-Lease Agreement of 1940 gave the British access to much-needed American supplies but, in exchange, Britain ceded vast amounts of political leverage to the United States, which the American government would use to open up British markets and recast the postwar world economy under the monetary regime of Bretton Woods – and the Hyde Park Declaration brought Canada's financial relationship with the United States under the terms of the Lend-Lease Agreement. Canada's integration into the North American economy during the Second World War was inextricably tied to the decisive shift in power between Britain and the United States; and while the economic basis of this transition had been, as we have seen, long in the

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<sup>129</sup> Neither did Howe hesitate to criticize British ineptitude, to the annoyance of some of his colleagues. Norman Lambert reported tension within the government over attitudes towards the British in 1941. Dexter summarized the information from Lambert as follows: "Growing tendency by some ministers – notably Howe – to belittle British, to harp on their stupidity, their blundering. Ralston, too, inclined to take a whack at them now and again and King not always flattering. This is very unpleasant to Ilsley and some others who are ardent Imperialists and anti U.S." Dexter, memo, 21 April 1941, in *Ottawa at War*, 158.

making in Canada, the Second World War solidified Canada's new relationship with the United States.<sup>130</sup>

Howe's relationship with R.E. Powell, president of the Aluminum Company of Canada, the principal operating subsidiary of Alcan Aluminum Limited, was suggestive of the growing American influence during the war. Howe seems to have been first brought in touch with Powell in 1938 or 1939 through Ralph P. Bell, the Halifax industrialist whom Howe later appointed to take charge of aircraft production.<sup>131</sup> Howe and Powell soon became personal friends, particularly evidenced by fishing trips in Quebec. Alcan also enjoyed a rather favourable relationship with the Canadian state during and after the war: the government helped the company expand its aluminum plant in Arvida, Quebec and build a massive hydro-electric project at Shipshaw during the war, and after the war awarded Alcan major tax write-offs that were highly criticized in the press.<sup>132</sup> When workers struck at the Arvida plant in the summer of 1941, Howe was quick to take Alcan's side. He immediately called for the deployment of mounted police or troops to take the plant back from workers. He claimed the workers were led by "an enemy alien" and pointed to the rippling effect that would arise in war industries

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<sup>130</sup> P.J. Cain, "Gentlemanly imperialism at work: the Bank of England, Canada, and the sterling area," *Economic History Review* 49, 2 (1996), 336-57. For the Hyde Park Declaration see J.L. Granatstein and R.D. Cuff, "The Hyde Park Declaration, 1941: Origins and Significance," *Canadian Historical Review* 55 (March 1974), 59-80.

<sup>131</sup> R.P. Bell to C.D. Howe, n.d., file "Family + Personal, January to August, 1945," vol. 170, Howe Papers, LAC.

<sup>132</sup> For an overview of Alcan's evolution see Isaiah A. Litvak and Christopher J. Maule, *Alcan Aluminum Limited: A Case Study* (Royal Commission on Corporate Concentration, Study no. 13, February 1977).

generally if aluminum production were not resumed at once.<sup>133</sup> The quick and decisive action Howe demanded did not materialize, while his public comments – implying disloyalty among the workers – were denounced widely in Quebec.<sup>134</sup> A Royal Commission would soon prove Howe’s assumptions unfounded. “Howe has allowed himself to be deceived by the Aluminum Co,” reported Ernest Lapointe to Mackenzie King, “and his statements have precipitated a storm in Quebec, after the true facts have been ascertained – Premier Godbout is going to issue a statement, and will ask for an apology.”<sup>135</sup> The strike, John Macfarlane has argued, forced the Liberal government, including Howe, to become more tactful in the handling of labour troubles throughout the rest of the war.<sup>136</sup> There was no doubt where his loyalties lay, however.

## VI

The Americans entered the war at the end of 1941. War production began to hum. And by 1944 an Allied victory began to appear inevitable, as the transition to a peacetime economy became a government priority. Howe was appointed Minister of Reconstruction that year, and he soon voiced his intention to have the private sector take

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<sup>133</sup> Howe to King, 26 July 1941, 258930-2, vol. 306, King Papers, LAC.

<sup>134</sup> Howe tendered his resignation during this episode and claimed he was not receiving the necessary cooperation from his colleagues.

<sup>135</sup> Ernest Lapointe to Mackenzie King, n.d., “Thursday night,” 259677-9, vol. 307, King Papers, LAC.

<sup>136</sup> John Macfarlane, “Agents of Control or Chaos? Arvida Helps Clarify Canadian Policy on Using Troops Against Workers during the Second World War,” *Canadian Historical Review* 86, 4 (December 2005), 619-40; David Massell, “‘As Though There Was No Boundary’: the Shipshaw Project and Continental Integration,” *American Review of Canadian Studies* 34, 2 (Summer 2004), 187-222.

over as much as possible in the postwar period. Notes for a speech Howe delivered in October 1944, at a luncheon given in his honour by a group of Hamilton businessmen, made this clear: "Private Enterprise must take over." The legitimacy of his vision was rooted in the promise of growth and increased production; private industry and workers, Howe believed, could work to achieve high levels of productivity, which would translate into high standards of living, as well as high levels of employment. Indeed, in Hamilton, Howe referred to full employment as a government objective, although the government's White Paper, which laid out the economic and social objectives of the government in peacetime, would fall short of such an ambitious proclamation the following year, promising a "high and stable level of employment." And, significantly, Howe assured his Hamilton audience that the state would be there to help.<sup>137</sup> Howe argued, in effect, for a new relationship between the state and enterprise directed towards creating a new era of business expansionism that would adequately address calls for greater social security in the postwar period. Although this contravened the old liberalism of limited government intervention, the experience of the war taught even curmudgeons such as Algoma Steel president Sir James Dunn that working with the government could be advantageous.<sup>138</sup>

Nonetheless, the CPR was slow to adapt. Under Beatty and later under the presidency of D.C. Coleman, the railway sought to establish a toehold in the aviation

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<sup>137</sup> Howe to C.W. Sherman, president, Dominion Foundries, Hamilton, Ontario, 3 October 1944 and attached notes, file 91, vol. 189, Howe Papers, LAC. Cabinet colleagues regarded Howe's pronouncements in favour of full employment as "pure CCF." Dexter, memo, 23 December 1943 in *Ottawa at War*, 451.

<sup>138</sup> McDowall, *Steel at the Sault*, 178-247.

business by buying up feeder lines in the early 1940s.<sup>139</sup> In August 1941 Beatty offered to acquire a minority interest in the TCA and merge the CPR's aviation business with the TCA's, but the TCA board refused the offer to merge its profitable enterprise with the CPR's unprofitable one.<sup>140</sup> By the end of 1943 Canadian Pacific Air Lines (CPA), the CPR's commercial aviation company, which was established in July 1942, had invested nearly \$7 million in feeder lines, but Howe remained resistant.<sup>141</sup> That year, as friction between the companies mounted, Howe advised that the government declare the TCA as the government's "chosen instrument" for transcontinental and international air travel; Mackenzie King announced the policy in the House of Commons on 2 April.<sup>142</sup> The following March, Howe announced the government's intention to separate air transport from ground transport within a year of the cessation of the war, in effect barring the CPR from participating in commercial aviation. CPR president D.C. Coleman was quick to argue that an injustice was being inflicted upon the CPR, protesting to Mackenzie King that the government had handed the CPA a "death sentence."<sup>143</sup> He argued in a letter to

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<sup>139</sup> William Mulock, Postmaster General, to Mackenzie King, 17 January 1941, 264337-8; 28 January 1941, 264347-9; and 29 January 1941, 264351-2, vol. 312, King Papers, LAC; Ronald A. Keith, "Transport Titans Lock Horns?" *Financial Post*, 17 January 1942, file 12, vol. 51, Financial Post Fonds, LAC.

<sup>140</sup> Howe to A.D.P. Heeney, 20 April 1943, 293884-7, vol. 342, King Papers, LAC.

<sup>141</sup> D.C. Coleman to Mackenzie King, 30 March 1944, 309655-68, vol. 357, King Papers, LAC.

<sup>142</sup> Howe to A.D.P. Heeney, 20 April 1943, 293884, vol. 342, King Papers, LAC; *Standing Committee of Railways and Shipping, Minutes of Proceeding and Evidence, no. 1, Trans Canada Air Lines Annual Report (1943), 27 March 1944 (Ottawa, 1944), 9; Pigott, National Treasure, 160.*

<sup>143</sup> J.W. Pickersgill, *The Mackenzie King Record, 1939-1944*, vol. I (Toronto: University of Toronto Press, 1960), 648-9.

King that “[a]t no time has the Canadian Pacific shown or entertained an intention of competing in any sense with the T.C.A.” The CPA, Coleman suggested, was providing a niche service of north-south routes, in contrast to the national, east-west routes of the TCA; and though the CPA had recently applied for licences on the transcontinental line, Coleman claimed it was “only done for the purpose of providing local service to communities which are not served by the T.C.A.”<sup>144</sup> The substance of Coleman’s pleading seemed to contradict the general understanding of the CPR’s intentions, and certainly Mackenzie King was unconvinced. “I may have been a little more outspoken than I should have been,” reported King after meeting with Coleman, “but it seemed to me knowing how the C.P.R. has been lobbying against the Government, supplying funds for Conservative conventions, Bracken’s campaigns, . . . and also realizing that we are right in our policy and that they have been doing what they can to prevent its realization, it was just as well to speak out.”<sup>145</sup> And while Howe noted that the government made no official order to break up the CPA, he made it clear that he would not allow competition with the TCA.<sup>146</sup>

Early on, Sir Edward Beatty had believed the war offered an opportunity to finally introduce a railway amalgamation scheme. Beatty anticipated another depression after the war and argued that railway amalgamation should be executed during the busy period of the war, because in the context of depression – when it would be “urgently necessary” to

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<sup>144</sup> Coleman to King, 30 March 1944, 309655-68, vol. 357, King Papers, LAC.

<sup>145</sup> Pickersgill, *The Mackenzie King Record*, vol. I, 648-9.

<sup>146</sup> “No Order to Break Up CPA, Says Howe,” *Financial Post*, 8 July 1944, file 13, vol. 51, Financial Post Fonds, LAC.

cut deficits – “the pressure from the labour world would be too great.”<sup>147</sup> In 1944 the CPR had been forced to assume a more defensive posture, as the Liberal administration signaled its intention to legislate the company out of commercial aviation after the war. According to Howe, “Canada could never have obtained its present position in aviation through private operation with the profit motive paramount.”<sup>148</sup> Trans-Canada Air Lines fit into Howe’s overall economic philosophy of strategic government intervention, which was also embraced by the company’s president Herbie Symington. With massive capital expenses required for the infrastructure to support air traffic in a country as large and sparsely populated as Canada, Symington argued that the industry was uniquely fitted to public ownership, though he identified himself as a “private ownership man”; “I am not one of those who state that black must be black and white must be white,” claimed Symington.<sup>149</sup>

Though the horizon looked bleak for the CPR in 1944, within two years Howe had backed away from trying to rid the CPR from commercial aviation. He claimed that, with recent changes to CPA management, the two systems had come to work as one integrated system; in 1948 the Liberal administration of Louis St. Laurent awarded the franchise for international routes across the Pacific to the CPA.<sup>150</sup> When 22 years of uninterrupted Liberal rule ended with the victory of John Diefenbaker’s Conservatives in

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<sup>147</sup> Chalmers, memo, 15 August 1940, file 9, box 6, series 3, Chalmers Papers, AO.

<sup>148</sup> Howe to A.D.P. Heeney, 20 April 1943, 293884-7, vol. 342, King Papers, LAC.

<sup>149</sup> *Standing Committee of Railways and Shipping, Minutes of Proceeding and Evidence, no. 1, Trans Canada Air Lines Annual Report (1943), 27 March 1944 (Ottawa, 1944), 35.*

<sup>150</sup> Pigott, *National Treasure*, 280-1 and 297-8.

1957, the new government allowed the CPA to break the TCA's transcontinental monopoly, thus permitting an ironic repeat of the railway rivalry.<sup>151</sup> Howe and the Liberals had, of course, set the stage for these later developments by permitting the limited expansion of a private airline. This was typical of Howe's performance as minister of reconstruction, which was highly favourable to private enterprise. Crown corporations and their assets were quickly liquidated, made especially attractive to the private sector by the application of accelerated depreciation. The Polymer Corporation, a crown corporation established in 1942 to manufacture synthetic rubber, was an exception. "Its economic value after the war is doubtful," Howe explained in August 1942, "but I think that operating costs will be low enough to warrant its peacetime operation as a Government enterprise."<sup>152</sup> As historian Matthew Bellamy has shown, the crown corporation had a long and successful afterlife following the war.<sup>153</sup>

The persisting conflict between Howe and the CPR had not been petty politics; it was a conflict rooted in different visions of the national economy: the CPR's vision, as it had been advanced by Beatty, opposed government intervention into its bailiwick and was rooted in the experience of the National Policy period when British capital drove the Canadian economy and the state remained a very junior partner; Howe's vision, by contrast, was more managerial, more open to government intervention, as well as more continentalist. The contrast between Howe and Sir James Dunn, noted by Duncan

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<sup>151</sup> Ashley, *The First Twenty-Five Years*, see especially Chapter Eight.

<sup>152</sup> Howe to Colin Gibson, Minister of National Revenue, 20 August 1942, file 10, vol. 47, Howe Papers, LAC.

<sup>153</sup> See Matthew J. Bellamy, *Profiting the Crown: Canada's Polymer Corporation, 1942-2000* (Montreal and Kingston: McGill-Queen's University Press, 2005).

McDowall, is helpful. While Dunn, the freewheeling financier, tried to control every aspect of Algoma, Howe operated much more effectively within the bureaucratic environment that came to characterize the modern corporation.<sup>154</sup> Many observers noted that Howe's willingness to let people do their jobs was precisely what made him such a successful director of war production. Moreover, the old political economy that had shaped the assumptions of men like Dunn and Beatty was one of high tariffs. After all, the protective tariff had been a cornerstone in the expansion and consolidation of territorial control over northern North America, along with railway construction and the rapid western expansion that characterized the National Policy period. Howe, by contrast, viewed economic integration with the United States favourably and believed in free trade between the United States and Canada.<sup>155</sup> Howe, then, favoured greater internal regulation of the economy through state intervention, while the older beliefs of Beatty and others favoured less and conformed more closely to Rudolf Hilferding's classic definition of finance capital, which involved international competition between states representing competing blocs of national capital; Howe departed from this framework and wished to introduce less trade restrictions, while the traditional stance of the big bourgeoisie, indicative of the accumulation strategy of finance capital, had been in favour

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<sup>154</sup> McDowall, *Steel at the Sault*, 189-90.

<sup>155</sup> J.W. Pickersgill and D.F. Forster, *The Mackenzie King Record, 1947-48*, vol. 3 (Toronto: University of Toronto Press, 1970), 273. After negotiations for a customs union with the United States broke down in 1948, Howe "suggested to American officials that the Liberals should 'put a plank in the party platform advocating not merely the reduction, but complete removal of import duties on trade with other countries, provided this could be accomplished on a reciprocal basis in each case.'" See Robert Cuff and J.L. Granatstein, "The Rise and Fall of Canadian-American Free Trade, 1947-8," *Canadian Historical Review* 58, 4 (December 1977), 479.

of high tariffs to promote economic growth but also to guard Canada as a British nation against absorption into the United States – part of what Hugh Aitken long ago described as “defensive expansionism.”<sup>156</sup> Finally, it should be noted that, as E.R. Forbes has observed, Howe’s economic policies merely consolidated economic disparities that had developed in the Canadian economy since Confederation.<sup>157</sup> The use of the state remained, in many ways, very limited under Howe’s oversight, directed towards the narrow goals of efficiency and growth, and guided by the outlook of the engineer.

## VII

In spite of earlier scholarly works on Howe, which have tended to de-emphasize the wider social context in which Howe operated and the ideological nature of his actions and opinions, he felt himself to be a member of a social class. Howe, for example, was explicit in his belief that engineers should work to enhance the “dignity” of their profession, implying that its distance from the trades should be maintained.<sup>158</sup> Howe’s reputation as being unsympathetic to labour was well earned. On numerous occasions, he proved to be particularly uninterested in cultivating relationships with union officials, canceling a meeting on one occasion because of a press report that incorrectly quoted a

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<sup>156</sup> Hugh G.J. Aitken, “Defensive Expansionism: The State and Economic Growth in Canada,” in *The State and Economic Growth: Papers Held on October 11-13, 1956, under the Auspices of the Committee on Economic Growth*, ed., Hugh G.J. Aitken (New York: Social Science Research Council, 1959), 79-114.

<sup>157</sup> Forbes, “Consolidating Disparity.”

<sup>158</sup> Howe to Robert G. Holmes, 23 June 1944, vol. 170, Howe Papers, LAC.

union official with whom he was scheduled to meet.<sup>159</sup> This behaviour was rooted in Howe's general feeling that labour was not entitled to share in industrial decision-making in any substantive way: control over production would remain in the hands of businessmen and professionals. Standing aloof from organized labour's demands for a role in shaping industrial policy during the conversion to a peacetime economy, during the 1946 Stelco strike Howe served as the company's inside man in cabinet, according to Mackenzie King.<sup>160</sup> One union official was earlier forced to remind Howe "that co-operation is a two-way proposition – it cannot be wholly on one side."<sup>161</sup> Employees from Research Enterprises Limited – one of the crown corporations he established and which was headed by Sam McLaughlin's ex-son-in-law, W.E. Phillips – had the audacity to confront Howe at a Toronto country club, usually a preserve of the wealthy, about the government's plans for the company. Howe's words to the workers, as rendered by a union official, were presented to Mackenzie King as follows:

By the end of September, I do not expect that a wheel will be turning at R.E.L. Every person now working will be laid off . . .

Let the workers go on strike. What the hell do I care. [*sic*] A little while ago I would have been worried, but not now. Now that plants are closing, there is no better time to strike. It will suit me fine. . . .

Workers have been nursed throughout the war. They may well realize that the war is over. I don't give a goddamn if they do have to take jobs at 25c an hour less. They had better take jobs or they won't be working for a long time . . .

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<sup>159</sup> Hansard, 12 September 1945, 117-8, 348536, King Papers, vol. 387, LAC.

<sup>160</sup> Robert Black, president, sub-district office, Kingston, Ontario, United Steelworkers of America, to C.D. Howe, 21 February 1946, 360863, vol. 399, King Papers, LAC; Pickersgill and Forster, *The Mackenzie King Record*, vol. 3, 340-1.

<sup>161</sup> Pat Conroy to C.D. Howe, 27 October 1944, 309736-7, vol. 357, King Papers, LAC.

The plant will be sold to a firm that will employ the most people. The Government is not prepared to state to whom. It might scare them off. Besides, we have to advertise. We've had many offers. The work will be similar to what they are now doing at the plant. . . .

When asked whether seniority rights would transfer over when the plant was taken over by a private firm, Howe was blunt – “No.” He was no less blunt in ending the encounter: “Now get the Hell out of here!”<sup>162</sup> Howe claimed he was misrepresented.

The spirit of it seemed to ring true, however. A Winnipeg grain dealer who read the supposedly misrepresenting press reports congratulated Howe for his stand. Howe accepted the congratulations and further explained:

It is hard for our privileged class in war plants to realize that the atomic bomb killed Santa Claus as far as they are concerned, and they must now go to work. The Minister of Reconstruction will have a very unpleasant time for the next four or five months, but I am convinced that there are jobs for all, which is all that concerns me. After a time, I think that people will become convinced that they must move out of the cities and go back to what they were doing before the war, but they are not going to do so without first raising a clamor.<sup>163</sup>

Workers, according to Howe's professional and class assumptions, would ultimately have to adjust to the resumption of “normal,” peacetime conditions, just as he felt they needed to adjust to the heightened production demands during the war without succumbing to the “self-appointed labor dictator” who threatened to disrupt production.<sup>164</sup>

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<sup>162</sup> C.H. Millard to Mackenzie King, 6 September 1945, 348533-4, vol. 387, King Papers, LAC.

<sup>163</sup> Howe to J.M. Gilchrist, Vice-President, Searle Grain Company, Limited, 10 September 1945, vol. 171, Howe Papers, LAC.

<sup>164</sup> “Postwar Unemployment Needn't Be Feared, View Of Munitions Minister,” *Globe and Mail*, 14 December 1943, 1, file 16, vol. 209, Howe Papers, LAC.

Although he favoured cooperation with conservative trade unionism, Howe opposed ceding any real power to workers and was quite conscious of this objective. The business and professional classes were, according to his view, the ones entitled to make decisions about production. By acquiescing to this arrangement, workers could achieve greater productivity and higher living standards, believed Howe. But he encouraged confrontation of those who failed to conform, as the post-Second World War strike wave became the largest in Canadian history.<sup>165</sup>

Howe's "rough and ready" demeanor was characteristic of an emerging style within wealthy circles during the first half of the 20<sup>th</sup> century, and here again we touch upon what has been described in the American context by Jackson Lears as the "managerial revitalization of the rich."<sup>166</sup> Howe's reputation as an uncultured individual, more interested in playing golf and fishing than in attending posh parties, moved in step with the demotic tendencies of the bourgeoisie throughout the 20<sup>th</sup> century. Howe also reflected trends observed in Christopher Dummitt's study of masculinity in postwar Canada, where Dummitt contends that control over nature and the management of risk were central to the consolidation of masculine authority: on fishing trips Howe would not

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<sup>165</sup> Howe argued "growth itself depends on the efficiency of labor and management, on their willingness to work together for higher standards of living, and on their mutual determination to give value for costs." He thus presented a form of cooperation, but it implied a highly unequal relationship, which of course appeared natural according to his worldview. See "Economy Needs Vigorous Unity, Howe Stresses," *Globe and Mail*, 30 October 1946, file 25, vol. 209, Howe Papers, LAC. He also congratulated the Trades and Labour Congress of Canada for remaining aloof from the postwar strike wave. See "Can Recover Lost Ground," *Ottawa Journal*, 24 September 1946, file 25, vol. 209, Howe Papers, LAC.

<sup>166</sup> Jackson Lears, "The Managerial Revitalization of the Rich" in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005), 181-214.

count the number of fish caught, but the number of fish “killed,” and, indeed, his chosen profession cast the entire natural world at the mercy of the engineer’s blueprint; moreover, his affinity with aviation seems to reflect quite closely Dummitt’s concept of “managed risk.” Anti-intellectualism, another characteristic trait of the “manly modern,” was also always apparent in Howe; though having taught at university, he had very little patience for – or understanding of – philosophical matters.<sup>167</sup> Howe’s formation as a member of a national bourgeoisie was, then, shaped significantly by gender. Howe, indeed, was regularly described by commentators as a “man’s man,” and his ability as a cabinet minister was very often associated with characteristics normatively associated with manliness – decisiveness, being the most obvious. His aggressive and confrontational approach to many problems, including labour relations, signaled the postwar bourgeoisie’s intention to resist the advances of labour. Mackenzie King recognized that the unbending Howe would make a terrible party leader, and considered him by the end of the war to be “a reactionary Tory influence” within the party. Like Dunning, Howe was something of a political “strongman,” whose chances of becoming

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<sup>167</sup> Howe to R.E. Powell, 7 July 1958, file 90-6, vol. 188, Howe Papers, LAC; Hutton, “What You Don’t Know About Howe,” 57; Alexander Barrie, “The ‘Devil’ You Think You Know,” *New Liberty* (December 1953), file 35, vol. 213, Howe Papers, LAC. Dummitt, *The Manly Modern*, 1-27. As the following memo from Grant Dexter suggests, W.A. Mackintosh’s experience in the civil service suggested that Howe was not that dissimilar from his fellow cabinet ministers: “Bill Mackintosh . . . fed up with being a civil servant. Has no bump for organization and no temperament for the rough and bruising career of a civil servant. Prefers educating young men with open minds to trying to split open the solid craniums of cabinet ministers in order to get ideas in. Is convinced that there is no such thing as an open-minded minister. All hopeless. Why waste life in trying to reason with them. So, he goes home to Kingston, stars in his eyes, the moment the big show is over. Meantime he essays daily an intellectual form of volleyball – bouncing ideas off Mr. Howe’s battleship steel headpiece. Some of ‘em bounce pretty far. But perhaps I am exaggerating. He finds that Howe agrees but does he know what he is agreeing with[?]” Dexter, memo, 1 March 1945, in *Ottawa at War*, 498.

party leader were limited by his inability to effectively accommodate the competing interests within the Liberal party.<sup>168</sup>

## VIII

Howe's experience helps to explain the ambiguous phenomenon of "change without change," which David Noble sought to understand in the development of the engineering profession in the United States.<sup>169</sup> Although he had been somewhat an outsider to the haute bourgeoisie in the 1930s, Howe assumed a central position in the Canadian economy in the 1940s and sought to reconcile Canada's economic elite to a refashioned relationship between the state and business. Significantly, Howe did not cede ideological terrain to the left, but rather argued that capitalist growth would itself answer all the major social questions of the postwar period. Looking back at the development of Canada, Howe addressed graduating engineers at the University of Toronto in 1952. He argued that

science, engineering, and industry have had as great, if not greater, part in shaping the destiny and form of this country than have statesmanship and political philosophies. Canada today is a very different country from what it was even fifteen years ago. We are now among the first four industrial nations of the world. Our industries have gained an ability to develop and manufacture their talents and resources only a few years ago. Today, Canada produces five of every six sheets

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<sup>168</sup> Pickersgill and Forster, *The Mackenzie King Record*, vol. 3, 116. In early 1945 Mackenzie King noted: "There is little doubt that Howe has evidently in mind being possibly considered as a successor to myself. There are groups around him who are grooming him for that post. They would be the business groups but he will never be chosen by the party nor would he be able to sit in the Prime Minister's saddle for any length of time. He is too impatient. Has very little political judgment or sense." See J.W. Pickersgill and D.F. Forster, *The Mackenzie King Record, 1944-1945*, vol. 2 (Toronto: University of Toronto Press, 1968), 357, 364-5.

<sup>169</sup> Noble, *America By Design*, xxiii.

of newsprint used throughout the entire world. Canada is first in the production of nickel, asbestos, and aluminum. The development of our water powers has made our production per capita outstanding by any comparison.<sup>170</sup>

In Howe's estimation this was a nation made possible by the engineer, and consequently a nation whose legitimacy was rooted in the efficiency and productivity of the evolving capitalist system. Eventually, it would reveal its own contradictions too, and Howe's "efficiency" in managing the relationship between the government and business would come under question; but at the beginning of the 1950s Howe had no doubts that the future held an impressive spate of capitalist expansionism.

Of course, Howe did not represent a complete break from the past. His attitude towards organized labour was far from progressive, and his enthusiasm for the free market appeared strikingly similar to ideas articulated by Beatty. But where Beatty viewed the economy as an independent organism, best left untouched by government intervention, Howe's outlook allowed for a more positive form of state intervention in the nation's economic life. This emerged not from an ideological preference for state enterprise, but from a managerial ethic that privileged efficiency and productivity. As such, in strategic sectors, such as the transportation routes that served to facilitate the major resource boom, the state could be allowed to assume a more direct role in order to bolster capitalist enterprise. In many ways Howe signaled the start of a transition to a form of managerial capitalism in Canada. He was an efficient operator within the bureaucratic framework typical of the modern corporation, as Alfred Chandler has

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<sup>170</sup> C.D. Howe, *The Engineer and Government: The Fifth Wallberg Lecture, Convocation Hall, January 22<sup>nd</sup>, 1952* (Toronto: University of Toronto Press, 1952), 8.

famously described it, and with that he accepted a modicum of economic planning.<sup>171</sup> As an agent of the state, however, Howe represented something different than what Chandler described. The economic slump of the 1930s revealed that, even in the United States, the modern corporation could not adequately address the broader problems of a generalized capitalist crisis. And even organizationally-advanced companies such as Du Pont were regressive in political outlook, sponsoring a free enterprise political front, the American Liberty League, which opposed the expanded uses of the state that were being attempted by the Roosevelt administration.<sup>172</sup> Howe introduced a managerial outlook to government and, encouraged by his introduction to state enterprise as minister of transport and later immersion in it as minister of munitions of supply, he helped forge a new relationship between the state and the private sector that was guided by the managerial ethic of the engineer. Describing Howe's beliefs in 1955, *Saturday Night* captured the essence of his *mentalité*:

The acceptance of the engineer in public life and the application of the engineer's "outlook and philosophy" to the highest problems of government are developments which he feels to be altogether fitting and natural – contrasted with the low esteem in which the engineer was held fifty years ago as a mere tradesman.<sup>173</sup>

The contrast that *Saturday Night* invoked between the "engineer" and "a mere tradesman" also reminds us of Howe's meritocratic dimension. Howe paid due heed to merit in his respect for "expertise," and he sought to reinstate meritocratic ideals in the

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<sup>171</sup> Chandler, *Visible Hand*.

<sup>172</sup> See Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York: W.W. Norton, 2009), 10-13.

<sup>173</sup> "Second Look at a Legend," *Saturday Night*, 1 October 1955, 17, file 35, vol. 213, Howe Papers, LAC.

postwar period. But, of course, “expertise” was not a neutral term. The dollar-a-year men were, according to Howe’s view, uniquely capable of managing the wartime economy, and the non-partisan makeup of the dollar-a-year men made plausible Howe’s view. That leading businessmen were using the state to direct the wartime economy seemed appropriate to Howe in the circumstances. Howe’s meritocratic outlook thus offered an explanation for the exclusion of other social groups from wielding similar influence over the state. Howe, in this way, represented a specific example of “managerial revitalization,” and a new mutation of the big bourgeoisie’s meritocratic ideology, which worked to legitimize their activities and the disproportionate power and wealth they controlled.

Nonetheless, the persistence and adaptation of ideological tendencies within the big bourgeoisie should not shroud the longer story of transformation. For better or worse, Howe’s outlook encouraged greater economic integration with the United States and represented a signal change from the old political economy of the National Policy period – which had been framed firmly within the east-west axis of the nation-state and conceived itself as an economic bloc within the British Empire – to a postwar economy increasingly based upon continental business linkages. This transition witnessed the political decline and eventual defeat of finance capital in Canada, most notably evidenced in the waning political influence of the CPR. Though in some respects, as Alvin Finkel has shown, the business elite successfully managed the political crisis that emerged from the Great Depression of the 1930s, they were also shaped by the crisis in ways they could not afford. Their political effectiveness waned considerably, as their programs to shore up the old order failed, and their adaptation only moved in step with their political defeat.

## CONCLUSION

On 28 September 1941 Sir Herbert Holt died. His death was announced on the loudspeaker at a baseball game at Delorimier Stadium in Montreal. An initial hush fell over the crowd – then a cheer. The reaction revealed Holt’s personal unpopularity in Montreal, especially as head of the local utility – Montreal Light, Heat & Power Consolidated. Even among colleagues Holt was considered something of “an old cuss,” though his personal secretary, Sévère Godin, claimed Holt’s steely image was a façade masking shyness and loneliness.<sup>1</sup> Whatever the case, Holt’s unpopularity was rooted in a more generalized political and ideological crisis within Canada’s big bourgeoisie. Earlier in the year, the Liberal Quebec Premier Adélard Godbout had expropriated the Beauharnois Company from the Holt power interests. Herbie Symington, Howe’s Power Controller, reported that the move was a huge blow to Holt and the “power barons,” since the financial structure of the interlocked power companies controlled by the Holt group was organized so that “the killing” in profitable returns would be made in Beauharnois

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<sup>1</sup> Peter C. Newman, *Flame of Power* (Toronto: Longmans, Green & Co., 1959), 25-6, 44.

common stock. Now this was gone, and Symington believed that Holt and his associates had little hope of reversing the trend.<sup>2</sup> The former Liberal premier of Quebec, Louis-Alexandre Taschereau, had been much more friendly to Holt and his cohorts.<sup>3</sup>

A new accommodation between the Quebec Legislature and Montreal's predominantly anglophone bourgeoisie would be worked out after the war under the Union Nationale administration of Maurice Duplessis, but such an outcome was not obvious to Holt and his contemporaries. The economic conditions of the 1930s had stripped big business of its former legitimacy. As many Canadians went hungry, lost their homes, and suffered humiliation by being made dependent upon charity, the claims of the business class to community stewardship were eroded. Howard P. Robinson, Charles Dunning, Sir Edward Beatty, and Colonel Sam McLaughlin all viewed the crisis of the Great Depression through the lens of the old liberalism, which recommended further retrenchment. As soon became apparent, this path was unpopular among citizens demanding a more active response from the state to the crisis. In the minds of many elite figures, popular opinion became a stumbling block to economic recovery, and raised questions about the efficacy of democratic governance in a period of economic crisis. As the political theorist C.B. Macpherson reminded us more than four decades ago, democracy itself had been a relatively recent and highly contested historical innovation.<sup>4</sup>

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<sup>2</sup> Grant Dexter, memo, 2 April 1941, file 19, box 2, Grant Dexter Papers, 2142, Queen's University Archives [QUA].

<sup>3</sup> But it should be noted that Taschereau had also sought to counterbalance Holt's influence. See Bernard L. Vigod, *Quebec Before Duplessis: The Political Career of Louis-Alexandre Taschereau* (Montreal and Kingston: McGill-Queen's University Press, 1986).

<sup>4</sup> C.B. Macpherson, *The Real World of Democracy* (Toronto: Anansi, 2006 [1965]), 1-16.

The response of the big bourgeoisie to the Great Depression belonged to this longer political struggle over the nature of democracy in Canada.

Their beliefs were also rooted in a general elitism and assumed superiority over the lower orders, which often assumed racialist dimensions. In certain instances, this resulted in a form of paranoia and isolation from mainstream thought; Howard Robinson, for example, felt that the *New York Times* was a fine publication, but he believed also that it was “Bolshevik and Jewish in its propaganda slant.”<sup>5</sup> He represented a somewhat more extreme reaction to the crisis, and he also occupied a unique position as a business leader within a declining regional economy; as such, he even came to see Confederation and National Policy expansion in the West as mistakes, but this represented more of a lament for the passing of a supposed pre-Confederation golden age in the Maritimes than anything else.<sup>6</sup> Robinson’s sense of political isolation during the 1930s and 1940s was in marked contrast to his political and business advances during the 1920s. His continued involvement in provincial utilities and his role in advancing the transition to pulp and paper were indicative of his commanding business presence, which was made all the more impressive by his growing control over Saint John’s daily press. Indeed, Robinson emerged as one of several press barons in Canada who brought the nation’s daily press under more strict business control, which became especially obvious after the First World War. But while individuals such as Robinson freed newspapers from their formerly close association with political parties, business’s structural dominance over the daily press

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<sup>5</sup> Howard Robinson to W.C. Milner, 4 March 1935, file 7, W.C. Milner Papers, S11, New Brunswick Museum [NBM].

<sup>6</sup> Robinson to Milner, 29 January 1934 and 24 February 1934, file 7, Milner Papers, NBM.

proved insufficient to shore up the legitimacy of big business during the Great Depression. Moreover, Robinson's business strategy achieved only limited success. His attempt to carry on the tradition of community-minded entrepreneurship in New Brunswick resulted in ambiguous outcomes, limited by the inherent contradiction of Robinson's position as a participant in the national economy with ties to American capital. Similarly, while Robinson sought to defend Canada as a British nation against the encroachments of American mass culture in the 1930s and 1940s, in the business world, as a director of Famous Players of Canada, he served as a representative of the American entertainment industry. Not unlike his contemporaries in the business community, Robinson's business strategies appeared to contradict the ideals of his worldview.

In contrast to Robinson, Charles Dunning's ascension into the big bourgeoisie involved breaking ties with his Canadian region of origin, the Prairie West. Of course, Dunning's geographic mobility coincided with his social ascent from farmers' spokesman to big business representative, and his trajectory revealed the potential for coalescence between progressive ideals and hard-boiled business objectives. His public image projected the meritocratic ideal of the period. And numerous businessmen were impressed by Dunning, whom they viewed as a political strongman capable of overcoming the limits of political partisanship. But Dunning's meritocratic sheen was lost as he made the transition to Ottawa politics and Montreal business. As minister of finance in 1929 and 1930, his accommodation of the protective tariff caused his stock to decline in Western Canada. And once he became connected with the CPR after losing his seat in the House of Commons in 1930, Dunning's estrangement from the West was virtually sealed. He came to embrace the outlook of the big bourgeoisie during the 1930s, and

some elite figures hoped that Dunning could lead a non-partisan effort to offer the country stronger leadership during the economic crisis. But this was not to be. Instead, Dunning re-entered the Liberal cabinet as minister of finance following the electoral victory of the King Liberals in 1935. In government, the constraints of popular opinion and the concomitant balance of opinion within the Liberal party limited Dunning's range of policy alternatives. Ironically, Dunning oversaw the Canadian government's initial experimentation with Keynesian policies. Rather than living up to his former reputation as a political strongman and prospective Liberal leader, Dunning became a pawn in Mackenzie King's deft statecraft, indicative of the larger political difficulties the big bourgeoisie faced in attempting to shape public policy. Dunning's limited success in politics during the 1930s should not be seen as a personal failure. Rather, it was symptomatic of big business's diminished legitimacy and the rapid political eclipse of the old liberalism, a liberalism which Dunning continued to embrace and remained important in structuring the worldview of the business elite throughout the Great Depression. Dunning left government an embattled man in 1939 to resume his business career in the more politically comfortable environment of St. James Street.

No other man represented St. James Street more publicly during the 1930s than Canadian Pacific Railway president Sir Edward Beatty. The CPR's political and economic position was seriously eroded during the interwar years, as the political economy of the National Policy period, based upon British capital, immigration and settlement, came to a close, and as the state emerged as a competitor in the railway business. From the time he became CPR president in 1918, Beatty vigorously opposed direct government involvement in the railway business. On the heels of mounting

competition between the CPR and the government-owned CNR, the Great Depression radically worsened the outlook of both railway companies. Disappointed by the recommendations of the royal commission appointed to study the subject in 1931 and 1932, Beatty became a lead proponent of National Government, which, to Beatty's mind, meant a non-partisan administration that would be freed from the constraints of the party system. Of course, a key element of such a government was its insulation from popular opinion. According to Beatty, the willingness of politicians to mindlessly pander to popular sentiment had stifled a constructive solution to the nation's railway question. He was not alone in this thinking. Numerous businessmen questioned the efficacy of democratic governance in the context of the economic crisis, and they remained deeply suspicious of the wisdom of, to use the parlance of the times, "the man on the street." But Beatty's efforts failed. The political power of the CPR and St. James Street was faltering significantly, and signs of broader economic transformation were apparent.

Perhaps nowhere was this more apparent than with the rise of the automobile industry. Automobiles represented a key aspect of Canada's economic future, and no one personified the new industry better than Sam McLaughlin, the president of General Motors of Canada. His father's carriage business had been a success story of National Policy industrialization during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. McLaughlin initiated the business's transition towards the production of automobiles in 1907 before shifting the company's production entirely to automobiles in 1915. McLaughlin's consistent dependence upon the American automobile industry was formalized when he sold the family business to General Motors in 1918, and he remained in charge as president of GM's Canadian branch. During the 1920s McLaughlin succeeded in consolidating local

support for General Motors in Oshawa, recreating the paternalism of his father's carriage business; his claims to community stewardship remained effective as he rallied local support to protest the lowering of the automobile tariff in 1926 and as he intervened to resolve a dispute at the Oshawa factory in 1928. But these claims were eroded under the impact of the Great Depression of the 1930s, as GM drastically reduced its Oshawa output in response to the downturn. While the path of dependent industrialization allowed McLaughlin to amass great sums of personal wealth and promoted his integration into Canada's big bourgeoisie, it paradoxically undermined his authority in Oshawa. The epic 1937 strike in Oshawa was evidence of the newfound militancy among the local working class in Oshawa, as workers transformed it from a company town into a labour town. In step with his estrangement from Oshawa's working class, McLaughlin retreated to the conservative ideals and solutions that seemed sensible to other business and political leaders in Ontario, such as George Drew and George McCullagh, thus following a trajectory similar to the other case studies.

Collectively, these elite figures adopted terms such as retrenchment and economy in describing the steps towards economic recovery and found the popular clamour for new paths not only distasteful, but also often positively frightening. Only very unevenly did a new consensus emerge, and this occurred only after the political failure of the older worldview. C.D. Howe introduced a new form of business expansionism after the older version – the version of expansion Holt offered in his 1929 address to the board of the Royal Bank of Canada – failed to achieve results. As minister of transport and later as minister of munitions and supply and minister of reconstruction, Howe assumed new economic responsibilities for the state and ultimately helped show the nation's business

elite the benefits to be accrued through a more interventionist state role in the economy. After the initial transition to a peacetime economy, Howe's former reputation as a government administrator who often clashed with Canadian business titans – most notably, Sir Edward Beatty – melted away. He developed the persona for which he has been more famous within the historiography – a free enterprise man. At the top of Howe's list of principles guiding the government's industrial development program was this declaration: "Canada is a free enterprise economy and the initiative for industrial expansion rests with private individuals and firms."<sup>7</sup> This principle was one with which Beatty could have heartily agreed; and, indeed, the company with which Beatty had been most connected until his death in 1943, the CPR, prospered in new areas during the postwar period.<sup>8</sup> Howe argued for the appropriateness of state intervention in the pursuit of industrial development, stable employment and rising wages. Such a policy would also, to his mind, make the social provisions of the welfare state unnecessary. This economic model provided a new basis upon which Canada's economic elite could begin to reclaim lost political and economic power and shore-up claims to stewardship in the new postwar environment. Howe helped replace the pessimistic language of retrenchment from the 1930s with the more positive language of productivity and efficiency, introducing a new managerial ethic to Canadian capitalism in the aftermath of finance capital's political failure.

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<sup>7</sup> C.D. Howe, "Industrial Development in Canada," *Public Affairs* 11, 4 (December 1948), 213.

<sup>8</sup> See Robert Chodos, *The CPR: A Century of Corporate Welfare* (Toronto: James, Lewis & Samuel, 1973).

Of course, Howe was not the definitive embodiment of the new managerial capitalism of the postwar world. He carried forth the fundamental ideals of free enterprise into the new postwar environment. And by the time of the Pipeline Debate in 1956, Howe himself had come to assume the role of the old curmudgeon from a bygone era, as politicians and policymakers gained an even greater sense of the state's capacity to intervene in the economy.<sup>9</sup> Later economic nationalists of the 1960s and 1970s were apt to see Howe in terms of his postwar career, viewing him as the man who sold out Canada to the United States. But, as we have seen, his worldview and activities during the 1930s and 1940s helped introduce a new capitalist logic to the big bourgeoisie, and his historical role was important to the transition from finance capitalism to managerial capitalism. Significantly, although the Great Depression and the experience of the wartime economy had sounded the death knell of finance capitalism, the new managerial capitalism shared with its predecessor a fundamental assumption: that workers would be following orders. While George Grant and the left-nationalists later lamented Canada's apparent failure to produce a truly national bourgeoisie, commentators of the period thought Canada's business class powerful and aggressive enough. "Any attempt to picture Canadian-owned and controlled capital as a domesticated tabby cat as compared with the ravening Bengal tiger of foreign capital should be treated with healthy skepticism," wrote CCF activist Louis Rosenberg in 1947 under the playful pseudonym

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<sup>9</sup> For an overview of economic policy during the "Keynesian era" see David A. Wolfe, "The Rise and Demise of the Keynesian Era in Canada: Economic Policy, 1930-1982," in *Modern Canada, 1930-1980's: Readings in Social History, Vol. 5*, ed. Michael S. Cross and Gregory S. Kealey (Toronto: McClelland and Stewart Limited, 1984), 46-78.

Watt Hugh McCollum that was attached to a popular pamphlet entitled *Who Owns Canada?* “They belong to the same species and have similar claws.”<sup>10</sup>

The big bourgeoisie survived the crisis, but not in the manner they hoped or expected. The Great Depression of the 1930s presented an unexpected and unprecedented political challenge to Canada’s economic elite. “We didn’t even say ‘Après nous le déluge,’ because we didn’t know any deluge was coming,” reminisced one wealthy resident of Montreal’s Square Mile.<sup>11</sup> After the Great Depression descended upon the Canadian economy and the political crisis of finance capital deepened, the big bourgeoisie became, in numerous respects, more conservative and politically isolated. Contrary to the dominant scholarly interpretation emphasizing the business elite’s smooth transition to the new social democratic era, this study has shown, through the experiences of leading business and political figures of the time, that the vicissitudes of adaptation were anything but smooth. Indeed, the bourgeoisie’s adaptation to a social democratic era only occurred after the radical alternatives advanced by conservative-minded figures of the period failed to make political headway. More broadly, this signaled the historic political failure of finance capital in Canada.

From the foregoing analysis it is possible to appreciate the historically contingent limitations of the big bourgeoisie’s economic and political power in Canada during the three decades following the end of the First World War. The general worldview of the big

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<sup>10</sup> Watt Hugh McCollum [Louis Rosenberg], *Who Owns Canada? An Examination of the Facts Concerning the Concentration of Ownership and Control of the Means of Production, Distribution and Exchange in Canada* (Ottawa: Woodsworth House, 1947), 9.

<sup>11</sup> The quotation comes from Murray Ballantyne in Margaret W. Westley, *Remembrance of Grandeur: The Anglo-Protestant Elite of Montreal, 1900-1950* (Montreal: Libre Expression, 1990), 160.

bourgeoisie during the period was fundamentally shaped by the past experience of the National Policy period, when government intervention remained limited to that of a supporting role to private enterprise, and when the Canadian nation-state remained firmly rooted within the economic and cultural sphere of the British Empire. As these eroded in the face of increased continental integration, as economic catastrophe seemed imminent, and as social democratic and socialist alternatives rose, a siege mentality obtained among numerous leading business and political figures in Canada. In the end, it was only the political failure of these men and their ideas that decisively prepared their social class and their successors for adaptation to something new.

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## Curriculum Vitae

### Universities attended:

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